



UTILITIES ADVISORY COMMISSION MEETING FINAL MINUTES OF AUGUST 6, 2014

CALL TO ORDER

Commissioner Foster called to order at 7:06 p.m. the meeting of the Utilities Advisory Commission (UAC).

Present: Commissioners Foster, Eglash, Hall, Melton, and Waldfogel

Absent: Chair Cook, Commissioner Chang and Councilmember/UAC Liaison Scharff

ORAL COMMUNICATIONS

Catherine Martineau, Executive Director of Canopy spoke on the drought and ensuring that trees are protected and do not suffer as a result of measures taken to reduce water consumption. Canopy's recent young tree care survey had revealed that many were suffering from a lack of water. She said that trees do not need as much water as is used in most landscaping. Canopy has a public communications campaign encouraging people to conserve water and save enough to provide water for their trees.

APPROVAL OF THE MINUTES

Commissioner Melton moved and Commissioner Eglash seconded the motion. The motion carried unanimously (5-0 with Chair Cook and Commissioner Chang absent). The minutes from the June 4, 2014 UAC meeting were approved as presented.

AGENDA REVIEW AND REVISIONS

Chair Foster decided to change the order of the items on the agenda. The fifth item discussed will be item 6 (new business), and the last item will be item 5 (update on Statewide drought).

REPORTS FROM COMMISSION MEETING/EVENTS

Commissioner Hall spoke about his new position at the Santa Clara Valley Water District and the conflict of interest it will create for him for all water items.

UTILITIES DIRECTOR REPORT

Utilities Director Valerie Fong provided the following report:

1. Communications Update

- **Drought Outreach**—as dry conditions persisted through the summer, much of our outreach focused on providing customers with updates on water supply conditions and

education about water use efficiency. Messages in bill inserts, Utility Community Announcements (UCA) on bills, bill return envelopes, in the Palo Alto Weekly, and other ads specifically targeted leaks, outdoor irrigation and increased rebates for landscape water efficiency.

- **Water Quality Report**—the State of California requires water agencies to provide customers with an annual report on water quality, in accordance with the Safe Drinking Water Act. In an effort to reduce unnecessary paper waste, keep print and postage costs low, we now mail a postcard to everyone in Palo Alto, informing them of the report. We can provide customers with access to an electronic copy or print version upon request. It is also available online and included in new utility customer welcome packets. The 2013 report was completed in June.
- **No Rate Changes**— in July, we sent a positive update to customers that there will be no rate increases for any utility this year, as we work hard to keep operating costs down and are managing more stable supply costs.

2. Community Outreach Events and Workshops

In June, Utilities hosted the following events and workshops:

- **June 14** Net Zero Building
- **June 21** Irrigation Basics for Homeowners
- **June 23** “Mayor for a Day”
- **June 28** Garden Design and Installation
- **July 17** EcoHome Tour with Stanford Camp
- **July 28** Facility Managers Meeting

3. Marketing Services Update

- a. **PaloAltoGreen is #1 Again**—The National Renewable Energy Laboratory (NREL) released its 2013 survey of Top Ten Utility Green Power Programs in the country. The PaloAltoGreen program was once again ranked number one in the country for customer participation. The program also ranked 5th for Green Power Sales as a Percentage of Total Retail Electric Sales.
- b. **3rd Party EE Program RFP** —A total of 22 EE program proposals were received on July 29 across the three program categories: residential programs covering both single and multifamily homes (7 proposals), commercial programs targeting small to medium sized customers (8 proposals), and a performance-based program for all commercial and industrial customers (7 proposals). Staff teams will rate the proposals and select short-listed vendors for interviews by end of August. Vendor interviews are scheduled during the week of September 8.

4. New Programs Update

- a. **Program for Emerging Technologies**—the Program for Emerging Technologies (aka “PET Projects”) recently received an application for a reactive power regulator technology that is fast, dynamic, and has the potential to enhance the reliability and efficiency of our distribution grid. Staff is exploring the feasibility of piloting the technology in our service territory.
- b. **Community Solar**—in July, CPAU released an RFP for a 1-3 Megawatt (MW) CEC-AC capacity community solar project that will be located within City boundaries. The RFP

closes August 12. This will be the first programmatic initiative launched through the Local Solar Plan.

UNFINISHED BUSINESS

None.

