

# CITY OF PALO ALTO CITY COUNCIL TRANSCRIPT

Special Meeting May 27, 2015

The City Council of the City of Palo Alto met on this date in the Council Chambers at 6:37 P.M.

Present: Berman arrived at 7:12 P.M., Burt, DuBois arrived at 8:17 P.M.,

Filseth, Holman, Scharff arrived at 7:57 P.M., Schmid, Wolbach

Absent: Kniss

Palo Alto Youth Council:

Present: Aspegren, Cheng, Chiu, Hristov, Ji, Kemp, Ben Owens, Bryant

Owens, Pujji, Saini, Sales, Sharma, Xie, Yu, Bahl, Keyani,

Olmstead, Phan, Wang

Absent: Krawczyk

**Public Art Commission:** 

Present: Beard Ross, Gordon, Migdal, Miyaji, Taylor, Zelkha

Absent: Olmsted Silverstein

**Oral Communications** 

None.

#### Study Session

1. Joint Study Session with the Palo Alto Youth Council.

The 2014/2015 Palo Alto Youth Council (PAYC) consists of 20 Palo Alto high school students with representation from Henry M. Gunn High School (Gunn), Palo Alto High School (Paly), and Castilleja School at every grade level. This year they adopted the theme, "Redefining Success" to emphasize the reality that there are many ways to achieve success, not just through academics. They discussed that by promoting and elevating the alternative paths to success, and celebrating the uniqueness of every teen, that their

hope was that the pressure to succeed academically might be reduced. To support this theme, they selected the following projects:

Palo Alto Pride Award – an award that teachers give to students to recognize them for their effort, character, achievement outside the classroom, or any other action or behavior deemed worthy of recognition that is not tied to academic performance. PAYC felt that this award would encourage authentic, caring conversation between the teacher and student, thus providing the foundation towards a positive relationship between a caring adult and the student. This program is currently being piloted at Paly and Gunn, with particularly strong support from Gunn Principal Hermann; and

Palo Alto Roots Online Publication – Palo Alto Roots is an online publication that showcases Palo Alto students achievement outside the classroom to highlight the various ways students can achieve success. They hope to continue to publish articles, interviews, and videos that Redefine Success for the Palo Alto community; and

Suggestion Box – To encourage a culture of open communication between teens and their community, PAYC placed suggestion boxes at Gunn, Paly, Mitchell Park Teen Center and Library, and promoted Castilleja's online portal. Anyone can submit a suggestion for the School Administration, City Council, or other entity and PAYC commits to check the boxes often and forward suggestions appropriately; and

Student & Parent Academic Stress Survey – PAYC developed two versions of essentially the same survey to distribute to Palo Alto teens and their parents. They found that the parent perception of teen academic stress is very different to the teen's reported reality of academic stress they experience. PAYC hopes to use the survey results as a tool to encourage more open and honest communication between parents and their teenagers to foster a better understanding of the stress teens face and how they can be better supported; and

Youth Friendly Business – The PAYC, City of Palo Alto, and Palo Alto Chamber of Commerce are partnering to launch the Youth Friendly Business Initiative, a program to encourage more positive relations between businesses and Palo Alto teens. The program hopes to launch in the Fall of 2015 with a Chamber of Commerce mixer, distribution of materials to local businesses, and a nominating committee responsible for awarding the Youth Friendly Business award.

2. Joint Study Session with the Public Art Commission.

Elise DeMarzo, Senior Program Manager: Good evening, everyone. We're very excited to be here for the joint Study Session with the Public Art Commission. The Commissioners are very excited to talk about what we've all been up to for the last year, what we have on the horizon and our Public Art Master Plan moving forward. With that, I would like to turn it over to our Chair, Jim Migdal. Kick it off.

Jim Migdal, Public Art Commission Chair: Good evening. We're excited to be here and to have this joint session. We realize you guys have been here for a little while, so we'll try to move things along. There's a lot of exciting stuff that we're going to go through tonight. We look forward to your questions and to a lively discussion about public art in Palo Alto. We're going to hit the highlights of the past year and talk about the various projects that are under way, and a bit more about the future and how it dovetails into the broader initiatives about improving the quality of life in Palo Alto. I think public art, and many people would agree, represents a great opportunity for people to stop and reflect on their surroundings. Hopefully they get inspired and smile and laugh, depending on the piece. From the Greg Brown murals to our latest Bruce Beasley Arpeggio at Mitchell Park, we've got a wonderful collection with over 100 pieces. It's exciting to be able to join some of the other progressive cities that have adopted a Private Development Ordinance. There's lots of things in the works there that you'll hear about tonight. Let's see. Tonight we have everybody here except one of the newer Commissioners who joined with Nia and myself, Dara Silverstein. We've also just welcomed a couple of new Commissioners, Mila Zelkha and Loren Gordon, who you'll hear from in just a little bit. It's been a really busy and productive year. Elise and Nadia have done a great job driving forward on a number of different initiatives that we're going to go through. There are a few things we're going to cover on the agenda. First, Nia is going to do a review of the completed projects, of which there are eight permanent and one temporary. Mila's going to talk about the progress that's been made with the Public Art in Private Development, where we have three pieces that are approved, not yet installed but approved, then a full pipeline of exciting things that are coming up given the state of development in the City. Loren's going to talk about the Municipal Ordinance and a couple of other items. Amanda's going to talk about two upcoming projects. Ben is going to wrap it up with an update on the Master Plan and the things that we have done on community outreach. With that, we'll hand it over to Nia.

Nia Taylor, Public Art Commissioner: Thank you. On December 6th, 2014, we officially unveiled four diverse works of art at the Mitchell Park Library and Community Center at their grand opening celebration. Fortunately, several artists were on hand to speak with community members and give public tours. Even better, three out of the four pieces were all created by

Bay Area artists, which is really special, showing that we care about our artists in Palo Alto and the Bay Area. The first piece is Arpeggio V by Bruce Beasley. He's an internationally recognized sculptor based in Oakland. This piece ironically was created especially for Palo Alto. It's an arch-like granite form that makes a beautiful gateway to the new Community Center and While the sculpture does not move, it does imply motion and interaction between shapes. It captures the programming of Palo Alto's diverse community and the varied activities taking place at the new facility. It's a great eye-opener. It's engaging, especially at the center of this new vibrant Community Center. We also have Cloud Forest. It's a stainless steel sculpture by the Portola Valley-based sculptor Roger Stoller. It's one of my favorite pieces out of all of them. It's just gorgeous and vibrant with the light when it hits it during the afternoon. There's also Whimsy and Wise, a set of playful owl bollards created by Dallas-based artist Brad Oldham. I'm sure those of you who have been to the new space have seen many adults and kids having fun with these beautiful whimsy creatures that we see as we enter the Library and Community Center. We also have a piece called Follow Your Heart by Mark Verlander. He's an artist and designer who created the 16-panel mural in the Teen Center. He spoke to teens; we meet several of them in the Teen Council earlier this evening. He talked to them about what Palo Alto means to them. These panels, which are double-sided, tell the story visually about what Palo Alto means to the teens, which is so important, as we know, in Palo Alto, not only at this time but just hopefully in the future as well, showing that we care about our community. The next piece that I wanted to talk about is Brilliance by Joe O'Connell and Blessing Hancock. This piece was created and installed on July 2014. It's a family of six sculptures that are placed throughout the plaza between the Palo Alto Rinconada Library and the Palo Alto Art Center. The sculptures are made up of multilingual phrases collected from the community. They're cut out of steel and they're welded together in three dimensional lantern-like forms. The evolving series increases in complexity and expresses growth through a sequence. If you've seen them especially at night, they're gorgeous. The next piece is actually a two-part piece that was created by Bay Area artist Martin Webb. It's a commission that he did for the Regional Water Quality Control Plant and household hazardous waste station in Palo Alto, California, obviously. There's two pieces, Ride the Currents and Currents. The current one you're seeing is Ride the Currents, and the second is Currents. Both these pieces were inspired by Baylands environment, one of the largest tracts of undisturbed marsh land that's remaining in the San Francisco Bay Both works are visually bright and alluring to echo the Baylands landscape. Topping a streetscape improvement project that was four years in the making is Confluence. It's created by Palo Alto native Michael Szabo. It's a 14-foot public water sculpture that was recently installed and unveiled on May 7th near the California Avenue Caltrain Station. Confluence consists

of several gently curved bronze elements with water cascading down the façade at the sculpture and splashing on the ground. The newly installed artwork creates a welcoming and relaxing oasis for residents and commuters passing through the plaza. The last piece that we have to share with you is a temporary installation called *Questions about Your City*. It's an installation that was designed by Oakland-based artist Anthony Discenza. It features 20 questions attached to signposts within an eight-block radius of City Hall. It's intended to encourage busy Palo Altans to consider the future of the City. As you can see, our pieces are very community-oriented, and they engage and they ask people to ask questions and to talk about it and appreciate the world around them through art.

Mila Zelkha, Public Art Commissioner: I'm going to quickly review the Public Art in Private Development Ordinance. As of this date, there are 29 projects that have been identified and that are subject to the Ordinance, which means that there are over 10,000 square feet based on their estimated construction evaluation. Of those 29 identified projects, nine of them have art that's going to be commissioned and have come to the Public Art Commission. Six of those nine have completed Public Art Commission initial review and three have had both their initial and final reviews. In addition to the nine, seven projects have indicated that they plan to pay in-lieu fees instead of commissioning art. The remaining 13 projects are still deliberating their decision. I'd like to note that prior to the Ordinance, the Public Art Program Director position was half-time, and the funds from the Public Art Projects in Private Development allowed for this position to move into full-time. That's now full-time public art Staff. Up to 20 percent of an artwork's budget can go to construction management including the option of selecting Staff for this role. Three of the nine projects I just described and that have decided to commission art onsite have selected the City to be their project manager. This is a breakdown of those nine. You'll see the three that have had their final review are in the second to last column on the right. We're going to briefly go through them. The following slides show what those three are. This proposal by Barbara Grygutis and it's entitled Frequencies. It's on Page Mill Road. It was inspired by the oscilloscope that was invented in the Stanford Research Park. That's where you can observe the change of an electrical signal over time and it takes the form of a wave. That's where this piece is coming from. The next piece is by Charles Gadeken. It's the same artist that has the temporary installation of the Aurora piece in front of City Hall. This one will activate different panels with earthquake data. The third piece here is Approach by Daniel Winterich. I hope I'm pronouncing that correctly. It was inspired by the Baylands, in particular salt marshes and fractal geometry.

Loren Gordon, Public Art Commissioner: Hi. I'm here to talk about the updated Municipal Ordinance that was signed in January of this year. The updated Ordinance continues the policy requiring capital improvement projects to devote 1 percent of their construction budget to public art. It permits these funds to be pooled into the Public Art Fund, giving us more flexibility. These funds may be expended on public art at any appropriate site within the City and may be used on permanent or temporary art. In this slide, we present five new artwork donations. We have a photo of one of them and the others will be photographed soon and added to our database. The first donations were by Joseph Zirker, Landscape #1 and #2, and a mixed media sculpture, that you see here, titled Kokopelli by Sharon Chenin. These artists were Cubberley Studio Artists. In accordance with the inresidence program, they donated these pieces to the City of Palo Alto. Ehren Tool, an artist in residence at the Palo Alto Art Center, gave the City four ceramic cups titled Four of Thousands and an untitled monotype on handmade paper.

Amanda Beard Ross, Public Art Commissioner: Thanks Loren. I want to quickly comment on the quality of the work in the collection. It keeps getting better and better and better. I'd like to update you on some upcoming work. As you're all mostly aware, Conversation, sited here in the lobby of City Hall, is an interactive media artwork designed to engage the public and encourage communication and participation. It is a tool that invites visitors, both those physically here and remotely, to participate in a public experience to offer opinions, to explore and to create through words and photographs. The artist, LA-based Susan Narduli, whose proposal was chosen from over 100 submissions specializes in creating relevant public spaces for the 21st century, not in rehashing the familiar. She is a specialist in merging disciplines like public space design, architecture, light installation. The wall which is partially in now, as you can see, will always be live, changing, sourcing material from news feeds, from the internet about local issues, national, global events. The visitor can either by means of a kiosk in the space enter their own opinions or thoughts about it or can do that remotely. There is even a feature that allows them to take a photograph and have that added to a library of images that will be kept. This piece, we are anticipating a late summer launch. Secondly, an update to the interactive light and sound installation project known as the University Avenue Tunnels by Ala Ebtekar and Binta Ayofemi. As you know, it's our first formal partnership with Stanford. We are very excited about it. Light, sound, interactivity coming to this extremely well trafficked but dim space. Stanford students of Ala's, who teaches courses there, have already begun sourcing sounds of Palo Alto for the project. We are still seeking the additional funding for the project. Staff is working with the City to facilitate preparation of the physical site which, I'm told, has considerable challenges.

The focus will be on the northern tunnel to begin. We are hopeful for installation in August or September of this year.

Ben Miyaji, Public Art Commission Vice Chair: Good evening. This is an update of the Public Art Master Plan. First, I want to say it's a pleasure speaking to you in person. I think the last time I spoke to you was about six weeks ago over Skype and I was at AT&T Park. Now I get to talk to you in person. Everything that we've seen so far ties into what the Public Art Master Plan is and what Palo Alto and the public art process is. We have very diverse communities that public art can tie together. meeting places. It could be identity for Palo Alto. It could be destination public art. The public art is public art and what brings this City together. That's the important thing about public art, that it can bring a community together. About a year ago we met about the Public Art Master Plan. That process was about to begin with an open RFP process. The Commission was looking forward to selecting the consultants to write the plan. Two national authorities in public art, Barbara Goldstein and Gail Goldman, were selected to gather community input and write the plan. They both have extensive experience in working with different types and sizes of communities, City Staff and even City Councils and writing Master Plans. The Public Art Master Plan is a one-year process and will be a roadmap for public art in Palo Alto for the next five to ten years. The Master Plan process includes extensive community outreach and engagement led by-it's a nickname for the consultants—the golden girls and including artist-led outreach which is very important. The artist outreach gives another view in how to look at things and how to gather information other than the consultants going out and doing that. The outreach will include speaking with Council Members, City Staff and other stakeholders in the community. At present more than 25 meetings have taken place with Staff and key community representatives. The Plan will refine the vision and goals of the Public Art Program. public art collection will be evaluated and mapped. It's very important to do Recommendations for amendments to policy, procedures and that. guidelines will be presented. One important recommendation will be the (inaudible) policy, how and when to remove public art from the collection. Opportunities and priorities for placement of public art, both permanent and temporary will be identified through discussion with City Council, Staff and the public. Another vital area will be examining the methods and criteria for artist and artwork selections. This is a very important thing to have some sort of criteria, especially for the artist and for the artwork. Another feature will be identifying partnerships and funding opportunities for the Public Art Program. As was mentioned, the University Avenue tunnel project was a very important one with Stanford, because that is the portal between Palo Alto and Stanford. Short-term, mid-term and long-range implementation strategies will be prioritized. A Public Art Master Plan Advisory Committee

consisting of 19 members has been formed and will meet three times during the course of the Plan process. The Committee has a broad spectrum of members including former Council Members, business owners, Stanford University personnel, artists, teachers and students from Palo Alto High and Public Art Commission Members. It is very important to get the youth of the community involved. They are the future of not just public art, but the arts in general. Our first meeting was held last week and the energy and passion of the committee still has me buzzing, because it was a great meeting. The Public Art Master Plan consultants, the Golden Girls, will make two more presentations to the Advisory Committee with a final presentation that will include the draft Plan for review. This final Plan will be presented to the City Council for approval in early 2016. This is an important milestone for Palo Alto and an exciting time for public art in Palo Alto.

