

DOCUMENTS IN THIS PACKET INCLUDE:

LETTERS FROM CITIZENS TO THE
UTILITIES ADVISORY COMMISSION

From: [Jeff Hoel](#)
To: [UAC](#)
Cc: [Hoel, Jeff \(external\): Council, City](#)
Subject: TRANSCRIPT & COMMENTS -- 05-03-23 UAC meeting
Date: Saturday, May 20, 2023 1:46:46 PM

CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.

Commissioners,

I have made a transcript of UAC's 05-03-23 meeting, and have added my comments.

Key:

= main comment (11)
= minor comment (33)
#&# = presentation slide (71)

(To view just the main comments, please do a browser search for "###:").

Thanks.

Jeff

Jeff Hoel
731 Colorado Avenue
Palo Alto, CA 94303

PS: I detected five gaps in the video, which I marked "###. There's a gap in the video". Does anyone in the City have a KPI related to that?

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05-03-23 Video
<https://midpenmedia.org/utilities-advisory-commission-31-532023/>

05-03-23 UAC agenda
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2023/05-may-2023/05-03-2023-packet-v2.pdf>

Attended by:
Commissioners: Chair Segal, Vice Chair Scharff, and Commissioners Croft, Forssell, Mauter, Metz, and Phillips.
Council Liaison: Council Member Lauing
Staff: Director Batchelor, Jonathan Abendschein, Tabatha Boatwright, Karla Dailey, Catherine Elvert, Alexandra Harris, Jenelle Kamian, Anna Vuong, and Dave Yuan.

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TRANSCRIPT

0:18:36:

Chair Segal: Good evening, everyone. Welcome to the May 5th Utility Advisory Commission meeting. We'll start with roll call, starting online. Commissioner Scharff.

0:18:49:

Commissioner Scharff: Present.

0:18:51:

Chair Segal: And then we can just go down from the right.

0:18:55:

Commissioner Phillips: Commissioner Phillips present.

0:18:57:

Commissioner Forssell: Commissioner Forssell present.

0:19:00:

Commissioner Mauter: Commissioner Mauter present.

0:19:03:

Commissioner Metz: Commissioner Metz present.

0:19:06:

Commissioner Croft: Commissioner Croft present.

0:19:09:

Chair Segal: And Chair Segal present as well. Thank you. We do not have any agenda changes, additions, or deletions. So, we'll turn to public comments. Are there any comments from the public not -- on an item that is not on the agenda?

0:19:27:

Jenelle Kamian: This is Jenelle Kamian, Program Assistant. If anyone from the public would like to make a public comment, please raise your hand or dial *9 on your phone. No hands raised.

0:19:42:

Chair Segal: Thank you. So, we will move on to the minutes. We have two sets of minutes to approve tonight. So we will start with the minutes from the March 1, 2023 meeting. Are there any comments on those minutes? I don't see any comments. So, I have a motion to accept the minutes as proposed.

0:20:07:

Commissioner Scharff: I'll move to accept.

0:20:10:

Commissioner Forssell: I second.

0:20:12:

Chair Segal: And we'll go down the line, starting with Commissioner Scharff again.

0:20:18:

Commissioner Scharff: Yes.

0:20:20:

Chair Segal: Commissioner Phillips.

0:20:21:

Commissioner Phillips: I wasn't at this meeting. Am I --

0:20:23:

Chair Segal: You're welcome to abstain, as well.

0:20:25:

Commissioner Phillips: I'll abstain.

0:20:28:

Commissioner Forssell: I approve.

0:20:30:

Commissioner Mauter: Abstain.

0:20:31:

Chair Segal: We'll just go --

0:20:33:

Commissioner Metz: Approve.

0:20:33:

Commissioner Croft: Abstain.

0:20:35:

Chair Segal: And I approve. So, we have a quorum. Or, we have a majority. And we can now turn to the second set of minutes, from our April 12th meeting. Are there any comments to those minutes? OK. So we can -- if I have a motion to approve those as provided.

0:21:02:

Commissioner Croft: Give a motion to approve.

###. I didn't hear a second.

0:21:05:

Chair Segal: Great. So, I'll go down the line -- I'll change directions this time.

0:21:10:

Commissioner Croft: Ah, yes. Accepted. Approved

0:21:14:

Commissioner Metz: Approved.

0:21:15:

Commissioner Mauter: Approved.

0:21:17:

Commissioner Forssell: I approve.

0:21:19:

Commissioner Phillips: Approve.

0:21:10:

Chair Segal: Commissioner Scharff.

0:21:21:

Commissioner Scharff: I also approve.

0:21:23:

Chair Segal: And I approve as well. We can turn to the Utilities Director Report. Director Batchelor.

0:21:33:

Director Batchelor: Thank you. Good evening, Chair Segal, commissioners. A few items to talk a little bit about today -- is -- As most of you remember, we had talked about some rebates for these high winter energy bills, for the gas and for the electric. The Utilities residential customers have been seeing a rebate to their utility bills to the extreme high gas and electric costs that were experienced this winter. The rebates have been approved by Council in early April. And due to the financial release, they're being calculated. And we've actually got those out to customers. They will see them on their April or on their May bill, depending on how their billing came out. And it was a gas rebate from \$70 to \$100. The electric was from \$20 to \$65, with an additional \$100 electric service and \$100 on their gas service available for residents in the rate assistance program, which is our RAP. Or past-due bills greater than 180 days. And those rebates will be automatically credited to -- again, to the April and May, depending on when the meter reading fell. And there's also rate assistance programs that, still, for hardships, that can still be applied for, above and beyond those dollars that have been allocated. So -- So far, that we sent those all out, we've heard good feedback from the community itself. These dollars were allocated out of the General Fund. They were not Utility dollars. And the reason for that was -- is that we decided that these rebates would be coming only to the residential -- customers. Nothing to the commercial. And so, we can't use commercial rates to give monies to residential, or vice versa. So, since this was only for residential plan, the General Fund had to make the decision to pay for these funds. So, that's what we ended up doing. The City did.

0:23:45:

Tonight, you're going to hear a little bit more about our rate and our financial plans. We're planning on going to the Finance group here on May 9th, to talk about our capital and our expense -- um -- budgets. We have taken our rate -- which, again, we'll hear more about that today. But we did take our rates to the Finance group. They were passed, with the exception of water and wastewater, due to the Prop 218. We had to send those notices out. But the electric and gas passed. So, we'll be taking those back, along with input from tonight, as well as input on the 9th for expense, and that on June 19th. And if approval from Council, these will become effective on July 1. The bill changes on the average on the residential was -- six services is about \$11. And, again, you'll see that later this evening.

0:24:53:

Staff's implementing a robust outreach, informing customers of these rate changes and the reasons for these cost increases. This includes conversations with the local media, direct communications with customers through our utility bill inserts, emails, newsletters, websites, social media, business groups. That we've been telling customers that this is pretty much what we think these financials will fall. And there will be an increase. And, like I said, for the overall -- and you'll see this today -- the overall bill will be about \$11 per month.

0:25:34:

A little bit on our electric hydro. Due to the recent rise in temperatures, the large amount of snowfall received by the state during the past winter is now starting to melt, and flowing in the reservoirs. And they're generating our hydro power. This has led to a significant increase in hydro generation. And the projections for the next couple years is much as high as -- that we could see is 25 percent above the average for this time. And the Central Valley area -- or, Central California -- we saw about 60 percent above average. Despite the fact that a considered amount of snow is already melted, the overall snowpack level is still more than twice the average amount for this time of year. The normal. When we take this information into account, we can project that the City hydro reser -- or, resources will produce approximately about 104 percent of our long-term average level output for fiscal year [23], and about 122 percent over the long-term average level for '24. So, good news in that area. That we'll be able to produce much lower -- cheaper rates for our electricity. [cough] Excuse me.

0:26:46:

A little on our drought. On April 11th, Palo Alto water supply -- our San Francisco Public Utilities Commission rescinded their water shortage emergency declaration, but kept the voluntary San Francisco Regional Water statewide reduction of 11 percent in place 'til the state emergency regulations expire in June. Palo Alto water restrictions track both the state regulation, as well as the SFPUC water. Staff anticipates Palo Alto will be able to lift the 2-day-per-week on watering restrictions at that time. The state, however, is likely to leave some restrictions in place, including restrictions on watering within 48 hours after a rain event, and a ban on irrigation on non-functional turf with portable water at the commercial customer sites.

0:27:34:

A little bit on the update on our heat pump water heater program. Palo Alto's full service heat pump water heater program is generating a lot of community interest. More than 450 residents are awaiting assessments. To date, we've had 6 heaters been installed. Since the launch of this program, working with this vendor that we have, has been able to identify and implement some improvements, so that there's not such a backlog. So, there's a backlog in the customers that we have, of these 450. And you can imagine, if your water heater goes out today, what are you going to do? Now, you're in the line of those 450. But it's not very efficient for the family. So, what we've learned so far is to gain some efficiencies working with the contractor, and moving forward, to

try to get some synergies around getting these 450 customers at least assessed, and what some of these costs might look like. There's two no-hassle alternatives. There's a \$2700 up-front, or \$1500 up-front plus \$20 a month for the next 5 years, that's added to the residential bill.

