

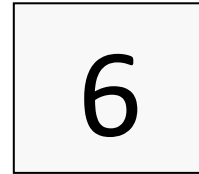
MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: JANUARY 13, 2016

SUBJECT: Staff Recommendation that the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution Approving the Amended City of Palo Alto Utilities Legislative Policy Guidelines



REQUEST

Staff requests that the Utilities Advisory Commission (UAC) recommend that the City Council adopt the attached resolution approving amendments to the Utilities Legislative Policy Guidelines.

BACKGROUND

The utility industry is a high-profile and heavily regulated industry subject to continuous legislative action at both the state and federal levels. Such legislation can influence, among other things, the reliability and security of the supply and distribution infrastructure, commodity procurement practices, customer service and billing, program design, rate design, and activities and costs associated with climate protection. Representatives of the City (appointed and elected officials and staff) participate in Federal and State legislative forums to advocate positions on issues facilitating the City's current strategic objectives, as adopted in the 2011 Utilities Strategic Plan and subsequently modified in the 2013 Utilities Strategic Plan update: ensuring a reliable and safe supply of utility resources, providing customer service excellence, managing costs, and ensuring environmental sustainability. The City also participates in joint action efforts to advocate for goals and objectives shared by other publicly-owned utilities.

At the state level, hundreds of bills focused on the utility industry can be introduced each year. The number of bills introduced, the pace at which bills change and new language is negotiated, and the often surprising speed at which bills can be placed for a vote during the legislative year requires staff and elected officials to respond quickly if the City is to have any influence on the resulting legislation. Often, a response to an amended bill is required in a matter of a day or two. These timing constraints preclude a return to the UAC and Council for approval each time a response is required. Therefore, a set of policy guidelines is developed each year that identifies the goals and priorities for the City to be applied by staff when evaluating and responding to legislation. While the guidelines are used by staff for evaluating legislation, any advocacy positions taken in alignment with these guidelines will be subject to the approval of the Utilities Director or City Manager per the City's legislative advocacy process. Although it is impractical to return for approval each time a letter is sent in response to a bill amendment,

the issues under debate are known to the UAC and Council through their participation in legislative committee meetings, and updates from the City Manager, the Utilities Director and City staff. Formal letters responding to legislative bills or amendments will be distributed to the UAC and Council.

DISCUSSION

The proposed Utilities Legislative Policy Guidelines have been updated to respond to recent legislative and regulatory trends. Exhibit A, attached to the resolution, shows the proposed revised guidelines, with the changes from the last approved set of guidelines highlighted in Attachment B. The priorities are grouped in six sections: the first listing goals, trends and priorities that are common to all utilities, and the following five sections identifying goals, trends and priorities that are specific to electric, fiber optic, natural gas, wastewater collection and water services.

Attachment C provides a summary of key legislative action from 2015 and a look forward at anticipated issues that have a good chance of reappearing in the second year of California's 2015/2016 legislative session. Some of these are bills that were held back in 2015 and may be taken up again this year, others are approved statutes that staff anticipates will have follow up legislation.

Staff returns every year with an update to the guidelines and is proposing the guidelines, if adopted by Council, remain in effect from February 22, 2016 until the next approved update.

RESOURCE IMPACT

There is no direct resource impact associated with adoption of the proposed legislative policy guidelines. However, actions taken that support the efficient use of the City's assets and resources will help control costs, implement the Council's policies and goals, and protect the interests of utility customers.

ENVIRONMENTAL REVIEW

The UAC's consideration of the Legislative Policy Guidelines does not meet the California Environmental Quality Act's definition of a "project" under Public Resources Code Section 21065.

ATTACHMENTS

- A. Draft Resolution with Exhibit A: February 2016 Update to the Utilities Legislative Policy Guidelines
- B. February 2016 Update to the Utilities Legislative Policy Guidelines – Redline version showing changes from the previous Utilities Legislative Policy Guidelines
- C. Review of Legislative Activities in 2015

PREPARED BY:

HEATHER DAULER, Senior Resource Planner

REVIEWED BY:

DEBRA LLOYD, Utilities Compliance Manager *DL*

DEPARTMENT HEAD:



ED SHIKADA

Assistant City Manager/Interim Director of Utilities

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving the City
of Palo Alto Utilities' Legislative Policy Guidelines

A. The City of Palo Alto Utilities Strategic Plan ("Strategic Plan"), approved by the Palo Alto City Council on July 18, 2011, [Staff Report #1880], and amended on August 5, 2013 (Staff Report #3950), provides a set of Strategic Objectives for the City of Palo Alto Utilities Department (CPAU) to follow in ensuring a reliable and safe supply of utility resources, providing customer service excellence, managing costs, and ensuring environmental sustainability.

B. CPAU annually identifies Utilities' Legislative Policy Guidelines that facilitate the Strategic Plan's Strategic Objectives, and advocates for utility-related issues at Federal and State legislative forums in furtherance of those objectives.

C. Action on some of these issues may require active involvement of Palo Alto elected and appointed officials.

D. The Utilities' Legislative Policy Guidelines were presented to the UAC at its January 13, 2016 meeting, and the UAC voted _____ to recommend that the City Council approve the Utilities' Legislative Policy Guidelines.

The Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. The Council hereby adopts the resolution approving the Utilities Legislative Policy Guidelines, effective February 22, 2016. All prior versions of the City of Palo Alto Utilities Legislative Policy Guidelines, including the Legislative Policy Guidelines adopted by Council on March 2nd, 2015 (Resolution No.9498) are hereby repealed and replaced in their entirety by the Utilities Legislative Policy Guidelines, attached to this Resolution as Exhibit A.

SECTION 2. Staff will review the Guidelines annually and any proposed changes will be approved by City Council.

SECTION 2. The Council finds that the adoption of this resolution does not constitute a project under Section 21065 of the California Environmental Quality Act (CEQA) and the CEQA Guidelines, and therefore, no environmental assessment is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

Senior Deputy City Attorney

Mayor

APPROVED:

City Manager

Director of Utilities

Director of Administrative

Utilities’ Legislative Policy Guidelines

Formal advocacy positions taken in alignment with these guidelines will be subject to the approval of the Utilities Director or City Manager as per the City’s Legislative Program Manual

ALL UTILITES

Goals

1. Preserve/enhance local accountability in the control and oversight of matters impacting utility programs and rates for customers.
2. Support efforts to maintain or improve the reliability and security of the supply, transmission, storage, distribution/collection, and data infrastructures.
3. Support legislation that makes bold progress in cost effectively reducing greenhouse gas (GHG) emissions, , recognizes without penalizing early voluntary action, and supports statewide climate protection goals.
4. Maintain the City of Palo Alto Utilities’ (CPAU’s) ability to provide safe, reliable, sustainable, and competitively-priced utility services.

Legislative Policy Guidelines	Venue	Goals			
		<i>1. Local Accountability</i>	<i>2. Reliability, Security & Infrastructure</i>	<i>3. Climate Protection</i>	<i>4. Service & Cost Control</i>
1. Advocate goals through active participation in joint action efforts.	Federal, State, and Regional	✓	✓	✓	✓
2. Support legislation that allows local evaluation and design of more efficient energy solutions, fuel switching, and demand control programs.	Federal, State, and Regional	✓		✓	✓
3. Promote utility legislation and regulations that support effective and consistent compliance and reporting requirements. Ensure such legislation and regulations have received stakeholder review and cost benefit analysis.	Federal, State, and Regional Reliability Councils	✓	✓		✓
4. Oppose unreasonable and inequitable financial burdens through active participation in CMUA and NCPA legislative activities.	Federal, State, and CPUC	✓			✓

Legislative Policy Guidelines	Venue	Goals			
		<i>1. Local Accountability</i>	<i>2. Reliability, Security & Infrastructure</i>	<i>3. Climate Protection</i>	<i>4. Service & Cost Control</i>
5. Advocate for state and federal grants for local and regional energy efficiency and conservation measures, renewable resources, fiber optic, fuel switching, wastewater collection systems and recycled water projects.	Federal and State	✓		✓	✓
6. Maintain right of way access for utility infrastructure.	Federal and State		✓		✓
7. Protect the financial and operational value of utility assets and contracts; preserve local regulatory control of both.	Federal and State	✓	✓		✓
8. Enhance utility customer protections for data security and confidentiality.	Federal and State	✓			
9. Maintain existing low cost municipal financing options for infrastructure projects and advocate for new federal and state programs that recognize critical infrastructure needs.	Federal and State	✓	✓		✓
10. Promote legislation and regulations supporting reasonable and consistent requirements for utility notifications, , safety, services, public communications, billing, payments, and customer assistance.	Federal and State	✓			✓
11. Support Proposition 26 reform efforts to provide ratemaking flexibility to balance conservation, revenue sustainability, and low income assistance programs.	State	✓			✓

