

# FINAL

## UTILITIES ADVISORY COMMISSION - MEETING MINUTES OF DECEMBER 1, 2010

### CALL TO ORDER

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Chair Waldfoegel called to order at 7:04 p.m. the meeting of the Utilities Advisory Commission (UAC).

Present: Commissioners Berry, Cook, Eglash, Foster, Melton and Chair Waldfoegel and Council Member Yeh (arriving at 7:15pm). Commissioner Keller was absent.

### ORAL COMMUNICATIONS

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None.

### APPROVAL OF THE MINUTES

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The Minutes from the November 3, 2010, UAC meeting was approved as presented, with the motion moved by Commissioner Foster and seconded by Commissioner Berry.

### AGENDA REVIEW

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No changes to the agenda were requested.

### REPORTS FROM COMMISSION MEETINGS/EVENTS

No Commission Meeting Reports.

### UTILITIES DIRECTOR REPORT

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Utilities Director Valerie Fong delivered an oral report on the following items:

- Hydro Conditions Update:** As predicted by La Nina conditions, we have early season Northwest (and down into California) precipitation that is about 6" above average (or 65% above average) for the northern Sierra through November 28. It is also predicted that the early season will be wet, but the later part dry. The Calaveras project (a little further down the Sierra range) is holding more than average water in storage and expecting normal precipitation.
- Interim Water Supply Allocation:** After the close of business on November 29, the SFPUC released its third draft of the Interim Supply Allocations (ISA) for the BAWSCA agencies. The draft allocation is based on the forecasted water use in 2018 for each agency and leaves Palo Alto with an ISA far below its long-term, permanent Individual Supply Guarantee. The SFPUC is set to make the final decision on the ISA at its meeting on December 14. Palo Alto will be represented at the meeting and make a strong argument against the allocation methodology presented in the third draft.
- Home Energy Reports (OPOWER):** Reports began arriving in residents' mail boxes the middle of November. The reports are going out in waves with about 25% getting them each week. About 20,000 accounts will be receiving reports in total. Some customers will not get the reports, including the control group (1,000), Net Metered customers, and new customers. We will be developing a PR campaign about the new service once we are sure that the reports are rolling out well and that

customers are not experiencing any difficulties with the paper or on-line service. To date, comments from customers have been relatively low in number with only a handful requesting removal from the service. The next reports will go out in January 2011.

4. **LED Holiday Light Exchange:** The LED holiday light exchange is going on during December. Customers may bring in a working strand of incandescent holiday lights and a coupon and exchange the incandescent light strand for a strand of LED lights.
5. **CFL Fall Rebate:** The fall 50% off coupon for Compact Fluorescent Light (CFL) downlights or can lights with Palo Alto Hardware and Stanford Electric Works continues.
6. **Smart Grid Study:** Our smart grid consultant, EnerNex Corporation, is finalizing their assessment. Their preliminary findings and recommendations are being discussed with members of the UAC technology and innovation subcommittee and Don Von Dollan (EPRI's smart grid program manager and Palo Alto resident). We expect to present the consultant's final report to the UAC in the February/March time frame
7. **UAC Calendar:** Rolling calendar of upcoming items for UAC meetings.
8. **Reminder:** Next UAC meeting is scheduled for Wednesday, January 12, 2011.

#### **UNFINISHED BUSINESS**

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1. Process to develop UAC Bylaws including possible formation of Ad Hoc Subcommittee

Chair Waldfoegel offered three options, to approve the draft bylaws as is, make minor changes during the meeting, or appoint an ad-hoc committee to work further on the bylaws. Commissioners Eglash and Foster proposed adopting the bylaws as is or with minimal changes. Commissioner Melton pointed out that Council had indicated they wanted to vote on the final bylaws and were expecting to see something more specific than the generic bylaws as currently written. Commissioner Berry voiced his concern about the Council voting on the UAC's bylaws, because of the further delay in the UAC adopting their bylaws, and also the discrepancy between the Council asking the UAC to take on additional responsibility on one hand but then wanting to approve the UAC's bylaws when the Council does not do that for other commissions.

Councilmember Yeh agreed that the Council does not generally approve bylaws and another solution could be for a Council subcommittee to work with the UAC in developing their bylaws. However, Councilmember Yeh also stated that the motion approved by Council was that the full Council would approve the UAC bylaws, so the UAC could not adopt bylaws until then. Councilmember Yeh also explained that Council was looking for more specificity in the bylaws, but had not discussed in detail what that would be, but he suggested that bylaws should codify such issues as formation of subcommittees and more frequent joint meetings or interaction between the UAC and Council.

Chair Waldfoegel enquired if this would be a one time approval by the Council, allowing the UAC in future to make amendments to their bylaws. Councilmember Yeh said his preference would be for this to be a one-time approval, and Director Fong suggested that this is something that could be clarified in the bylaws.

