UTILITIES ADVISORY COMMISSION MEETING

MINUTES OF FEBRUARY 1, 2023 REGULAR MEETING

# CALL TO ORDER

Chair Segal called the meeting of the Utilities Advisory Commission (UAC) to order at 6:00 p.m.

Present: Chair Segal, Vice Chair Johnston, Commissioners Bowie, Metz, Scharff and Smith.

Commissioner Forssell arrived at 6:09 p.m.

Absent:

# AGENDA REVIEW AND REVISIONS

None

# ORAL COMMUNICATIONS

None

# APPROVAL OF THE MINUTES

Chair Segal invited comments on the December 7, 2022 UAC draft meeting minutes.

Commissioner Scharff moved to approve the draft minutes of the December 7, 2022 meeting as

presented.

Commissioner Metz seconded the motion.

The motion carried 6-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Metz,

Scharff and Smith voting yes.

Commissioner Forssell absent.

# UNFINISHED BUSINESS

None

# UTILITIES DIRECTOR REPORT

Dean Batchelor, Utilities Director, delivered the Director's Report

Extreme Energy Prices and High Utility Bills This Winter: CPAU and other utilities in the region have experienced extremely high natural gas prices this winter due to national weather, gas production, storage levels, as well as national and international trade and demand. Since learning of these higher prices in late November and early December, CPAU has been informing customers to save energy to avoid high utility bills in January and February. The City is offering resources to help customers, including payment arrangements, energy efficiency tips and warming centers. Our Utilities Customer Service Call Center can be contacted at (650) 329-2161 for financial assistance. The February gas commodity price has dropped from $4/therm to about $1.26.

2022 SunShares Program Results: The 2022 Bay Area SunShares solar and battery storage discount program administered by Building Council for Climate Change ended on December 31,2022. Palo Alto ranked in first place for the number of SunShares program registrations (151 registrations) and number of solar and storage contracts signed (32 contracts). Of the 32 contracts signed, 23 contracts were for solar only, 8 for solar and storage, and 1 for storage only. CPAU maximizes participation by engaging customers in our programs such as Home Efficiency Genie’s Home Assessments and Heat Pump Water Heater Program.

EV Financial Incentives Clinic: On January 25, 2023, CPAU held a virtual, multilingual EV Financial Incentives Clinic in English, Spanish and Vietnamese. This workshop was geared toward lower income customers who may feel they cannot afford an EV. There were over 190 registrants and 85 attendees. The workshop covered topics such as greenhouse gas emissions, fuel and car maintenance savings, rebates, incentives, different levels of EV chargers, and new and used EV models. CPAU will host more EV and E-bike workshops this year. Details and registration for upcoming events are on cityofpaloalto.org/workshops.  
Ribbon Cutting for Stanford Health Care EV Chargers: Stanford Health Care recently installed 15 new EV charging stations at the Hoover Pavilion garage. Stanford participated in the City’s Electric Vehicle Technical Assistance Program, which helped with technical evaluation, design, permitting, contractor selection and equipment installation. Stanford is in the permitting phase for installing EV chargers at two other garages. Stanford has invited City representatives, including the City Council, to participate in a ribbon-cutting ceremony on February 9.  
Water Supply Update: The recent storms have had a measurable, positive impact on regional water system storage. Later this month, the San Francisco Public Utilities Commission will provide updates on water supply conditions and rate projections. Final numbers will be released in April.

Hydroelectric Update: As of January 30, precipitation totals are about 40% and 70% above average in Northern California and the Central Valley, respectively. The snowpack levels are about 70% and 110% of average in Northern and Central California, respectively. Although this precipitation is not enough to end the drought, reservoir levels are at average levels for this time of year.