		Goals			
<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>1. Local Accountability</i>	<i>2. Reliability, Security & Infrastructure</i>	<i>3. Climate Protection</i>	<i>4. Service & Cost Control</i>
12. Seek state and regional funding to enhance the efficiency, security, and reliability of infrastructure that maintains utility customer data security and confidentiality.	Federal and State		✓		✓

ELECTRIC

Goals

1. Preserve/enhance the ability of municipal utilities to exercise local accountability and oversight over matters impacting customer service, programs (such as demand side efficiency and conservation programs), and rate structure.
2. Preserve/enhance the reliability and security of infrastructure.
3. Support legislation that recognizes early voluntary action in reducing GHG emissions and specifically exempts a municipality from burdensome requirements that could result from the early action.
4. Preserve just and reasonable utility rates/bills established by local governing bodies.

		Goals			
Legislative Policy Guidelines	Venue	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Control</i>
1. Advocate goals through Northern California Power Agency (NCPA), California Municipal Utilities Association (CMUA), American Public Power Association (APPA), Transmission Agency of Northern California (TANC), and Bay Area Municipal Transmission Group (BAMx) with support from Palo Alto staff; strive to present the same or substantially the same message	Federal and State	✓	✓	✓	✓
2. Support NCPA in its continued efforts to streamline the state regulatory reporting responsibilities, to eliminate duplicative data and report submittals to multiple state regulatory agencies, including the CEC, CARB, and the California Independent System Operator (CAISO).	State	✓			✓
3. Advocate for legislation/regulations that provide local accountability and design of: <ul style="list-style-type: none"> • Net Energy Metering (NEM) successor programs designed to fit local conditions and priorities; • Electric Integrated Resource Plans • cost-effective renewable distributed generation and cogeneration projects, and standards and permitting requirements for connecting such resources to the local distribution system; • balancing state and local policy implementation and ratepayer equity; • equitable rate design and tariffs; • cost-effective electric efficiency programs; • implementation of renewable portfolio 	Federal and State	✓	✓	✓	✓

		Goals			
<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Control</i>
standards; <ul style="list-style-type: none"> • cost-effective storage integration; • direct access requirements; • smart meters and smart grid design and implementation; and • use of public benefit funds (as allowed in AB 1890 (1996)) 					
4. Support cap-and-trade market designs that: <ul style="list-style-type: none"> • protect consumers from the exercise of market power; • allocate allowances that help mitigate impacts to Palo Alto customers while providing incentives for utilities to lower GHG emission portfolios; • provide flexible compliance mechanisms such as banking and borrowing of allowances; and • allocate funds generated from cap-and-trade markets to cost-effective GHG-reduction related activities, not as a revenue source for state or federal general funds. 	Federal and State	✓		✓	✓
5. Support legislation for renewable portfolio standards that: <ul style="list-style-type: none"> • maintain local compliance authority; • avoid mandates for technology or source specific carve outs, and minimum term requirements; • allow utilities to pursue all cost-effective resources available to meet portfolio needs including use of Renewable Energy Certificates (RECs); • ensure uniform application of RPS standards, avoiding punitive and/or duplicative non-compliance penalties; • restrict new regulations expanding CEC jurisdiction over publicly owned utilities; • allow local distributed generation to count in full towards RPS; and • prioritize the use of existing transmission system assets over building new transmission. 	Local and State	✓		✓	✓

		Goals			
<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Control</i>
6. Support/encourage transmission, generation, and demand-reduction projects and solutions including advocating for financing or funding solutions/options for projects that: <ul style="list-style-type: none"> • enhance/ensure reliability; • ensure equitable cost allocation following beneficiary pays principles (including protection against imposition of state-owned electric contract costs on municipal utility customers); • improve procurement flexibility (e.g. resource adequacy rules that ensure reliability and provide flexibility in meeting operational requirements or flexibility in meeting State renewable portfolio standards); • support the continuation of federal and state financial incentives that promote increased renewable development; • improve market transparency (particularly transparency of IOU’s transmission and procurement planning and implementation activities); and • reduce negative environmental impacts on the Bay Area and the Peninsula. 	Local, State, and Federal	✓	✓	✓	✓
7. Advocate for Congressional, legislative, or administrative actions on matters impacting costs or operations of the Western Area Power Administration (Western) such as: <ul style="list-style-type: none"> • support of Congressional Field Hearings to explore modernizing flood control strategies, river regulation and generation strategies at Central Valley Project (CVP) plants to enhance generation, water delivery, flood control and fisheries; • protection of the status of Western Power Marketing Administration and cost-based rates; • provisions for preference customers’ first take at available land with economic potential for wind farms; • balancing efforts for competing environmental improvements in rivers and Delta conditions with water supply and hydropower impacts; 	Federal, State and Regional		✓	✓	✓

		Goals			
<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Control</i>
<ul style="list-style-type: none"> • support grid modernization without compromising the primary mission of Western and recognizing the achievements already made in California without adding duplicate costly efforts; • monitoring and evaluating impacts of Delta conveyance proposals on Western Base Resource allocation; • advocating for an equitable distribution of costs between water and power customers of the Central Valley Project; and • advocating for clear product provisions, fair allocation of Base Resource Capacity and fair contract terms under Western’s 2025 Power Marketing Plan and new Western Base Resource contracts. 					
8. Advocate for Congressional or administrative actions on matters relating to overly burdensome reporting and compliance requirements established by the North American Reliability Corporation (NERC), the Federal Energy Regulatory Commission (FERC) or the Western Electricity Coordinating Council (WECC).	Federal, State and Regional	✓	✓		✓
9. Support fair and reasonable application of grid reliability requirements established by NERC, WECC, or FERC and seek appropriate remedies (if needed) for inequitable or punitive application of fees and fines.	Federal and Regional	✓	✓		✓
10. Work with CAISO and/or FERC: <ul style="list-style-type: none"> • to give buyers of renewable intermittent resources relief from imbalance penalties; • to promote financial and operational changes that result in timely and accurate settlement and billing; and • to provide critical input on the need for various transmission projects in light of the escalating costs to the City to import power using the bulk transmission system. 	Federal and State	✓		✓	✓

		Goals			
Legislative Policy Guidelines	Venue	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Control</i>
11. Work with NCPA, CMUA and NERC to ensure that: <ul style="list-style-type: none"> • Federal, state and regional designations of “critical cyber assets” are appropriately applied to only truly critical local distribution infrastructure; and • CPAU retains local control over implementation of utility industry cyber security standards, policies and procedures. 	Federal and Regional	✓			✓

FIBER OPTIC

Goals

1. Preserve and enhance the authority of local government to (1) develop broadband solutions that align with community needs and (2) expand consumer choice for competitive Internet connectivity and other advanced services delivered over fiber-optic networks.
2. Encourage the competitive delivery of broadband services by permitting the use of public rights-of-way and Utilities infrastructure in a responsible manner, provided that local rights of way authority and management is preserved and contractual or other use does not compromise the City’s existing utility safety, service, and operational s obligations.
3. Support local government authority over zoning-related land use for communications infrastructure in accordance with reasonable and non-discriminatory regulations.
4. Support the Council’s *Technology and the Connected City* initiative of 2013, to fully leverage the City’s fiber-optic and infrastructure assets such as public rights-of-way, utility poles and conduit for the broadband expansion.