The Commissioners discussed whether the next step should be to pass the current draft bylaws and leave it to the Council to make the amendments they wanted, or for the UAC to appoint a subcommittee to work on the bylaws with the intent to send a final version for Council's approval. Director Fong suggested that

one of the issues the Council wanted addressed in the bylaws was the process for public outreach. Council member Yeh suggested that if the UAC were to take Council's amendments to the municipal code that expanded the UAC role and include in the bylaws how to operationalize or codify those changes that would meet the Council's needs. The Commissioners also discussed whether it was appropriate to have staff suggest revisions to the bylaws or for a subcommittee of the UAC to work on the amendments. The Commissioners decided to appoint an ad-hoc subcommittee that would meet one time with Utilities and City Attorney's staff, with the goal of returning to the full UAC at the January 12, 2011 meeting with proposed amendments to the bylaws.

**ACTION:**

Commissioner Eglash made a motion to appoint Commissioners Foster, Berry and Melton to the ad-hoc subcommittee. The motion carried unanimously (6-0) with Commissioner Keller absent.

**NEW BUSINESS**

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**ITEM 1: PRESENTATION: Update on Outage Notification**

Assistant Director Dean Batchelor presented an update on the Outage Notification Plan.

Commissioner Foster asked for more description of the timeline of outage notifications and for an explanation of the 500 affected customers trigger for media notification. Batchelor explained that during the day there should be two personnel, one looking into the cause of the outage and the second to start the notification process. The outage information should be available in 30-40 minutes. At the moment it is difficult to identify the exact addresses of those affected so the notification goes out to the entire area. The media trigger is used because it does make sense to have a limit for media notification but customers should be notified. Commissioner Foster asked for an update in about six months and asked that the presentation at that time highlight the accomplishments to date.

Commissioner Cook asked for an estimate of the number of calls received and the number of outages. Director Fong and staff explained that the number of calls depends on the extent of the outage, but as there are currently only two lines customers will get busy signals in high call volume events. The number of outages can be high or low depending on time of year and weather conditions etc. Commissioner Cook asked if staff tracks the cause of the outage and follow up with customers after the event. Staff explained outages are tracked to find root cause, and although there is no direct follow up with customers after the event there are customer surveys that specifically ask about outages.

Commissioner Melton shared his experience of the number of notifications he received during an outage and noted that the notifications were timely and received through every medium he had requested.

Council Member Yeh asked if staff was considering using social networking media such as Facebook and Twitter, and Director Fong responded that these were options the utility was investigating.

**ACTION:**

No action was requested on this item.

**ITEM 2: DISCUSSION: Update on the Development of a Business Plan for the Citywide Ultra High-Speed Broadband System Project and an Overview of Telecommunications Industry Market Factors Affecting Municipal Broadband**

Management Specialist Jim Fleming summarized the informational report, which provided a summary of the development of a business plan for the broadband project. The key components of the plan are:

- Assessment of fiber backbone extensions for commercial dark fiber service connections, including the development of market research conducted by a community broadband consultant (Tellus Venture Associates).
- Development of a conceptual plan for Fiber-to-the-Premise (FTTP), supported by telecommunications engineering firm Columbia Telecommunications Corporation (CTC).
- Provisioning dark fiber service connections to Palo Alto Unified School District (PAUSD) facilities (17 schools and the District Office).
- Coordination of the Broadband System Project business plan with the Smart Grid Strategic Plan related to the evaluation of communication systems approaches to support Smart Meters and Smart Grid implementation.

The report also included an appendix with an overview of telecommunications industry market factors affecting municipal broadband. The appendix provided information regarding the following areas: (1) nationwide status of municipal FTTP projects, (2) business models for municipal broadband, (3) competitive landscape for private and public broadband system “overbuilders”, (4) Emerging consumer trends for broadband services, and (4) next generation applications delivered over broadband networks.

The Commissioners asked for more data behind the \$2M profit number to try and understand the revenue and costs. The Commissioners also questioned whether the City had a unique asset to hold out against the level of competition in the industry. Staff suggested that the fiber infrastructure was indeed a valuable asset that, in the current business model was paying for itself.

**ACTION:**

No action was requested on this item.

**ITEM 3: ACTION: Utilities Legislative Policy Guidelines for 2011**

Acting Assistant Director Debra Lloyd presented the Utilities Department's proposed Legislative Policy Guidelines for 2011. Lloyd explained the reason for the guidelines, to provide direction in evaluating and responding promptly to legislative action involving utilities and utilities' issues throughout the year and to clarify approved policy and advocacy direction when active involvement of Palo Alto elected officials is required. Then she highlighted the changes to goals and guidelines from those approved in 2010 that are proposed to respond to anticipated legislative focus in 2011.

The Commissioners made further amendments to the goals and the guidelines through the presentation. The “All Utilities” goals were amended to include a reference to storage and safety issues. An additional guideline was added to protect the value of existing contracts, which was a guideline originally stated in the electric utility section but that the UAC suggested was a priority that applied to all utilities.