0:28:56:

Earth Day month was April. And it was a busy month. For two EV workshops, two EV explorers and a sold-out e-bike test ride event at Mitchell Park. Staff also participated in two Earth Day community events. The first was an event at Stanford Hospital celebration. Staff used fun spin-the-wheel games, and attendees were given fun facts about various electric appliances and clean energy sources. The second event was held at Rinconada Library, including a gardening tour. Staff spoke about -- to residents about water conservation and the City's newly launched full-service heat pump water heater program.

0:29:37:

Some of the upcoming events that might be of interest to you. May 3rd, from 7:00 to 8:30 is tree selection and watering and care. This weekend is the 99th May Fete parade. It's set for 10:00. If any of you are interested in walking, you can meet at Emerson and University at 9:30. And staff will help you get situated. So if you would like to walk it, you're more than welcome to walk it. May 13th, from 10:00 to 12:00, it's Goodbye Gas and Hello EVs, and EV expos. And then, on May 15th, EVs 102. And then, May 31st, between 5:00 and 6:00, EVs for backup power. So, those will be the upcoming events in May. And that concludes my report. Questions I might be able to answer? No. Thank you.

0:30:40:

Commissioner Phillips: Actually, one question.

0:30:41:

Director Batchelor: Sure.

0:30:42:

Commissioner Phillips: Um. How is the rebates calculated for the gas? Is it a percentage of the gas bill for the month of December? Or --

0:30:53:

Director Batchelor: So, what we did was, we actually took the January bill, since that was the higher. And what we did was, we took -- the average of the bills was about \$365. On the average cost. And then, we came up with these dollar amounts that we talked about within that range for gas, as well as for the electric.

0:31:11:

Commissioner Phillips: Thank you.

0:31:12:

Commissioner Croft: I have a question.

0:31:13:

Chair Segal: Go ahead.

0:31:14:

Commissioner Croft: I had a question on the tree selection. So, I was -- I'm curious also about the street trees. But are you trying to help peop --

0:31:24:

Director Batchelor: Yeah. That's exactly what we're doing. We're trying to help customers that -- and residents that are thinking about maybe doing some new landscaping. You know, everybody's trying to get rid of the grass. And what are they going to re-landscape with? So, we're helping them with plants, trees that are going to be tolerant to the drought. Placements -- where it would be best. You know, on the property lines themselves. And trees that are not going to -- One of the things we do talk about is trees that are not going to grow up to be tall enough to get into the power lines. If there's power lines around. So, setting them back, if it's possible. But if not, you know, smaller trees.

0:32:12:

Chair Segal: Any other questions? Thank you.

0:32:20:

NEW BUSINESS ITEM 1

Chair Segal: We'll now turn to the first item of business, which is approving a UAC Chair and Vice-Chair for this next term, which is slightly shorter, starting tonight until March 31, 2024. So, we will start with the Chair. Are there any nominations for Chair? Commissioner Forssell.

0:32:45:

Commissioner Forssell: I would like to nominate Chair Segal to continue a second term. I think she's been doing a great job.

0:32:52:

Commissioner Scharff: I'll second that.

0:32:55:

Chair Segal: Thank you. Any other nominations for Chair? Great. Then we will vote -- I guess it's a yes or no. Starting with Commissioner Phillips.

0:33:09:

Commissioner Phillips: Yes.

0:33:13:

Commissioner Forssell: I vote yes.

0:33:15:

Commissioner Mauter: Yes.

0:33:17:

Commissioner Metz: Yes.

0:33:19:

Commissioner Croft: Yes.

0:33:20:

Chair Segal: Commissioner Scharff.

0:33:21:

Commissioner Scharff: I also vote yes.

0:33:22:

Chair Segal: Thank you. And I vote yes as well. So, good. Then I'll continue to lead the meeting. [laughs] And do we have a nomination then for Vice Chair? Go ahead, Commissioner Forssell.

0:33:37:

Commissioner Forssell: I would like to nominate Commissioner Scharff as Vice Chair, as a very experienced and senior commissioner.

0:33:47:

Chair Segal: And I'll second that nomination. Any other nominations? So, we will start with a vote for Vice Chair for Commissioner Scharff, starting with Commissioner Phillips.

0:34:02:

Commissioner Phillips: I vote yes.

0:34:06:

Commissioner Forssell: I vote yes.

0:34:09:

Commissioner Mauter: Yes.

0:34:11:

Commissioner Metz: Yes.

0:34:12:

Commissioner Croft: Yes.

0:34:13:

Chair Segal: Commissioner Scharff.

0:34:14:

Commissioner Scharff: Yes. Thank you very much for the nomination and the votes.

0:34:19:

Chair Segal: And I vote yes as well. So, welcome. So, we now have our Vice Chair and Chair for this term.

0:34:27:

NEW BUSINESS ITEM 2

Chair Segal: And we can move on to Item number 2, which is the -- putting together a Budget Subcommittee. And we typically have two, and can go up to three members. Are there any nominations for the Budget Subcommittee?

0:34:52:

Vice Chari Scharff: I'd be happy to do it.

0:34:56:

Commissioner Forssell: I just want to add, it's a great way for new commissioners to get really familiar with the new utility and the budget process. So, don't be shy, if you're interested, to nominate yourself.

0:35:06:

Commissioner Phillips: I nominate myself.

0:35:10:

Commissioner Croft: I'm interested as well. But I don't know if you want multiple new people, or an experienced person and a new person. But I'd be interested in it as well.

0:35:21:

Chair Segal: Excellent. Any other --

0:35:23:

Vice Chair Scharff: I'd be happy to do it.

0:35:26:

Chair Segal: Great. OK. So, I think we have our our three-person Budget Subcommittee: Vice Chair Scharff, and Commissioners Phillips and Croft. Thank you for volunteering for that. It really is a good experience.

0:35:47:

NEW BUSINESS ITEM 3

Chair Segal: OK. Rolling right through to Item 3, which is a **discussion** and presentation of the Strategic Plan Implementation. Do we have any public comments?

0:36:01:

Jenelle Kamian: This is Jenelle Kamian, Program Assistant. If anyone from the public would like to speak on Item 3, please raise your hand or dial *9 on your phone now. No hands raised.

0:36:16:

Chair Segal: Thank you. We have a -- I don't know who's presenting.

0:36:22:

Director Batchelor: I'll open it up. And then, we actually have four folks that will actually be talking about their areas. So -- So, CPAU's current Five-Year Strategic Plan was originally developed and approved by Council and this board in 2018.

0:36:40:

Presentation slide 1, packet page 39 -- UTILITIES STRATEGIC PLAN

Director Batchelor: The current plan includes four key areas: workforce, collaboration, technology, and financial resource optimization and financial. And across those four key areas, there's three or four key performance indicators [KPIs] that track and report the plan progress, recognizing there's several intense and external factors that changed since the last update in 2018. And tonight, we are going to share with you our updated Strategic Plan, that will propose -- starts to focus on defining the strategic destination, and setting a stake in the ground to define where CPAU will be in the next five years. The Strategic Plan also focuses on efforts and reporting and tracking progress, to more responsible and each strategic KPI

0:37:34:

Presentation slide 2, packet page 40 -- IMPLEMENTATION

Director Batchelor: that we have identified. So, I think what we want to do is, we want to kind of go through each of those main bullets in the key areas. And then, we'll break it down a little further, and give you the KPIs for each of those areas. So, with that, I'm going to go ahead and turn it over to Dave Yuan, our Strategic Business Manager.

0:37:57:

Dave Yuan: Good evening, commissioners and Council member. You guys were a little bit faster than we intended. So we're going to jump around the slides a little bit. So, we'll start at the Technology priority. All four priorities are equally as important. We just labeled them 1 through 4, for some reason. Just to track them.

0:38:16:

Presentation slide 17, packet page 55 -- PRIORITY 3: TECHNOLOGY MISSION & STRATEGIES

Dave Yuan: So, for Technology, with increasing convergence of technology, utility services, and customer expectations is driving changes in the utility markets. As utilities, we must embrace technology, to further enhance operational efficiency, and also deliver of services. Customers' adoption of technology, such as distributed energy resources, EV, PV, and energy storage is also changing utility interaction with customers and demand for services. There's no longer a one-way communication now, where we just simply provide power and energy and water. Now, it's more of a -- with AMI, it's more of a two-way dialog between the residents, businesses, and utilities, with their requests. So, our mission statement for technology is to invest in and utilize technology to enhance the customer experience and maximize operational efficiency. The strategies under technology includes a five-year technology roadmap, to effectively guide our technology investments and customer programs. A citywide AMI deployment, enhancing customer interaction via our MyCPAU customer portal and our future OMS -- our Outage Management System. We're also improving field operations, with more mobile applications and paperless forms, and providing continuous trainings to our employees for both existing and new technologies. Next slide.

0:39:38:

Presentation slide 18, packet page 56 -- PRIORITY 3: TECHNOLOGY ACCOMPLISHMENTS, INITIATIVES, KPIS

Dave Yuan: So, some of the accomplishments that we've done over the last couple of years for -- under technology is the MyCPAU. We've had a pretty large success on this customer portal. I think we have about 78 percent adoption rate, which is really high for any of these customer portals. It's about 24,000+ customers. I think 55 percent of our utility bill payments come through the portal. And so, we are investing more and more into this portal, given the popularity of it. I think this past year, we added on-bill financing, for those who want -- who are participating in that program. We also did a single sign-on for WaterSmart. So, if you want to look at your water or energy -- water usage and conservation tips, it's on there as well. And, going forward, though, we will be putting in AMI interval data and so forth. I think we also heard from the commissioners last year. We're going to be expanding the password and the different types of symbols, so there will be even more security on those. And also, we'll be putting a link to the bill inserts, so it's more accessible as well. So **, these are in the works.