Legislative Policy Guidelines	Venue	Goals			
		1. Support Municipal Delivery	2. Competitive Delivery	3. Local Authority over Land Use	4. Support Council Initiatives
1. Advocate for these goals through the American Public Power Association (APPA), California Municipal Utilities Association (CMUA), National Association of Telecommunications Officers and Advisors (NATOA), National League of Cities (NLC), and the Next Century Cities initiative (NCC), with support from City staff.	Federal and State	✓	✓	✓	✓
2. Support legislation and regulations that preserve and enhance municipal delivery of conventional and advanced telecommunication services as prescribed by the <i>Telecommunications Act of 1996</i> .	Federal and State	✓		✓	✓
3. Support the goals of the Federal Communications Commission’s (FCC), National Broadband Plan to improve Internet access nationwide.	Federal and State	✓	✓		✓
4. Oppose legislation and regulations that benefit the incumbent cable TV, telephone, and telecommunications companies at the expense of community-owned fiber-optic and wireless networks.	Federal and State	✓	✓		✓

<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>Goals</i>			
		<i>1. Support Municipal Delivery</i>	<i>2. Competitive Delivery</i>	<i>3. Local Authority over Land Use</i>	<i>4. Support Council Initiatives</i>
5. Support legislation and regulations that preserve and enhance utility customer data security and confidentiality protections by the providers of telecommunication services.	Federal and State	✓	✓		✓
6. Support the Council’s directive to concurrently pursue the findings and recommendations in the Fiber-to-the-Premises Master Plan and Wireless Network Plan and continue discussions and negotiations with third parties considering new service deployments in Palo Alto.	Local	✓			✓
7. Support legislation and regulations that:: <ul style="list-style-type: none"> • Permit the contractual use of public right-of- way and Utilities infrastructure; • Preserve local rights-of-way authority and management; • Preserve local government zoning and siting authority for wireless and wireline communication facilities; • Support local “dig once” policies to ensure conduit and fiber are available for lease on reasonable terms; and • Oppose legislation and regulations that arbitrarily reduce compensation received by local governments from other entities for the economic use of the public rights-of-way and other public properties required for communication infrastructure (e.g., utility poles, streetlight poles, ducts and conduits). 	Federal, State and Local	✓	✓	✓	✓

NATURAL GAS

Goals

1. Preserve/enhance the ability of municipal utilities to develop and implement demand side efficiency and conservation programs, alternative gas supplies, and rate structures.
2. Increase the security and reliability of the gas supply and transmission infrastructure. This includes retaining access to intra- and interstate gas transmission systems to reliably serve customers.
3. Support efforts to reduce greenhouse gas emissions and protect the environment.
4. Preserve just and reasonable utility rates/bills established by local governing bodies.

Legislative Policy Guidelines	Venue	Goals			
		<i>1. Local Accountability</i>	<i>2. Reliability of Infrastructure</i>	<i>3. Environment</i>	<i>4. Cost Control</i>
1. Advocate most of these goals mainly through the American Public Gas Association (APGA) with minor support from Palo Alto staff.	Primarily Federal with minor advocacy at State level	✓	✓	✓	✓
2. Work with Northern California Power Agency (NCPA) and California Municipal Utilities Association (CMUA) to the extent that the City's goals as a gas distributor align with generators' use of natural gas.	Federal and State	✓	✓	✓	✓
3. Support cost effective renewable gas supplies from in or out of state sources. In case of mandated renewable portfolio standards, advocate for controls and off-ramps similar to the electric RPS that minimize customer cost impact.	Federal and State	✓	✓	✓	✓
4. Advocate for financing or funding for cost-effective natural gas efficiency and solar water heating end uses.	Federal and State	✓	✓	✓	✓
5. Support market transparency and efforts to eliminate market manipulation through reasonable oversight.	Federal				✓
6. Support municipal utilities' ability to enter into pre-pay transactions for gas supplies.	Federal				✓
7. Support efforts to improve pipeline safety.	Federal and State	✓	✓		✓

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliability of Infrastructure	3. Environment	4. Cost Control
8. Work with partners to discourage extension of CPUC regulatory authority over municipal gas operations.	State	✓	✓		✓
9. Support cap-and-trade market designs that: <ul style="list-style-type: none"> • protect consumers from the exercise of market power; • allocate allowances that mitigate impacts to Palo Alto customers while preserving City environmental goals; • advocate for an allowance allocation methodology that provides flexibility for Palo Alto to structure rates to align GHG costs and revenues; • provide flexible compliance mechanisms such as banking and borrowing of allowances; and • allocate funds generated from cap-and-trade markets to GHG related activities, not as a revenue source for state or federal general funds. 	Federal and State	✓		✓	✓
10. Support legislation that aims to protect public health and encourages transparency regarding the practice of hydraulic fracturing or “fracking” for natural gas development, while opposing blanket moratoriums that aren’t supported by science.	Federal and State			✓	✓

WASTEWATER COLLECTION

Goals

1. Support ability of municipal utilities to develop and manage their own conservation and efficiency programs and retain authority over ratemaking, including the imposition of non-volumetric customer meter or infrastructure charges for wastewater collection service.
2. Encourage efforts to increase the reliability of the local wastewater collection systems.
3. Maintain the provision of reliable and sustainable wastewater collection service at a fair price.
4. Support equal comparisons of wastewater collection systems by regulatory agencies in order to minimize and reduce onerous, costly, time-intensive reporting requirements and improve value and accuracy of information reported to the public.

<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>Goals</i>			
		<i>1. Local Accountability</i>	<i>2. Reliable Infrastructure</i>	<i>3. Maintain service</i>	<i>4. Valuable reporting</i>
1. Advocate goals through active participation in the Association of Bay Area Governments (ABAG).	Local, Regional & State	✓	✓	✓	✓
2. Support regulations of wastewater collection systems that recognize: <ul style="list-style-type: none"> • local jurisdictions’ proactive efforts to replace and maintain wastewater collections systems; • the need to provide affordable and cost based collection service; and • the unique characteristics of each collection system. 	Local, Regional & State		✓	✓	✓
3. Support regional agencies in their pursuit of: <ul style="list-style-type: none"> • environmentally sustainable, reliable wastewater collection service at a fair price; and • regional comparisons of wastewater collection projects for future state grant funding. 	Local and Regional		✓	✓	✓
5. Advocate for funding and local regulations for wastewater collection system projects and requirements that reduce overflows and improve collection system efficiency.	Regional, State and Federal		✓	✓	

WATER

Goals

1. Support the ability of public utilities and districts to develop and implement their own water efficiency and conservation programs while retaining authority over ratemaking, including the ability to optimize volumetric, fixed, and drought-related pricing and balance the goals of revenue certainty and water use efficiency.
2. Increase the security and reliability of the regional water system owned and operated by the San Francisco Public Utilities Commission (SFPUC).
3. Support efficiency and recycled water programs in order to minimize the use of imported supplies.
4. Provide environmentally sustainable and reliable supplies of high quality water.

<i>Legislative Policy Guidelines</i>	<i>Venue</i>	Goals			
		<i>1. Local Authority</i>	<i>2. Reliable Infrastructure</i>	<i>3. Minimize imports</i>	<i>4. Supplies at fair cost</i>
1. Advocate goals through active participation in the Bay Area Water Supply and Conservation Agency (BAWSCA), California Urban Water Conservation Council (CUWCC), and California Municipal Utilities Association (CMUA), with support from Palo Alto staff for BAWSCA	Local, Regional and State	✓	✓	✓	✓
2. Participate in CUWCC Best Management Practice (BMP) revisions and development to ensure that aggressive and cost-effective efficiency goals are incorporated and operating proposals are reasonable, achievable, and cost-effective.	State	✓	✓	✓	✓
3. Advocate to ensure that legislative actions regarding the Hetch Hetchy Regional Water System include: <ul style="list-style-type: none"> • timely rebuilding of the regional water system; • maintenance of the quality of delivered water; • minimization of any increase in the cost of water; • no additional exposure to more frequent or severe water shortages; • increased real-time monitoring data availability to ensure water quality; • support for the existing water system and its operation; • SWRCB responsiveness to SFPUC water quality issues; 	Local, Regional and State		✓		✓

Legislative Policy Guidelines	Venue	Goals			
		<i>1. Local Authority</i>	<i>2. Reliable Infrastructure</i>	<i>3. Minimize imports</i>	<i>4. Supplies at fair cost</i>
4. Advocate for interpretations or implementation of Water Code provisions that maintain or reinforce the authorities and protections available to the City and BAWSCA members outside of San Francisco.	Local, Regional and State	✓	✓		✓
5. Support BAWSCA to enable it to advocate for: <ul style="list-style-type: none"> • an environmentally sustainable, reliable supply of high quality water at a fair price; • for Wholesale Customers’ rights under the Water Supply Agreement for water from SFPUC that meets quality standards; • a SFPUC rate structure that is consistent with the Water Supply Agreement and is based on water usage; • preservation of Palo Alto’s existing contractual water allocation and transportation rights on the SFPUC Hetch Hetchy system; and • regional planning for conservation, recycled water, and other water supply projects. 	Local and Regional	✓	✓	✓	✓
6. Advocate for actions that: <ul style="list-style-type: none"> • preserve Palo Alto’s existing contractual rights; and • preserve local control over water use and limit encroachment from outside jurisdictions. 	Local and Regional	✓			✓
7. Support infrastructure security and reliability including an interconnection between the SCVWD West Pipeline with the SFPUC’s Bay Division Pipelines 3 and 4.	Regional and State		✓		
8. Support notification requirements that inform residents/customers but do not inflict undue or unobtainable requirements on the utility.	State	✓			✓
9. Support local control of public benefit funds, funding levels and program design.	State	✓			✓