Recent Storms and Power Outages: A slide presentation was shown on the Bay Area Storms Report for January 2023. The rainfall from New Year’s Eve storm caused a peak water flow of about 6300 cubic feet per second, which is more than 10 times the precipitation of 600 cubic feet peak we typically see. There was some flooding. It crested the bank on December 31, 2022. Libraries and the Community Services Center served as daytime warming centers. The City activated the Emergency Operations Center (EOC) and mobilized teams for response to flooding, traffic control needs, emergency rescues, power outages and other storm-related impacts. Operators were at the Utilities Control Center answering customers’ phone calls after hours.  
Now, we can only take incoming calls, not outgoing calls. For planned outages, we hang flyers on customers’ homes. A new Outage Management System (OMS) has been ordered and should be ready by approximately June 2023. The new OMS has the ability to contact customers bytext, email and/or phone call.  
Regarding the City entering into new labor contracts with the union, Vice Chair Johnston wondered if it was anticipated to help with our Electric recruiting problems. Mr. Batchelor hoped it will help keep our younger apprentices but did not think the wage increase would attract new linemen.  
Commissioner Metz wanted to know if the flooding on West Bayshore impacted our Colorado Ave substation and Adobe Creek as well as if the City would do something differently for substations going forward. Mr. Batchelor replied we were fortunate the freeway did not flood.The lower section on the west side of Bayshore was flooded. Colorado is higher than MSC. The UAC previously approved security lights and fencing for substations, including replacing Colorado’s wood fencing with pre-made solid walls this year. That should stop some of the flow into that area but there was no flooding or water problems in those two substations. Large  
sump pumps were spread out across the yard edges. There is a small creek on the south side, so hoses were ready to pump into the creek bed if needed.  
Commissioner Forssell queried if the 50 fallen trees were City-owned or privately owned and if the City could prevent trees falling during the next big storm. Mr. Batchelor responded the majority of the fallen trees were privately owned. Our tree-trimming program needs to be more proactive. Public Works does not have enough tree trimmers. Having at least 50 to 60 more tree trimmers would lessen the timeline of outages. Utilities pays contractors but it is managed out of the Public Works Department, so there are ongoing conversations with Public Works regarding this.  
Chair Segal questioned if the rainfall was enough to end the drought. Mr. Batchelor explained that the storms helped but the reservoirs were still low. In April, the San Francisco Public Utilities Commission will release final numbers on reservoir levels, which will be presented to the UAC during the April or May meeting.

Chair Segal inquired what lessons were learned regarding opening the community centers during the storms and whether we can use them for other storms or emergencies. Mr. Batchelor answered that we need to be more proactive when we know there are upcoming storms. The directors from Library and CSD stayed after hours to keep libraries and community centers open during early mornings and late nights but we could ask staff to help. We could have informed the public sooner about where to go. Mitchell Park was open but we did not have enough staffing to keep all of them open. We will work with Library and the Community Center to open again if we have another bad cold front.

# NEW BUSINESS

## ITEM 1: ACTION:

Staff Recommend the Utilities Advisory Commission Recommend the City  
Council Approve and Authorize the City Manager or Their Designee to Execute a Third Phase Agreement With Northern California Power Agency for the Purchase of up to 87,600 Megawatt Hours per Year of Geothermal Energy From Calpine Corporation's Geysers Power Company, LLC Over a Term of up to 12 Years for a Total Not to Exceed Amount of $76.2 Million  
Micah Babbitt, Resource Planner, delivered a slide presentation regarding an opportunity to enter a 12-year power purchase agreement (PPA) for geothermal energy through NorthernCalifornia Power Agency (NCPA).  
Mr. Babbitt addressed Commissioner Forssell’s question about the definition of on-peak and off-peak hours. On-peak is 6 a.m. to 10 p.m. Monday through Saturday and off-peak is all other times. One of our requirements to run a resource adequacy (RA) program is to demonstrate we have local RA, system RA and flex. Our local requirements are set on an annual basis and we have to procure RA to meet the requirements. On average, our requirements have been between 80 to 90 megawatts (MW). The resources in our portfolio contribute about 30 MW.  
The geothermal project would qualify as a local requirement. We claim system RA from our hydro. We are generally long on system RA, so we sell system RA into the market to other entities that are short. Local resources also qualify as system resources. This purchase agreement would further increase our long position on system RA and allow us to sell more system RA.  
Commissioner Forssell asked for a definition of our local RA requirement and if it was determined by the location proximity to Palo Alto. Mr. Babbitt explained that a resource qualifies as local if it is located within one of Cal ISO’s market regions. The geothermal project is located in the Northern Bay Area region of the California Independent System, so it qualifies as local. Some of our solar resources in Southern California do not qualify as local RA but they qualify as system RA. We have deficits in all of the evening hours because of the amount of solar we have in our portfolio. We are barely meeting our load during the daytime hours.  
During Q4 and Q1, there is significantly less solar power generated. In Q2 and Q3, we generally sell energy in the summer because we have more than we need during most hours but we are short in the evening hours. This geothermal project would provide 24/7 power, so it reduces our deficit and thus reduces our exposure to the market in those hours.