0:40:42:

Other upgrades or accomplishments in 2019-2022 is we have completed the first phase of the AMI project, which is installing the base stations, which are the data collectors, at 5 strategic sites throughout the City. They're mostly in substations and pumping stations. So they're on utility facilities. So it's kind of camouflaged from the public. So, those are working well so far.

0:41:08:

And some of the initiatives we have for this upcoming year is to start the planning and deployment of fiber to the premises. We also launched, as Dean mentioned, the heat pump water heaters, with great success so far. I think -- so, on-bill financing we've done. And then, also, for the AMI meter so far, I think we've deployed about 1,200.

So, is that about 400 residences worth?

We're hoping to deploy another thousand more meters by the end of the summer. And then, we're hoping to do a full deployment for the residential side by September.

Huh? By September, will CPAU have deployed about 2,200 meters. But the City has about 24,000+ residences (0:39:38), and most residences have three meters.

And it should be, hopefully -- on the residential side, we should be done by the end of 2024. Or, is it '24? Yeah, end of '24. For the commercial side, it's more like mid of 2025. There is a slight delay right now on commercial meters.

0:41:52:

With the new Outage Management System, we are hoping to deploy it by end of the summer. Or beginning of winter. So, this will have new features. It will have status updates for customers. So, they were -- We'll notify them when there's an outage, so let them know that we're working on it. And we're also providing status updates every 30 or 60 minutes. Just to let them know. So, you should get faster responses from both our side, and, hopefully, faster restoration as well.

0:42:19:

Dave Yuan: I think that's it for that. Is there any questions you guys have on any of these accomplishments or initiatives? I could pause.

0:42:27:

Chair Segal: Commissioner Croft.

0:42:28:

Commissioner Croft: Yeah. I have a general question about AMI, and when it will be rolled out, and people will get -- you know, have the opportunity to do demand pricing and -- Are you doing any work to try to figure out what software will -- recommend to residents to kind of electrify their own homes, so that interfaces well with what the City has? So, for example, if you don't want people to all charge their cars at the same time, you want to somehow do some kind of demand -- um -- you know, optimization. You're going to need people's systems to be able to handle the data that you're giving them. So, are you doing any work to try to recommend to people what to use on their side?

0:43:08:

Dave Yuan: Yeah. We are trying to design some kind of time-of-use rates. Just to incentivize people with EV chargers and other appliances to charge off -- during the off peaks. Which is usually after 9:00 pm. So, we are working on those. It might be a couple of different rates or so. But it's still in the works. So -- But that is the main driver on those.

###: Dave Yuan didn't exactly respond to Commissioner Croft's question. The question, as I understood it, was, how does the electric utility assure that customers don't all ask for too much power at the same time (even at off-peak times)? For this assurance, does the utility want to depend on hardware and/or software in residences that is out of its control?

###: For example, in Eagan, MN (where my brother lives), if a residential customer wants low EV charging rates, he/she can get a separate meter for that, which the utility can turn off.

https://www.dakotaelectric.com/wp-content/uploads/2022/09/Electric-Vehicle-Packet_0223.pdf

0:43:27:

Commissioner Croft: Yeah. I mean, I guess, if I'm a homeowner, and I want to put in a system that's going to help me, you know, smartly control all my appliances, ...

0:43:35:

Dave Yuan: Um hum.

0:43:35:

Commissioner Croft: ... um -- will you be recommending -- certain vendors, for example, to them?

0:43:41:

Dave Yuan: Well, I don't know if we're going to be recommending vendors, per se, but we do this little radio we can attach to those smart meters, called a Zigbee radio. So, with that, you could buy a home device that will give you real time, instantaneous reads. So, right now, with the AMI meter, we are going to give like the next day interval data. But if you want instantaneous, we can buy one of these home devices, and monitor it yourself. I don't know if we've thought so far out about recommending programs yet, but it's something we can discuss internally.

0:44:11:

Chair Segal: Commissioner Phillips.

0:44:13:

Commissioner Phillips: I mean, installation of AMI meters. To install AMI, does it require physical access to someone's property? And has anybody resisted having an AMI installed?

0:44:25:

Dave Yuan: Sure. So, we will be notifying customers at least 2 or 3 times. So, we're sending an email or letter a week in advance. We'll also give them a door hanger a couple days in advance. And then, we'll also knock on the door on the day of. So, yeah, we will need access to the property. Most of the meters are outside the gate, generally. So, the ones that hide behind the gate and are locked, we will schedule an appointment with them. And, in regards to people that want to opt out, they have. They can. I think we have a list right now. It's very small. It might be a couple customers so far that have chosen that opt-out.

0:44:59:

Commissioner Phillips: And, kind of looking beyond the installation of AMI, and going to time-of-use pricing, is the idea to have 100 percent residential installation of AMI BEFORE going to time-of-use pricing? Or would there be -- are you planning to experiment with time-of-use pricing prior to having 100 percent residential AMI connection?

0:45:19:

Dave Yuan: Ideally, we'd like to pilot it. But we're still having to figure out how to design it. So, if there's an opportunity to pilot for early adopters, or early installers, then, yeah, we would like to do that.

0:45:30:

Commissioner Phillips: Thank you.

0:45:34:

Chair Segal: Commissioner Mauter.

0:45:36:

Commissioner Mauter: Um -- excuse me. I was -- I have two questions.

0:45:39:

Dave Yuan: Um hum.

0:45:39:

Commissioner Mauter: The first is about the technology roadmap, and the process that you are undertaking to design that roadmap. I assume that is not the roadmap that is shown on -- in this final slide.

0:45:51:

#&# Presentation slide 20, packet page 58 -- PRIORITY 3: TECHNOLOGY ROADMAP

Dave Yuan: It may be a little bit -- that one -- this one, a little bit, is.

0:45:55:

Commissioner Mauter: This is the ...

0:45:57:

Dave Yuan: At a very high level. [laughs]

0:45:58:

Commissioner Mauter: OK. OK. Great. And I had a -- Not to pile on to AMI, but I would support the two prior commissioner comments, in sort of suggesting that a clear pathway -- or a roadmap -- for not only AMI communication with the customer, and thinking about how the customer is likely to interface with AMI, but also internally. How your department can use AMI data to influence things like how you would establish time-of-use pricing signals across the utilities, writ large. How -- you know, how workflows might be established for both collecting and disseminating data from that AMI. And also, using AMI data in strategic and operational decisions.

0:46:49:

Dave Yuan: Um hum.

0:46:49:

Commissioner Mauter: So, you know, where does it make sense to do upgrades? Where does it make sense to do these other things? And I think -- like this is a new technology that you're bringing on board. A roadmap specific to AMI, ...

0:47:03:

Dave Yuan: Um hum.

0:47:03:

Commissioner Mauter: ... so that you derive the greatest value, would be, I think, a very beneficial activity to undertake in this year.

0:47:08:

Dave Yuan: OK. Thank you. So, for the deployment right now, we are doing a couple of different ways. So, there are a couple of routes we've identified, just to do parallel build testing, just to make sure what our manual meter reads and what our AMI meter reads are the same.

For the City's gas and water smart meters, the City just adds smart electronics to the existing analog meter. So the City can check whether the AMI and manual readings are the same. For the City's electric smart meters, the AMI meter completely replaces the old meter. So the City can't check whether the AMI reading is the same as what the old meter reading would have been.

And then, we're also targeting electrification homes. So we get better data on our transformer loads. On the different times of the day. So we are spreading those out throughout the City. So, if any of you guys are -- want to be part of this AMI in the earlier phase, let us know. 'Cause we are spreading out those meters in every which way. So -- You guys all do?

0:47:41:

Chair Segal: The -- I would say, unless somebody ISN'T interested, it would be great if the entire commission were a part of that.

0:47:47:

Dave Yuan: OK. We'll put you on the next rollout. There's 1,000 of them coming. So, we can definitely accommodate that.

Is the point here that it would be advantageous to the City to deploy, in an earlier phase, smart meters to residences whose residents (such as UAC commissioners) are aware of the potential issues and are willing to provide constructive feedback? Is the point NOT that commissioners ought to be among the first to benefit from having smart meters?

0:47:46:

Chair Segal: Commissioner Forssell.

0:47:57:

Commissioner Forssell: Yeah. I was wondering if you could talk a little more about the coming outage management system. And what bells and whistles and features it will provide that we don't currently have.

0:48:08:

Dave Yuan: I think, Anna, it might be better, if she's here. She's the project manager for the outage management. This is Anna Vuong, Senior Business Analyst.

0:48:18:

Anna Vuong: Hi. Good evening. For the outage management system, we will have notifications for the customers. So, if you call, and you want to have a call back, there is a feature for that. There is texting, as well as, if you prefer, emails. You can have email notifications as well. We are working out the social media posting right now. So, there is the possibility of posting to -- I think it was Twitter. And that -- Those are the main features, in terms of communications.

0:48:58:

Commissioner Forssell: So, when you say customers can call and get a call back, you mean they can call once to enroll in the notifications program? Or they can call when their power's out?