Legislative Policy Guidelines	Venue	Goals			
		1. Local Authority	2. Reliable Infrastructure	3. Minimize imports	4. Supplies at fair cost
10. Support beneficiary pays methodologies to prevent taxes or fees imposed on SFPUC customers to fund infrastructure improvements and costs of water sources that do not serve Palo Alto customers.	State and Regional	✓	✓		✓
11. Advocate for financing or funding for water conservation programs and recycled water projects that meet end-use needs and conserve potable water and oppose legislation that would reduce such funding.	State, Regional and Federal	✓	✓	✓	✓
12. Support infrastructure security and reliability that includes equitable allocation of funds for increasing the security of infrastructure and that protects the City from unnecessary regulations.	Local, State and Federal	✓	✓		✓
13. Support legislation that promotes responsible groundwater management while recognizing Palo Alto's existing and historical groundwater extraction practices.	State	✓	✓	✓	✓
14. Support Proposition 218 reform efforts to provide ratemaking flexibility to balance conservation, revenue sustainability, and low income assistance programs.	State	✓	✓		✓
15. Advocate for reasonable statewide water conservation efforts (both drought response and long term) that achieve required water savings while minimizing customer and commercial impact, protecting the City's urban canopy and minimizing the City's enforcement costs.	State	✓	✓		✓
16. Protect the City and County of San Francisco's water rights as well as those of the co-grantees of the Raker Act.	State		✓	✓	✓
17. Support legislation that would protect the City's infrastructure and treatment investments from future state-wide cuts in water use.	State		✓		✓

Utilities’ Legislative Policy Guidelines

Formal advocacy positions taken in alignment with these guidelines will be subject to the approval of the Utilities Director or City Manager as per the City’s Legislative Program Manual

ALL UTILITES

Goals

1. Preserve/enhance local accountability in the control and oversight of matters impacting utility programs and rates for ~~our customers~~ while balancing statewide climate protection goals.
2. Support efforts to maintain or improve the reliability and security of the supply, transmission, storage, ~~and~~ distribution/collection, and data infrastructures.
3. Support legislation that makes bold progress in cost effectively reducing greenhouse gas (GHG) emissions, and, recognizes without penalizing early voluntary action, and supports statewide climate protection goals.
4. Maintain the City of Palo Alto Utilities’ (CPAU’s) ability to provide safe, reliable, sustainable, and competitively-priced utility services.

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliability, <u>Security</u> & Infrastructure	3. Climate Protection	4. Service & Cost Control
1. Advocate goals through active participation in joint action efforts.	Federal, State, and Regional	✓	✓	✓	✓
2. <u>Support legislation that allows local evaluation and design of more efficient energy solutions, fuel switching, and demand control programs.</u> Support legislation that will result in the most cost-effective reduction of GHG emissions, recognition of early action, and inclusion of more efficient solutions, fuel switching, and demand control programs, in integrated resource plans.	Federal, State, and Regional	✓		✓	✓
3. <u>Promote utility legislation and regulations that support effective and consistent compliance and reporting requirements. Ensure such legislation and regulations have received stakeholder</u>	Federal, State, and Regional Reliability Councils	✓	✓		✓

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliability, Security & Infrastructure	3. Climate Protection	4. Service & Cost Control
review and cost benefit analysis. Promote utility legislation and regulations that have undergone stakeholder review and applicable cost benefit analysis to support reasonable reliability standards and compliance requirements, and effective and consistent reporting requirements, customer communications, and goal setting.					
4. Oppose cost shifts from Federal or State budgets and California Public Utilities Commission (CPUC) jurisdictional utilities <u>unreasonable and inequitable financial burdens</u> through active participation in CMUA and NCPA legislative activities.	Federal, State, and CPUC	✓			✓
5. Advocate for s State and f Federal grants for local and regional measures regarding energy efficiency and conservation <u>measures</u> , renewable resources, fiber <u>optic</u> , fuel switching, wastewater collection systems and recycled water projects.	Federal and State	✓		✓	✓
6. Maintain right of way access for utility infrastructure.	Federal and State		✓		✓
7. Protect the <u>financial and operational</u> value of existing utility assets and contracts; and local <u>preserve local</u> regulatory approvals control of same <u>both</u> .	Federal and State	✓	✓		✓
<u>8. Enhance utility customer protections for data security and confidentiality.</u>	<u>Federal and State</u>	✓			
8 9. Maintain existing low cost municipal financing options for infrastructure projects and	Federal and State	✓	✓		✓

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliability, Security & Infrastructure	3. Climate Protection	4. Service & Cost Control
advocate for new federal and state programs that recognize critical infrastructure needs.					
<u>910.</u> Promote utility legislation and regulations that supporting reasonable and consistent <u>requirements for utility notifications, compliance, and reporting requirements for safety, services, public communications, billing, and payments, and customer assistance.</u>	Federal and State	✓			✓
<u>11.</u> Support Proposition 26 reform efforts to provide <u>ratemaking flexibility to balance conservation, revenue sustainability, and low income assistance programs.</u>	<u>State</u>	✓			✓
<u>12.</u> <u>Seek state and regional funding to enhance the efficiency, security, and reliability of infrastructure that maintains utility customer data security and confidentiality.</u>	<u>Federal and State</u>		✓		✓

ELECTRIC

Goals

1. Preserve/enhance the ability of municipal utilities to exercise local accountability and oversight over matters impacting customer service, programs (such as demand side efficiency and conservation programs), and rate structure.
2. Preserve/enhance the reliability and security of infrastructure.
3. Support legislation that ~~makes bold progress in cost effectively reducing GHG emissions and encourages~~ recognizes early voluntary action in reducing GHG emissions and specifically exempts a municipality from burdensome requirements that could result from the early action.
4. Preserve just and reasonable utility rates/bills established by local governing bodies.

		Goals			
Legislative Policy Guidelines	Venue	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Contro</i>
1. Advocate goals through Northern California Power Agency (NCPA), California Municipal Utilities Association (CMUA), American Public Power Association (APPA), Transmission Agency of Northern California (TANC), and Bay Area Municipal Transmission Group (BAMx) with support from Palo Alto staff; <u>strive to present the same or substantially the same message to speak with a coordinated voice.</u>	Federal and State	✓	✓	✓	✓
2. Support NCPA in its continued efforts to streamline the state regulatory reporting responsibilities, to eliminate duplicative data and report submittals to multiple state regulatory agencies, including the CEC, CARB, and the California Independent System Operator (CAISO).	State	✓			✓
3. Advocate for legislation/regulations that provide local accountability and support for <u>design of:</u> <ul style="list-style-type: none"> • <u>Net Energy Metering (NEM) successor programs designed to fit local conditions and priorities;</u> • <u>Electric Integrated Resource Plans</u> • cost-effective clean <u>renewable</u> distributed generation and cogeneration projects, and standards and permitting requirements for connecting such resources to the local distribution system; • balancing state and local policy implementation and ratepayer equity; 	Federal and State	✓	✓	✓	✓