Commissioner Scharff commented that geothermal is a base resource we can use anytime. He assumed everyone is long in solar. He remembered there was a negative price for putting energy into the market, meaning it would cost us money. He believed it was better to have a base resource rather than solar that continually comes when we do not need it.  
Mr. Babbitt remarked that the main concern or hesitancy regarding electric supply management is to avoid over-procuring energy. In 2025, we are projected to be long. Our load is 850 gigawatt hours and our resources are almost 1 million megawatt hours (MWh), so we have more energy than we need, assuming an average hydro production year. The hydro total for Western and Calaveras are around 470 gigawatt hours. The last couple years, we had significantly less generation, so estimating whether we will be long or short on an annual energy basis is challenging, especially factoring in load growth uncertainty. We have one wind PPA expiring in 2028. We have a series of landfill gas PPAs that start expiring in 2028 and ultimately go into the 2030s. We are able to renew our Western contract starting in 2025. Therefore, there is uncertainty as to what our portfolio will look like starting in 2025.  
Commissioner Smith queried if the 87,000 MW was overlaid on the average hourly load resource chart for Q2 and Q3 if the bell curve would flatten. Mr. Babbitt responded that the geothermal contribution is seen above the gray bar. The analysis assumption was 10 MW from geothermal every hour of the day, every day of the week.  
Mr. Babbitt said the major takeaway from the slide “Projection of CA Energy Market Dynamics through 2045” is that the trajectory of the market is retiring baseload power and replacing it with intermittent renewables. Power prices are going up during off-peak hours and down during the day when solar is blasting. The market dynamics make a resource such as geothermal more valuable.  
Commissioner Metz requested further information regarding the “Projection of CA Energy Market Dynamics through 2045” chart, if he could see the analysis behind this chart, especially the projected gigantic penetration of wind and solar. Storage deployments are outpaced by the addition of intermittent resources, so this makes the mismatch much worse.  
Mr. Babbitt stated that the slide depicted how the market will place a premium on hours of the day when wind and solar are not generating. Mr. Babbitt agreed to share the analysis behind the chart with Commissioner Metz.  
Mr. Babbitt showed a slide on the Calpine geothermal deal characteristics and economics. The PPA is between Calpine and NCPA for 100 MW of geothermal. The project starts at 50 MW in 2025 and increases to 100 MW in 2027. Palo Alto’s share would be 5 MW in 2025 and 10 MW in 2027, which translates to 43,000 MWh/year and 87,000 MWh/year, respectively. The term is a 12-year contract from January 2025 to December 2036. The PPA price is set at $79/Mwh, which is an annual cost to Palo Alto of just under $7 million. This agreement was evaluated by determining the benefits this resource would generate for us in revenue and if those revenues would be greater than the cost of $79/MWh, including the energy price, renewable energy credit and local RA value, although there is uncertainty around what each of those prices will be. This resource is an around-the-clock or baseload resource and we have forward market prices for this type of product from 2025 through 2031 ranging between $62/MWh and $85/MWh. There has been volatility in energy prices. The last couple months, it was well over $100/MWh. We recently transacted Bucket 1 REC prices over $20/MWh. We sold local RA over $11/MWh. In the low end of our estimates, it is still a net value.  
Commissioner Scharff was curious as to what other options we have for base resources and what those prices were as well as how buying in the spot market compares economically to those options. Mr. Babbitt responded that we could buy base resources within our portfolio limitations. We have renewable portfolio standard requirements and a carbon neutral requirement. Other primary baseload resources in California are natural gas and some types of hydro. Wind and solar are not typically thought of as base resources because of their intermittency. Nuclear and coal are not easily procured in the market. If we buy a five-year contract today for baseload and we want renewable energy credits and local RA, we could pay as much as $116/MWh.  
Mr. Babbitt confirmed Commissioner Scharff’s assumptions that we buy on the spot market when we have energy shortfalls, which is usually natural gas. Commissioner Scharff commented this PPA was better because it is a true renewable instead of buying carbon offsets.  
Commissioner Scharff asked how much money we would spend on average in the spot market versus this PPA. Mr. Babbitt replied they have analyzed that question by looking at forward price curves based on what brokers would charge us to buy a strip of energy over an entire year. If today I buy 10 MW for CY25, it is probably $65/MWh plus $14 to buy the renewable energy credit, totaling $79/MWh. Mr. Babbitt agreed with Commissioner Scharff’s understanding that this is competitive from a cost perspective, it is a base resource and we need the energy during those periods.  
Dr. Stack noted we had not seen many other proposals for renewable baseload resources. In the past several years, most of the responses to our RFPs for renewables were solar.  
Consultants have said this proposal is very competitive compared to other geothermal projects being developed. We have not seen many wind proposals. During the IRP process, we will look further into the potential for out-of-state wind, which would have a generation profile complementary to our loads that would produce more in the evening hours.  
In response to Commissioner Scharff’s query as to why are we not buying more in this PPA, Mr. Babbitt answered we asked for more and are in the process of seeing if that is feasible.