Mr. Migdal: With regard to some of these ongoing projects. With regard to maintenance, we identified or selected a consultant already?

Ms. DeMarzo: We have a consultant who's evaluating the collection.

Mr. Migdal: To figure out what we can do for some of the pieces that are in need of repair and to understand what's the right path. Is it something that can be repaired? Is it something that we need to remove in some cases? On the temporary Public Art Program, there's a couple of spots we're evaluating. I'm going to let Elise cover this. Social media and the web. We're now on Facebook which is exciting. With regard to the mobile app, which is one of the reasons that I was interested in getting involved. You may recall about a year ago, we have an app from Google called Field Trip. Field Trip is not live yet. The Field Trip app is live, but our content is not The content that was available on the website is not right enough, so I'm personally funding the development of the content. They've got about 40 percent of the collection covered. There's a couple hundred words per piece as well as links to the artist website when that's available. In the case of Greg Brown and all his murals, there's a great video that's on YouTube. I had a couple of college students working on this, and they are not as reliable as I'd hoped they would be. I have a student from Gunn who's helping, but it's slow. I'm paying them \$20 a piece and hoping that I can get this done at some point in the next six months. As far as condition assessment for the collect, Elise, do you want to address that one? I don't know if that's in the same context as maintenance.

Ms. DeMarzo: It is. The condition assessment is one piece of the maintenance puzzle. The maintenance is larger, overarching. The condition assessment is a subset of that.

Mr. Migdal: It's time now to open things up for discussions. We'd be interested in your feedback, areas or things that you'd like to see done that aren't being done, etc.

Mayor Holman: Does Staff have any wrap-up before we go to Council Members?

Ms. DeMarzo: No. We wanted to leave it open, so that there was plenty of time for discussion and questions.

Council Member Berman: I'll kick it off. Thank you guys very much for the presentation tonight and for all the work that you guys do outside of the check-ins with Council. Jim nailed it in his opening when he talked about the value of public art and how it can cause you to stop and think and ponder and enjoy, stop you in your tracks. It caused me to go through experiences that I've had with that and all on trips and a lot of international trips. It made me realize that those are the times when I'm wandering around a new city, just looking around, and soaking everything in and seeing neat things and having them have an impression on me and realize that I should probably do that in Palo Alto one weekend day and just wander around and enjoy all the art. Whenever I'm out in Palo Alto, I'm always rushing around. You don't get a chance to sit back and enjoy it. I love a lot of the new art that you guys went through in your presentation. I was going to highlight Brilliance because the first time I saw it was in the evening. All the different pieces were lit up different colors. It's so amazing. I haven't been back since and need to go. Is it the Cloud Forest? Is that the name of the piece at Mitchell Park? I could list them all. They're all fantastic. I haven't been out to the water treatment facility to see those yet, but I'll have to go check them out. I was glad that we got an update on the mobile app. Thank you for a lot of the work that you're doing personally on it, Jim. That is a neat thing that will open up accessibility to a lot of our pieces for folks. A couple of random thoughts that I had during the presentation. I don't know if you could do this. I don't know if it'd be PC to do this. Having maybe a twohour or four-hour, an all-day map of different public art pieces in Palo Alto that folks should look at. You give out different options for different time limits, some of the more prominent pieces that we have and a map for folks to get to those. Maybe it's that I want that personally for a weekend day. I'm being selfish, but it seems like it could be a neat idea. I can't remember if I brought this up before or not; maybe I haven't. We get some developments in town that don't turn out as aesthetically pleasing as we might have hoped. In private developments, it'd be more difficult. I was thinking about the affordable housing complex at, I think, Homer and Alma and the wall that exists on Alma as a part of that. Is that something where public art might add a little value and soften the visual elements? It could

be something neat to think about if there's an opportunity there. I wanted to throw that out as something to think about. I don't know if legally that's possible or what have you. I don't think it's the Housing Corp.; I think it's a different group. Hopefully they'd be amenable to something like that also. Just a thought. Thank you guys.

Vice Mayor Schmid: Very provocative and fascinating sets of materials. I like very much the little brochure you have, not only locating things but giving a little flavor of what's out there in the community. I want to focus on one thing. You're instituting a Public Art Master Plan, which is an opportunity to step back and say, "What do we have? Where are we going? What do we want to do?" It's a wonderful opportunity. It coincides with our Comp Plan and helps us think about the City as a changing, evolving community, this notion of having a chance to control or decide or be a part of that influential thing. The other major change that has come, revolutionary change, is this 1 percent, not just on public buildings, but on large commercial and housing buildings as well, and the fact that part of that is paid into an in-lieu fee. It looks like, from your numbers as you begin to go down there, maybe half the people might say, "in-lieu," especially smaller locations. That changes the nature of what the Public Art Commission is Up to now, you've been looking at art onsite. How does this particular piece of art fit in this site? All of a sudden with the in-lieu fee, you have two critical variables: a piece of art and a location. The location can be anywhere in town. How do you think about art and locations? I notice in your brochure that the public artwork tends to be concentrated in the big commercial parts of town and probably the parks. What about the rest of the community? How can we integrate art into the rest of the community? I would look to the Master Plan as a way with grappling with that issue of what new criteria are there, that might help you think about not just one piece of art, but a set of art pieces around town that do something for the community. It might make sense to have some interaction. Some of your community outreach might be to the Historical Review Board. What is there in the history of Palo Alto that might through art be able to express itself? Maybe the Parks and Rec Commission has some notions about how do we link our parklands, how do we get people walking to local parks or something, and what is there that might be magnets to attracts them. It's a wonderful opportunity. I look forward to seeing the evolution of the Master Plan. I would hope that you don't wait until some night in the spring of 2016 and you come to the Council and say, "Here's our final Plan." There could be some alternatives or options to participate either as a group or singly in what's going on, what kind of connection is going to made to our Comprehensive Plan. How does it fit in? How does it enlighten? How does it enrich our Comprehensive Plan? Look forward over the next year to participating as we can and seeing what you come up with on critical issues.

Council Member Burt: First, thanks for the presentation. I am impressed with all that you're doing; it's a lot. Keep up this aggressive plan. I first wanted to follow onto a couple of comments by Council Member Berman and Vice Mayor Schmid. Their comments caused me to think about maybe framing it slightly differently. We tend to put art in prominent locations, locations with high foot traffic, at fronts of buildings, at entrances to great public facilities. The comments that I heard from them made me think that we should also be thinking as much about where it's needed and where it would take something that's lacking and make it rich. I don't have the answers as to what those locations would necessarily be, but it's a different perspective on where we might locate art. I also was glad to hear that in the Art Master Plan there's an involvement with youth. We just finished meeting with our Youth Council. I don't know whether the Commission has had a role in events like Youth Speaks Out. If you're not familiar with it, it's a great annual event that is at the Art Center. Some of the pieces have rotated at public businesses around town. Whether it's that engagement or other engagements that you might be able to creatively think of, it would be great to see how you could help both validate and recognize our youth who are participating in art. That validation of their work would mean a lot. As you have youth who are in a community, they're being driven by a value structure that says what matters most is their SAT scores and which schools they got into. Having leaders in the art community validate what they're doing could matter to them. I'd encourage you to do that. Finally on the piece that we're going to have in the front lobby, Conversation, I don't know whether there's an intention to include community art and perhaps youth art as part of what's rotated there in images. Already I'm seeing heads nod, so I'm hoping that nodding is that it's already part of the plan.

Ms. Ross: I'm nodding that it's an excellent idea. If we have the means to put a photo ...

Council Member Burt: I didn't know whether it was "a good idea" nod or "we're already doing it" nod.

Ms. Ross: No.

Council Member Burt: Either way, same purpose. Great. Thanks a lot.

Ms. Ross: I wanted to say that we have the means to put photographs up. The default screen is a series of photographs. It is wonderful, the notion of interspersed with faces of people actual representation of art as a creative expression of who they are, so it's like it is, in some ways, a portrait.

Council Member Burt: I also meant the art pieces too. As I think about it, recognizing the artist and the art. Both sound good.

Ms. Taylor: I also want to chime in. We've had many conversations during our meetings about using some of the empty storefronts and also some of the buildings that have been torn down, the facades, using them as a canvas. Youth art is also a great way to incorporate that. Thank you.

Mayor Holman: Let the record show that Council Member Scharff has joined us.

Council Member Filseth: Thanks. Maybe there's not an easy answer to this question. How much of the art in our City rotates versus is permanent? Is that something that's still being worked out?

Mr. Migdal: The majority is permanent.

Council Member Filseth: As you go through the Master Plan, do you think that's going to change or is that going to be ...

Mr. Migdal: My personal opinion is that I'd like to see more done that rotates. There's this thing that other cities have done and something that we need to discuss. There's an opportunity to more cost effectively bring in more interesting things. Maybe it's things that are more risqué. Just keep things fresh.

Council Member Filseth: Yeah, yeah. I know that some of the other cities around here have larger, rotating things. Los Altos is one of them, I know.

Ms. DeMarzo: I want to briefly clarify. As far as artwork that moves, there are just under 100 permanently sited artworks. There is also a collection of almost 200 artworks that rotate that are indoor pieces. I just want to make that distinction. Currently there are two outdoor artworks that are temporarily placed that are on display.

Council Member Wolbach: First, thank you very much. It's great to see our two new Art Commissioners settling in. I hope that your first few weeks on the Commission have been great. I wanted to offer a little bit of feedback about *Questions About Your City*. I originally didn't realize that it was an art piece. Like many of the community, I looked at this and thought, "Where the heck do I submit my answers?" It's an interesting, thought-provoking piece, and I appreciate it. In a way, I'm glad it's a temporary one, because I get so many critical responses. At least people are talking about it. I've heard people express it as an example of Palo Alto City government not being thoughtful. We got some blowback on it unfortunately. That's what happens. I want to echo a couple of things that were mentioned by my colleagues. Council Member Filseth brought up the question of rotation. I would like to see more items in rotation, keep things livened up. As Jim

mentioned, the question of how do we deal with pieces that maybe we want to remove or how do we plan for rotating pieces out. Some are meant to stand the test of time, and others are great as a seasonal or annual piece. That's an important thing to keep thinking about. You have my full support to do that. Following on what Vice Mayor Schmid mentioned. This might be partly a question as well for Staff and for the City Manager. How much does the Public Art Commission coordinate with other Boards and Commissions? Whether it's with the Youth Council or with Parks and Recreation, etc.

Ms. DeMarzo: I'm glad you asked that, because part of the Public Art Master Plan, especially in the development of Public Art in Private Development, there is a lot more interaction particularly with the ARB and with Planning right now. In looking at the Master Plan and what the future may hold for public art, where art might be needed, we're talking about things like transportation. We're talking about historic resources. We're talking about all these various things. We are planning to put on what we're nicknaming the public art boot camp. For our partners, we're working with various Boards and Commissions so that we can have that discussion about what are best practices in public art, how do projects come about and to get them thinking about public art beyond just the object. It could be something having to do with the transportation corridor or something to that effect. We are doing that outreach as part of our Master Planning process. It's exciting for all of us Staff and Commissioners.

Rhyena Halpern, Community Services Assistant Director: Just one addition to that. Concurrently to the Public Art Master Plan process, we have a huge Parks and Rec Master Planning process. We have met with those consultants and we have invited representatives to our meetings, to Public Art Commission meetings, to Master Planning meetings and vice versa. Parks, of course, are a very popular place for public art. There's lots more opportunity to develop that.

Council Member Wolbach: That's maybe something to keep in mind for City Staff even across other departments as well. This brought it to my mind. This question of, within the City, how do we encourage coordination, cooperation, liaising between our various Boards and Commissions where it's appropriate to bring shared perspectives and overlapping interests. Following up on what Council Member Berman was saying. If there are available, perhaps on our app or on the City's website or the mobile website or wherever, if there are already curated tours planned out, ideal for walking, ideal for biking or for different parts of the City or highlighting art of different themes, that would be great to have especially for people who are visiting the City or for people who do live here but we don't always notice the things that are right under our noses. Also, continuing on what Council

Member Burt was saying about the schools and also this theme of cooperation. Has there been any coordination between Public Art Commission and Palo Alto Unified School District? In addition to seeing art at or near each of our public parks, it might be great to aim towards having public art installations at or near each of our schools, perhaps even highlighting work by youth at those locations. I don't know if that's already happening or if that's something to think about.

Ms. DeMarzo: We've had a couple of one-off projects with students. For instance, there's a small mural at the Rinconada pool that was done by Gunn students several years ago as a long-term temporary mural. There hasn't been ongoing programming. We do have, as Vice Chair Miyaji mentioned, a couple of youth representatives on the Master Planning Advisory Committee. They were great and vocal, talking about opportunities for students to get engaged with public art. I'm certain that there will be an element to that in the Master Plan when those findings start to emerge.

Council Member Wolbach: That would be great to take some of these ideas that have been tested a little bit and institutionalize them if they turn out to be good practices and good opportunities for the City. Last question, just throwing it out there. What about non-visual arts?