		Goals			
Legislative Policy Guidelines	Venue	1. Local Accountability	2. Reliability	3. GHG Reduction	4. Cost Control
<ul style="list-style-type: none"> equitable rate design and tariffs; cost-effective electric efficiency programs; implementation of renewable portfolio standards; cost-effective storage integration; direct access requirements; smart meters and smart grid design and implementation; and use of public benefit funds (as allowed in AB 1890 (1996)) 					
<p>4. Support cap-and-trade market designs that:</p> <ul style="list-style-type: none"> protect consumers from the exercise of market power; allocate allowances that help mitigate impacts to Palo Alto customers while providing incentives for utilities to move to lower GHG emission portfolios; provide flexible compliance mechanisms such as banking and borrowing of allowances; and allocate funds generated from cap-and-trade markets to <u>cost-effective GHG-reduction</u> related activities, not as a revenue source for state or federal general funds. 	Federal and State	✓		✓	✓
<p>5. Support legislation for renewable portfolio standards that:</p> <ul style="list-style-type: none"> promote the 33% goal for the state; <u>maintain local compliance authority;</u> <u>avoid mandates for technology or source specific carve outs, and minimum term requirements;</u> allow utilities to pursue <u>all cost-effective resources available to meet portfolio needs</u> low-cost alternatives by utilizing the existing transmission system to access out-of-state resources, including use of Renewable Energy Certificates (RECs); ensure <u>fair-uniform</u> application of RPS standards, that avoiding punitive and/or duplicative non-compliance penalties; restrict <u>extension-new regulations expanding of</u> CEC jurisdiction over <u>Publicly Owned Utilities;</u> consolidate GHG reduction goals and Renewable Portfolio Standards under one 	Local and State	✓		✓	✓

		Goals			
Legislative Policy Guidelines	Venue	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Contro</i>
<p>clean energy standard;</p> <ul style="list-style-type: none"> allow the counting of local distributed generation <u>to count in full</u> towards RPS; and prioritize the use of the existing transmission system <u>assets</u> over building new transmission. 					
<p>6. Support/encourage transmission, generation, and demand-reduction projects and solutions including advocating for financing or funding solutions/options for projects that:</p> <ul style="list-style-type: none"> enhance/ensure reliability; ensure equitable cost allocation following beneficiary pays principles (including protection against imposition of state-owned electric contract costs on municipal utility customers); improve procurement flexibility (e.g. resource adequacy rules that ensure reliability and provide flexibility in meeting operational requirements or flexibility in meeting State renewable portfolio standards); support the continuation of federal and state financial incentives that promote increased renewable development; improve market transparency (particularly transparency of IOU's transmission and procurement planning and implementation activities); and reduce the negative environmental impacts on the Bay Area and the Peninsula. 	Local, State, and Federal	✓	✓	✓	✓
<p>7. Advocate for Congressional, legislative, or administrative actions on matters impacting costs or operations of the Western Area Power Administration (Western) such as:</p> <ul style="list-style-type: none"> support of Congressional Field Hearings to explore modernizing flood control strategies, river regulation and generation strategies at Central Valley Project (CVP) plants to enhance generation, water delivery, flood control and fisheries; protection of the status of Western Power Marketing Administration and cost-based 	Federal, State and Regional		✓	✓	✓

		Goals			
Legislative Policy Guidelines	Venue	1. Local Accountability	2. Reliability	3. GHG Reduction	4. Cost Control
<p>rates;</p> <ul style="list-style-type: none"> provisions for preference customers' first take at <u>available</u> land available-with economic potential for wind farms; balancing efforts for competing environmental improvements in rivers and Delta conditions with water supply and hydropower impacts; achieving the support <u>grid modernization goals of Secretary Chu's March 16, 2012 memo</u> without compromising the primary mission of Western and recognizing the achievements already made in California without adding duplicate costly efforts; monitoring and evaluating impacts of Delta conveyance proposals on Western Base Resource allocation; and <u>advocating for an equitable distribution of costs between water and power customers of the Central Valley Project;</u> and- <u>advocating for clear product provisions, fair allocation of Base Resource Capacity and fair contract terms under Western's 2025 Power Marketing Plan and new Western Base Resource contracts.</u> 					
8. Advocate for Congressional, legislative, or administrative actions on matters relating to overly burdensome reporting and compliance requirements established by the North American Reliability Corporation (NERC), the Federal Energy Regulatory Commission (FERC) or the Western Electricity Coordinating Council (WECC).	Federal, State and Regional	✓	✓		✓
9. Support fair and reasonable application of grid reliability requirements established by NERC, WECC, or FERC and seek Congressional <u>appropriate</u> remedies (if needed) for <u>inequitable or</u> punitive application of fees and fines.	Federal and Regional	✓	✓		✓
10. Work with CAISO and/or through FERC: <ul style="list-style-type: none"> to give buyers of renewable intermittent resources relief from imbalance penalties; to promote financial and operational changes that result in timely and accurate 	Federal and State	✓		✓	✓

		Goals			
Legislative Policy Guidelines	Venue	<i>1. Local Accountability</i>	<i>2. Reliability</i>	<i>3. GHG Reduction</i>	<i>4. Cost Control</i>
settlement and billing; and <ul style="list-style-type: none"> to provide critical input on the need for various transmission projects in light of the escalating costs to the City to import power using the bulk transmission system. 					
<u>11. Work with NCPA, CMUA and NERC to ensure that:</u> <ul style="list-style-type: none"> <u>Federal, state and regional designations of "critical cyber assets" are appropriately applied to only truly critical local distribution infrastructure; and</u> <u>CPAU retains local control over implementation of utility industry cyber security standards, policies and procedures. Monitor cyber security issues to ensure that CPAU, which currently does not have critical cyber assets, retains local control over its cyber security needs while remaining exempt from NERC cyber security standards. Support NCPA to protect it and its member agencies from unnecessary cyber security regulations.</u> 	Federal and Regional	✓			✓

FIBER OPTIC

Goals

1. Preserve and enhance the authority of local government to (1) develop broadband solutions that align with community needs and (2) expand consumer choice for competitive Internet connectivity and other advanced services delivered over fiber-optic networks.
2. Encourage the competitive delivery of broadband services by permitting the use of public rights-of-way and Utilities infrastructure in a responsible manner, provided that local rights of way authority and management is preserved and ~~the contractual or other~~ use does not compromise the City’s existing utility safety, ~~and~~ service, and operational s obligations.
3. Support local government authority over zoning-related land use for communications infrastructure in accordance with reasonable and non-discriminatory regulations.
4. Support the Council’s *Technology and the Connected City* initiative of 2013, to fully leverage the City’s fiber-optic and infrastructure assets such as public rights-of-way, utility poles and conduit for the broadband expansion.

Legislative Policy Guidelines	Venue	Goals			
		1. Support Municipal Delivery	2. Competitive Delivery	3. Local Authority over Land Use	4. Support Council Initiatives
1. Advocate for these goals through the American Public Power Association (APPA), California Municipal Utilities Association (CMUA), National Association of Telecommunications Officers and Advisors (NATOA), National League of Cities (NLC), and the Next Century Cities initiative (NCC), with support from City staff.	Federal and State	✓	✓	✓	✓
2. Support legislation and regulations that preserve and enhance municipal delivery of conventional and advanced telecommunication services as prescribed by the <i>Telecommunications Act of 1996</i> .	Federal and State	✓		✓	✓
3. Support the goals of the National Broadband Plan, issued in 2010 by the Federal Communications Commission’s (FCC), <u>National Broadband Plan</u> to improve Internet access in the United States nationwide.	Federal and State	✓	✓		✓

Legislative Policy Guidelines	Venue	Goals			
		<i>1. Support Municipal Delivery</i>	<i>2. Competitive Delivery</i>	<i>3. Local Authority over Land Use</i>	<i>4. Support Council Initiatives</i>
4. Oppose legislation and regulations that benefit the incumbent cable TV and telephone <u>and telecommunications</u> companies at the expense of community-owned fiber-optic and wireless networks.	Federal and State	✓	✓		✓
5. Support legislation and regulations that preserve and enhance consumer-utility <u>customer data security and confidentiality</u> protections when dealing with by the incumbent providers of telecommunication services.	Federal and State	✓	✓		✓
6. <u>Support the Council's directive to concurrently pursue the findings and recommendations in the Fiber-to-the-Premises Master Plan and Wireless Network Plan and continue discussions and negotiations with third parties considering new service deployments in Palo Alto.</u>	<u>Local</u>	<u>✓</u>			<u>✓</u>

Legislative Policy Guidelines	Venue	Goals			
		1. Support Municipal Delivery	2. Competitive Delivery	3. Local Authority over Land Use	4. Support Council Initiatives
<p>6-7. Support legislation and regulations that: encourage the competitive delivery of broadband services by permitting the use of public right-of-way and Utilities infrastructure:</p> <ul style="list-style-type: none"> • <u>Permit the contractual use of public right-of-way and Utilities infrastructure;</u> • Support legislation and regulations that preserve local rights-of-way authority and management; • Support legislation and regulations that preserve local government zoning and siting authority for wireless and wireline communication facilities; • and <u>Support local “dig once” policies to ensure conduit and fiber are available for lease on reasonable terms; and</u> • Oppose legislation and regulations that <u>arbitrarily</u> reduce compensation received by local governments <u>from other entities</u> for the <u>economic</u> use of the public rights-of-way and other public properties <u>that required for support</u> communication infrastructure (e.g., utility poles, streetlight poles, ducts and conduits). 	Federal, State and Local	✓	✓	✓	✓

NATURAL GAS

Goals

1. Preserve/enhance the ability of municipal utilities to develop and implement their own demand side efficiency and conservation programs, alternative gas supplies, and rate structures.
2. Increase the security and reliability of the gas supply and transmission infrastructure. This includes retaining access to intra- and interstate gas transmission systems to reliably serve customers.
3. Support efforts to reduce greenhouse gas emissions and protect the environment.
4. Preserve just and reasonable utility rates/bills established by local governing bodies.