Commissioner Smith agreed with accepting more if it is available.  
Commissioner Smith requested an explanation on how to calculate net value. Mr. Babbitt replied that the net value difference is what it could cost if we were to buy this product on the market versus the PPA price. It could cost between $5/MWh to $37/MWh more than the PPA price of $79/MWh. Commissioner Smith asked if the calculation included selling our excess during spring and summer. Mr. Babbitt stated these values were based on an average over theentire year on what we would expect the resource to generate in revenue versus what we would be paying for the cost of it.

Commissioner Smith asked if the bullets on the slide for the Bucket 1 REC prices, the Local RA Value and the Total Benefits are additional contributions to net value. Mr. Babbitt said the net value is the total benefits minus the total cost, which is $79/MWh. The total benefits include the energy price, renewable energy credit and RA Value. During the winter and off-peak hours, it decreases our exposure to buying local RA on the market and makes us further long in renewable energy credits. Now, we sell renewable energy credits, Bucket 1 and buy Bucket 3, so it further enhances that position. Dr. Stack commented this calculation does not depend on what we do with our portfolio, how we manage it, what we sell or buy or what we are using. The calculation looks at the total market value of all the products being produced by this resource compared to how much the project costs.  
Mr. Babbitt addressed Vice Chair Johnston’s queries if landfill gas was a baseload renewable resource and if we were phasing it out. Landfill gas is a baseload resource and qualifies as a renewable. A decision has not been made on phasing it out but our 20-year contracts are set to expire. There may be an opportunity to renew those contracts. They had always been some of the more expensive resources in our portfolio but now they are competitive with the market.  
In reply to Vice Chair Johnston’s question regarding how the price for landfill gas compared to $79/MWh, Mr. Babbitt responded he did not know if we had a recent data point.