0:49:10:

Anna Vuong: So, it's when their power's out. So, if you call in and you say I would like to call back -- would like it -- to get a call back on the status of the outages, then you can request for that.

0:49:20:

Dave Yuan: These are for the customers that aren't already in the system, right?

0:49:24:

Anna Vuong: Correct.

0:49:24:

Dave Yuan: So, I think the system stores up to five numbers for each individual household. So, if you're not on that five-number list, then you would have to call. But if you're on there, then you'll automatically -- notify you automatically. So, we are making that push right now to gather more information from customers, to see who wants to be on that outage notification. That will be automated.

0:49:45:

Commissioner Forssell: And can you help me understand having the City's Twitter feed -- is that part of the new outage management system? Is that something we're not currently doing?

0:49:55:

Dave Yuan: We're doing that manually right now. So, Catherine or Jordan will have to wake up in the middle of the night and post a message.

0:49:59:

Commissioner Forssell: Ah. So that's why sometimes when you get the Nixle notice that says go to Twitter, and you go there and there's nothing -- That will be addressed.

0:50:07:

Dave Yuan: Yes.

0:50:08:

Commissioner Forssell: Got it.

0:50:11:

Dave Yuan: It's very manual. [laughs]

0:50:13:

Chair Segal: Any other questions? Commissioner Metz.

0:50:15:

Director Batchelor: If I could just add one more thing to that. Also, too, is that as we go through, there'll be a feature when we do plan outages. So, maybe there has to be a transformer upgraded in your neighborhood. Right now, what we do is, we drop flyers off at each of your homes, to let you know that this is going to be coming. Tells you kind of how long it will take, what the work that actually needs to be done. Actually, this machine will actually be able to send those calls out ahead of time. So we won't have to be dropping just a piece of paper on your porch. It'll actually be on your phone. And, as Dave and Anna mentioned, these five phone numbers -- if you decide that, you know, you want your -- most of those messages to be sent to your phone, you know, that's -- you have -- you can choose where you want to have your messages sent to. Up to five. So, if your entire family wants a message, then you could put those five numbers. And you have to call Customer Service to set that part of it up, if it's not already in the system today. 'Cause, right now, you ...

0:51:14:

Commissioner Forssell: Or, I assume that MyCPAU ...

0:51:19:

Director Batchelor: the portal.

0:51:19:

Commissioner Forssell: Yeah. OK.

0:51:20:

Director Batchelor: Yup. Either way.

0:51:23:

Anna Vuong: Just a clarification. The portal will take two phone numbers. So, if you want to add more than two phone numbers, you do have to call Customer Service.

0:51:34:

Commissioner Metz: OK. Hi. Where are the electric grid related technology initiatives? I don't see anything on packet page 56 on the technology initiatives, or in the roadmap that addresses that. It seems like that would be one of the most important topics.

0:51:51:

Dave Yuan: Yeah. I think we'll be talking more about it in the budget section, under the CIP. So --

0:51:55:

Commissioner Metz: OK.

0:51:57:

Dave Yuan: We do have a plan. [laughs] And we are applying for grants, too, as well.

0:52:00:

Commissioner Metz: Well, it seems like the main thing we do, and the main thing we spend money on. So we ought to do something about it.

0:52:05:

Dave Yuan: Yeah.

0:52:07:

Commissioner Metz: OK.

0:52:12:

Commissioner Croft: One more question. On the -- Sorry. On the KPIs -- I think that was your section.

0:52:16:

Dave Yuan: Yes.

0:52:17:

Commissioner Croft: Is that your section?

0:52:16:

Dave Yuan: Yeah.

0:52:18:

Commissioner Croft: Um. There is a KPI on the paperless tools, that was -- the goal was to get to 90 percent by 2019. And it's currently much below that. So, I was curious --

0:52:33:

[#&# Presentation slide 19, packet page 57 -- PRIORITY 3: TECHNOLOGY KPIs](#)

Commissioner Croft: Is that the GIS system is going to help that? Or, wh-

0:52:38:

Dave Yuan: Are we talk- -- Sorry. This is the paperless one?

0:52:40:

Commissioner Croft: Yeah. Page 19

0:52:41:

Dave Yuan: Yeah. Right now, in MyC- -- Is this on? -- Yeah. Right now, we have the option for customers to select both paperless and online. I think we are trying to work with SEW to try to promote -- or default -- future people to only paperless, and even convert the ones who are currently selecting both to paperless. So there is an initiative to help fully move more people to paperless only. Right now, ...

0:53:06:

Commissioner Croft: Sorry. I was asking ...

0:53:07:

Dave Yuan: Sorry.

0:53:07:

Commissioner Croft: Sorry about that. I was asking about the second table.

0:53:10:

Dave Yuan: The second table. Oh. Paperless ...

0:53:10:

Commissioner Croft: ** the tools for the field support staff.

0:53:13:

Dave Yuan: Sure. For engineering, I think it's been a longer road, just because of all the maps they need. And those are larger documents. And you can't -- It's hard to put it on a tablet or a phone. I think with the new ESRI platform, we will have more mobility. So, we will be able to pull up these maps and bigger -- zoom in better. So, that is still in the works. So, we're hoping to have that done maybe in a couple years. Operations has done a better job of transferring most of the paperless -- paper into paperless -- with our mobile apps.

0:53:48:

Chair Segal: I had a couple questions as well, actually.

0:53:50:

Dave Yuan: Um hum.

0:53:50:

Chair Segal: Um. Going paperless for accounts. Since we rely a lot on the mailer for communications to customers. Do we have a communications plan, or something, where there is going to be some main place where customers can go to get the information that we -- that many customers receive today in their mailers?

0:54:14:

Dave Yuan: Yes. So, there is a bill insert [website](#).

[###. That is, there is a bill inserts page on the City's website. Google "site:cityofpaloalto.org utilities bill insert" 1st hit.](#)

<https://www.cityofpaloalto.org/Departments/Utilities/Customer-Service/Utilities-Bill-Pay/Bill-Inserts>

It's not obvious where it is. So, we will try to promote that better. Like I said earlier, we were going to put it on the MyCPAU website as well.

###. That is, there is a MyCPAU portal on the City's website. Google "site:cityofpaloalto.org mycpau" 1st hit.
<https://mycpau.cityofpaloalto.org/portal/>

###: Occasionally, staff is tempted to post information to places other than the City's website. For example, 07-14-22: "Palo Alto Fiber Blog Series: What's New & What's Next!"
<https://medium.com/paloaltoconnect/palo-alto-fiber-blog-series-whats-new-what-s-next-e783dd5579eb>
But I think that's a mistake, because then people don't know where to search for it. (In this case, Google "palo alto' fiber blog" about 9,050,000 hits, but it was the 1st hit.)

So people just click on there and get those mailers directly.

0:54:28:

Chair Segal: OK. Is there any chance to have sort of an email list where people who were used to getting the inserts can receive them --

0:54:35:

Dave Yuan: That's a good idea. We could set it out with maybe the bill notification. I think there's an email that **.

0:54:41:

Chair Segal: And then, the other question was, going back to the outage information. Right now, the outage map seems to be pretty -- You know, it's a nice tool. And I'm wondering, with the upgrades, will that be more precise? Will it still be there? Are we getting rid of it?

0:54:58:

Dave Yuan: Yes. It will still be there. And we're hoping it's more precise. For sure. So, that is the goal. But there is a lot of data clean-up, and a lot of surveying we have to do out there right now in the field. So that's why it's taking a little longer than we had originally planned. It's a ** projection of where the outages will be, once a feeder comes off. So, we just have to map everything out. More accurately. [laughs]

0:55:20:

Chair Segal: Oh. So, it's not the new -- It's the information within the field itself that's the gating factor, so to speak.

0:55:28:

Dave Yuan: Right.

0:55:29:

Chair Segal: OK. Got it. Thanks. Thank you.

0:55:39:

Dave Yuan: OK. Does anyone want to go ** next?

0:55:43:

Director Batchelor: Oh, Catherine wants to go next. OK.

0:55:54:

Presentation slide 10, packet page 48 -- PRIORITY 2 -- COLLABORATION

Catherine Elvert: Good evening, commissioners. My name is Catherine Elvert, the Utilities Communications Manager. I have the pleasure of knowing several of you for a few years now, and I want to welcome the new commissioners. We appreciate your service. I wanted to just quickly address one of the items that you were speaking about with Dave, about having access to the bill inserts, where customers often receive a lot of information. That information is available electronically. Customers who receive email notifications should get a link in that actual email, linking to the bill insert web page that Dave mentioned. But it's something that we have been trying for years to make more evident and prominent. And sometimes we have some limitations with our billing system and what we can include with some of those e-bill notifications. But as we continue our enhancements to our online account management tools, and enhancements to our billing systems, those are some items that we want to make sure are working on, as well, too. Be more transparent with folks who want to be greener. And have paperless services. And not receive paper. But, anyway, we'll continue to try to get the word out via as many outreach channels as we can, just to reach people wherever they are.