NEW BUSINESS

ITEM 1: ACTION: Election of Officers

Vice Chair Foster stated that Commissioner Cook and he had served as chair and vice-chair for a long time, and so that if any other members of the UAC would like to serve as chair or vice-chair, they should do so. He said he was, however, willing to continue serving as chair or vice-chair, if other members were not interested in serving in those roles at this time. Commissioner Waldfoegel said that he would be willing to serve as vice-chair.

ACTION:

Commissioner Melton made a motion to nominate Foster for Chair. Commissioner Waldfoegel seconded the motion. The motion carried unanimously (5-0 with Chair Cook and Commissioner Chang absent).

ACTION:

Vice Chair Foster made a motion to nominate Commissioner Waldfoegel for Vice Chair. Commissioner Eglash seconded the motion. The motion carried unanimously (5-0 with Chair Cook and Commissioner Chang absent).

ITEM 2: ACTION: Staff Recommendation that the Utilities Advisory Commission Recommend that City Council Adopt an Updated Energy Risk Management Policy

Mary Figone, Senior Management Analyst, presented the changes to the July 9, 2012 Energy Risk Management Policy (ERMP). A consultant, ACES Power Management (ACES), had reviewed the existing policy in 2013 and provided additional recommendations for updates. The new policy included cleanup and clarification of various sections. The substantive changes included the addition of two new authorized products: purchases and sales of emissions allowances and carbon offsets. The policy clarified that resource adequacy capacity product purchases were authorized; the Conflict of Interest policy was modified to refer back to the City's conflict of Interest Code; a section on Dodd-Frank issues was added, but will need to be updated by future Dodd-Frank legal cases; and the glossary was updated.

Vice Chair Foster noted that the policy said it was to be updated annually, but had not been updated in 2013.

Figone noted that the City had been working with ACES, risk management consultant, in 2013 on their ERMP recommendations, and did not want to interrupt or rush the process.

Commissioner Melton suggested that the policy should not have a required annual review. He thought it should be reviewed biennially (every two years) or as needed.

Commissioner Waldfogel asked how the policy was used. He wanted to know whether it was regularly referred to or whether it was merely a theoretical document.

Fong said that it was used regularly in the course of business, both for staff and the UROCC. Other procedures followed from this policy as well.

Mullan noted that NCPA also has a high level policy and lower level procedures, similar to the structure the City uses.

Fong noted that there were other strategic documents that guided lower level operational decisions.

Waldfogel noted that occasionally there were documents like this one that were very high level and it was difficult to understand the operational consequences when reviewing it. He also noted that the way the document was written it did not appear that the UAC had advisory responsibility. In the policy, the UAC's role was limited to providing reports. He wanted to understand the UAC's role in recommending these policy updates to the Council. The policy said that the UAC had no formal responsibility in energy risk management. He asked why they were being asked to provide a recommendation on the policy.

Fong said that staff had brought it in an abundance of caution, but the UAC could decline to make a recommendation.

Commissioner Melton said the UAC's responsibility was to advise the Council and they should advise on this policy.

Fong said they provided quarterly reports to the UAC to keep them informed, even if they did not have a role in energy risk management.

Hall asked if Waldfogel had any edits to recommend regarding the section of the energy risk management policy that discussed the UAC's role.

Waldfogel declined, but requested that the minutes reflect his comments. If the Council wanted to clarify the UAC's role, they could do so.

Commissioner Hall asked about product (g), page 8, resource adequacy capacity products and the impact of reserves from the sale of resource adequacy capacity.

Abendschein commented that in the long-run the sale would not have any impact on the specific reserves.

Commissioner Hall asked that a description of the product be included in the glossary. He also asked whether the buying and selling requirements were too limiting. Could the City sell capacity just to make money rather than reduce cost?

Fong clarified that the utility only sold resource adequacy capacity when CPAU was long in the portfolio.

Hall was concerned that the description was so restrictive that it would not allow the utility to sell surplus capacity.

Fong said it was not restrictive for the next few years, but they would review the language.

ACTION:

Commissioner Melton made a motion to support the staff recommendation with two changes: that in paragraph (c)(1) the required annual review of the policy be changed to a biennial (every two years) review, and that resource adequacy capacity products be defined in the glossary. Commissioner Eglash seconded the motion. The motion carried unanimously (5-0 with Chair Cook and Commissioner Chang absent).