Vice Chair Johnston asked if RA was a state requirement. Mr. Babbitt replied that every load-serving entity is required to have an RA program. All CPUC regulated entities have an RA program by CPUC. We buy and sell to balance our requirements and certain resources qualify for certain attributes.  
Commissioner Scharff remembered there were environmental concerns about landfill gas from the National Resources Defense Council and Sierra Club because of water poured into landfill gas to create more from methane.  
Mr. Babbitt stated the preliminary findings are that geothermal was a good fit for the hours we are in deficit. Data centers have a baseload-type demand profile, so having a new baseload resource in our portfolio would go well with growth of data center load. As the forward market prices continue rising, $79 looks attractive. The City of Santa Clara has Council approval and is the 100% off-taker. NCPA signed the contract with Calpine. Santa Clara will assign a share of the  
project to individual members that have Council approval. Mr. Babbitt will speak with the Finance Committee in March and the Council in April. With approval from UAC, Finance and Council, the contract starts in January 2025.  
Sherry Listgarten commented that geothermal is expensive. She understands other things are more expensive but it would be cheaper if we had something more complementary that matches our curve better as opposed to more midday that we do not need. She was concerned that the temporary REC exchange was factored into our analysis. She thought it would be helpful to save the excess from midday and use it in the early morning hours. She asked if the City had looked into storage costs.  
Commissioner Forssell was curious as to why Calpine was selling it for $79/MWh if the value was so high.  
Mr. Babbitt responded he had not asked Calpine that question but this was a large project and took a long time to negotiate the details of the agreement, which started well before prices ran up. Not long ago, market prices were half of what they are today, so a resource like this looked very expensive.  
Commissioner Forssell asked if there was a reason why the PPA was only 12 years instead of 20, 25 or 30.  
Mr. Babbitt did not know but he speculated maybe there was concern about the duration they can guarantee reliable power production at that level. Geothermal is operated from a steam field and the level of output could decline over time.  
Commissioner Forssell noted the report said Palo Alto asked for 20 MW but was awarded 10 MW and Santa Clara had 70 MW.  
Dr. Stack explained that when this proposal came in, Santa Clara responded first and indicated their interest in taking the whole thing; therefore, it was a generous act to let other members get into it rather than take it all themselves.  
Dr. Stack addressed Commissioner Forssell’s question regarding the likelihood of renewing wind contracts and what was the future prospect for wind remaining part of the portfolio. The project is about 20 years old. The supplier will probably come to us with an offer in the next few years to extend the contract, although we will reach out if we do not hear from them.  
Maintaining wind in the portfolio depends on how competitive the price is.  
Commissioner Metz inquired what we were doing to look for and capture these opportunities earlier since solar prices and value were going down in the long term; therefore, the price and value of something like this would go up. Dr. Stack replied that we are talking to NCPA about handling RFPs for us in the future because they have a streamlined process and an open solicitation. Developers can submit proposals on the NCPA website.  
Commissioner Bowie asked if the slide showing 24-hour load balance included the projected load growth through 2045 during off-peak hours, data centers coming online and EV charging.  
Mr. Babbitt responded it did not. The 24-hour graphs were based on our actual hourly load in 2021 with our projected supply resources in 2025 with the contribution of geothermal.

Commissioner Bowie queried if it was a closed-loop or open-loop system and if it was drawing from a river or how it generated power from heat.  
Dr. Stack answered it is not drawing from a river. It is drawing from a steam reservoir underground. He believed it was considered an open-loop system because once steam is released it is not recycled.  
Chair Segal noted there was a comment in the report about unique operational risks to running geothermal but there was confidence that NCPA could avert them and she was interested in knowing what those risks were.  
Mr. Babbitt did not recall any specific operational risks, although any power generation asset had operational risks. This opportunity was unique in that there was no development risk with this project because it had already been built.  
ACTION: Commissioner Forssell moved Staff recommendation that the Utilities Advisory  
Commission (UAC):  
1. Authorize the City Manager, or their designee, to execute a Third Phase Agreement (Attachment A) with the Northern California Power Agency (NCPA) to purchase up to 87,600 MWh of renewable energy/year from a portfolio of geothermal projects owned by Calpine Corporation’s Geysers Power Company, LLC, over a period of 12 years, at a total cost not to exceed $76.2 million;  
2. Authorize the City Manager, or their designee, to execute on behalf of the City all related documents or agreements necessary to administer the Third Phase Agreement that are consistent with the Palo Alto Municipal Code and City Council approved policies, including, but not limited to, collateral assignment agreements; and take any and all actions as are necessary or advisable to implement and administer the Third Phase Agreement;  
3. Authorize the City Manager, or their designee, to approve and execute amendments to the Third Phase Agreement, as may be required from time to time, so long as the contract price and length of the agreement remain unchanged; and

4. Waive the application of the anti-speculation requirement of Section D.1 of the City’s Energy Risk Management Policy as it may apply to surplus electricity purchases resulting from the City’s participation in the Calpine contract, due to the variability of the City’s hydroelectric resources and uncertainty around the City’s long-term load forecast.  
Seconded by Vice Chair Johnston.  
Motion carries 7-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Forssell, Metz, Scharff, and Smith voting yes.  
UAC took a break at 7:39 p.m. and resumed at 7:50 p.m.