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliability of Infrastructure	3. Environment	4. Cost Control
1. Advocate most of these goals mainly through the American Public Gas Association (APGA) with minor support from Palo Alto staff.	Primarily Federal with minor advocacy at State level	✓	✓	✓	✓
2. Work with Northern California Power Agency (NCPA) and California Municipal Utilities Association (CMUA) to the extent that the City's goals as a gas distributor align with generators' use of natural gas.	Federal and State	✓	✓	✓	✓
3. Support cost effective renewable gas supplies from in or out of state sources. <u>In case of mandated renewable portfolio standards, advocate for controls and off-ramps similar to the electric RPS that minimize customer cost impact.</u>	Federal and State	✓	✓	✓	✓
4. Advocate for financing or funding for cost-effective natural gas efficiency and solar water heating end uses.	Federal and State	✓	✓	✓	✓
5. Support market transparency and efforts to eliminate market manipulation through reasonable oversight.	Federal				✓
6. Support municipal utilities' ability to enter into pre-pay transactions for gas supplies.	Federal				✓
7. Support efforts to improve pipeline safety.	Federal and State	✓	✓		✓

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliability of Infrastructure	3. Environment	4. Cost Control
8. Work with partners to discourage extension of CPUC regulatory authority over municipal gas operations.	State	✓	✓		✓
89. Oppose legislative proposals resulting in unreasonable costs for Palo Alto's customers.	Federal and State	✓	✓		✓
9. 9 Support cap-and-trade market designs that: <ul style="list-style-type: none"> • protect consumers from the exercise of market power; • allocate allowances that help mitigate impacts to Palo Alto customers while providing incentives for natural gas utilities to move to lower GHG emission portfolios <u>preserving City environmental goals</u>; • advocate for an allowance allocation methodology that provides flexibility for Palo Alto to structure rates to align GHG costs and revenues; • provide flexible compliance mechanisms such as banking and borrowing of allowances; and • allocate funds generated from cap-and-trade markets to GHG related activities, not as a revenue source for state or federal general funds. 	Federal and State	✓		✓	✓
10. 11 . Support legislation that aims to protect public health and encourages transparency regarding the practice of hydraulic fracturing or “fracking” for natural gas development, while but not blanket opposing blanket moratoriums that aren’t supported by science.	Federal and State			✓	✓

WASTEWATER COLLECTION

Goals

1. Support ability of municipal utilities to develop and manage their own conservation and efficiency programs and retain authority over ratemaking, including the imposition of non-volumetric customer meter or infrastructure charges for wastewater collection service.
2. ~~Encourage efforts to i~~ncrease the reliability of the local wastewater collection systems.
3. Maintain the provision of reliable and sustainable wastewater collection service at a fair price.
4. Support equal comparisons of wastewater collection systems by regulatory agencies in order to minimize and reduce onerous, costly ~~and~~, time-intensive reporting requirements and improve value and accuracy of information reported to the public.

Legislative Policy Guidelines	Venue	Goals			
		1. Local Accountability	2. Reliable Infrastructure	3. Maintain service	4. Valuable reporting
1. Advocate goals through active participation in the Association of Bay Area Governments (ABAG).	Local, Regional & State	✓	✓	✓	✓
2. Support future regulations of wastewater collection systems that recognize: <ul style="list-style-type: none"> • local jurisdictions’ proactive efforts to replace and maintain wastewater collections systems; • the need to provide affordable and cost based collection service; and • the unique characteristics of each collection system. 	Local, Regional & State		✓	✓	✓
3. Support provision of sufficient resources for regional agencies to enable them to advocate for in <u>their pursuit of</u> : <ul style="list-style-type: none"> • environmentally sustainable, reliable wastewater collection service at a fair price; and • regional comparisons of wastewater collection projects for future state grant funding. 	Local and Regional		✓	✓	✓
4. Support infrastructure security and reliability including equitable allocation of funds for increasing the security of infrastructure.	Regional, and State		✓		
5. Advocate for funding and local regulations for wastewater	Regional, State and Federal		✓	✓	

		Goals			
Legislative Policy Guidelines	Venue	<i>1. Local Accountability</i>	<i>2. Reliable Infrastructure</i>	<i>3. Maintain service</i>	<i>4. Valuable reporting</i>
collections system projects and requirements that reduce overflows and improve collection system efficiency.					

WATER

Goals

1. Support ~~the~~ ability of ~~municipal-public~~ utilities ~~and districts~~ to develop and ~~manage~~ ~~implement~~ their own ~~conservation and water~~ efficiency ~~and conservation~~ programs ~~and while~~ retaining authority over ratemaking, including the ability to optimize volumetric ~~and~~, fixed, ~~and drought-related pricing charges to and~~ balance the goals of revenue certainty and water use efficiency.
2. Increase the security and reliability of the regional water system owned and operated by the San Francisco Public Utilities Commission (SFPUC).
3. Support efficiency and recycled water programs in order to minimize the use of imported supplies.
4. ~~Provide~~ ~~Maintain the provision of an~~ environmentally sustainable, ~~and~~ reliable ~~supply~~ ~~supplies~~ of high quality water ~~at a fair price~~.

Legislative Policy Guidelines	Venue	Goals			
		1. Local Authority	2. Reliable Infrastructure	3. Minimize imports	4. Supplies at fair cost
1. Advocate goals through active participation in the Bay Area Water Supply and Conservation Agency (BAWSCA), California Urban Water Conservation Council (CUWCC) , and California Municipal Utilities Association (CMUA), with support from Palo Alto staff for BAWSCA	Local, Regional and State	✓	✓	✓	✓
2. Participate in California Urban Water Conservation Council (CUWCC) Best Management Practice (BMP) revisions and development to ensure that aggressive and cost-effective efficiency goals are incorporated and operating proposals are reasonable, achievable, and cost-effective.	State	✓	✓	✓	✓
3. Advocate to ensure that legislative actions regarding the Hetch Hetchy Regional Water System include the following requirements : <ul style="list-style-type: none"> • timely rebuilding of the regional water system; • maintain maintenance of s the quality of delivered water; • minimiz minimization of es any increase in the cost of water; • creates no additional exposure to more frequent or severe water shortages; • increased real-time monitoring data availability to ensure water quality; 	Local, Regional and State		✓		✓

Legislative Policy Guidelines	Venue	Goals			
		1. Local Authority	2. Reliable Infrastructure	3. Minimize imports	4. Supplies at fair cost
<ul style="list-style-type: none"> • support <u>for</u>s the existing water system and its operation; • <u>SWRCB responsiveness to SFPUC water quality issues;</u> 					
<p>4. Advocate for interpretations or implementation of Water Code provisions (such as those enacted by AB 1823 (2002), AB 2058 (2002) and SB 1870 (2002)) that maintain or reinforce the authorities and protections available to the City and BAWSCA members outside of San Francisco.</p>	Local, Regional and State	✓	✓		✓
<p>5. Support provision of sufficient resources for BAWSCA to enable it to advocate for:</p> <ul style="list-style-type: none"> • an environmentally sustainable, reliable supply of high quality water at a fair price; • <u>for Wholesale Customers' rights under the Water Supply Agreement for water from SFPUC that meets quality standards;</u> • a SFPUC rate structure that is consistent with the Water Supply Agreement and is based on water usage; • a contract amendment to modify the drought time water allocation between the SFPUC and the BAWSCA agencies for a fairer allocation of the burden of water shortages; • preservation of Palo Alto's existing contractual water allocation and transportation rights on the SFPUC Hetch Hetchy system; and • regional planning for conservation, recycled water, and other water supply projects. 	Local and Regional	✓	✓	✓	✓
<p>6. Advocate for actions that:</p> <ul style="list-style-type: none"> • preserve Palo Alto's existing contractual rights; and • preserve local control over water use and limit encroachment from outside jurisdictions. 	Local and Regional	✓			✓
<p>7. Support infrastructure security and reliability including an interconnection between the SCVWD West Pipeline with the SFPUC's Bay Division Pipelines 3 and 4.</p>	Regional and State		✓		