0:57:06:

Presentation slide 11, packet page 49 -- COLLABORATION MISSION & STRATEGIES

Catherine Elvert: Well, I'm here to talk about the collaboration priority area of the Utilities Strategic Plan. And for a couple of you who were here -- a few of you were here during our last update, back in October, you may have heard some of this. But for some of the new commissioners, I just wanted to address sort of an introduction to what we mean by collaboration, just to start. So, collaboration may be one of those buzzwords that people say -- many of us say -- but we don't always often think about what it actually means. So, when it comes to our Utilities Strategic Plan, we believe that this area might be a little bit different. Maybe a little bit of an outlier to some of the other sections, such as technology or financing. And that it's not always easy to define how to measure, or track, or quantify what success means for collaboration. It's something that we know that we inherently need to do. But we're always working to try to define what those key performance indicators and those metrics may be. So, collaboration means to work with somebody to produce or create something. So, just so that we can start off with this mindset when we're talking about this area of the Strategic Plan, I think we all know that we cannot operate in a silo, either as a Utilities Department or even as individuals. And that's why we're here to talk about what we are doing with our various stakeholders, to enhance our mission of the City of Palo Alto Utilities Department. We're working within our various spheres of influences, such as community members, across City departments, within our Utilities Department, and then with outside agencies, such as government, trade, and regional agencies, etc. So, these are the four main strategies that we've identified. We developed our mission back in 2018, and that is to work with these different stakeholders, to talk about, to recognize, and achieve those shared objectives. It involves a lot of coordination, communication, education, and delivery of services. So, next slide please.

0:59:02:

Presentation slide 12, packet page 50 -- PRIORITY 2: COLLABORATION ACCOMPLISHMENTS

Catherine Elvert: When we are talking about our accomplishments, many of these will not be a surprise to you. These are areas where we have identified successes in which we are working within these spheres of influences, with these different stakeholders. So, many of these items, that are initiatives or policies or other programs that we've brought to you, the Utilities Advisory Commission, over the years, which you have endorsed. You've provided guidance on. And then, we have been able to take many of those to City Council to receive approval to continue the work in these areas, and continue to deliver these services to the community. So, many of these major focuses have been on sustainability, the sustainability and climate action plan [S/CAP], technological enhancements, such as the fiber optics program, the advanced metering infrastructure [AMI], outage management system, customer service enhancements. And then, many of the people in this room have been working very hard in order to put together some key initiatives, work plans, customer service, communication, and outreach strategies. And we've made some great strides at advancing these programs. And then, again, taking these to City Council and being able to deliver these services to the community.

1:00:15:

So, when we're talking about our community focus, as one of the areas of the collaboration priority, we'd like to highlight something we're very proud of, and that's the advancement of our Heat Pump Water Heater Program. This is something we've been trying to get off the ground for quite some time. It's a key priority in the sustainability and climate action plan, in order for us to meet our greenhouse gas emissions. And we've been able to receive contract approval and begin work with a marketing consultant this last fall, so that we can roll out a robust outreach campaign to meet our goals. And so you'll start to see some of those marketing materials hitting the ground, hopefully soon, once we've worked through some of the contract logistics. But we're really excited about that. We have ambitious goals there. We were able to host a community workshop on home electrification alternatives in this last quarter, again focusing on the Heat Pump Water Heater Program. Plus, of course, electric vehicles and e-bike alternatives, as a major component of beneficial electrification.

1:01:13:

We hosted community workshops on the OneWater Plan. You've heard quite a bit about this from our Resource Management Group. It's our long-term plan to evaluate and implement strategies for water resiliency, especially in the face of climate change. Coming off this recent drought, and then followed by a series of atmospheric rivers and windstorms that battered our region for the first part of 2023. It's not surprise that we are seeing the direct influence of climate change, on our water supplies, of course, and also in other areas. And we were also able to implement enhancements to the MyCPAU online Utilities account management portal, to make it easier for customers to pay their bills online, access energy, water, and electrification tools, such as an electric vehicle and solar cost estimator. And the WaterSmart portal, which includes a single sign-on. So, somebody can log onto MyCPAU and get access to all this information, find out ways to reduce their energy and water consumption and get access to our programs. There's also another benefit, in terms of efficiency, by accessing these online tools, is that customers can sign up to receive leak alerts. So, that's a win-win. It will help keep utility costs low.

1:02:23:

We've been able to refashion our website navigation, to streamline the customer entry and experience, and help people find information, creating more, let's say, intuitive modules, and ways to find information on our programs. Ways to save, for example, Interdepartmentally, we've successfully been working with the Planning and Department Services Department on green building and reach codes, as part of our sustainability focus. City Council approved the new reach code in November of 2022, and it became effective in January of 2023. Throughout the development process, we held a series of community workshops, to gather feedback and input to influence the development of those codes.

1:03:07:

And another focus has been on streamlining the process, and increasing the uptake of people installing Heat Pump Water Heaters. In this last quarter, we were able to create an instant heat pump water heater permitting process. The Planning and Development Services staff -- now, they've developed a process where -- they went from a half-an-hour, perhaps, to review and approve a permit to NO time to review and approve a permit. Instantaneous. And that's for at least 50 percent of all people who apply for permits. Consider that a great win. So, work on these initiatives and programs involves other City departments, such as the City Manager's office, the IT Department. And then, this work extends to the groups in Utilities, like Customer Service, Resource Management, Billing, Engineering, and Operations. Particularly when we are talking about impacts to the electric grid. We all work together to determine the safest, most reliable, practical, and best approach for how these developments roll out to the community. Working on tech advancements, such as the outage management system and advanced metering infrastructure, means that we're not handling this in a vacuum in the Utilities Department. It requires collaboration between all of the Utilities divisions. For AMI, for example, we're in the beta phase installation for the electric, gas, and water meters in residential areas of the City. And I believe Dave told you -- maybe my figure's out of date -- we've installed over 1,100 meters to date.

At 0:41:08, Dave said it was about 1,200.

So, we're continuing the progression of that particular project. Some of our new initiatives to highlight include that WaterSmart portal. Again, it has been a great success to be able to launch that, and integrate it with single sign-on for MyCPAU, allowing customers to readily receive access to their information -- their utility consumption. And then, when it comes to government and outside agency focus, part of our success in effectively adopting the reach code that we implemented at the beginning of this year is that we worked regionally with areas -- other agencies through regional -- through reach code team meetings. And staff held leadership roles and speaking engagements, to try to advance the idea of, we really want to set out on a limb when it comes to our sustainability. We've continued our collaboration with educational institutes, to recruit and retain talented workforce. So, people who are coming out of the college arena, we'd like to let them know about the opportunities in Utilities. We were actually able to successfully hire four electrical engineers, through our efforts to work with Cal Poly, in particular.

1:05:55:

Presentation slide 14, packet page 52 -- PRIORITY 2: COLLABORATION INITIATIVES

Catherine Elvert: When it comes to our initiatives -- next slide, please -- we're going to obviously continue our educational path to get information into the hands of our community members. Some of our members are working on -- diligently on programs such as the outage management system and advanced metering infrastructure. You heard Dave talk about these projects as part of the technology roadmap. Collaboration is key, because it impacts customers in so many ways. On a public-facing front, we want to make sure that we have a robust outreach strategy in place. But also internally, between the Utilities Department, it's critically important that we are informing our internal stakeholders -- our coworkers across the aisle -- about everything that's happening. Because it does impact the work that they do. As well as other City departments, too. We are effective when we work together as a whole, as a City. So, beneficial electrification remains a major priority for our sustainability goals and sustainability and climate action plan. And it's going to be a big lift for us. We already recognize that. If we are to be successful, we City departments must come together as partners. And right now, what we're doing is working with the Public Works Department to identify electrification potentials at the City -- potential at City facilities. And we will need to continue our outreach and collaboration with educational institutions. I think you'll hear Anna talk about what we're doing in that area of workforce. And we know that climate change is not going away. And it's critical that we do partner with the regional agencies. Our partners, such as various government agencies, nonprofits, environmental organizations. And even folks like the Northern California Power Agency

NCPA.
<https://www.ncpa.com/>

and California Municipal Utilities Association.

CMUA.
<https://www.cmua.org/>

If we can work with them to establish regional contracts, joint contracts, take advantage of some -- economies of scale to roll out programs that will be available to people across the region, we may have the opportunity to improve upon our successes.

1:07:53:

Presentation slide 15, packet page 53 -- PRIORITY 2: COLLABORATION KPIS

Catherine Elvert: So, next slide. There we go. Thank you. So, in 2018, we developed these key performance indicators -- these KPIs. And we are evaluating how we want to better refine these. Again, too, some of my previous comments about defining metrics, and how you measure success of collaboration, is not always nuts-and-bolts. Here's a figure. You've got so many people participating in a program. Yes, that can influ- -- it can provide some vision on how customers might be coming to you. How people might be coming to you. How successful your outreach is. But Dean and I have been having conversations, we're having conversations with members of the Strategic Plan, about what are the best KPIs for us moving forward. So, we have the KPIs on this screen right now. Talking about customer awareness for our programs. Also, customer satisfaction --

1:08:45:

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-- customers. We were able to receive a statistical response of close to 70 percent of our customers reporting that they would be very likely to recommend City of Palo Alto Utilities energy and water efficiency programs. So, that's good. We want to continue asking questions like that. And what customers are -- how customers are aware of our programs. Are we meeting their needs? Our last survey of residential customers, we asked about our usage of customer programs. And we received a percentage response of -- more than 50 percent of customers have taken advantage of our programs, and are aware of our programs, and they're satisfied with our programs. We found that most successful response in that particular survey was among residents who had participated in our flagship program, the home efficiency genie. Now, I want to just note that we don't have a reliable benchmark right now for the current survey vendor that we're working with, compared to the previous survey vendor, because we don't have access to the data that we had with the previous vendor. So, again, that's going to be another reason why we need to redefine these KPIs and determine what means success for us. So, we'll be working with a new vendor, through the California Municipal Utilities Association, moving forward, to survey our business customers and our residential customers every year. This is why you see the information on our business customer surveys here on this slide, because that was the most recent survey. So, looking at receiving a rating of about customer satisfaction, in the business survey, we received a rating of about 80 percent of our customers saying that they were very happy with their work with the City of Palo Alto Utilities. We want to continue to raise that mark. But recognizing that the 85 percent mark that we -- ranking that we developed back in 2018 -- those were based on data from a past version of our Utilities Strategic Plan. And we want to go back and look at that particular survey. And why did we develop that percentage. Is that a really good mark? Looking at trends for other municipal utilities in the region and investor-owned utilities in the region, what sort of marks were they using? What sort of metrics are they setting forth? And what is meaningful for us, to help us continue to drive improvement in this area? And then, we have been quite successful at achieving a number of the actions we've identified in the collaboration priority, which means we get to add more. So, you'll see more coming to you in future updates, focusing on some of these key areas that I've identified. And you'll see a revision to some of these KPIs, too. So, with that, I will go ahead and pause to take any questions or comments.