## ITEM 2: DISCUSSION:

Discussion and Status Update on the One Water Plan

Lisa Bilir, Senior Resources Planner, delivered a slide presentation. She wanted UAC feedback on the recommended strategic direction for the One Water Plan as well as portfolio themes of water supply and conservation options. The top-ranked water supply portfolio will go to City Council for approval.

The One Water Plan is a key action in the Sustainability and Climate Action Plan. It is a 20-year water supply plan for the City of Palo Alto. The goal is to manage future uncertainties such as multiyear droughts and climate change. There have been two rounds of stakeholder engagement with the community and City departments as well as one meeting with regional partners but there will be more stakeholder engagement. The work is being completed by Carollo Engineers, who is a National Thought Leader in the area of One Water and have done One Water Plans for other cities across the nation. This work builds on the existing plans by Public Works and Utilities, including the Northwest County Recycled Water Strategic Plan, the Green Stormwater Infrastructure Plan and Integrated Resource Plan.

Commissioner Forssell asked what the purpose of the plan was. Ms. Bilir explained that one portfolio is to continue to purchase all our potable water from San Francisco, which will be compared to portfolios with alternative water supply and conservation options and then determine which we want to implement. Ms. Dailey stated that if big capital projects were recommended, it is unlikely those would be developed far enough to ask for Council approval at the same time we are asking for approval of the plan because a robust engineering design is needed before asking for Council approval.

Ms. Bilir pointed out there was a list of about 25 water supply and conservation options in the UAC’s packet. Palo Alto has a high water demand relative to neighboring communities and relative to the average in the region. We have not reduced our water demand as much as the surrounding areas over the last decade. We need to see what additional water conservation actions we can take to reduce our demand without compromising tree canopy health. Once we reduce our demand, we need sustainable and resilient water supply options to meet the remaining demand. The average residential water usage in the BAWSCA Region is 71 GPCD (gallons per capita per day). The City is moving forward with implementing AMI (advanced metering infrastructure).

Chair Segal asked if the public could find the Evaluation Criteria Survey online. Ms. Bilir responded they are working on putting it on our website. We have a One Water webpage that explains the project, definition of the terms and provides links. Our contact information is online, so the public can contact us for more information.

Ms. Bilir presented the following portfolio themes: Baseline Portfolio, Minimize Cost, Maximize Local Supplies, Maximize Drought Resilience and Sustainable Water Supplies. The initial results will be presented to the UAC and Stormwater Oversight Committee joint meeting in Q2 of 2023. An information-only report will be presented to City Council in Q2 of 2023. The remaining stakeholder outreach will be online, asking for feedback on a draft of the One Water Plan. The final One Water Plan will be presented to the UAC and then to City Council in Fall 2023.

Ms. Bilir addressed Commissioner Bowie’s request for an explanation of how people were engaged in the stakeholder outreach. The three groups of stakeholders were our City Departments, the community and our regional partners. We collaborated with about six City Departments and held two meetings to get feedback from staff. For the community meetings, a freestanding website was set up on this topic and outreach was done through our Sustainability newsletter, Uplift Local, our email distribution list and our business associations. We held one meeting with our regional partners, which included other cities, BAWSCA and the San Francisco Public Utilities Commission.

Vice Chair Johnston inquired why Palo Alto uses more water per capita that most of our neighbors. Ms. Bilir replied it had not been fully analyzed but she could speculate on some reasons being growth and the proportion of single family versus multifamily in Palo Alto compared with surrounding communities. Some communities may already have AMI or more extensive recycled water pipelines. Vice Chair Johnston wondered whether some of it was related to protecting the tree canopy.

Commissioner Scharff commented that using a per capital model does not make sense. It is expected that someone in an apartment uses less water than someone in a single-family house. He assumed most of the difference was landscaping. He thought multifamily and single-family should be separated to compare water use to see if our multifamily usage is significantly different than other cities or if our single-family usage adjusted for lot sizes is significantly different. Palo Alto may have a much larger tree canopy than most cities.

Regarding the proposed portfolio themes on Page 13, Commissioner Metz suggested High Energy. Many supply options use a lot of energy, most notably desalination, so the feasibility depends on energy costs and availability.

Commissioner Forssell liked Commissioner Metz’s addition of High Energy as a theme but suggested looking at the carbon footprint of water because it could be high energy but if it was tied to solar, maybe we would be okay with the energy footprint if it was not high-carbon energy.