For the Water Utility guidelines the Commissioners discussed the relevance of guidelines for interactions with other agencies that are more operational in nature rather than legislative. Commissioner Berry suggested that language should allow for legislative remedies while avoiding language that would curtail the City's ability to pursue legal remedies, so changes were made to guideline 6 to make it more generally applicable to potential legislative remedies. Staff was directed to review this language again with the City Attorney's office. Commissioner Berry suggested changes to Guideline 8 to make it more general to refer to notification requirements to any residents.

The UAC made no changes to the Natural Gas utility goals and guidelines but Commissioner Foster did ask for clarification on the change of language in Guideline 4 that the proposal is to advocate for financing or funding for efficiency programs, which could be from state or federal grants or from local funding.

For the Electric Utility guidelines, the Commissioners discussed the language proposed for the allocation of GHG emissions allowances under a cap-and-trade market in guideline 3. To make the guideline more focused on protecting Palo Alto customers the language was changed to "Support cap-and-trade market designs that allocate allowances that help mitigate impacts to Palo Alto customers while providing incentives for utilities to move to lower GHG emission portfolios." The Commissioners also discussed the new guideline 4 to support the 33% RPS goal for the state while allowing utilities to use out-of-state resources to meet that goal. Staff explained that although Palo Alto may meet its goal with in state resources, any restrictions on how other utilities met their targets could require expensive transmission infrastructure investments, the costs of which would be shared by everyone, including Palo Alto. No changes were recommended to the proposed language for Electric guideline 4. Chair Waldfoegel suggested that the Electric guideline 9 regarding protecting the value of existing contracts could be more generally applied to all utilities and the UAC agreed that this should be moved to the All Utilities section.

Lloyd provided an overview of the goals and guidelines for the new section added for the Wastewater Collection utility. There was no discussion on these guidelines and no changes proposed.

**ACTION:**

Commissioner Eglash made a motion to recommend Council approval of the Utilities Legislative Policy Guidelines for 2011 with changes proposed by the UAC. Commissioner Cook seconded the motion. The motion carried unanimously (6-0) with Commissioner Keller absent.

**ITEM 4: PRESENTATION:** City of Palo Alto's Energy Risk Management Report for the Fourth Quarter, Fiscal Year 2010

Energy Risk Manager Karl Van Orsdol presented the Energy Risk Management Report for the 4<sup>th</sup> Quarter of the FY2010. He focused on changes in the City's risk exposure, primarily changes in the mark-to-market value of the portfolios for natural gas, wholesale electricity, hydro electricity, and renewable electricity. Van Orsdol discussed the methodology for computing the mark-to-market analysis, including the development of the renewable power forward price curve. He also discussed the significance of, and the reasons for, the negative mark-to-market valuation for wholesale power and natural gas, as well as the positive mark-to-market valuation of the renewable portfolio and the Western hydro.

Van Orsdol then described the methodology for evaluating the credit status of the City's counterparties, the greater diversification of credit factors including sovereign risk, and international financial impacts. He concluded with a comparison of the reserve levels with the minimum and maximum levels set annually, which indicated that reserves were adequate to cover the estimated risks.

**ACTION:**

No action was requested on this item.

**ITEM 5: ACTION:** City of Palo Alto's Energy Risk Management Policy

Energy Risk Manager Karl Van Orsdol noted the Policy states that the Policy is to be approved by City Council on an annual basis, and that prior to presenting to Council, Staff requested that the UAC approve the policy. Van Orsdol noted that at the previous year's Policy was significantly modified, based on changes in regulatory requirements and changes in operations. Additionally, all allowed transaction

products were included in the policy. Van Orsdol also reminded the UAC that they carried out a lengthy discussion of certain aspects of the policy, notably the section on non-discrimination, and that staff had altered the policy based on the UAC discussion and recommendations.

Since that time, staff had not implemented any major operational changes. Therefore, the Policy document required few changes from last year.

**ACTION:**

Commissioner Berry made a motion to recommend Council approval of the new Energy Risk Management Policy. Commissioner Eglash seconded the motion. The motion carried unanimously (6-0) with Commissioner Keller absent.

**ITEM 6: ACTION: Formation of an Ad Hoc Subcommittee on Fiscal Year 2012 Budget**

Commissioner Eglash stated that he could not serve on the Budget subcommittee again this year. Chair Waldfogel and Commissioners Berry and Cook volunteered to be on the subcommittee.

Commissioner Foster moved to name Chair Waldfogel and Commissioners Berry and Cook for the Ad Hoc Subcommittee on Fiscal Year 2012 Budget and Commissioner Eglash seconded the motion.

**ITEM 7: ACTION: Potential Topic(s) for Discussion at Future UAC Meetings**

**ACTION:**

No action was requested on this item.

**ACTION:**

**COMMISSIONER COMMENTS**

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Council Member Yeh announced that this was his last meeting as UAC liaison. He will still serve as NCPA Commissioner.

Meeting adjourned at 10:15 P.M.

Respectfully submitted,  
Marites Ward  
City of Palo Alto Utilities