Ms. Halpern: Something you see, the trend in public art is to include non-visual arts. There's a lot of public art on trains where poets board the trains and read poetry or have performance at public squares, like at transportation hubs. That's something that, with the growth of our temporary Public Art Program, we will be able to explore. That's something we're excited about.

Council Member Scharff: You may have covered this. Is there anything the Art Commission needs from Council? Are we maintaining all of our projects? Do you have enough money to do that? I know there's been issues in the past. Is everything going in a direction that's good with you? Do you need anything from us?

Ms. Halpern: That's a great question. Thank you for asking that. I want to say that the City Council should be proud of the support that it gives to the Public Art Program. We now have two full-time Staff people. When I came here 2 1/2 years ago, we had one, almost half-time person and one almost quarter-time person. We have a conservation fund of \$30,000 a year. We have a CIP contribution of \$50,000 a year. These are really important contributions that you should feel good about supporting. The private development program is also providing a small revenue stream that allows us to support Staff salaries to a small extent as well as to grow the program.

With this in-lieu fund, we'll be able to strategically grow the program so that the landscape of Palo Alto will change. It's going really well. In terms of the resources, especially compared to where we're under-resourced in other programs, it's going pretty well. That doesn't mean we couldn't use more Staff to grow docent programs to be in schools. There's a lot more that we could do, but I feel like it's well resourced at this time.

Council Member Scharff: I know you both work hard on this. Thank you for your service. I wanted to thank the Commission Members as well. I know you guys put a lot of time and effort into this. I personally appreciate it.

Mayor Holman: I have maybe a couple or more than a couple comments and thoughts to suggest here. I really do appreciate the efforts and welcome the two new Commissioners. Thank you for your service. This is my perspective of course. It seems like we tend to think of art installations as significant additions. By significant, I mean significant in size, sometimes more than significant in terms of impact. I gave Elise today a couple of copies of Peter Kageyama's books, because I understand they don't exist over at the Art Center. One of the things he talks about is surprise and delight. I think about some of the things that I saw in his presentation and have noticed myself around town and such. Because I was liaison for a couple of years to the Art Commission, I've talked about functional art a fair amount. We talk about ways that we might utilize art in other ways, maybe even in addition to the visual arts. I am a big fan of Lowell and Bryant, along the bicycle boulevard, the lighting that's done there and the decoration that's done there. It's privately done. It seems like maybe we ought to consider some other ways along maybe Bryant Boulevard, bicycle boulevard, to light the way, mark the path, whatever we want to call it. It's great art. It isn't something you expect to see in a neighborhood. Council Members have talked about how we put things in the community that aren't just in the commercial areas. That's a great way we can integrate art into the community. It is visual art, but it also incorporates light. I've mentioned before marking our bicycle or pedestrian paths with markers along the way. Again, it's significant and it also helps to denote what something is. It's not necessarily something somebody would expect to see all along the path, but what a great way to mark that. Magical Bridge Playground, what a great resource we have there in so many different ways. Those of you who've known me for a while know I'm also keen on doing something to improve our alleyways, so they're not just a means to get from Point A to Point B, but they are an experience themselves. I was taken by the laser harp there. I just wonder if there isn't something we might do to incorporate sound that's so artistic and so enjoyable perhaps in alleyways. I'm not saying that that's absolutely what we should do. I can think of a couple of alleys just walking down them and you had that welcoming environment. What a great asset

that would be. I don't know if you'd call it a criticism or a comment. Apologies if it comes across as a criticism. I love the owls. I absolutely love the owls. There's one thing that has always bugged me about it too. That is, just a heads up, to always consider the environment that art is going into and to make sure to the best of your ability the installation is considered early enough that you can have input. Maybe it's just me, but it's always bugged me, from the very beginning, that you see in this sleek, shiny exterior all the lines in the pavement reflected upon the owls. For me, it should have been a sleek surface without lines. I understand why you put lines in concrete, because of stress and that sort of thing. It's a pattern in the pavement and it's reflected upon the owl. It detracts from these wonderful, wonderful owls to me. I don't know if it's a heads up or a criticism or a suggestion or whatever. I hope you take it in the spirit it's intended which is looking ahead. I'm going to go ahead and mention this. I've made inquiry with the art folks at the table here about, and Karen Kienzle as well, how we might landmark our Greg Brown murals. I know it's not the most simple thing in the world to do. I haven't inquired among Council Members, but I know at least Council Member Kniss supports that endeavor as well. I know there are things that have to be accomplished in order to do that. I don't know that we would look to landmark all of them. Maybe we pick the most select ones. We don't own, perhaps we will own before too long the Post Office, so we can do that to a building that we own. Perhaps there are other owners who might also agree to that. treasures that have been here for 30 years plus, at least. They're beloved pieces of art in this community. If there's some way we could honor not only the art but that artist, landmarking would be quite appropriate. I don't expect you to have answers at this point in time. I just want to put it out there that inquiry has been made in that regard. I know Mila would be interested in something like that as well, given your relationship with Greg Brown. In appreciation of his art as well. Those are my comments. I see Council Member DuBois has joined us.

Ms. Ross: I wanted to make one quick comment in response to the answer of what we need from you guys. In hearing a general theme throughout everyone's comments from the Council. Thank you so much for the support. Art that continues to delight, surprise, move beyond the boundary of just physical sculpture in space, especially like Council Member Schmid talking about sites in addition to art. I would ask that you encourage everyone working within the City to keep their minds open to art. Public art for the future is going to involve more than one discipline of just 3-D artists in spot. It's environmental art. It's art along passageways, along fences. It's not just a nice, neat brief that we need something in this particular spot. It might be up to the artist to find the spot in Palo Alto and bring something that nobody was thinking. In order to do that, there's a lot of people that

have to cross comfort zones to be able to make that happen for the City. I would ask your continued encouragement, but also to encourage other people that might not even think about public art every second to consider it.

Mr. Miyaji: There's a question about placement of art. That's a great question, where it can be placed. Public art can be place-making. It can be wayfinding. It can be all those things. The Master Plan will look into that. The golf course is having a wonderful piece of public art put in out there. That's out of the way; not a lot of people get out there, but it's going to be a wonderful piece. When it gets in, please go out and take a look at that. One final thing. Somebody mentioned about the Public Art Master Plan being incorporated into the Comprehensive Plan. That's a great idea, and it shows that public art matters in Palo Alto.

Mayor Holman: One last comment which Amanda's comments sparked. Earlier I understood that in part of the Master Plan Palo Alto High students were being included as part of that process. I'm wondering if the Art Commission might look even more to incorporating input from the youth in the community. We just had a session with the Youth Council prior to this. They were talking about how 22 percent of the youth feel like they're valued in the community. What better way to help them be involved in the art in the community. If you can find a way to better integrate their thoughts, their input, their expressions of themselves and of this community. Lastly, I hope I don't embarrass you, Amanda. I don't know; it's probably been three or four years ago. Your comment about what art meant to you growing up has always stayed with me, has always resonated with me. That also is what prompts me to make this comment about incorporating the youth in our art decisions. Thank you all so very much for your service and for your additions to the community.

#### Special Orders of the Day

3. Appointment of Candidates to the Human Relations Commission.

<u>First Round</u> of voting for three positions on the Human Relations Commission with terms ending April 30, 2018:

Voting For Theresa Chen: Berman, Burt, DuBois, Holman, Scharff,

Schmid, Wolbach

Voting For Anita Gat: Burt

Voting For Shelly Gordon Gray: DuBois, Holman

Voting For Diane Morin: Berman, Scharff, Wolbach

Voting For Sea Reddy:

Voting For Valerie Stinger: Berman, Burt, Filseth, Holman, Scharff,

Schmid, Wolbach

Voting For Mark Weiss: DuBois, Schmid

Beth Minor, City Clerk announced that Theresa Chen with seven votes and Valerie Stinger with seven votes have both been appointed to the Human Relations Commission.

Beth Minor, City Clerk: We have Theresa Chen with seven votes and Valerie Stringer with seven votes, Anita Gat with one, Shelly Gordon Gray with two, Diane Morin with three, and Mark Weiss with two. Theresa Chen and Valerie Stringer are getting two of the slots. We will have to do a second vote for a third position on the Commission.

<u>Second Round</u> of voting for one position on the Human Relations Commission with a term ending April 30, 2018:

Council Member Filseth abstained.

Voting For Shelly Gordon Gray: Burt, DuBois, Holman, Schmid

Voting For Diane Morin: Berman, Scharff, Wolbach

Ms. Minor advised that no candidate received the required five votes.

<u>Third Round</u> of voting for one position on the Human Relations Commission with a term ending April 30, 2018:

Council Member Filseth abstained.

Voting For Shelly Gordon Gray: Burt, DuBois, Holman, Schmid, Wolbach

Voting For Diane Morin: Berman, Scharff

Ms. Minor announced that Shelley Gordon Gray with five votes has been appointed to the Human Relations Commission.

#### Action Items

4. Resolution 9512 Entitled, "Resolution of the Council of the City of Palo Alto for the Finance Committee Recommendation that Council: (1) Add a 25-Year Contract Term Option in Addition to the Palo Alto Clean

Local Energy Accessible Now (CLEAN) Program's Existing 20-Year Contract Term Option; (2) Continue the CLEAN Program for Solar Resources at a Contract Price Reduced from 16.5¢/kWh to the Avoided Cost of the Solar Energy Generated (10.3 ¢/kWh to 10.4 ¢/kWh) with a Program Cap of 3 Megawatts; and (3) Expand the CLEAN Program's Eligibility to Non-Solar Renewable Energy Resources with a Program Cap of 3 Megawatts at a Contract Price Equal to the Avoided Cost of the Non-Solar Energy Generated (9.3 ¢/kWh to 9.4 ¢/kWh) (Continued from May 18, 2015)."

Jane Ratchye, Assistant Director Utilities: Jane Ratchye, Assistant Director of Utilities. I do have a brief presentation, and I'll try to go through it quickly, so you can get to your discussion. Briefly, this program was first approved by the Council in March 2012 with a 14 cent per kilowatt hour price for local renewable solar projects. The program had an expiration date at that time at the end of 2012. We came back in December 2012. The Council updated the price to 16.5 cents per kilowatt hour and set a cap of 2 Then it was returned to the Council again a year later as requested. There was no deadline put in at that time. We returned in February 2014, and the Council retained the 16.5 cent per kilowatt hour price but increased the cap to 3 megawatts. We were again advised to return to the Council in a year to reassess the price. As we were going forward with that, we first went to the UAC, and we proposed at that time to maintain the price again at 16.5 cents a kilowatt hour but to add a 25-year contract term. Staff proposed adding non-solar renewable projects, but the UAC did not support that at that time. We went to the Finance Committee in March 2015. The Finance Committee voted to reduce the price to the avoided cost of local solar which is equal to the price of remote solar plus the cost of transmission and losses to bring it to Palo Alto, which is about 10.3 cents for a 20-year term and 10.4 cents for a 25-year term, also to open it to non-solar renewables—we're mostly thinking about the anaerobic digester for that type of local renewable—and include a 3 megawatt cap for solar plus an additional separate 3 megawatt cap for the non-solar local renewables. That's where we are today. I wanted to go back over where some of the motivation for this was. Council did adopt on the Earth Day meeting in 2014 a Local Solar Plan that called for trying to get 4 percent of the City's electric use from local solar from all different kinds of programs that we could think of to try to expand local solar in Palo Alto. We had the PV Partners Program which is the primary program we've had to get solar in Palo Alto. At this point about a month ago, we've had about 6.4 megawatts of solar installed. In order to get to the 4 percent goal, we need 23 megawatts. We're a little more than a guarter of the way through the goal. It took us a long time, from 1999 until now, to get to 1.1 percent. We're hoping to try to quadruple that total by 2023. That was what the Local Solar

Plan had. You can see that the CLEAN Program, the capped amount of 3 megawatts would contribute about 0.5 percent of that 4 percent. I wanted to compare the different big projects we have outside the City for solar. We have five Power Purchase Agreements, long-term Power Purchase Agreements. They're 25 and then 30-year, and one 34-year contract for about a little less than 7 cents for the last four projects we've done. These were approved in 2012, '13 and '14. These are very large projects. They total about 125 megawatts, those five. They contribute about 32 percent of the City's annual energy when they are up and running and producing energy and delivering it to the City. We do expect that the Kettleman Land and the Hayworth one, the first one and the fifth one listed there, will come online in June 2015. The other three projects, Elevation Solar, Western Antelope and Frontier, are expected to come online in July 2016. these will be online in a little more than a year from now. This is a history of what the avoided cost of local solar is from our calculations, which is what we see the market of remote renewables plus the cost that we estimate over 30 years for transmission and the losses associated with bringing remote renewables to Palo Alto. When we first looked at this, the prices were a lot higher in March 2012. We thought that the avoided cost of local solar was about 13.5 cents, but that's when the CLEAN price was 14. The price has dropped since then. Now, we believe that the avoided cost is about 10.3 cents per kilowatt hour. That's about that 7 cents that I showed you in the last slide for the large solar Power Purchase Agreements plus about 3 cents to bring it to Palo Alto. We had proposed the 16.5 cents per kilowatt hour. At that price, that is an extra cost beyond the avoided cost of about \$310,000 a year at the 3 megawatt cap. That turns out to be about, I think it's \$6-something million over a 20-year term. The Finance Committee recommendation was to set the CLEAN price equal to the avoided cost, so that there was no extra cost, no other cost that the electric ratepayers would have to bear. I wanted to make sure that you all understood what the implications were for reducing the CLEAN price as recommended by the Finance Committee. For one, the City has released an RFP and has been negotiating with a vendor for putting solar on several of the City-owned parking garages. They were counting on using the CLEAN price to do that project. If so, the City would have received a lease payment for that. There's also the Community Solar Program which is one of the programmatic initiatives under the Local Solar Plan. That program we're still working on. We have been negotiating with the vendor, and we have now ceased negotiations. We're going to have to rethink what that program is. The general idea on that is that we may have used the CLEAN price or some very similar price for that type of program also. The Community Solar Program is for people who aren't able to put solar on their own house, because it's a bad orientation or it's shaded or they're a renter or something. They want to participate in local solar projects, but they can't. They could participate

with the Community Solar Program. That's still being developed. At this point, we've had the program in place in for a number of years, and we've never had anyone take us up on it, even at 16.5 cents. It's clear that it's fairly unlikely that anyone would take us up on that program if the price was dropped to the avoided cost of 10.3 cents. This right here is the verbiage you have in your Staff Report that is essentially what the Finance Committee recommends the Council does. That is my presentation.