1:11:54:

Commissioner Croft: I had a question about collaboration, and just -- I started bingeing podcasts, getting ready for this. And came across some other cities in our area that are -- you know, we're all kind of trying to do the same thing, encouraging people to electrify and having to deal with -- you know, I know we're unique, in that we have a full utility. But there are others that have -- residents that want to put solar on, or whatever. This is happening everywhere. So, I'm wondering, do we collaborate with other cities in any way? What kind of benchmarking or comparisons do we do? To try and learn, or share with other cities around us, where maybe the residents are similar, and we could maybe, I don't know, getting tips and tricks on how to either change usage or -- There was one on microgrids in Fremont that was really interesting. So, I was just curious. Do we talk to other cities?

1:12:53:

Catherin Elvert: Well, of course, we recognize that it is the best practice to collaborate with other cities of the region as much as possible. We do participate in a number of regional committees that involve cities. Even special districts in the county. Also nongovernmental organizations, environmental organizations. Through some of those groups, such as -- One of the groups I mentioned, the reach code teams. That's a statewide initiative, involving many different stakeholders. And we share best practices. What have you done in YOUR area? What have we done -- What have you done that's worked for you? What lessons have you learned? And what can we take back to our city? I believe that Palo Alto has been pretty progressive as it relates to our sustainability and climate action plan goals. In particular, really raising the bar, our goals are even higher than the state. Of course, you know. So, sometimes, we get to take on a little bit of a leadership role, saying, you know, yes, it's been an uphill battle, but we've got ambitious goals. And, you know, we really want to continue on that trajectory. Sometimes, we've been able to bring some organizations along. But another key group that we're doing a lot of work with is the Northern California Power Agency. We have engaged in some contracts with them somewhat recently, within the last few years, to offer some of those regional programs. You know, we don't want to proliferate the installation of heat pump water heaters perhaps just in Palo Alto. Of course, that's our focus here. But how can we take advantage of a regional contractor that can help share the information and increase the proliferation of those sorts of measures across the region, thus increasing the success of that here in Palo Alto. So, we're involved in other groups through NCPA. Such as the energy efficiency group. So, those regional entities, those trade groups, other government agencies -- that's a key part of our collaboration initiatives. Recognizing how critical that is.

1:15:14:

Director Batchelor: And if I could just add to that. As Catherine mentioned, you know, we are a part of this Northern Power Association [Northern California Power Agency]. There's 14 cities that are in that association. And so, usually twice a year, we actually get together, as directors. And we actually sit down and talk a little bit about some of the initiatives of what's going on. And we also talk about, you know, what kind of KPIs, and what do you measure. And what are some of the measurements that you actually have. Because nobody ever wants to post these in the paper. And so, it's more a little difficult to try get some of the results, unless you're working through, you know, a vendor that's been working with another city. But -- And there's a lot of sharing that goes on, at my level, that we talk about. We actually spend one full day just on collaboration and talking about what is working for us, what's not working for them. As Catherine said, Palo Alto's kind of in the forefront on the whole electrification, from these other cities. And so, they also turn to us, to learn from us, and find out what some of the pitfalls are. Who have we used as contractors. So, it's a sharing mechanism that we use. But it's also part of the whole strategic plan around KPIs that we talk about.

1:16:36:

Chair Segal: Commissioner Phillips.

1:16:38:

Commissioner Phillips: I'm glad you mentioned KPIs. I think one of the issues -- I mean, it sounds great to survey base KPIs. But one of the problems with survey-based KPIs is, they might provide you a leveling, but doesn't provide you any idea of how you could potentially improve. So, one of the things I would love to see is, are there any objective KPIs you track, such as, when there's a complaint, what fraction of complaints are resolved to the satisfaction of the customer? How long is it until satisfaction -- how many things are complained about that you can't do anything about but at least communicate? And even in this communication -- these KPIs -- Again, this is great, and it seems like extremely strong performance to get in anything above 80 percent or that, for a utility or any government agency is probably quite the achievement. But it would also be good to see the ones who are not happy. Are there patterns in what they're, you know, not happy about? And a lot of those are in the 50 percent. I think you mentioned -- I forget what the survey participation was. So, you know, just the thought of going forward. It's great to see this. It is a little hard, in context, -- As you say, it's impossible to

###. There's a gap in the video.

customer service KPIs that could be more objective and looked at as well. Not that a survey isn't objective, but, you know, it is -- you know, it is kind of -- have the hole that it doesn't really say, OK, if you're not happy, why weren't you happy? Or if you are, if you're happy, why were you happy? Thank you.

1:18:22:

Chair Segal: Any other comments? Thank you. Oh, sorry. Commissioner Mauter.

1:18:29:

Commissioner Mauter: It seems like there was resounding success around the instant permitting for the heat pump water heater program. And I'm wondering if there are any other instant permitting opportunities that would ease the transition to new technology adoption for the service area. And whether you've evaluated kind of similar -- you know, similar instantaneous permitting opportunities.

1:18:59:

Catherine Elvert: So, we have made strides in streamlining the permitting process for other areas, such as solar ...

1:19:04:

Commissioner Mauter: Yeah. That's what I was thinking, actually.

1:19:06:

Catherine Elvert: That's been a big focus for the last decade or two. Or so. And so, the City has been able to reduce the length of time required to receive a permit for solar. I did not include that particular item in this presentation, this update. We did talk about it in our last update, in October. Instantaneous? Probably not. You know, many times, in these sorts of installations, we need to make sure that we are evaluating very important components, such as the electrical panel capacity, what the electrical increase in demand may be. So, there are safety aspects to that. There are real logistical aspects to that. Do we have the electrical load available to meet the increased demand? If you install XYZ. Or EV, in that case, if we're going to use letters. So -- And many situations, an instant permit wouldn't really be feasible. We want to make sure that we're being safe ...

1:20:17:

Commissioner Mauter: Of course.

1:20:17:

Catherine Elvert: ... in all of these areas. But, yeah, I think it was a great success that we able to -- figured out a way to make this permit approval process online, and essentially instantaneous. Especially since it's a major goal of the sustainability and climate action plan.

1:20:34:

Commissioner Mauter: Yeah.

1:20:34:

Catherine Elvert: But, yeah, we'll continue to evaluate other opportunities to reduce the length of time for permitting in other areas.

1:20:40:

Commissioner Mauter: Great. It also seems like you've had a lot of success in some of the internship programs that you've been developing. I'm wondering whether there are any -- And yet, like Cal Poly, San Luis Obispo, it's, you know, still pretty far away. Have you been also engaging more local colleges and universities that might provide at least like Masters-level summer internships and other opportunities? And -- Do you have an internship program that the commissioners could help advertise?

1:21:14:

Catherine Elvert: Yes. We actually do. I will be, hopefully, bringing on -- aboard an intern in the next couple or three weeks. And I specifically recruited this intern through work with the Northern California Power Agency. So, by that recruitment, the requisition went out to a variety of colleges, locally and far. So, as local as Stanford, to San Jose State, Santa Clara, etc. So, not just on the administration side, the division that I work in, but our resource management group in particular tends to recruit interns throughout the summer. Or -- And also, climate fellows, through other educational institutions, such as Stanford. And we look for other programs in which we can bring folks on board to help us on an ongoing basis or for special projects. Yeah -- But it's absolutely a fantastic resource that we like to tap into as much as possible.

1:22:19:

Commissioner Mauter: Well, let me know how I can help.

1:22:21:

Catherine Elvert: Thank you.

1:22:22:

Director Batchelor: Thank you.

1:22:24:

**: Thank you.

1:22:24:

** OK. Thank you.

1:22:40:

Presentation slide 21, packet page 59 -- PRIORITY 4: SUSTAINABILITY, FINANCE, AND INFRASTRUCTURE

Jonathan Abendschein: OK. Good evening, commissioners. And welcome to our new commissioners. I am Jonathan Abendschein, Assistant Director in Utilities. And heavily focused on the Sustainability and Climate Action Plan right now.