Legislative Policy Guidelines	Venue	Goals			
		1. Local Authority	2. Reliable Infrastructure	3. Minimize imports	4. Supplies at fair cost
8. Support notification requirements that inform residents/customers but do not inflict undue or unobtainable requirements on the utility.	State	✓			✓
9. Support local control of public benefit funds, funding levels and program design.	State	✓			✓
10. Support beneficiary pays methodologies to prevent taxes or fees, in particular those imposed on SFPUC customers, to fund infrastructure improvements and costs of other water sources such as the Delta water sources that do not serve Palo Alto customers.	State and Regional	✓	✓		✓
11. Advocate for financing or funding for water conservation programs and recycled water projects that meet end-use needs and conserve potable water and oppose legislation that would reduce such funding.	State, Regional and Federal	✓	✓	✓	✓
12. Support infrastructure security and reliability that includes equitable allocation of funds for increasing the security of infrastructure and that protects the City from unnecessary regulations.	Local, State and Federal	✓	✓		✓
13. Support legislation that promotes responsible groundwater management while recognizing Palo Alto's existing and historical groundwater extraction practices.	State	✓	✓	✓	✓
14. Support Proposition 218 reform efforts to provide ratemaking flexibility to balance conservation, revenue sustainability, and low income <u>assistance</u> programs.	State	✓	✓		✓
<u>15. Advocate for reasonable statewide water conservation efforts (both drought response and long term) that achieve required water savings while minimizing customer and commercial impact, protecting the City's urban canopy and minimizing the City's enforcement costs.</u>	<u>State</u>	<u>✓</u>	<u>✓</u>		<u>✓</u>
<u>16. Protect the City and County of San Francisco's water rights as well as those of the co-grantees of the Raker Act.</u>	<u>State</u>		<u>✓</u>	<u>✓</u>	<u>✓</u>
<u>17. Support legislation that would protect the City's infrastructure and treatment investments from future state-wide cuts</u>	<u>State</u>		<u>✓</u>		<u>✓</u>

		Goals			
<i>Legislative Policy Guidelines</i>	<i>Venue</i>	<i>1. Local Authority</i>	<i>2. Reliable Infrastructure</i>	<i>3. Minimize imports</i>	<i>4. Supplies at fair cost</i>
<u>in water use.</u>					

Review of Legislative Activities in 2015

2015 was year one of California's two-year 2015-2016 legislative session, and it was an active energy and water year. Much of the energy legislation targeted GHG emissions and renewables, while much of the water legislation focused on the drought and conservation efforts. Of the state bills City of Palo Alto (CPAU) staff tracked in 2015, ten were signed into law, sixteen never passed the legislature (ie: the bills "died"), and two passed the legislature, but were vetoed by the Governor. Of the bills that died, we expect at least four to return in 2016.

Following is a summary of the state legislation and federal issues CPAU staff followed in 2015, along with any positions taken by the Northern California Power Agency (NCPA) and California Municipal Utilities Association (CMUA), two associations with active CPAU staff involvement.

State Legislation

Energy Related Bills

AB 88 (Gomez) – Sales and use taxes: exemption: energy or water efficient home appliances:

The bill would have established a sales and use tax exemption for any "energy or water efficient home appliance" purchased by a "public utility" that is provided at no cost to a "low-income participant" in a federal, state, or ratepayer-funded energy or water efficiency program.

Status: *Passed the legislature, vetoed due to the Governor's concern about new tax exemptions during times of financial uncertainty*

AB 645 (Williams) – California Renewables Portfolio Standard: This bill mirrored SB 350 regarding changes to the Renewables Portfolio Standard (RPS) program to require the amount of electricity generated per year from eligible renewable energy resources be increased to at least 50% by December 31, 2030. While SB 350 was signed into law, the legislature did not pass AB 645.

Status: *Died in the Senate*

AB 802 (Williams) – Energy efficiency: (1) Requires the CPUC to authorize IOUs to provide incentives and assistance for measures that conform to the California Energy Commission's (CEC) energy efficiency standards for existing buildings and allows IOUs to recover the reasonable associated costs through their rates. (2) Requires utilities to maintain records of the energy usage data of all buildings to which they provide service for at least the most recent 12 month period and, upon the request and authorization of the owner (or owner's agent), provide aggregated energy usage data to the owner or to the owner's account in the ENERGY STAR Portfolio Manager. AB 802 expands the scope of buildings covered under existing benchmark requirements, and removes some of the customer privacy requirements. Palo Alto does not have an automated system for providing energy use data so the expansion of the program requires more resources to

either continue the manual process or automate. Staff are currently reviewing and working with NCPA on customer privacy issues.

Status: *Signed into law*

AB 1110 (Ting) – Greenhouse gases emissions intensity reporting: Current law requires electric utilities to disclose their electricity sources as a percentage of annual sales (the Power Content Label or PCL). This bill would have required electric utilities to also disclose the greenhouse gas (GHG) emissions intensity associated with their electricity sources. Palo Alto’s concern with this bill was that it would prohibit an adjustment in the calculation of GHG emissions through the application of renewable energy credits (RECs); i.e., the market purchases the City’s electric utility makes to cover shortfalls in the portfolio not met by hydro or renewable resources will have a GHG emission factor assigned to them that would not be “neutralized”, or netted out, by the REC purchases. While this bill was focused on certain Community Choice Aggregators who, according to bill proponents, were not fully disclosing the electrical sources, it had obvious impacts on the City’s messaging for its carbon neutral electricity portfolio. NCPA worked with the bill’s author to allow for the inclusion of additional information in the PCL, along with the emissions factor.

Status: *Died in the Senate*

AB 1236 (Chiu) – Electric vehicle charging stations: This statute requires cities and counties to adopt an ordinance, with certain specific elements, that creates an expedited permitting process for electric vehicle (EV) charging stations. For a local government with a population the size of Palo Alto’s (less than 200,000), the ordinance must be passed by September 30, 2017.

Status: *Signed into law*

AB 1330 (Bloom) – Demand Response: The bill would have CPUC establish annual goals for demand response and require POUs to achieve the goals. The language would have the unprecedented impact of having the CPUC dictate program requirements for POUs.

Status: *Died in Senate*

AB 1448 (Lopez) – Personal energy conservation/real property restrictions: This statute permits tenants, as well as owners in a homeowners association, to use clotheslines and drying racks if certain conditions are met, including that the clothesline or drying rack will not interfere with the maintenance of the property. CMUA supported this bill.

Status: *Signed into law*

AB 1453 (Rendon) – Electrical corporations: underground electrical facilities: worker safety: This bill sought to prohibit work directly on energized underground electrical equipment and required a qualified electrical worker to determine that underground electrical equipment has been de-energized and is in a mode that would make the equipment safe to be worked on.

Status: *Died in Senate*

ATTACHMENT C

SB 32 (Pavley) – California Global Warming Solutions Act of 2006: emissions limit: This bill would have required the California Air Resources Board (CARB) to approve statewide GHG emissions limits equivalent to 40% below the 1990 level by 2030 and 80% below the 1990 level by 2050. It would also prohibit CARB from implementing the next update of the California Global Warming Solutions Act of 2006 (AB 32) Scoping Plan until it had taken specified actions, including submitting the Scoping Plan to the Legislature for review. CMUA supported this bill.

Status: *Died in the Assembly*

SB 119 (Hill) – Protection of subsurface installations: The Dig Safe Act of 2015 would have modified the laws relating to excavations near substation installations. SB 119 was supported by CMUA.