ITEM 3: ACTION: Staff Recommendation that the Utilities Advisory Commission Recommend that City Council Adopt a new Rate Schedule for Net Energy Metering Aggregation Customers, Revised Rules and Regulations 2 and 29, and a Revised Interconnection Agreement for Net Energy Metering Aggregation Customers

Director Fong said that no presentation was planned for this item, but that Resource Planner Eric Keniston was available to answer questions.

Keniston noted this item implemented a policy previously approved by the Council and previously reviewed by UAC.

Commissioner Waldfogel inquired if saying there would be no increased revenue obligations (page 1 of the report) and no increased costs (page 2) referred to the same thing.

Keniston said yes.

Commissioner Waldfogel asked whether this could result in any revenue reduction.

Keniston noted that there was no existing system that would be affected by this program, and so it would not result in a revenue reduction.

Abendschein clarified that it allows an existing customer to use more of their existing roof space, rather than build several smaller systems.

Commissioner Waldfogel said he supported this program as a way to encourage larger solar installations on new sites. He had been concerned about whether it would provide a windfall to existing installations, and it did not.

Commissioner Eglash said that it did not increase the impact on ratepayers any more than any other net energy metering installation.

ACTION:

Commissioner Hall made a motion to support the staff recommendation. Commissioner Eglash seconded the motion. The motion carried unanimously (5-0 with Chair Cook and Commissioner Chang absent).

ITEM 4: DISCUSSION: Staff Update for the Technology and the Connected City Initiative: (1) Fiber-to-the Premise Master Plan, (2) Wireless Network Plan, and (3) City's Response to Goggle Fiber City Checklist and Status of Google Network Hut License Agreement

Jonathan Reichental, Director of Information Technology/Chief Information Officer (CIO), reviewed a staff report regarding the status of the City's "Technology and the Connected City" initiative. The presentation reviewed the status of the Request for Proposals (RFPs) for the Fiber-to-the-Premise Master Plan and the Wireless Network Plan; the activities of the Citizen Advisory Committee and the completion of the Google Fiber City Checklist.

Vendor responses to the RFPs have been received and staff anticipates recommending to Council awarding contracts in September 2014. The Citizen Advisory Committee has provided feedback about the development of the RFPs and will work with staff to evaluate the proposals and select vendors. Staff anticipates presenting the findings and recommendations of the FTTP and Wireless plans to Council in January 2015.

Reichental reported that the City completed its response to the Google Fiber City Checklist by the May 1, 2014 deadline. The City is still working with Google to finalize the master Google Fiber Network hut Agreement. Google has advised the City that it expects to make a decision about building a fiber-optic network in Palo Alto by the end of 2014.

Reichental said there had been multiple potential sites noted in the response to the Checklist, but the highest candidates were in substations, not near residential neighborhoods. Google also had their own property in Palo Alto they might be able to use, though it was not their preference.

Commissioner Waldfoegel recommended being aware of potential noise, light, or other impacts of the huts.

Jessica Mullan, Senior Deputy City Attorney noted that the "hut agreement" to be adopted by Council does not designate a location. The sites would have to be agreed to by the City and Google, then those sites would become part of the hut agreement. Those concerns would be addressed when the specific sites were chosen, and there would be additional Council action before any site was finalized.

Commissioner Eglash complimented staff on the work done so far. He asked whether anyone had suggested holding off on starting the FTTP master plan until the decision had been made about Google's proposal.

Reichental said he had not had that suggestion.

Commissioner Eglash said staff should not wait, and should proceed regardless of the progress on Google's proposal.

Commissioner Hall asked whether issues of terrorism vulnerabilities of the huts or other structures would be addressed.

Fong said that physical and cybersecurity was important, and there were staff members who focused on those issues.

Commissioner Melton said that previous potential partners had asked the City to turn over the existing dark fiber network to them as a condition of partnering. Had that topic come up during this process?

Jim Fleming, Senior Management Analyst said this issue was explicitly addressed in the RFP. Proposers would have to address whether they would want to use spare capacity on the existing system. Proposers would also have to address impacts on other types of infrastructure such as underground conduit or utility poles.

Commissioner Melton wanted to make sure the City retained ownership of the existing dark fiber network. He asked if the intent of the wireless project was to provide wireless access to the entire city.

Reichental said the short-term plan was to have a consultant look for heavily used areas of the city. After that the plan was to look more broadly, such as in commercial areas, and after that, residential neighborhoods. There would also be some discussion of improving cellular services, so the consultant would also study what would be required to reduce the number of dead spots in cellular service in Palo Alto.