James Keene, City Manager: Just a couple of comments. Going back to the existing guiding policy related to the local solar percentage in our portfolio of 4 percent. We're still a long way from achieving that mark. While the guidance on the CLEAN Program was capped at 3 megawatts, every little bit helps in our view in that regard. Secondly, maybe the Council will also speak to it. There are other values that are achieved with distributed local solar, some of which we don't even know the long-term implications as far as things might change in the future. I don't want to talk about symbolic things, but I can see the benefit of looking across rooftops of commercial buildings in this town and seeing solar has some important value to it. Obviously in certain locations, the top of our garages for example, it improves the utility of those parking spaces as far as shade, in addition to being able to contribute on electricity. We're on the cusp here of having both in the lease on the parking garages and we've heard some expressed interest from other parties, the Unitarian Church and some other folks. They mention the implications for the Community Solar Program, some interest now in being able to move ahead. A drop in the price really is more of a decision to terminate effectively the Feed in Tariff program and experiment. That ought to be kept in mind.

Mayor Holman: Going back to the HRC vote. Does the City Clerk have results?

Beth Minor, City Clerk: I do.

Ms. Minor: Shelly Gordon Gray received four, Diane Morin three votes. They are required to receive five votes, so we do not have a majority. We'll have to do a third round of votes.

Mayor Holman: We will go back then to Item Number 4. I'm going to suggest we do two minutes a speaker. Hopefully you can get your comments in in that time. Council Member Burt, are you objecting to that?

Council Member Burt: We only have seven speakers.

Mayor Holman: Now we have eight, and we have more coming. I was suggesting two. Let me see Council Members' approval of that or not.

Council Member DuBois: Just for clarification. I thought generally if it was up to half an hour, we went with three minutes. If it was longer than that ...

Mayor Holman: There's not an absolute rule to that. Council Members seem to be nonplussed about either one, so we'll go with three. Hopefully members of the public can hold it to three at least, or under. I will turn the meeting over to Vice Mayor Schmid for the brief time.

Walt Hays: Good evening. I'm here asking you to reject the Finance Committee's recommendation to reduce the price from 16.5 percent to 10 percent. First of all, some context that's already been given by the Staff Report. The City Council did adopt a goal of 4 percent of our electricity from local solar. Residential solar is good, but it's never going to make it. You need commercial. The Palo Alto CLEAN and the 16.5 cent price are key to achieving the 4 percent. Given that context, what would be the impact of adopting the Finance Committee's recommendation? Number one, it's a total betrayal of the people who have spent money in good faith reliance on the current price. Secondly, it would destroy any confidence in the City. Thirdly, you'd have no applicants. No one would dare apply again having no idea what the City Council is going to do next. You're probably very unlikely to ever achieve the 4 percent that you want. Basically, don't kid yourselves. A motion to adopt the Finance Committee's recommendation is a motion to kill the Palo Alto CLEAN Program. It probably will kill the Community Solar Program that hasn't even come to you yet, and probably will abandon the 4 percent goal. I don't think that's something you want to do. If you do reject the recommendation, there's some good things that would happen. The two projects that will be finished and probably more at the price, you'll resolve a lot of startup problems. Craig Lewis mentioned problems with leases and so forth. There's a learning process that will be done. There'll be more applicants. Once we get through the 3 megawatts, more people will apply even at a lower price. What is the negative impact of rejecting the It's \$300,000, which is trivial. recommendation? You're going to get \$150,000 in lease payments. The result is a cost of one-eighth of 1 percent of the total utility cost. The amount gained by rejecting this is far above the amount of any kind of negative impacts. I urge you very strongly to reject that part of the Finance Committee's recommendation.

Sven Thiesen: Hi. My name's Sven Thiesen. I'm a Palo Alto resident, dad, clean tech investor. First personally, because this program sounded so good at the beginning, I took a \$400,000 second line of credit out on my house hoping to invest here in Palo Alto. I haven't yet been able to personally find a project that the economics panned out at the 16.5 cents. Obviously myself, I am for keeping the 16.5 cents right now. Second of all, now moving to the Unitarian Universalist Church, where I'm co-chair of the green

Would members of the Unitarian Universalist Church here in support of keeping the 16.5 cents please stand up? We're serious in that we are an accredited green sanctuary. To live up to our principles, this is one of the things that we want to do. We're not going to make a huge amount of money in terms of rent, but we are making a statement and we are moving towards those goals that we as a City have adopted in terms of our overall sustainability. That is in complete alignment with our green sanctuary principles. What have we done? We've spent probably on the order of 200 hours of people time negotiating. We're a nonprofit; there's no one at the top. There's a board of directors. There's people to educate. We have to go through three internal votes before we can actually approve this project. It's going to take a long time. If you think things take a long time here, you should come to one of our meetings. I would welcome you there to We've actually spent money ourselves in hiring a lawyer to review the contract with the developer out the door, in the belief-belief is a bad word—under the understanding that the City had a program that was good and that wasn't going to change. We feel like the rug has suddenly been swept underneath us. I wish you'd been at that board meeting last night. Our board said, "We're for this, yes, assuming that you get Council to approve, the contract to work, and there's a little bit of money for us and it does everything it says it's going to do." Again, please don't do away with the program. It's only a pilot. If you are going to do away with it, it is your responsibility and duty to tell us how you're going to meet the 4 percent. Right now, we don't see any other way to get there, but through a program like this.

Cedric de la Beaujardiere: Hello, good evening, Council and Vice Mayor and Mayor. I support the 25-year contract option and including other renewable energy sources. However, please don't reduce the contract prices. As is noted in the Staff Report on page 9, reducing the CLEAN contract price to the avoided cost level would undoubtedly eliminate any possibility that the program would experience any participation for the foreseeable future. In effect, the program would exist in name only. The Staff Report estimates that the current rate at the 16-whatever would amount to about an increase of \$2 per year for residential customers. That's less than a latte. probably can find that change in your couch. If you are concerned about that minimal cost, please consider the other costs of global warming. What's the cost of building levees around the Bay or dealing with decades long droughts or heat waves, agricultural impacts, global conflicts and population displacements? I don't want to be a bummer, but even the US military gauges that climate change is a national security risk. This is about more It's also about values, self-preservation and selfthan just finances. reliance. Global climate change is upon us and will only get worse before it gets better. How much better or worse it gets is up to us right now. It's our

responsibility to wean ourselves off carbon energy and accelerate an option of renewable energy. This is our sacred duty to ourselves, to our children and to all the living things which do not have a voice in this chamber. Please act responsibly and retain the contract prices at the current level.

Stephanie Munoz: Good evening, Mayor Holman and Council Members. Thank you for the extra time. I'm here to speak for responsible capitalism, the same thing I was trying to promote when I wanted teacher housing that the City Council could put up and make money, the same thing that I was complaining about with Buena Vista, that the trailer owners put up an investment and they were being swindled out of it. Now, this one on the solar, I want to say that it is possible for the City to make money. If you say, for instance, that a person has a \$100 a month energy bill, which is not bizarre, that would be \$1,200 a year. In ten years, that person would spend Since Palo Alto has its own utility company and its own energy company, you could say to them, if you approve you go on paying whatever you paid for the past few years, the average, because they know that. Pay that \$100 a month every month, every month, as if you were paying for fossil fuels, but in reality we will have advanced the money to put in the solar panels and that money that you're paying will go to pay off a mortgage on the solar panels. Once you have paid off the principal, then the solar panels are still producing that \$100 a month in energy year after year after Suppose you wanted to make 2 percent, you'd go for a certain number of years after you paid yourselves back the principal. Suppose you wanted 3 percent or 4 percent, just have it keep on paying you for that much longer before the system belongs to the homeowner and the host. All you have to do is simply advance the money. However much money you have to invest, it would be well invested there. In addition, I have one word of warning. I talked to a solar person and I said they should buy all the solar they can. They should get it from China if they're giving it to us at a She said, "No. The Chinese ones break." I would suggest that wherever you buy it, you have some kind of a guaranty that they will replace it if it breaks. The second thing is some people have already invested in it, like the UU Church. Those people who have already invested, sit down and figure out a way that they be made whole. Do not pay out extra money to others just so that you won't cheat them. Think about us also. Feather them in and help us all out.

Jon Foster, Utilities Advisory Commission Chair: Hi, folks. Jon Foster. I'm Chairman of the Utilities Advisory Commission. I spoke to you last week, so I'm going to keep my comments extraordinarily brief. The Utilities Advisory Commission does recommend keeping the price at 16.5 cents. I'm speaking for the UAC on that. I agree with the comments made earlier by Sven, Walt

and Cedric. I'm happy to answer any questions folks have in your discussion.

Troy Helming: Good evening, thank you. I'm Troy Helming, CEO of Pristine Sun. We are the aforementioned vendor that was talked about, that is planning on putting the solar projects on the City-owned parking garages. I thought it was important that I give a few remarks. Obviously you know what I'm going to say. The reduction negatively impacts the economics. We would have to exercise our right to walk away from the projects. The IRR on these projects barely meets the hurdle rate of our investors. Lowering the energy by 60 percent obviously kills the project completely. I'm not a Palo Alto resident. My family does own property here in Palo Alto. I live in Oakland. Our company's based in San Francisco. I wanted to add a couple more comments to the benefits. Locally produced energy, whether it's residential or rooftop commercial—before I make the comments, I'll back up. I've been doing this for 18 years. I've been developing renewable energy projects since 1998. I'm one of the few veterans that's been doing this. I've seen a lot, seen it all. We are the leading developer in the state of California of small utility-scale projects. We have over 700 megawatts of projects across the country that are going to start construction this year. This particular project won't put us out of business if you lower the rate, but it would definitely kill the project for us. We wouldn't be able to proceed with it. We have invested already—I don't know the exact figures. I was asking the team for that earlier today, but many tens of thousands of dollars have already been invested in developing this project. Projects like this take a while, two to three years to develop. Back to the benefits. Local energy being produced. Yes, there's an avoided cost of energy that you could procure from large power sources outside of the City. There are benefits like, for instance, grid security. If there was a natural disaster or, goodness gracious, a zombie apocalypse, the ability to produce some energy locally is possible. The inverters can be configured to allow some of that energy to flow to, say, EV chargers, if there was a gas shortage because of a natural disaster, maybe a major earthquake or something. That's one of the many benefits. Also, VAR support, frequency support and voltage support. In our bid for this project, we included inverters that include those grid utility interactive features. Those are already built into it, and those could be utilized by the City utility folks if they wanted to utilize those features to help stabilize the grid. In case you didn't know, there are also, I believe, 25 EV chargers with two ports on each, so 50 EV chargers are included in this. Of course, shade would be one more benefit of this project. If you have any questions now or later, happy to take those.

Sandra Slater: Good evening, Council Members. My name is Sandra Slater, and I'm here as a longtime Palo Alto resident and a concerned citizen. I've

already sent you a letter about my feelings on this project and the reduction of Feed in Tariff for the CLEAN campaign, so I'm not going to reiterate them now. I wholly support all the past comments this evening. I did want to emphasize the importance of seeing physical examples for our community. The importance of that is it sends a signal that the City cares and that we're doing something. Having a smattering of solar panels on houses is great, but to see a commitment on a community level, on our churches, on our parking lots, on our civic buildings, is really important. Don't underestimate the importance of that to our citizenry. Beginning the process of instituting distributed local solar is crucial to show our commitment to a sustainable Palo Alto. Especially with hydro becoming a little bit of an iffy renewable resource, we need to consolidate here in Palo Alto and make ourselves much more self-sufficient. Please don't change the rules in the middle of the game. I'd like to urge Council to reject the price reduction for the Feed in Tariff.

Mayor Holman and Council Members, I support the Finance Herb Borock: Committee recommendation. We've heard from a respondent to an RFP, but all RFPs say that they may not be awarded. The Council reserves that right. Everyone who applies for one is aware of that risk. We've heard people tell us it's important to spend this extra money in order to set an example as long as it's not their money paying the extra money, but rather the flow of money going the opposite direction. Essentially they want to be doing well financially by showing that they're doing good doing something else, but it's the other ratepayers' money that'll be paying for it. Jane Ratchye indicated a summary of the last solar Power Purchase Agreement that we had, which was at under 7 cents per kilowatt hour plus the transmission cost, at that time there were 92 responses to the RFP, 65 of which were for solar. Among the solar ones that were for 30 years and less than 7 cents, including the one that was awarded, that was a total of 300 megawatts. There's an abundance of solar, which we only had a contract for 25. Also, that contract award was projected to make Palo Alto 100 percent carbon neutral. In fact, it's a possibility between 2017 and 2020 that we'd have a surplus of electric power and a surplus of renewable energy credits. We're essentially being asked by the proponents of the current 16.5 cents is that at the same time that we'd be selling off extra power in the market, which is 7 cents, that we should be paying them 16.5 cents. In future years as various contracts expire, the City has issued an RFP for more Power Purchase Agreements starting around 2021. The idea that some people had taken some expenses and some expectation, there's no guarantee that that would happen. We have Council elections all the time, and people have expectations. Sometimes developers come in and say, "I'm smarter than the other developer. I'll spend more money for this project, because I can make more on it if the Council will go ahead and rezone it." Then they come in with

their project and they say, "You have to rezone the project, because that's the only way it can make money." It's the same idea here.

Vanessa Warheit: Hi, good evening. My name is Vanessa Warheit. I'm a longtime Palo Alto resident. I'm a renter in Palo Alto, and I'm a mother of a 9-year-old boy. I'm here to strongly advocate for keeping the 16.5 cent rate. I firmly believe we need more locally generated clean power. The litany of evidence you've heard tonight attests to the fact that we need that 16.5 cents in order to make that pencil out. I was at a recent workshop held by our chief resilience officer to collect ideas from the community. I can tell you one of the most popular ideas hands down was to become our own power plant and generate as much local power as possible. A big reason for that is resilience, whether it's an earthquake or a flood. I would like to point out that Texas, which just a few years ago was in the same state we are now with massive drought, was under 40 feet of water this week with several people still missing and many injured and dead. Flood is a possibility here. Earthquake is a distinct possibility here. We need to be as resilient as we can be. Relying on an aging grid is not resilient. I want to urge you to think about the legacy that you're leaving to our children when you make these decisions.