Status: *Vetoed as the bill created a new enforcement committee within the State Licensing Board and the Governor believed excavation safety authority rests with the CPUC.*

SB 180 (Jackson) – Emissions of greenhouse gases: This bill would have replaced the GHG emission performance standards for base-load generation with standards for both non-peaking and peaking generation. Both NCPA and CMUA took opposing positions on the bill over concern that the very low emission standards proposed would effectively block further investment in natural gas generation and impact grid reliability.

Status: *Died in the Senate*

SB 272 (Hertzberg) – The California Public Records Act: local agencies: inventory: In implementing the California Public Records Act, this statute requires most local agencies to create a catalog of enterprise systems, make the catalog publicly available upon request, and to post the catalog on the local agency's Internet Web site. CMUA opposed the bill on the grounds of cost impact to local agencies and cybersecurity concerns with making information available about utility control systems. The bill explicitly exempts infrastructure and mechanical control systems that control or manage street lights, electrical, natural gas, or water or sewer functions. However, general cost impacts and security concerns remain.

Status: *Signed into law*

SB 350 (De León) – Clean Energy and Pollution Reduction Act of 2015: By December 31, 2030, 50 percent of energy must come from renewables and the energy efficiency of existing buildings must double. Palo Alto successfully negotiated accommodations for our hydro portfolio during high hydro years (when hydro exceeds 50% of our portfolio, CPAU's RPS requirement will be reduced). The bill also mandates the preparation and submission of integrated resource plans (IRPs). While preparing an IRP per se is not a burden for Palo Alto, the language is very prescriptive, hastily constructed, introduces redundant reporting requirements and requires the IRP to be submitted to, and reviewed by, the CEC. Despite a coordinated attempt to remove or fix the IRP language, the momentum to pass SB 350 was unstoppable. There will be a concerted effort by NCPA and CMUA in 2016 to pass legislation to fix the more erroneous sections of the IRP requirements, as well as to modify language holding POUs responsible for IOU duties.

Status: *Signed into law*

SB 550 (Hertzberg) – Net energy metering: This bill would, for POUs such as Palo Alto, redefine “aggregate customer peak demand,” for the purposes of calculating the 5% net energy metering (NEM) program limit as the highest sum of the non-coincident peak demands of all the customers of that utility in any calendar year, potentially doubling the MW cap.

Status: *Died in the Senate*

SB 687 (Allen) – Renewable gas standard: This bill would have required CARB, by June 2016, to adopt a renewable gas standard (RGS) requiring all gas sellers to provide specified percentages of renewable gas to retail end-use customers for use in California.

Status: *Died in the Senate*

Water Legislation

AB 349 (Gonzalez) – Common interest developments: property use and maintenance: This statute voids any attempt by a common interest development to prohibit use of artificial turf or any other synthetic surface that resembles grass. CMUA supported.

Status: *Signed into law*

AB 585 (Melendez), AB 603 (Salas) and AB 1139 (Campos) – Personal income tax credits: outdoor water efficiency and turf removal: Three similar bills providing tax credits for outdoor water efficiency. AB 585, for taxable years 2016-2020, would allow a credit equal to 25% of the amount paid by a qualified taxpayer for water-efficiency improvements made to outdoor landscapes, up to \$2,500 per taxable year. AB 603 and AB 1139 would have allowed a credit to a taxpayer participating in a lawn replacement program, in an amount equal to \$2 per square foot of conventional lawn removed from the taxpayer's property. CMUA supported the three bills.

Status: *All died in the Assembly*

AB 606 (Levine) – Water conservation: This statute requires, when feasible, state agencies to reduce water consumption and increase water efficiencies when building on state-owned property, purchasing property, or replacing landscaping or irrigation. State property leased to a private party for agricultural purposes is exempted. CMUA supported.

Status: *Signed into law*

AB 723 (Rendon) – Plumbing fixtures: WaterSense standards: This bill was gutted and amended to require property owner disclosure of their responsibility to replace all noncompliant plumbing fixtures in newly or renewed leased properties by a certain date.

Status: *Died in the Senate*

ATTACHMENT C

AB 786 (Levine) – Common interest developments: property use and maintenance: This statute clarifies that during drought conditions, when a homeowner in an HOA receives recycled water from a retail water supplier to use in watering lawns or vegetation, the HOA may levy a fine or assessment if that homeowner does not use the recycled water for landscape irrigation. CMUA supported.

Status: *Signed into law*

AB 1164 (Gatto) – Water conservation: drought tolerant landscaping: This statute prohibits cities and counties from enacting or enforcing any ordinance or regulation prohibiting the installation of drought tolerant landscaping, synthetic grass, or artificial turf on residential property. CMUA supported.

Status: *Signed into law*

AB 1173 (Williams) – Water equipment: backflow prevention devices testing: certification: This bill attempted to mandate the hiring of a certified individual to test backflow prevention devices if a local health officer did not already have such a backflow device testing program. CMUA's position was "oppose unless amended".

Status: *Died in the Senate*

AB 1315 (Alejo) – Public contracts: water pollution prevention plans: delegation: This bill would have prohibited a charter city from delegating to a contractor the development of a plan used to prevent or reduce water pollution or runoff on a public works contract, with certain exceptions. While not limited to water utilities, CMUA does not favor this bill.

Status: *Died in the Assembly*

AB 1531 (Committee on Environmental Safety and Toxic Materials) – State Water Resources Control Board: The statute makes technical changes to provisions of the Water Code and the Health and Safety Code. Specifically, among other things, it eliminates outdated legal provisions, corrects mistaken cross references, and provides authority to conform drinking water and water quality requirements to federal requirements. It also makes several statutory changes to improve the efficiency and effectiveness of the Safe Drinking Water Regulatory Program.

Status: *Signed into law*

SB 7 (Wolk) – Housing: water meters: multiunit structures: This bill would have mandated the installation of individual water meters (ie: submeters), on all new multifamily residential units or mixed commercial and multifamily units built on or after January 1, 2017. It also required landlords to bill residents for the increment of water used by unit residents.

Status: *Died in the Assembly*

SB 471 (Pavley) – *Water, energy, and reduction of greenhouse gas emissions: planning*: This bill attempted to allow reductions of GHG emissions associated with the water sector, including water use, supply, and treatment, to be eligible for AB 32 cap and trade revenue.

Status: *Died in the Assembly*

Looking forward

In 2016, we expect to see new state legislation addressing stormwater funding and short-term GHG emissions as well as continued legislation addressing Power Content Label reporting (AB 1110), demand response goals (AB 1330), water conservation (SB 7), and GHG emission limits (SB 32). We will also work with NCPA and CMUA on cleaning up SB 350 language.

Federal Issues

Following their August recess, Congress returned with a short amount of time before the November elections and a number of priority issues to contend with. Narrowly avoiding a government shutdown, Congress passed its financial package on December 18th. At one point, this financial “omnibus” bill contained language from a California Representative regarding the drought, but that language was dropped in final negotiations.

EPA Emission Standard

The Environmental Protection Agency’s (EPA) has proposed rules intended to significantly reduce the amount of greenhouse gas emissions across the nation, under section 111(d) of the Clean Air Act. These rules apply to electric generating units as well as other sources of GHG emissions. Preliminary analysis indicates the new rules will likely have minimal impact in California, though the treatment of hydropower remains uncertain and questions remain how the EPA’s proposal will be incorporated into the State’s existing GHG policies and regulations. California’s regulatory agencies believe that the emissions reductions can be achieved through the cap-and-trade program, the existing renewable portfolio standard mandates, and the additional measures addressed in the scoping plan update currently underway at the Air Resources Board.

Grid Reliability

In 2015, the Federal Energy Regulatory Commission (FERC) approved the North American Electric Reliability Corporation (NERC) Risk-based Registration Initiative. This initiative uses a consistent approach to risk assessment and registration to implement changes aimed at ensuring the right entities are subject to the right set of reliability standards. Palo Alto supports efforts to rationalize the registration process so that resources, at all levels, can be focused on those issues that have a material impact on grid reliability. Palo Alto’s distribution system, in particular, does not impact the bulk grid reliability.

Drought

Two key measures, one in the House carried by a Republican and the other in the Senate authored by a Democrat, failed to pass in 2015. Senator Feinstein intends to push her bill in 2016.

CFTC swap dealer definition

On September 24, the Commodity Futures Trading Commission (CFTC) granted the relief sought by public power systems, and exempted utility operations-related swaps from the \$25 million “special entity” swap dealer threshold. With approval of this rule, public power systems will be on equal footing with private utilities and should regain access to counterparties for swap transactions.