1:23:00:

Presentation slide 22, packet page 60 -- PRIORITY: SUSTAINABILITY, FINANCE, AND INFRASTRUCTURE -- Important changes to this priority

Jonathan Abendschein: But I'm here right now talking to you as the lead for the Sustainability, Finance, and Infrastructure, uh, Priority. Priority 4. This is a priority in transition. When this priority was adopted, in 2018, the focus -- It was called the Finance and Resource Optimization priority.

Google "site:cityofpaloalto.org 'finance * resource optimization' " 1 hit -- the minutes of the 10-12-22 UAC meeting. (So, in 2018, it might have been called something else.)

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/10-12-2022/10-12-2022-final-uac-minutes.pdf>

Google "site:cityofpaloalto.org finance resource optimization uac" about 111 hits. The first hit: 03-19-18: staff report: "2018 Utilities Strategic Plan" https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/final-staff-report-id-9022_2018-utilities-strategic-plan.pdf

It was called "Financial Efficiency and Resource Optimization."

And the focus for that priority, at that time, was on financial efficiency -- looking for ways to control increases in costs, as well as making sure that we were taking proper care of our infrastructure. And over the -- You know, we made some important gains in some of those areas, over the years. And I heard some feedback from our -- at our last conversation with the UAC that there wasn't enough strategic meat in this priority at that point. And we took a good look. We took that feedback, and agreed. The -- One of the things that had changed over those last few years was the increased focus -- increased partnership in the Utilities Department on achieving the City's ambitious 80 x 30 -- 80 percent reductions in carbon emissions by 2030 -- climate goals. And all of our financial and infrastructure efforts were starting to be shaped by this partnership. So, we took a look at this -- this priority. And reassessed. Declared victory on some of the things that we adopted in 2018. Consolidate some things. And we have a new set of priorities that we want to highlight for you tonight.

1:24:54:

Presentation slide 23, packet page 61 -- PRIORITY: SUSTAINABILITY, FINANCE, AND INFRASTRUCTURE -- Mission / Strategies (Deleted)

Jonathan Abendschein: So, here you see the strategies from the Finance and Resource Optimization -- or, the priority as it was constituted before. The Mission has shifted only slightly. So, we continue to have a focus on efficient resource usage, but with the addition of sustainability as a really explicit part of this priority. One of the things when we did this Strategic Plan back in 2018 -- Sustainability, we really assessed sustainability to be already sort of an integral part of the Utilities mission. And so, it didn't really have a highlighted section within the Strategic Plan. But in 2020, with the really honed-sharp focus on how do we actually achieve these 80 x 30 goals, sustainability -- our focus has shifted from everyday sustainability to really a dramatic transition. So, what we had in our previous strategies was a focus on, you know, really taking a look at our pace of infrastructure investments and maintenance, which was in reasonable shape in 2018, but there's some gaps that we really needed to focus on. And we spent time over those couple of years, you know, honing our internal reporting, and getting our infrastructure investment back to where it needed to be. And some of the result -- There's a lot of internal work that was done as part of those strategies. Some of the results that you -- more visible results that you might have seen is the regular reporting that we're now doing in the quarterly reports on the infrastructure status. And we've identified gaps. So, when we brought the wastewater rates to you, all this year, and to the City Council, we built in an effort -- you know, a sustained effort over several years to rebuild our regular investment in our sewer laterals. And it was a direct outgrowth of all the work we did to identify gaps in our infrastructure investment. Some of the -- So, the work around infrastructure. We need to maintain our efforts in these areas. And keep up. But we feel that we can consolidate some of these strategies into a single strategy, and really highlight some of the other, more long-term strategic efforts that we're undertaking. So, moving on to the next slide --

1:27:53:

Presentation slide 24, packet page 62 -- PRIORITY: SUSTAINABILITY, FINANCE, AND INFRASTRUCTURE -- Strategies (New)

Jonathan Abendschein: Um. We have a new set of strategies here, that reflect some of the new work that we've taken on in the last few years. Strategy 1 is a consolidation of some of the infrastructure and maintenance work that had been embodied in the previous strategies for this priority. So, we want to maintain and we want to enhance the infrastructure maintenance and investment programs that we've developed over the last few years. So, that needs to remain a focus. But -- And we are in a position, at this point, where we're reexamining our energy supply plans. We're in the middle of our electric integrated resource plan. And some of the major things that we're going to be looking at -- or are looking at -- through that plan include the -- We have a milestone coming up with our federal hydropower contract in 2024. So, deciding, you know, how we want to move forward with that. We also have a -- We have laid off our -- one of our transmission projects -- or, our transmission project. A share in the California-Oregon Transmission Project, that's coming back to us. So, evaluating what role that transmission line may or may not play in our long-term energy portfolio. And, as part of this, we're also -- there is an element of looking at what the load growth associated with the sustainability -- with our transition to an electrified community is going to look like, and how we manage that load growth. So, all of those factor in there.

1:29:51:

At the same time, we're in the process of looking at what our water supply needs to look like for the future. And so, this is our OneWater Plan, that's currently in development. We also -- You know, as we look at transitioning to an electrified community, electric and gas infrastructure is going to be really heavily impacted. So, developing and starting to implement plans for -- to manage those transitions is a really critical part of this priority as well. Part of modernization is making sure that we are equipped to accommodate new technologies on the grid. It's not just about increasing capacity and mana- -- to accommodate electrification. It's also about modernizing, to be able to handle things like solar, smart -- smart panels. Being able to use -- Being able to provide price signals

and other ways for people to be able to manage their loads, to run during times when it saves cost and reduces emissions on the grid overall. And one of the ways we're going to get at that is through working with our Sustainability and Climate Action Plan Committee on scoping a reliability and resiliency strategic plan. Their list of -- There's a really broad list of technologies that I think we're interested in looking at. And we want to make sure that we capture, you know, the priority areas that our community and our policymakers are interested in focusing on. So, that's something we'll be working on.

1:31:45:

In addition to transitioning our infrastructure, managing declining sales in a gas utility is something that's going to have financial impacts. And we need to make sure that those who -- those who maybe are, you know, unable to, or lagging in transitioning to an electric home, for example, are still able to heat their homes, and, you know, maintain their quality of life without, you know, excessive impacts on their pocketbook. And managing a utility through declining sales is a complicated exercise. It's going to require some planning.

1:32:33:

The next two strategies relate to partnering on a citywide level. Utilities has a major in the sustainability and climate action plan, especially in the climate area. And part of that involves assessing what it's going to take to actually make this transition, from a financial standpoint, and what sort of funding mechanisms are needed. What role the utility plays. What impact it has on rates for the utility. And how we manage that transition, and develop the funding sources that we need. Next slide, please.

1:33:12:

Presentation slide 25, packet page 63 -- PRIORITY: SUSTAINABILITY, FINANCE, AND INFRASTRUCTURE -- Strategies (New) ... continued from prior page

Jonathan Abendschein: And then, in general, Utilities is playing a large role in the Sustainability and Climate Action Plan. There is a work plan, that we're currently working to get it out to Council in May. And this recognizes the major Utilities role. Some of the actions that I can note here are completion of an Electric Vehicle Strategic Plan, to guide the sort of infrastructure investment that we need to do. And then partnering with other departments on establishing programs. The sort of premier program that we've developed in the last few months, in the last year, is the heat pump water heater program. But we have several other programs in the work plan that we'd like to get working on. Around home electrification, as we start to modernize areas of Palo Alto. Roof -- Commercial rooftop HVAC. And partnerships with our major facility owners, many of whom have their own sustainability goals, to see ways that we can build custom partnerships with them, to help reduce emissions from commuters and from their -- from the facilities themselves. Next slide.

1:34:27:

Presentation slide 26, packet page 64 -- PRIORITY 4: ACCOMPLISHMENTS

Jonathan Abendschein: So, accomplishments. So, we've kicked off our IRP [Integrated Resource Plan] discussions with the UAC. We've had our initial meetings, I believe, in December. And we have more to come. The OneWater Plan is in progress. We've had two community meetings on that, and the plan itself is currently in development. We're in the process of doing consultant analysis on that. We've had some very early discussions on a gas infrastructure transition plan. We've put some requests into the FY '24 budget. The grid modernization study is largely complete. We're talking about how to bring updates on that. But we are already planning specific implementation in certain neighborhoods. So, that's already getting off the ground. Similarly, to the infrastructure transition -- infrastructure study. We're also working on a financial transition plan study. We've done a little bit of analysis on this in the past, that we brought to the UAC. But we need a more comprehensive analysis. And strategy 6 is around S/CAP funding study. We have written -- We have a draft scope that we're ready to put out. But we're working through stakeholder conversations, both with the S/CAP Committee and internally. And there's a funding issue that needs -- that, you know, needs to be sorted out. There will be some discussions next Tuesday with the Finance Committee -- or, actually, over the entire month of May with the Finance Committee -- on the budget generally, but funding for this study is part of that as well.

1:36:12:

And as far as accomplishments go, you know, some of this is really -- a lot of this is really just -- you know, I think I've covered it in the previous slide. I'm sorry, can I get the next slide?