Craig Lewis: Thank you, Mayor Holman, Council Members. founder and Executive Director of the Clean Coalition. You've heard from me before, so I'm going to keep my comments brief. I'm going to try to enlighten the Council with a couple of examples from around the country and around the world. The Clean Coalition has the mission to accelerate the transition to renewable energy and a modern grid for many of the reasons around resilience and environment that you've already heard, but also around the area of economics. At the end of the day, it all comes down to the economics. I want to share the way that a pilot program, which is what Palo Alto CLEAN is. Palo Alto CLEAN is a pilot program to allow Palo Alto to get some learning in the commercial market segment for commercial-scale solar. Right now Palo Alto does not know how to do commercial-scale solar. You can look upon the rooftops of the commercial buildings here, and you can see that there is a big failure in the commercial-scale market segment. Palo Alto CLEAN is designed to solve that failure. What we have to do in order to make sure that it works is set a price that is going to attract the market place to come. We set the price, as Jane Ratchye had indicated a couple of years ago, at 16.5 cents, and it took a while before that price was right. As the economics of solar have come down, the price has become right. We've now got two real projects that are on the verge of happening, the Palo Alto parking structures and the Unitarian Universalist Church. These pilot programs work. I'm going to give you two examples. Angeles Department of Water and Power, another municipal utility in

California. They started a Feed in Tariff program called Los Angeles CLEAN. It is almost identical to Palo Alto CLEAN except bigger. They started it at 100 megawatts. That program then expanded to 150 megawatts. The price at the same time went from 17 cents was their starting price, is now at 13 cents. They're about to expand that program by a factor of four, from 150 megawatts to 600 megawatts, and the price will continue to decline. That's what happens when you get learning around permitting, interconnection, deal structuring and financing. All of that is part of the learning process that Palo Alto badly needs. The other example is in Germany. Germany is the home to 40 percent of the world's solar capacity that has been deployed. Almost all of that solar capacity is on built environments, rooftops and parking lots, through exactly the mechanism that Palo Alto CLEAN is based on, a Feed in Tariff. The price in Germany ten years ago for their Feed in Tariff was set at something on the order of 40 cents US. Today they're paying 6 cents US for rooftop solar. That is the cheapest solar that Palo Alto could ever dream of. It's the same price, in fact, that these big central generation solar projects are priced at. That just shows when you get the learning process, the local solar is going to be the cheapest solar that we could ever possibly get, because you avoid the transmission cost. calculation in Palo Alto is the transmission is worth somewhere between 3 and 4 cents a kilowatt hour. Those numbers of 6 and 7 and 8 cents don't include the 3 to 4 cents. That's why it's set at 10.4

Mayor Holman: Could I ask you one question?

Mr. Lewis: Yeah, sure.

Mayor Holman: The timeframe that the price dropped in LA was what?

Mr. Lewis: It was over about a 2 1/2 year period.

Mayor Holman: Given we're still dual tasking, City Clerk, do you have results? This is for the HRC appointment.

Ms. Minor: Shelly Gordon Gray with five votes has been appointed to the Human Relations Commission.

Mayor Holman: Now we can be singularly focused on Item Number 4. Thank you, City Clerk.

Council Member DuBois: Questions first, I assume. I have a question for Troy, I believe it was. I'm curious if the lease with the City was \$0, would your project make economic sense?

Mr. Helming: Do you mean at the 10 cent price?

Council Member DuBois: Yeah.

Mr. Helming: No. We ran those numbers. It helps, but I think it was about 180 basis points below our minimum IRR threshold.

Council Member DuBois: Thank you. The question's for Utilities. My understanding is if we did this, it would result in a rate increase. Are there any Enterprise Funds that would pay the net loss of 150,000 a year, assuming we did the lease for the garages? Does it actually have to go to the ratepayers?

Ms. Ratchye: I guess it would be a choice. I guess the General Fund could contribute that. That would be, I guess, a Council decision.

Council Member DuBois: Is there any other way to finance it or does it have to go to the ratepayers is my question.

Ms. Ratchye: Reserves are ratepayer funds too. The 16.5 cents and the extra cost would be part of the Electric Fund expense and would be recovered from electric ratepayers one way or another, either from Reserves or from raising rates.

Council Member DuBois: I have a question for the Members of the Finance Committee. Was the intention to kill the program and not get to 4 percent?

Council Member Scharff: I'll take that question if you want. I'm happy to (crosstalk).

Mayor Holman: Why don't I first have the Chair of Finance respond to that please and make any other comments while you're at it regarding the Finance Commission resolution.

Vice Mayor Schmid: The Finance Committee met in March and discussed this. The issues that seemed important in the Finance Committee, one, that the subsidy given—that is the difference between the market full cost price and the rate guaranteed, over the three years of the program—had grown from about 5 percent to 60 percent. The CLEAN Program was focused almost exclusively on benefits flowing to businesses. The market rate for large solar projects, as has been pointed out, has dropped significantly and is available and filling our RPP requirements. We're facing a year where utility rates on the water side this year and gas and electricity in coming years are going to be escalating, so a sensitivity to the ratepayers. Those were the critical issues that were discussed at the Finance Committee.

Council Member DuBois: My question to the Vice Mayor, was this intentional change in policy away from local generation, hitting that 4 percent goal?

Vice Mayor Schmid: Yes, I guess the 4 percent was overridden by the fact that the RPP market in California had changed so dramatically that the subsidy gap had widened substantially.

Council Member DuBois: I understand that. It sounds like whether it was local or non-local wasn't as important. It was the financial.

Vice Mayor Schmid: That's right.

Council Member DuBois: My last question back to Utilities. How much of the 3 megawatt cap would the parking lot project and the church project use up?

Ms. Ratchye: I'm not sure about the church project. The parking lot project would take about half of it, about 1.5 megawatts.

Council Member DuBois: Does anybody from the church know how much it would take?

Mr. Thiesen: 129 kilowatts, so not much at all.

Council Member DuBois: Like 1.6 together, it sounds like.

Mayor Holman: Council Member DuBois, could you repeat what Mr. Svenson said, so that it's in the record?

Council Member DuBois: He said 129 kilowatt and then 1.5 megawatt for the parking lot. The projects in the pipeline would use 1.6 megawatts out of the 3 cap.

Council Member Burt: First I'd like to say that I support the Finance Committee recommendation to include a 25-year option and to include other renewables in this program. Second, I'd like to put into context some misconceptions that seem to be permeating this discussion. We have been subsidizing renewables for what, 15 years, Jane? That we've had renewable programs. Is that about the timeframe, maybe longer?

Ms. Ratchye: We began a rebate program for PV projects ...

Council Member Burt: Just renewable programs period. When did we have our first renewable contract?

Ms. Ratchye: Are you talking about to meet our RPS goals?

Council Member Burt: Either that or a local subsidy.

Ms. Ratchye: We began with local rebates for local solar in 1999. That was a subsidy that was relatively brief until Senate Bill 1 required that we have a program. That wasn't a City choice to make those, if you want to call it subsidy. The renewable portfolio standard was also a mandate. That is also not a City ...

Council Member Burt: When did we start our renewable portfolio standard?

Ms. Ratchye: I want to say in 2002. I don't know. Over ten years ago probably.

Council Member Burt: Good enough. For roughly 15 years, we've had renewable programs of a combination of local subsidies to have locally generated renewables in our community and utility-scale projects. In each case, those are done at above-market rate. Even the City has on a renewable portfolio standard for utility-scaled projects, we have a much higher portfolio than is the State mandate. Even that is well beyond what is required of us. We make this as City policy commitments. They have had the support of City Councils and the community for 15-plus years consistently. I do want to say that I'm concerned by the comment that Vice Mayor Schmid just made about essentially the Finance Committee deciding to override or disregard the policy of the City Council as a whole. That's improper in my mind. The 4 percent local solar is a policy of the Council, and it's not up to the Finance Committee to disregard that. If Council Member colleagues want to bring forward a Colleague's Memo to attempt to reconsider that policy, then that would be the proper recourse, but not to undermine or backdoor a new policy through essentially eliminating a program. I went back and watched the Finance Committee meeting on this. First I'd say that it was apparent that our Staff was not expecting to have the Finance Committee come forward with proposals that were significantly different from their recommendation and the Utility Advisory Commission's, I believe, unanimous recommendation. Our Staff didn't seem very prepared or fully prepared to respond to some of the questions that were raised or the points that were made by Finance Committee Members. The Public Works Staff who's been working on the garage projects for, I don't know, about a year I guess wasn't present. Some of the points that Utilities Staff made tonight were not made that evening. Just going through some of the ones that I heard from the Finance Committee Members, one that Vice Mayor Schmid mentioned was a notion that the Finance Committee wanted to see a greater emphasis on residential benefits rather than business benefits. In our local renewable programs, we've had elements that have supported residential and business. In order to achieve the 4 percent local solar and

for other values, we've deliberately had a balance of those. Interestingly though, even though that balance is entirely appropriate to continue to have programs that would help subsidize both commercial and residential, as it so happens these are not businesses that happen to be on the cusp of benefitting from this Palo Alto CLEAN Program. It's one of our church members; Community Solar, which is essentially a solar co-op for residents; and finally the City itself who would be leasing the top floor of the garages for this purpose and not only deriving some revenue from that but adding to the value of those garage spaces which are discounted because of their exposure to sun and rain. If those spaces were marketed at a variable rate, they would have to be charging less than other covered spaces. The other things that I either heard discussed or there was an absence of discussion were the following. There was a concern over the cost of the subsidy of the CLEAN Program, but there was no discussion by Staff about something that we went through in considerable detail, I think it was two years ago, before the Finance Committee when we extended the CLEAN Program. The amount of subsidy per megawatt produced of local solar at that time was considerably higher for the PV Partners than for the CLEAN Program. Under this program, it would still be twice the dollar amount of subsidy per megawatt produced as under the CLEAN Program. If we're going to have local solar, this is actually the lowest cost local solar program that we have and has been. That wasn't presented to the Finance Committee. I know that that was a significant consideration of the Committee. Also, members of the public brought up, but it wasn't presented to the Finance Committee, the extent to which there has been both City Staff investment and private investment over the course of the better part of a year in these pipeline projects. That has been based upon the Council commitment to continue this program. It was more than a good faith commitment on all parties; it was based upon a Council policy. That policy has not been changed; although, we have what would amount to a backdoor change to it if this change that the Finance Committee recommended went through. The point has also been made about the value of this program and scaling. Those of us who have been in business and been involved in products know that the first product out the door is at a different cost from subsequent products when you scale them. That's been the history as we make comparisons right now to utility-scaled projects and how low they've become in price. They didn't start of that way. They were high priced just a few years ago. It's because of both the State of California's commitment to that, including driving down the soft costs of those projects, as well as commitments elsewhere that have driven down the hard costs of solar is why they're so cheap now. You don't get from Point A to Point B without working your way through that process. That's what we're doing here. It also was not discussed when we compared ourselves to utility-scale projects. We looked at the direct financial avoided costs. One of the reasons that local

commercial and residential solar is advocated is because there are significant environmental impacts of utility-scale projects almost invariably. either take away natural land and natural habitat or farmland. Many regions nationally and regions within our state have been pushing back on these utility-scale projects, because of those other environmental detriments. In addition, the need for expanded large-scale transmission lines have their own environmental detriments. We have these benefits which weren't discussed about essentially resilience or emergency benefits. As we begin to have our local renewable generation become significant, it then becomes something that is of real value in an emergency. Long Island Power has greatly expanded a comparable CLEAN Program in the wake of They've recognized the criticality of having greater Hurricane Sandy. renewable generation, because they were without power for so long after their catastrophe. Finally, the point was made that there is a value. If we're having a carbon-neutral electricity supply and striving toward a carbon-free City and a sustainable model, there is a real value to a physical presence of renewables within our community. I think about Council Member Kniss when she ran for City Council 1 1/2-2 years ago. One of the refrains that she had was a criticism on why she didn't see more solar in our community compared to County programs. We were able to argue that we have these She countered, "I don't see solar in our great utility-scale projects. There's a disconnect between the appearance in the community." community and this commitment. Together this is a whole series of reasons why the Finance Committee frankly took a tack that was unanticipated and not thoroughly thought through and discussed but drove home in this direction. Finally, Council Member Scharff and that Committee made strongly a point. When Staff did mention the City garages that had these imminent contracts on them and with the changes in shared vehicles in the future, we were making a bad investment and a risk in placing solar on top of our garages because those garages may become unnecessary in the future. That surprised me a great deal, given that Council Member Scharff had strongly advocated for building additional garages Downtown the year before when he and I both served on the Infrastructure Committee. If I recall correctly, he was initially supportive of two garages to be City funded. I helped talk us back to one garage. In any event, if that day ever came where we needed less parking and we didn't have all this overflow parking in our neighborhoods that we're all trying to address, it wouldn't be the garages we'd go tearing down. We'd build on top of ground-level parking lots and not tear down City garages. That's as specious an argument as I've heard in a long while. Together I think this was a very bad recommendation by the Finance Committee. | strongly support the recommendation of the Utilities Advisory Commission and Staff. process comment. What I hard Council Member Scharff speak about at the Finance Committee was deliberately getting a unanimous vote on this so

that it would go to the Consent Calendar and, thereby, avoid a community discussion and a Council discussion of this. I want to object to that. The intention of that procedure is not to avoid having community and Council discussions on things that matter. It's to expedite things that are non-contentious. Our procedures do allow for either the City Manager or the Mayor to pull those items from Consent on their own. I hope that the Finance Committee in the future would not use that procedure to avoid public discourse and Council discourse.

Vice Mayor Schmid: Could I make a comment on (inaudible)?

Mayor Holman: Vice Mayor Schmid would like to make one clarification.

Vice Mayor Schmid: Yeah, a clarification on policy. The Finance Committee realized that this was a major thing. Although it passed the Committee unanimously, which traditionally leads to a Consent item, the point was made that this would come to a Council agenda item. That's why we're here tonight.

Council Member Burt: I'm sorry. It's explicitly otherwise and on the tape.

Mayor Holman: Points have been made there.