Fleming said the trend in municipal wireless networks was to have multi-functional networks, with the primary user being public safety. There could also be a smart grid component. Wireless networks use both licensed and unlicensed spectrum. He said wireless carriers and other Wi-Fi providers were getting better and better at providing this service as well.

Commissioner Foster said previous projects had struggled with cost issues. He said Sonic.net provided 1 gigabit service in Sebastopol for \$39/mo. He asked whether staff had looked at that service.

Reichental said staff would encourage all potential participants to approach the City.

Fleming said Sonic.net's project in Sebastopol was a trial. He did not know if they would expand it further. They had also looked at the Sunset neighborhood in San Francisco, but he believed they had abandoned that project due to trouble with permitting. They had also started a project in Brentwood using communications conduit that had previously been

installed as part of a subdivision. They were focusing on inexpensive locations. Pole attachments would be an issue for them in Palo Alto resulting from AT&T's shared ownership of the poles with the City and the need to lease space on the utility poles in the communications space on the pole.

Richard Brand (Citizen Advisory Committee member) said Verizon had substantially reduced the cost of installation elsewhere in the country. He did not know why the Sebastopol project was so aggressively priced, but it could be that there was an additional cost for other services. He thought that it was important to price services under \$100/mo.

ITEM 6: ACTION: Selection of Potential Topic(s) for Discussion at Future UAC Meeting

Waldfoegel asked to agendize a discussion of dewatering and groundwater use during the drought. He said the City was in an awkward position by remaining silent on this issue.

Fong asked whether the discussion would involve a staff report or just a UAC discussion.

Senior Resource Planner Karla Dailey noted that if groundwater or surface water was put to a beneficial use it would involve payment to SCVWD. Some of this water was being used for street sweeping.

Waldfoegel said it was difficult for gardeners to see water going down the storm drain without having it put to beneficial use. He recommended discussing this in public.

ACTION:

Fong offered to bring this as an item for UAC discussion at a future meeting; likely October.

ITEM 5: DISCUSSION: Update and Discussion on Impact of Statewide Drought on Water and Hydroelectric Supplies

Commissioner Hall recused himself from this item.

Senior Resource Planner Karla Dailey said the SFPUC is still calling for a voluntary 10% reduction in water use. Achieving those reductions in 2014 will prevent a call for a 20% reduction in 2015. The SFPUC still has the ability to make the reductions more stringent at any time if necessary. The SFPUC and BAWSCA are collaborating on major outreach campaigns. The SFPUC is working on a project to allow treatment of water from Cherry Lake Reservoir. The SFPUC regional water system is currently achieving the required reductions, but there is a long way to go on a cumulative basis. Palo Altans have cumulatively reduced consumption 17% over 2013, and City operations have reduced consumption by 26%. On June 15, the SWRCB adopted emergency water use regulations requiring suppliers to adopt additional water use restrictions. On Monday, August 4 the Council had adopted a resolution to implement those additional outdoor water restrictions. The electric utility is seeing additional costs due to low hydroelectric generation. Additional energy purchases will be required to replace the lost hydroelectric generation. There will be additional costs for renewable energy certificate purchases to achieve the goals of the Carbon Neutral Plan given the lower hydro generation.

Eglash said it was worth noting that the City was still able to meet its Carbon Neutral Plan goals within the cost limitations despite the low hydroelectric generation. He asked how different customer segments were performing in reducing their consumption.

Jon Abendschein responded that we do have that information and that more severe water restriction may warrant further analysis of that data.

Commissioner Eglash agreed that identifying low-hanging fruit for more drastic water use reductions may be prudent for the utility to explore.

Waldfoegel asked whether it was possible for residents to get access to recycled water.

Communications Manager Catherine Elvert said an inter-departmental drought response team was discussing these issues. Historically recycled water had been available for dust control and for professional landscapers. The Regional Water Quality Control Plant was careful about who it provides the water to, since the water had to be used in accordance with State law.

Waldfoegel recommended making sure that message got out. He asked whether the revenue impacts of the drought had been evaluated.

Abendschein said they had.

COMMISSIONER COMMENTS

None.

Meeting adjourned at 9:15 pm.

Respectfully submitted,
Marites Ward
City of Palo Alto Utilities