In reply to Chair Segal’s query if we had a definition for equitable, Ms. Bilir responded that Carollo is helping with our definitions. In our stakeholder engagements, equitable was used to describe the affordability of water as well as access to blue space and green space by people in the community. Ms. Dailey stated another example of an equity problem is if certain groups of customers were being served differently, for example if a neighborhood with a high density of multifamily houses had groundwater but everyone else had Hetch Hetchy. Chair Segal commented it would be great to have something on a website to give the community an opportunity to provide feedback before the March 2023 meeting. Ms. Bilir replied that we are continuing outreach and something will be on our website for people to weigh in on the survey.

Commissioner Forssell believed the highest priority was to reduce demand. Building codes were an enticing way to reduce demand but having stricter codes might be at odds with our affordable housing targets. She was interested in assigning a price to that and the City subsidizing if we were to do, for example, a zero net water code for development.

Vice Chair Johnston agreed with the comments on Slide 7 and thought they were sensible strategic directions. In response to Vice Chair Johnston’s question regarding what was the definition of local on Slide 13 for the portfolio of Maximize Local Supplies, Ms. Bilir answered local is within Palo Alto and within Palo Alto’s control. It could be a reservoir, a storage facility or a multisource storage somewhere in Palo Alto. We would still use all our evaluation criteria for the portfolios but putting extra weight on local supplies. Vice Chair Johnston suggested prioritizing Maximizing Drought Resilience and Sustainable Water Supplies and to the extent that can be done locally was preferable.

Commissioner Bowie did not know whether there was a barrier on gray water capture and reuse in the building codes and permitting.

Ms. Dailey replied that gray water is one of the resources being considered as well as ways to get more out of gray water use. The City has a gray water program but there have only been about three projects a year.

Council Liaison Ed Lauing commented that our residents are concerned about being able to have water come out of their faucets, not their grass going brown or their trees dying. Residents are not watering their trees enough because they want to keep their water usage down. Every source of new supply should be investigated in case we need it. Another concern of residents is if there was going to be enough water when housing grows 25% in the next eight years. Ms. Bilir stated that the demand forecast took into account the growth forecast.

ACTION: None

## ITEM 3:

ACTION: Staff Recommends the UAC Accept a Verbal Presentation on State Public Policy Actions and Recommend the City Council Approve the 2023 Utilities Legislative Guidelines Heather Dauler, Acting Compliance Manager, provided to the UAC a broad summary of legislation from the prior year, assumptions about what will happen this year, and information about the state budget. As noted in the staff report, there was a variety of Utilities-related legislation, including clean energy targets, foil balloons, indoor water use, and more.

Related to the state budget: we have a deficit. Governor Newsome intends to prioritize money to address homelessness and education while cutting climate spending. Last year’s budget included about $7.9B for energy; the proposed budget preserved $7B. The governor is proposing less money to finance transmission projects, water recycling projects, carbon removal projects and zero-emission vehicle credits and programs. The budget proposes to preserve some CEC programs, including flood risk reduction and implementation of clean energy policies. The budget process includes the Governor’s initial proposal in January each year, followed by legislative budget hearings, and a revised budget proposal in May. At that time, we will know more about the financial situation and budget proposal. The budget will be finalized in mid-June.

The Legislature has until February 17 to introduce new bills. As noted on Page 3 of the staff report, grid reliability and wildfire mitigation may be topics. There will probably be a focus on how to pay for energy and how to achieve our clean energy goals. Regionalization will also be a legislative effort. Bills already introduced include testing for lead in schools, quickening the pace of water supply projects, changing the State’s greenhouse gas (GHG) reduction goals, and building performance standards for improvements in energy efficiency and GHG reduction in large buildings. We collaborate very closely with our trade association, CMUA, other POUs and NCPA, our joint power agency.

The Federal Environmental Protection Agency is going to update their lead and copper rule later in the year, which will have impacts on the State Water Board. We are drafting our State Wildfire Mitigation Plan for the Wildfire Advisory Board, which is due every year. Regulatorily, we are not a CPUC jurisdictional entity but sometimes what they do may have impacts on POUs. There is a proceeding regarding pole databases and the administrative law Judge is asking if POUs should be involved as well. Through CMUA, we are commenting and observing that process.