Council Member Scharff: I'd like to start off by saying that I completely support the comments of Cedric when he spoke. I just come to a different conclusion. I do think that climate change is one of the most important issues of our time. This, however, will not reduce greenhouse gas emissions at all. When we look at this, this is an issue of cost. This is an issue of if we took this same money, \$300,000, and put it into different programs that were environmentally sensitive and sustainable, we could save more greenhouse gas emissions. We have to look at this issue and say to ourselves, "How did we get here?" We've always had a de facto policy of looking at our avoided costs when we look at renewables and balancing that against the ratepayers and the increase. We started doing that when we first started buying renewables. We set a target that we're not going to have rates go up more than a certain percentage. I don't recall exactly what that number was. We went ahead and looked at that. When this first came, the CLEAN Program, in 2012, Staff told us that the avoided cost was 14 cents. I know it says 13.55 here, but Staff told us it was 14 cents. That's why we set the program at 14 cents. There was no upkeep. At that time, when we went in December 2012, we were under the impression that it was still 14 cents, not that it was 11.66. We looked at the numbers and it was a de minimus amount in terms of going from the 14 to 16.5. What is the value of having this program? This is not about saving greenhouse gas emissions. This is symbolism, as our City Manager said, about having solar

in the community. That's the best argument for it. The arguments about resiliency and all that kind of stuff are frankly silly. This is like having a teaspoon of water and throwing it into an ocean in terms of resiliency. Four megawatts on what we use is not going to make any difference in terms of resiliency. The question is, is that worth it financially. I remember Council Member Burt at that point saying to me we should support this because it's not that much money over the avoided cost, basically the 14 versus the Given that small amount and given the arguments by the Clean Coalition at the time, which was if we do this, the prices will fall and we will have that Feed in Tariff approach. Given the small amount, it's worth taking that. The world has changed dramatically. We can now buy solar at 6 to 7 cents. Avoided costs, you add that in, which makes it apples to apples, makes it 10 cents versus 16.5. We have had a de facto policy on this Council of not doing that. When we looked at the anaerobic digester, we set the price for buying the power from the anaerobic digester at the avoided cost. That's what was in the motion and that was Council policy. There was no intention on my part to kill this program. What this program needs to do, though, is to be within reasonable limits in terms of where you can buy other renewables. If you believe—it's a legitimate belief I suppose—that it's worth the difference between 10.4 and 16.5 to say we could have the symbolism of having rooftop solar in our community, then you should vote for this. That's a legitimate point. I don't think that a quarter point raise to the ratepayers is worth that. That's not financially responsible. You may make a different choice, but that's what it comes down to. I don't think this is a pro-green or an anti-green thing. We could take that \$300,000 and put it into energy efficiency and save more greenhouse gases. To talk about some of the other points that were made. The PV Partners Program, yes, it cost more, but it's required under some sort of State mandate to subsidize it at that rate. To compare the two is not fair. The other thing is given the huge gap between 6 and 7 cents solar and where we are in terms of this 16.5 in rooftop solar, I don't see it scaling. I don't see it happening. If it was close, maybe. It's so far apart, there's such a huge difference between the two, I see this as we spend this money; we have the cap; it's a quarter percent increase in the rates; it doesn't make financial sense. I did have a question for our Utilities Department which was confusing me a little bit. \$310,000—this wasn't presented properly to the Finance Committee—is for the whole 3 megawatts?

Ms. Ratchye: Yes.

Council Member Scharff: This is the part that wasn't presented to the Finance Committee. We weren't told that there's a \$150,000 lease that was going to be for the garage, at least that's my recollection.

Ms. Ratchye: The presentation wasn't about the lease. It was about the (crosstalk).

Council Member Scharff: Right. We didn't know that we were going to get \$150,000 coming in. The part that's confusing me is this. If we're going to spend \$310,000 for 3 megawatts but we learned tonight that we're only using 1.5 megawatts and we're getting \$150,000 back, I guess I'm not seeing how that works. If you took the \$150,000 that we're getting back on the lease payment—this is a policy choice—and instead of giving that to the General Fund, we gave it back to Utilities and we grandfathered in the 1.5 megawatts that we currently have in the pipeline, it wouldn't cost us anything to do that. At that point, I would then want to limit the program at this price to all the people in the pipeline, which would be the Universalist Church and solar provider there and then go on a future ongoing program to 10.4 cents or at least have us look at that on a future to see if this actually works, where it comes from and if it's going to have some point. Is there any reason why that logic doesn't make sense? Am I missing something?

Ms. Ratchye: That's a policy choice. The math you've done is correct. The difference would be that the way it would be set up is that the \$150,000 subsidy of the 1.5 megawatts would come from electric ratepayers and the \$150,000 per year rent for the roof space would go to the General Fund. If the Council wanted to instead designate that rental income to cover the subsidy or the avoided cost value, then it could do so.

Council Member Scharff: Given the amount of effort they've put into doing that, I would support that. It wouldn't cost the ratepayers anything. We'd have the symbolism of the rooftop solar. It seems like a win-win, unless I'm missing something. I would support that, which wasn't before the Finance Committee at that time. Now I have to respond a little bit to Council Member Burt's personal attacks. First of all, it's unfortunate to make personal attacks like that.

Mayor Holman: I don't think you need to feel obligated to do that.

Council Member Scharff: I think I do. It's a point of personal privilege, and I feel a little obligated to it. We have a system whereby—Council can change this if they want—if you get four votes, it goes on Consent. That's a good system. There's more than enough Council Members when something's controversial for Council Members to pull that. In fact, I don't recall anything ever not being pulled that was controversial. If you can't get three Council Members to pull something, then I don't think the community is that interested in it, if there's three Council Members that are unwilling to pull it. If people disagree with that, you can always lower the number to

one Council Member or two Council Members if you're really concerned about that. We have procedures on this, and the procedures are followed. I always make the argument for everything. I remember that Larry Klein disagreed with this a little bit. He thinks that sometimes we should have it not on Consent, not that it's controversial, but that we want to talk about it and say what great things we're doing. I come down on efficiency, and I say Council meetings are full on the agendas. If it is not something that can get three Council Members to pull it, we should keep it on Consent. I stick by that, and that's where I think it should be. When we come to motions, that would be my suggestion, that we grandfather in the 1.5 megawatts, we take the money from the General Fund and give it to the Utilities Fund. Otherwise, what we're doing is enriching the General Fund at the expense of the ratepayers. I don't think that's appropriate in this context. Is there anything else I want to add? I think that's my comments for now.

Council Member Berman: I appreciate the energy and passion and arguments of all of my colleagues. I come down on the vast majority of things agreeing with Council Member Burt's comments. Let me start by saying I agree with the last comment that Council Member Scharff made. If there's lease revenue that's being generated, it should go to offset any cost to ratepayers of the project. That seems to make a lot of sense. There's a direct nexus there. That's good policy. There are many more benefits to the Palo Alto CLEAN Program to have locally generated solar. It's a little more complicated than this is a drop in the bucket and, therefore, it's not worth doing. The solution to clean energy and clean energy being adopted on a massive scale across the state and the country isn't only going to be utilityscale projects in the desert or the Central Valley or other places or farms where it is causing other environmental concerns. It needs to be a multifaceted approach. While 3 megawatts might not be a massive amount, as other folks in the community have mentioned this is hopefully also just the beginning of the adoption of local solar projects. We would be looking for the cost of those to come down as they have in other communities. I don't think that just because we're dealing with a small amount right now which means that it's inconsequential and not worth it. A lot of comments have been made, and I won't repeat them all. A lot of great comments have been made by members of the public. We were right to adopt this policy as a Council in the past. I've said this in regards to many other different types of policy, that I'm not a proponent of changing policy midway through the process. That's what we'd be doing here. Whether or not we can or not, I don't think it's right. I will be mostly supporting the Finance Committee's recommendations with the addition of using the lease payments to help cut the cost of the program. I'm comfortable with the idea of adding additional types of clean energy other than solar as well.

Council Member Filseth: I brought some notes. Council Member Scharff already said most of them, so that's good. His comments are spot on. The grid security issue, we're talking about 0.5 percent of Palo Alto electricity in the early 2000s. You're not talking very much security there. A couple of things. On page 9 of the Staff Report, it says that one of the main reasons for the low participation rates in this program is "attributed to the comparatively high rates that property owners in Palo Alto charge for releasing their rooftop space," which I would read as a City subsidy is going to go to property owners. I'm not sure that's the right thing to do. The point was made, and it's a good one, that the City last year decided that to the extent we buy local clean energy from other kinds of sources than solar. The dialog revolved around the anaerobic digester, which we're going to pay market rate for those, the avoidance cost. I don't understand why we would single out solar for a subsidy versus other kinds of local green energy. Here's the arithmetic. \$310,000 a year over 20 years, discounted at 5 percent, the total over 20 years is \$6 million. The net present value of the whole program is about \$4 million. This program is going to cost the City \$4 million, and I'll get to the lease rate, the other point in a second. It's going to cost \$4 million, and it doesn't reduce carbon emissions. It doesn't do anything about global warming. It doesn't accelerate the transition to renewable energy. As Council Member Burt correctly pointed out, we've been subsidizing renewable energy for many years now, but those subsidies cut emissions. This program doesn't cut emissions. It seems to me if we're going to spend \$4 million on renewable energy, we should actually reduce emissions. There are a number of good ideas floating around out there that would do that, switching away from natural gas for example. It seems to me if we're going to invest \$4 million in emissions reduction, we ought to focus there instead of one kind of solar for a different kind of solar. I've asked that of a number of people, and some people have talked about that. How would you prioritize this against some of those programs? The answer is we've got a lot of money, so let's do that too. Here I get to indulge in some histrionics, but I've been sitting in Finance Committee meetings for three weeks now. This is the capital budget for this year and the next five We're going to burn down the Capital Infrastructure Reserve by about \$20 million between now and 2020, which means we're spending more money than we're bringing in. We need to be careful here. The point is a number of things that we would like to do are not even budgeted yet, rebuilding the Baylands boardwalk, the Animal Shelter, provision for subsidies for heat pump water heaters and other kinds of fuel switching stuff. That's not even in here yet. My point is it's not that it's not a good thing to have renewable solar or local solar, it's that we're going to run out of money before we run out of good things to spend it on. We've got to prioritize. Council Member Scharff is exactly right on the 1.5 million with the parking garages. To the extent it's revenue neutral, great. To the extent

we've had discussions with those folks, if we've made commitments, we should honor those commitments. Whether the City gives it out as a subsidy and collects it again as a lease or just leases our parking garage rooftops for free, that's an operational kind of decision maybe we leave to the Staff. To the extent it's revenue neutral, great. That takes care of half of it. That means the program costs \$2 million. My thinking on this is, first of all, I don't understand why we're singling out solar over other kinds of local renewable energy. One, it's a couple of million dollars. nothing. Two, it doesn't reduce emissions, doesn't do anything for climate change, doesn't accelerate the change to renewables. Arguably, it pulls money away from that if you believe we have finite money. Three, it overshadows the real thing that's happened in the world in the last ten years, which is that solar has become real. Utility-grade solar, large-scale solar, at 6 or 7 cents a kilowatt hour has become competitive with fossil fuel power at least in the sunny parts of the United States. It doesn't need government subsidies anymore. The price is still coming down. To the extent that we're going to invest in renewable energies, we ought to do things that really do cut carbon like fuel switching. If we're going to do those things, then this program becomes a "nice to have" option. Council Member Scharff talked about symbolism. The question is how much is the symbolism worth. It's hard for me to imagine how residents are best served by spending \$2 million on this kind of symbolism. If we're going to be symbolic about cutting emissions and global warming, let's do that symbolism by investing in getting off natural gas or something like that.

Mayor Holman: I look to Staff to see if you have any responses to make to anything that's been said up or down the dais.

Mr. Keene: One clarification; it probably doesn't need to be said. As the City has been exploring this lease option for the solar, it was never part of the design to transfer money from the Electric Fund to the General Fund. It was how do we get solar on top of the buildings. We as Staff separately had our own conversation similar to the concept of returning the funds back to the Electricity Fund, so it was revenue neutral in that regard.

Mayor Holman: I have one thing to throw out there that's just a wild notion. Tell me if there's any function to it at all or not. We had previously a Palo Alto Green Program. It outlived its usefulness. Has Staff thought about any kind of Palo Alto solar program to help defray some of the cost? Is that even feasible or would it bring in enough? Has there been any thought of that at all?

Mr. Keene: A couple of things. Obviously the idea of the Community Solar Program isn't an exact match to the idea of Palo Alto Green as you point out.

Under the Palo Alto Green Program, people voluntarily chose to pay more than the actual cost in order to be able to green up their supply. The Community Solar Program, as I understand it, was a way to perhaps allow people to participate and bundle into participation in owning shares of solar collectively. I thought it was supposed to be pegged to be priced in the same way as the Feed in Tariff program, is the pricing, so somebody has that option. I'm guessing that we didn't think about saying, " Could I as a former Palo Alto Green customer choose to elect to participate in a program that would subsidize or pay towards the cost of this program?" I thought the additional benefits of distributed local solar, symbolism, shade, whatever it is, was worth paying some extra money. If that's what you're asking.

Mayor Holman: That is what I'm asking and wishing I had thought of it much earlier

Ms. Ratchye: I just wanted to mention that there were three programmatic initiatives under the Local Solar Plan. One was the Community Solar. One is a group buy program that's going on right now called Sun Shares. There's been a huge amount of participation by Palo Altans in that program. Palo Alto has about 45 percent of the total participation to date for 26 cities in San Mateo and Santa Clara Counties. Palo Alto alone has 45 percent. What that does is lower the price by buying solar. It's a great thing. It needs no subsidy. The third program, the concept was a solar donation program that would be potentially constructed similarly to how Palo Alto Green Program was. It would be a voluntary contribution, maybe \$5 or \$10 a month. We would build up money that would be donated, and then we would be able to put solar installations on churches and nonprofit buildings, community buildings. That's the third program that we will consider rolling out. We're at the very beginning stages of developing that program. I think we talked about this at one point when we were trying to transition Palo Alto Green to something else. Maybe you're recalling that discussion.

Mayor Holman: Before I go to Council Member Burt for a motion, which he's indicated he has, I have two Council Members who've turned on lights. I have this simple question for each of you. Are they questions or were you going to make other comments? If it's a question, I'll allow it before the motion, because then you only speak to the motion.

Council Member DuBois: Everybody made comments, but me. I limited myself to questions. I had a few comments that I was wanting to make when we got to the comment portion of the evening.

Mayor Holman: You could do those then as a result of the motion. I was looking for additional questions. Vice Mayor Schmid, did you have a question?

Vice Mayor Schmid: Yeah. The LA program has been mentioned a couple of times. On page 7, there's a description of the LA FIT Program. It starts by saying there was a strong market response. Yet, over time high project cancellation rates have been observed at each price level as projects encountered uneconomic costs. Is that an indication that the LA FIT Program has not been effective?

Ms. Ratchye: I don't know much more than what is in the report about that program. You may want to ask Craig Lewis about that. Some of the things that happen over time as we've seen with solar, the cost of solar has fallen. You don't need as high of a rate as you pass time to get a project done. I'm sorry I can't answer your question about why or how successful or unsuccessful that program is.

Vice Mayor Schmid: It seems clear though that the guaranteed rate has not been effective in Los Angeles.

Ms. Ratchye: As it declined.

Mayor Holman: Council Member Schmid, did you want to ask the question of the member of the public or not?

Vice Mayor Schmid: Yeah, if you do have some information about that table on page 9.

Mr. Lewis: I'm not sure which table you're talking about, but I know a lot about the Los Angeles program. The rates started high and have come down over time. They drop on a regular, periodic basis. Almost all of the fallout that's happened in the Los Angeles program as well as any other program is a result of something that is encountered that was not foreseen either in the lease agreement with the property owner or, more frequently, with the interconnection associated with the utility. In all of these programs, the interconnection costs are on the backs of the project developers. For example, on the City-owned parking structures, all of the costs to interconnect those projects to the grid including any grid upgrade costs that associated with upgrading the transformers on reconductoring power lines. It could be utility-owned infrastructure, it's going to be on the backs of Pristine Sun. They're going to have to pay for that, and they're going to have to absorb it in their margins. obviously budgeted some amount for that. If a project proceeds in these types of programs and they find some surprise upgrade that is required, it

can turn the economics upside down. Almost all of the fallout that's happened in any of these types of local wholesale programs is a result of interconnection surprises.

Vice Mayor Schmid: You do acknowledge that the cancellation rate has been extremely high.

Mr. Lewis: I'm looking at this table. I know what they are doing is they're backfilling the different brackets, and they're going to oversubscribe the program. Even if there are projects that fallout, they backfill them. The program will be completely fulfilled at the 150 megawatt scale. They're right now expanding that program to 600 megawatts. I haven't read this report. It's a little hard for me to react to it real-time here. I can take this back and absorb it a little bit.

Vice Mayor Schmid: Maybe your comments, because it doesn't seem to have the operating capacity.

Mr. Lewis: I don't know who wrote this.

Mayor Holman: Council Member Burt, are you ready for a motion?

Council Member Burt: Yes. I would move that Council adopt a resolution to make the following changes to the CLEAN Program: incorporating 1a as on the screen which is to add a 25-year contract term option to the existing 20-year option; to incorporate 1c which is the inclusion of non-solar eligible renewable energy albeit not with the stated avoided cost price; essentially a new 1b that continues the CLEAN Program for solar and non-solar eligible renewable energy resources at the current 16.5 cents for the 3 megawatts previously committed to in the program by the City Council or for one year, whichever comes first and at the completion of whichever trigger came first, a review of a gradual reduction in the rate of the future CLEAN Program; finally to direct that the lease income from solar on the City-owned garages would be directed to the Utilities Department as an offset to the cost of the CLEAN Program.

Council Member DuBois: I would second that if you could clarify what you changed A(iii) to be.

**MOTION**: Council Member Burt moved, seconded by Council Member DuBois to:

A. Adopt a Resolution to make the following changes and amend the CLEAN Program Eligibility Rules and Regulations accordingly:

- i. Add a 25-Year Contract Term Option in Addition to the CLEAN Program's Existing 20-Year Contract Term Option; and
- ii. Continue the program for solar at the cost of 16.5 ¢/kWh for 3 MW as previously approved by the Council; and
- iii. Expand the CLEAN Program to allow non-solar eligible renewable energy resources to participate, and offer such resources as contract price equal to their avoided cost of 9.3 cents per kilowatt-hour (¢/kWh) for a 20-year contract, and 9.4 ¢/kWh for a 25-year contract term, with a program limit of 3 MW; and
- iv. Council will review a gradual reduction in the future rates of the CLEAN program; Staff will return to the Finance Committee with a recommended, graduated rate reduction plan for subsequent tranches; and
- B. To direct lease income on City owned garages from the CLEAN program to Utilities to offset costs of the program to electric rate payers.

Council Member Burt: The intention is that the rate for non-solar energy participation in the CLEAN Program would be the same rate as for solar, which would be the 16.5 cents.

Council Member DuBois: Can you explain why? I thought we had a policy that it was at a lower rate.

Council Member Burt: Oh, no, we didn't have such a policy. That was a misrepresentation in my mind. The Waste to Energy Program, we actually had a discussion at the Finance Committee on whether it should be at the same rate as the solar. Utilities Staff at that time said they were not determining whether it should be. They just wanted to put a floor on the pricing there. It could be considered for inclusion at the time when and if we had such a project. I remember that pretty clearly. There was never any such policy decision to set a lower price for the non-solar. It was simply that Staff as a placeholder put a floor price in.

Mayor Holman: Council Member Burt has made his motion. Council Member DuBois has seconded that motion. With the clarification, do you hold your second?

Council Member DuBois: Would you include the 3 megawatts at one-year in 1c as well? If we have a graduated rate, it graduates at the same pace.

Council Member Burt: Yes.

Council Member DuBois: Then I'll second that.

Council Member Burt: Just a couple of quick things. The arguments that this program in and of itself does not significantly alter our resiliency through renewables is only partially correct, because it isn't in isolation. It's in the context of our existing and our future local renewables. As page 5 shows, our technical potential in the community is around 17 percent local renewables, which would be very significant. The 4 percent itself enables such things as—I know that we had discussions. I don't know where we stand today about, for instance, being able to hook in emergency power supplies for ongoing Emergency Services at City Hall from a source that would be able to supply power in the event of an ongoing power loss in a severe emergency like a major quake. I also would disagree with the argument that it doesn't cut emissions at all. These 4 megawatts would be added to new renewable energy that would be added to the utility-scale on other renewables that we own as a City. All that replaces brown power. It does in the net reduce greenhouse gas emissions. Those are my comments at this time.

Molly Stump, City Attorney: Madam Mayor, can I ask a clarifying question? Is the motion with respect to the non-solar element intended to be a modification of Council's prior action to purchase power from the anaerobic digester at the avoided cost?

Council Member Burt: The prior was that we replaced it as a floor or a placeholder. I remember we had a significant discussion about this.

Ms. Ratchye: Right. There was a policy on pricing then, and that was adopted. Also on May 12th, 2014, Council did approve a policy for payments for it at the avoided cost. There was also a floor put in that was in another document that was lower than that. This is explicit Council policy. It's on page 12 of the report, on the first full paragraph. There's a hyperlink there. You can go to where that motion is.

Council Member Burt: I would be amenable to having the power from the Waste to Energy Program be instead continued at the avoided cost. I'd modify the motion if the seconder agrees.

Council Member DuBois: Yeah. We ended up with the right numbers. We were talking about \$310,000 of annual costs, less \$154,000 of revenue from leasing. We're looking at a 0.13 percent rate increase, not a 0.25 percent as was stated. I do view this as a pilot program to test local generation. Before the motion was made, I was contemplating to lower the cap a bit for the projects in the pipeline. It's good to allow a little bit more for the Community Solar Program to startup. The 3 megawatts or the one year allows that. It is important to recognize that the price of solar is dropping

quickly, probably faster than governments can react. This motion tries to get to that. We allow the projects in the pipeline to proceed. We have a little bit more in the cap to start up our Community Solar Program. Then we come back with a graduated pricing scale that, instead of a hard edge and an abrupt change to the market, allows us to get there gradually. I see value in getting experience in running solar in the City. I see value in diversified sources. I'm not interested in just killing the program. That abrupt change could do that. Instead of 16 or 10, we should be talking about the rate of change and how quickly we come to the market price. I'm just looking at my notes real quick. Hang on one second. Okay, I'm done.

Council Member Scharff: I just want a little bit of clarification. The motion as written doesn't reflect what I thought I heard Council Member Burt say in terms of expanding the CLEAN Program to allow non-solar eligible. Right now it says 9.3 cents per kilowatt hour. Are we at 16.5 on that or are we at 9.3? I don't see anything in there about the anaerobic digester. I assume we're going to clean that up and put that in there. The other question I have on this would be the 3 megawatts and the expanding, it's not an additional 3 megawatts, that's included in the first 3 megawatts, I assume. I didn't think that was necessarily clear. I assume that what you mean by that ...

Mayor Holman: Let's make sure there aren't assumptions in the motion.

Council Member DuBois: Are you talking about in "b" or "b" and "c?"

Council Member Scharff: In "c." I'm trying to make sure that it's 3 megawatts total the program, not 6 megawatts now.

Council Member DuBois: I think the initial Staff proposal was 6, 3 and 3.

Mayor Holman: We need to wait for the maker of the motion to be available to answer intention. Council Member Burt, Council Member Scharff has three questions to ask you about the intention of the motion.

Council Member Scharff: In Item Number c, is the 9.3 cents per kilowatt hour correct or were you advocating for 16.5?

Council Member Burt: The 9.3 is the avoided cost, correct?

Council Member Scharff: Correct.

Council Member Burt: That's what we're planning on having for the non-solar eligible, the anaerobic.

Council Member Scharff: I wanted to make sure I understood that. I want to raise this question. If we actually use the avoided cost at 9.4 cents, there's no actual reason to have a cap on it. At 9.4 cents, you should buy all the renewables you possibly could if there's no transmission costs.

Council Member Burt: Okay.

Council Member Scharff: On the non-solar eligible, since it's at 9.3 cents, I don't think you need a cap on that.

Council Member Burt: I would agree.

Council Member DuBois: I would disagree, because the price could drop over time. That's the whole point of the cap.

Council Member Scharff: Okay, a fair argument. I thought I'd raise that. That was that question. The other question I had was—it just went out of my head. This is the argument that came before us that I'm struggling with. I heard that it takes over a year to put these things together. I think I heard that loud and clear. I also heard the equity argument that we've been working on this for two years. We've put \$200,000 into it. When this comes back in a year from now, anyone who's relying now on the 16.5 cents is going to come back to you when you're trying to do a gradual reduction and say, "We priced this on that." I wanted to raise that issue, so when this comes up people understand that we're looking at a gradual reduction. If it was me, I could fully support this motion if we actually lowered that 3 megawatts to, say, 2 megawatts. I don't see anyone coming up in the next, I don't know, year with the program. If they do, great. I am concerned about this equity argument that people are not going to realize that. As we try and do a gradual reduction, people are going to complain about it. I just throw that out there and see if anyone thinks about it.

Mayor Holman: Are you asking that as an amendment?

Council Member Scharff: I'm asking for a response. I may ask for an amendment, but I'm actually asking for a response a little bit from Council Member Burt on what he thinks about that issue.

Council Member Burt: One of the questions is that based upon what we've learned over the last year in these two programs, will we necessarily have a one-year gestation period for new projects that enter the pipeline. An alternative would be that we lock this in for 18 months to make sure that we have adequate timeline but not excessive timeline for projects that would be coming forward in the coming months that might take a full year from initial proposal until final adoption. It's a valid point. The question becomes how

best to address it. I would be game to extend this to 18 months to help assure that we're communicating clearly to proposers of projects that they need to be cognizant of when their project would have to get through approval and make sure that they get it in in plenty of time. That's one alternative way to address that.

Mayor Holman: Council Member Burt, are you looking at "c," extending that one year to 18 months?

Council Member Burt: Yeah, but I want to only try and do that if I'm not going to have a bunch of strong objections from colleagues over doing so.

Mayor Holman: Council Member DuBois, would you accept that?

Council Member Burt: He may have an alternative suggestion too.

Council Member DuBois: A couple of suggestions. One would be with the intent of a graduated reduction, to make that known to people. The other one would be to direct Staff to come back to Finance with the actual schedule and show that. Not only would we have a one-year rate, but we would show an intended reduction.

Council Member Scharff: That was going to be my suggestion. We add in this motion that Staff comes back to Finance and starts working on it now, what that gradual reduction could look like, so that people know that that's where we're going. When Staff talks to people about it, they realize that that's what we're going to look at.

Council Member Burt: I wouldn't have any problem with that. I don't think that it necessarily resolves this issue of whether a one-year fixed price allows new projects in the coming months to enter the pipeline with the confidence that they'd be able to be completed before the rate changed. Those are two related but not identical issues. I would certainly be game to add language—let me go ahead and do that. Where we have the final sentence of "c," let's make this a new "d." Where it begins "in addition," we'll just drop that down to "d." Omit "in addition," and then end that sentence. We would add that "Staff would return to the Finance Committee with a recommended graduated rate reduction plan for subsequent years." If that's okay with the seconder? Yeah. We still have the question of what to do with this one-year period. In one sense if this graduated rate reduction plan came through the Finance Committee and the Council in under a year, there would be some visibility to new project proposers what they could anticipate. Let me ask Jane. Do we have any sense that based upon the learning experience we've done in these first two projects, of the garages and the church project, what we've learned to date, do we think

that subsequent projects would have a reduced timeframe from getting legal contracts—I know that's been part of what we've had to work out and understand, how we wanted to frame those contracts as well as Staff issues. Do we think it would take less time on subsequent proposals than it has to date?

The beauty of the CLEAN Program is that the contract is Ms. Ratchye: standard and already worked out. There shouldn't be any time with that. We have had no applications so far. None, so we have not had the City's application for the garage, and we haven't had the Universalist Church application either. I wanted to clarify that once someone puts in an application and they have executed the Power Purchase Agreement that's part of CLEAN, then they've captured their kilowatts or megawatts and reserved that rate, that price, in the contract. They have one year to get to the commercial operation date after they execute that. There's a time period. The way that we have been doing it, where we return to Council annually and reassess what's the current avoided cost and should we update the CLEAN rate, is a fairly good way to do it. Now you're suggesting having Staff come back with setting what that is in advance without the knowledge of what the actual avoided cost will be. I'm not sure how that would work. I'm not sure that—I don't know if this is kosher to say—your proposed motion about having this for a one-year period is advisable. The very first year we had the program, we had an end date. After that year, we decided that the end date doesn't make sense. The program will just continue until we hit the cap on the program, but we'll keep returning each year to offer the Council an opportunity to adjust the prices.