In reply to Commissioner Bowie’s query if the federal funds through IRA that are comparable to the State budget reductions in energy and water programs was a reallocation of federal funds, Ms. Dauler responded no. The IRA funds are in buckets. We are focusing on funds that would assist with rebates for fuel switching. The IRA does not fund the same buckets as the State, so there is no apples to apples comparison, although its anticipated that money from the IRA will fund some State programs.

Regarding internal legislative guidelines, the City has its own set of guidelines as well as an advocacy process manual. The Utilities Department is the most heavily regulated department in the City, so we have our own set of guidelines. The suggested guidelines were presented for UAC approval. Examples of changes were in the staff report on Page 4. Discussion ensued.

Commissioner Metz suggested changing “We” to “City of Palo Alto Utilities” in each of the nine guidelines because eight reference CPAU but #6 should be written from the perspective of Palo Alto Utilities instead of municipal government. Ms. Dauler suggested to Chair Segal that the motion could be that the UAC recommends City Council continue the 2022 guidelines into 2023. Chair Segal suggested the motion be to continue with the 2022 Legislative Guidelines. Commissioner Forssell voted yes but to add some things to the 2022 guidelines next time there is an opportunity.

Commissioner Metz echoed Commissioner Forssell.

ACTION: Vice Chair Johnston moved to continue to use the approved 2022 Legislative Guidelines for the 2023 calendar year.

Seconded by Commissioner Smith.

The motion carried 7-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Forssell, Metz, Scharff, and Smith voting yes.

## COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

Vice Chair Johnston had comments and questions regarding the quarterly report. In the chart in Paragraph 1.4, Packet Page 136, the units for the outages were not specified for the system average interruption duration index of 81.69 and it is not known if that is good or bad. It would be helpful if there were comparable figures to 2023 Q1, such as 2022 Q4 or 2022 Q1. Chair Segal concurred with Vice Chair Johnston that the font of the quarterly report was very hard to read. The draft report was in a font that was easy to read.

Dean Batchelor, Utilities Director, stated that staff would look at the font for reports going forward. Other utilities do not want to broadcast their figures on their websites, so it is difficult to do comparisons. We can compare ourselves to national numbers. Vice Chair Johnston commented it would be useful to compare against ourselves, if we have increased or decreased outages and if the outages are longer or shorter. Mr. Batchelor replied he was open to suggestions on quarterly or yearly comparisons, whatever makes it easier for the Commission to compare ourselves. Next quarterly report, the graph can include 2022 to compare Q2 of 2023 to Q2 of 2022.

Chair Segal announced that the UAC is currently recruiting. If you are interested in being a commissioner, you may apply on the City Clerk website.

## FUTURE TOPICS FOR UPCOMING MEETINGS

Commissioner Metz stated there were concerning statistics about vacancies in staffing on Page 124, so he would like a discussion as soon as possible regarding the plan for addressing staffing. He would also like firm dates on the calendar for a resiliency update, strategic plan update and a detailed discussion about the plan and actions for grid modernization. Mr. Batchelor offered to discuss grid modernization in 6 months.

Underground process and progress are listed under future topics. Commissioner Forssell suggested simplifying the topic to discuss what the process should be or how much undergrounding has happened in the last five years so the UAC can understand where we currently are. Mr. Batchelor replied they could do that.

Commissioner Bowie will be resigning after next meeting because he is moving to New York City. He said he was honored to share the dais with his fellow UAC commissioners and thanked the City of Palo Alto and Utilities. Chair Segal thanked Commissioner Bowie for his service. Mr. Batchelor thanked Commissioner Bowie for his time and stated he brought value to the UAC and will be missed.

## NEXT SCHEDULED MEETING: March 1, 2023

Commissioner Metz moved to adjourn. Commissioner Forssell seconded the motion. The motion carried 7-0 with Chair Segal, Vice Chair Johnston, and Commissioners Bowie, Forssell, Metz, Scharff and Smith voting yes.

Meeting adjourned at 9:27 p.m.

Respectfully Submitted

Jenelle Kamian

City of Palo Alto Utilities