Council Member Burt: One issue is whether we should extend the chronological cap and have a megawatt cap. Correct?

Ms. Ratchye: That would be workable.

Council Member Burt: I am game to have it go to the megawatt cap and drop the one year.

Council Member DuBois: I'd like to clarify what I think the intention was. It wasn't that you would be forecasting what the market rate is. It's that instead of being at cost or cost plus 6.5 cents, we would almost ...

Council Member Burt: That's the second part of this.

Council Member DuBois: Yeah. Again, just to clarify. I think we're just talking about a percentage of getting closer to market. You could even come back with a table that said, "We're X percent away this year. We're going to be Y percent," and get closer and closer over time.

Council Member Burt: I was going to hit that next, but that's separate from this first question, which is should we extend it for the 3 megawatts and that that would not have a time sunset unless Council took some subsequent action to do so.

Council Member DuBois: I'm a little bit torn on that. I'd like to hear what colleagues say. The idea of this table is important to me, because then the project would have motivation to do it soon before the rate drops, if they knew there was a schedule.

Council Member Burt: I see. The second half of Jane's comments about the difficult of knowing how much it should drop. It's within this motion. It doesn't say that you have to look out five or ten years, but you could look within a reasonable horizon. You could make a proposal to the Finance Committee of just the next phase of the program. You might say, "It drops 1 cent," or whatever based upon the visibility you would have. Other cities and utility districts have actually done it this way already, so it's not like it's something that would be strange to do. I do appreciate that you don't have some infinite visibility over the horizon. We need to get something out on the table for colleagues to respond to on whether or not to drop this one year sunset.

Mayor Holman: Council Member Burt, Council Member DuBois has not accepted that as a second. Do you want to offer it as a separate amendment?

Council Member Burt: Let me give him the option of up or down.

Council Member DuBois: You're proposing definitely removing it?

Council Member Burt: I am if you accept it.

Council Member DuBois: Yeah, I guess I'll accept it.

Council Member Burt: It would delete "or for one year."

Mayor Holman: There's another location at the latter part of "c." Clarification here. As part of "d," do you really need that add-on sentence that says "subsequent years"?

Council Member Burt: It would be not for subsequent years. It would be for subsequent increments of power or some phrasing.

Council Member DuBois: Subsequent caps.

Council Member Burt: Subsequent caps, power caps. Jane, any suggested language there?

Ms. Ratchye: I was thinking of the word tranches.

Council Member Burt: Tranches, yeah, that's fine.

Mayor Holman: Council Member DuBois, are you okay with that?

Council Member DuBois: (inaudible)

Mr. Keene: I'd also point out it's 10:30.

Mayor Holman: Yes. I'm hoping we're getting pretty close.

Council Member Filseth: I had a question. I want to make sure I understand how this works. Council Member Burt, we're still talking about having a gradual reduction in the rates from 16.5 cents to lower. Is that for people who apply to the program a few years from now or is that for everybody continuous? If somebody joins the program this year, they pay 16.5 cents now. Ten years from now, are they paying 16.5 cents or are they paying something else?

Council Member Burt: No. The contracts are locked in. After our first 3 megawatts, they'd be coming in at some lower contract rate.

Council Member Filseth: After the first 3 megawatts.

Council member Burt: Correct.

Council Member Filseth: But the program is limited to 3 megawatts. Are we now taking off the limit?

Council Member Burt: The Council has every year or so elected to continue the program. What we're saying here is that a future continuation of the program would be anticipated to be at some lower rate than the 16.5 cents. The Council could also decide not to continue the program. The direction here is to come back with a lower rate for any future tranche of power purchase beyond the 3 megawatts.

Council Member Filseth: As I try to figure out what the cost to Palo Alto utility customers is going to be, the way I should think about it is it's 3 megawatts of capacity at 16.5 cents. If the program is expanded in future years, then we'll have to recalculate for what they're going to pay. As I see this, if we approve this motion, we're going to spend \$2 million of Palo Alto

utility customers' money on something that's incredibly ephemeral. It's an irresponsible thing to do, and I'm not going to support it.

Council Member Wolbach: A couple of questions for colleagues and possibly for Staff. Do we really want to make the decision tonight that we are going to be moving towards—my question's probably for you as much as anyone. It didn't sound like there was unanimity among colleagues about wanting to reduce to a lower rate. It looks like at this point, Council Member Burt, you're comfortable with it and that's the (crosstalk).

Council Member Burt: No, I've always assumed that we would gradually have this go down. That's the intent of the pilot scaling.

Council Member Wolbach: Thank you for clarifying that. Would it be too complex or would it be worse to tie the rate to the cost of the market? One of the concerns is that we don't want to go down too slowly or too quickly if what the market is doing is very different.

Council Member Burt: My answer would be that's very possibly a route that we would take when this would come back. That would be a basis for a discussion a different night.

Council Member Wolbach: The question for Staff. The motion as it is right now, is this clear or this fuzzy?

Ms. Ratchye: It's clear enough. There's some clean-up you need to do to this thing on the screen. Under "c," the statement "as previously approved by the Council" should be deleted, because there was no program for non-solar.

Council Member Wolbach: "D" in particular, 1d, just want to make sure that you're comfortable (crosstalk) with that.

Ms. Ratchye: I understand that it is directing Staff to return with a plan for some sort of gradual reduction in the price, some proposal we'll come back later with.

Council Member Wolbach: Was this planned to come back to us next year anyway, come back on an annual basis? Is this just providing additional clarity to what we'd want to be in the Staff Report at that time?

Ms. Stump: This does not continue what you've previously had as practice of reviewing the price annually. This would be a commitment to do 3 megawatts at this price and then to look at price reductions after that, whether that was next year or the following year or the year after that.

Council Member Scharff: I was fully in support of this motion before we made the latest changes to it. The way I understood the intent at first was that we were going to try this 1.5 megawatts that's happening. If someone else gets something in in the next year, which I view it unlikely, then we would allow them to come in and get that done. Now what we're saying is we're going to keep the 3 megawatts at 16.5 cents for as long as it takes to get there. After we get that, we'll come back and look at possibly doing a graduated rate reduction for subsequent tranches. We're building into this a commitment to continue these large subsidies, depending on where it goes. My hope and what I've heard from the Clean Coalition is that if we get this up and running as a pilot program—I've heard other people talk about this as a pilot program—that we will learn from this and we will get this. I would be completely comfortable with this motion the way it is, if we lowered it from 16.5 cents a kilowatt for the first 2 megawatts as previously approved by Council. When we get to the 2 megawatts, then we come back, we evaluate where we are and what we've learned, if we can have a lower price at that point, and that extra megawatt or maybe extra 2 megawatts, at that point would be that tranche. I don't see why you should leave 3 megawatts on the table when we're going to have hopefully at least 1.5 megawatts that then comes up and goes into that. Hopefully we'll learn from it and hopefully that'll bring the price down. It doesn't make sense to me the way we've currently structured this. I would offer an amendment that we continue the program for solar at the cost of 16.5 for the first 2 megawatts as previously approved by the Council. Is that acceptable?

**AMENDMENT:** Council Member Scharff moved, seconded by Vice Mayor Schmid to replace in the Motion Part A Subsections (ii) and (iii), "3 MW" with "2 MW."

Council Member Burt: I would not, and I would be glad to explain my reasoning on that, even though I appreciate the intent.

Mayor Holman: Council Member Scharff, would you care to make it as a separate amendment?

Council Member Scharff: Yes, I do care to make it an amendment.

Vice Mayor Schmid: Second.

Council Member Scharff: I'm going to say that if we go down this path, the point is that it's a pilot program and that we need to learn from it. When we have 2 megawatts, we capture everybody who's in the pipeline currently. We learn from it and hopefully then we can get a graduated lower price. Staff can come back to us at that point and Clean Coalition can weigh in about whether or not we can have a graduated price. If not, then why not?

I see no downside to that. All it does is a check-in with Council that says, "We've hit the 2 megawatts. Come back to us. Tell us what the price should be." I see no downside to it at all. I see it as completely in keeping with our pilot program. That's why we should do that.

Vice Mayor Schmid: I'm thinking of the ratepayer. We had a discussion about the ratepayer. We can provide a 16.5 cent price, because half of that will be rebated to the Electric Fund through giving up the City's share of it. The effective subsidy to the ratepayer is 8.25 as long as we have garages to cover. Once the garages are covered, anything else that comes in beyond that would get the full 16 percent, and the ratepayer would then be paying that \$300 million or whatever the amount is or anything above 1.6.

Mr. Keene: \$300 million? \$300,000.

Vice Mayor Schmid: Yeah, 300,000, sorry. That 2 megawatt is a critical number, because that's when the burden on the ratepayer doubles, because we run out of garage space to cover. It does call for a reassessment at that time. How successful is it? How's it working? Are there other places around town, either public or private commercial space, that would eligible for it? Being sensitive to the ratepayer, the 2 megawatts, makes sense.

Mayor Holman: Changing 3 megawatts to 2 megawatts as it appears in 1b and 1c is clearer. If that's agreeable to the maker of the amendment? Then it's pretty straightforward.

Council Member DuBois: I have a quick question. My understanding was the Community Solar Program was going to use this program as well. Is that correct?

Ms. Ratchye: That's a possibility. It may do it through the CLEAN Program or it may be a separate program that we would return to Council and request a price for.

Council Member DuBois: If you did it through the CLEAN Program and you only had 0.4 megawatt left—if it was 2 megawatts and 1.6 is committed—is that enough to launch the program?

Ms. Ratchye: That might be too small.

Council Member DuBois: Would 1 megawatt be a reasonable number to launch it with?

Ms. Ratchye: Probably.

Council Member DuBois: I would offer a friendly amendment to make it 2.5 megawatts to allow the Community Solar to fit.

Council Member Scharff: Why don't we just make Community Solar a separate thing? We could give them up to a megawatt for Community Solar. I'm fine with that. Just come back with a separate program.

Council Member DuBois: It's efficiency in meetings. Do we need to come back or can we include it?

Council Member Scharff: They said that they were going to come back. They can come back and talk about how to best structure Community Solar. I don't think that has to be within this program. I don't think we're tying their hands. There's no Community Solar on the table right now. The vendor went away. It's going to be at least a year before we come back with something.

Council Member DuBois: I was just factoring in my thinking the year and the fact that we're talking about it, that it would fit right in this program.

Mayor Holman: Council Member DuBois, I see Staff nodding their heads in acknowledgement of Council Member Scharff's comments.

Council Member Burt: Jane, what portion of our electricity is purchased by residences versus businesses, ball park?

Ms. Ratchye: About 20 percent.

Council Member Burt: Just residences.

Ms. Ratchye: 15-20 percent residence.

Council Member Burt: Right now if we have the 3 megawatts, we'd be subsidizing a maximum of \$150,000 a year in the whole program. 20 percent of that would be subsidized by residents. If my math is right, that would be \$30,000 by residents. Divided by 65,000 residents roughly, that's less than 50 cents per year per resident and less than a nickel a month. We're getting in a frenzy over that? This is getting down a rat hole and the concerns on that and saying how irresponsible this would be. We're spending a nickel a month for each resident to have a greatly expanded community solar. I'm not going to support the amendment.

Council Member Filseth: I was going to agree with Council Member Scharff. Community Solar, we don't even know exactly what it's going to look like yet. We should deal with that separately. As far as the comments on a

nickel a month, \$150,000 a year, 20 years, 5 percent discount rate is worth \$2 million.

Mayor Holman: Council Members, vote on the board on the amendment. That amendment fails on a 4-4 vote.

**AMENDMENT FAILED:** 4-4 Filseth, Holman, Scharff, Schmid yes, Kniss absent

Mayor Holman: We return to the main motion. We will vote on the motion. That motion passes on a 6-2 vote with Council Members Scharff and Filseth voting no.

**MOTION PASSED:** 6-2 Filseth, Scharff no, Kniss absent

Ed Shikada, Assistant City Manager: Excuse me, Mayor Holman. Item Number 3, as an administrative clean-up item. It's one that Staff felt was important to include. My apologies. This is on the original recommendation from the Finance Committee. Jane pointed out that we may not have caught that in the motion.

Ms. Ratchye: There is some administrative changes to the PPA to delegate authority to the City Manager to make non-substantive changes to the PPA.

Mayor Holman: I'm sorry. Could you repeat that please?

Ms. Ratchye: It's the Number 3 on the Finance Committee recommendation. It's administrative changes, small changes, to the PPA that we'd like to delegate authority to the City Manager.

Mr. Keene: To delegate inconsequential changes to the City Manager.

Mayor Holman: Council Members, we need to reconsider the motion as a part ...

Ms. Stump: They're asking for a separate motion to approve Number 3.

Council Member DuBois: What about Item Number 2 on the original motion? Was that included?

Council Member Burt: Yeah.

Mr. Shikada: Number 2 is unnecessary.

Council Member Burt: I will move that Finance Committee Recommendation Number 3, which is approve the amended CLEAN Program PPA to implement

the recommended—these are now the changes that we've made—and delegate authority to the City Manager to make additional changes approved by the City Attorney's Office, etc.

Council Member Wolbach: Second.

**MOTION:** Council Member Burt moved, seconded by Council Member Wolbach to approve the amended CLEAN Program Power Purchase Agreement (PPA) to implement the recommended changes to the CLEAN Program and delegate authority to the City Manager to make any such additional changes as are approved by the City Attorney's Office, and are otherwise necessary to implement any of the recommended changes identified in this Staff Report that are approved by Council or are otherwise necessary to implement Council's action on this item.

Mayor Holman: Moved by Council Member Burt, second by Council Member Wolbach to incorporate Number 3 from the Finance Committee Recommendation. We will vote on the board. That passes unanimously on an 8-0 vote with Council Member Kniss absent.

MOTION PASSED: 8-0 Kniss absent

Mayor Holman: Council Member Burt, is there anyone that you'd care to close this meeting in honor of? We'll wish Sally Beamis a happy birthday this evening.

Adjournment: The meeting was adjourned at 10:48 P.M.