1:36:23:

Presentation slide 27, packet page 65 -- PRIORITY 4: FINANCE INITIATIVES, & KPIs

Jonathan Abendschein: So, initiatives in progress. Obviously, I've noted a number of studies that are already underway. And that we are preparing for modernization the first neighborhood under the electric grid modernization plan. We're engaging with the S/CAP Committee on a variety of S/CAP-related work plan and programmatic items. And -- um -- And, of course, one of our major focuses is on the success of the advanced heat pump water heater pilot program. We have 400+ sign-ups. And we're working on getting our production rates up to be able to churn through those as quickly as we can. Like I said, this is a priority in transition, so we don't have key performance indicators -- new key performance indicators -- for you yet tonight. I do expect we'll keep one from the previous -- way the previous priority was constituted, which was maintaining a utility bill that is below the average of our neighboring cities.

1:37:25:

Jonathan Abendschein: So, with that, I'm happy to answer any questions.

1:37:33:

Chair Segal: Any commissioner questions? Commissioner Forssell.

1:37:38:

Commissioner Forssell: I have a very small and specific question. You mentioned that the grid modernization study has been completed. Is that available to the public? Or to commissioners? Where can we go if we want to learn more about that?

1:37:52:

Jonathan Abendschein: So, we're talking internally about how and when to bring -- to bring an update. And I don't know if you have a timeline yet.

1:38:02:

Director Batchelor: No. We have not set a timeline. It's just -- it's the high level. I mean, this is not the detailed -- down to looking at your house and seeing if you're going to get a transformer in your -- front of your home, or anything like that. So, this -- all we did was just do a high level of what we thought was going to be needed.

1:38:21:

Commissioner Forssell: Right. So, I wasn't assuming it was at the property level. I meant, whatever the study's that's been completed.

1:38:29:

Director Batchelor: Well -- And I guess that's what the internal conversation is happening right at this period of time is that -- um, you know, do we bring that out, where people then are going to -- the community is going to ask a thousand questions off of that high-level design. And I'm concerned about that. We're just going to get bombarded by all these questions. And I won't have any detailed questions to be able to go to them and talk about it. That's why we're talking about how we're going to release that. And how -- And should we release it in the first place? So, we're still discussing that.

1:39:06:

Commissioner Forssell: If there's any -- If there's any advance copy for curious commissioners, that would certainly be of interest.

###: This document about the Brown Act says, "As a general rule, information given to a majority of the members of the legislative body in connection with an open meeting must be equally available to members of the public."

<https://oag.ca.gov/system/files/media/the-brown-act.pdf>

One way to decide which minority of UAC commissioners should get advance copies would be to appoint a grid modernization subcommittee.

1:39:14:

Director Batchelor: Yes. Understand.

1:39:16:

Commissioner Forssell: Thank you.

1:39:21:

Chair Segal: Commissioner Metz.

1:39:22:

Commissioner Metz: Um. Yes. I had sort of the same question about the grid modernization study. And also, on packet page 62, which is presentation page 24,

1:39:40:

Presentation slide 24, packet page 62 -- PRIORITY, SUSTAINABILITY, FINANCE, AND INFRASTRUCTURE (again)

Commissioner Metz: when -- And the question is -- on grid modernization -- is, when will the commission see it. Not necessarily the public. But on page 62, when will UAC see the plans that are referenced in there, particularly S2, S3, S4, and S5?

1:39:59:

Jonathan Abendschein: It's all -- I'll address them one by one. So, the Electric Integrated Resource Plan and the OneWater Plan -- that's S2 and S3 -- the UAC has already started to see these plans. I don't have the schedule in front of me for when you're going to see them next, but -- And apologies if I'm putting you on the spot, Karla. Assistant Director Karla Dailey may have some information on when that's coming up. When those are coming up next with the commission.

1:40:38:

Karla Dailey: Thank you. Yeah, the OneWater Plan did get delayed a little bit with some of the staff resource shifting around. We had to do around rates and the financial plans. And so, we're still hoping to ultimately get that to Council by the end of this calendar year, which means that you would probably be seeing it again late summer.

1:41:03:

Jonathan Abendschein: So, moving on to S4 and S5 Thank you. Thank you, Karla. The -- I think we've answered the question about the grid modernization study. The gas infrastructure and gas financial transition plans are really -- you know, we don't even have all of the commissioners. And then there's the electric reliability and strategic plan. I don't have a timeline for that yet. It really depends on engagement with the S/CAP Committee on scoping for that effort. Because that was something that Council assigned to the S/CAP Committee, as a specific area of focus for them.

1:41:47:

Commissioner Metz: Is that -- Are you referring to S6 or --

1:41:52:

Jonathan Abendschein: The small bullet under S4, which may or may not be readable, unfortunately. But the electric reliability and resiliency strategic plan -- that's something we'd like to talk with the commission about. But we really need to get the bandwidth from the S/CAP Committee to talk with them first, because this was specifically assigned to them as a work item.

1:42:14:

Commissioner Metz: So S4 has kind of moved into the S/CAP Subcommittee?

1:42:20:

Jonathan Abendschein: So, S4 includes all types of infrastructure -- infrastructure work that's needed to accommodate the community transition. So, there's work to be done on grid modernization, building capacity to accommodate electrification. There's work to be done on retirements of the gas system, and the order and method in which those would be done. And then, there's the modernization of the system, and the use of technology to expand the grid more efficiently, and the type of work that's needed to be done to accommodate -- um -- um -- flexible loads, and new technologies -- digital technologies on the grid,

that have both impacts and benefits.

1:43:12:

Commissioner Metz: So, is there kind of a ballpark timeline? I mean, I know those are a bundle of different things. But --

1:43:20:

Jonathan Abendschein: Yeah. So, right now, the primary focus of the S/CAP Committee is on getting the S/CAP itself -- the actual plan -- adopted, and the work plan adopted. And I think as we get through May, we'll start to focus on -- more on some of these work items. It's a question of which ones end up getting prioritized first. Because they have a VERY ambitious list of things to engage on, ranging from new programs, like the commercial HVAC program, to the S/CAP funding study, to these other studies, like the reliability and resiliency strategic plan, the EV strategic plan, --

1:43:58:

Commissioner Metz: Right.

1:43:58:

Jonathan Abendschein: Ah --

1:43:59:

Commissioner Metz: It seems like they need to be pretty tightly coupled.

1:44:02:

Jonathan Abendschein: They are. Yes.

1:44:02:

Commissioner Metz: I mean, one of the discussions we had last year was that S/CAP was on one track, and utility [i.e., UAC?] was on a different, you know, track, that was, say, less aggressive time-wise. And I'm assuming they merge at some point.

1:44:18:

Jonathan Abendschein: Yeah. There's been a lot of convergence on -- on infrastructure efforts ...

1:44:23:

Commissioner Metz: OK.

1:44:23:

Jonathan Abendschein: ... and the S/CAP timeline. So, yeah. There is. And I think there were two parts to your question. I caught the piece on convergence, but I think the first part of your question was on -- if you could repeat it, it would be helpful.

1:44:38:

Commissioner Metz: Well, the broad question was when will we see the plans? But the biggest part of it was the question that Commissioner Forssell asked, which is, you know, the electric plan -- electric grid plan. Because that drives -- I mean, that makes S/CAP possible or not. Right?

1:44:54:

Jonathan Abendschein: Right. Yeah. Now, on the philosophy -- the philosophy behind the planning. So, the first -- you know, the first budgets for grid modernization are in the FY 2024 Capital Budget. And there's a lot of money devoted. We have the funding built into our rate plan. \$300 million for grid modernization and capacity expansions. And the timelines, you know, are aggressive. I don't have specific timelines that I can share. But the philosophy has been, you know, get the improvements done, to get out of the way, so that the community can electrify at whatever pace the community can accommodate.

1:45:38:

Commissioner Metz: OK. Great. Thank you.

1:45:42:

Commissioner Forssell: Thank you. I just wanted to give you -- I realize -- some positive feedback on the change in focus of the priority, on -- and all of the new strategies. That's kind of a big deal, actually. And I also want to recognize -- you're still doing all the old strategies. [laughs] Right? Um. But I think it's great. And the fact that there's like -- you know, as Commissioner Metz refers to -- sort of a convergence of what we've -- the City's talking about on the sustainability side really being brought into the actual planning process for the utility, around the gas utility financial transition. And, I think, a strategic plan for EVs. And obviously, the grid modernization is a very active area. So, all these things. I just want to give you positive feedback that it's really great to see this priority number 4 kind of overhauled in this way.

1:46:40:

Jonathan Abendschein: Thank you. I think with the level of focus that I -- you know, the level of time that I'm spending on these interdepartmental themes right now, it's been really amazing to see everybody come together and start pulling in the same direction. And it's really happened over the last couple of years. And has come from, I think, a real focus from both the Council and this commission on, you know, just emphasizing how much of a community priority it is. Everybody does seem to be speaking with one voice on that. So --

1:47:10:

Chair Segal: Commissioner Phillips, did you have --

1:47:11:

Commissioner Phillips: I have a process question. You've mentioned -- Somebody mentioned that this was a five-year plan, adopted in 2018. Is there now another five-year plan coming up? Or do we just roll forward, modifying this one?

1:47:28:

Director Batchelor: So, I think our thought process was -- There's not a lot of changing in -- from the five years -- that what we put together in 2018. Our mission statement is still staying the same. Our goals are pretty much staying the same. As you can see in what Jonathan is talking about, that's the biggest piece in this plan. We do have workforce issues that we still deal with. But it's a key component of our strategic plan. So, our idea is -- wasn't to re-overhaul and look for new areas that we were going to look at. We felt that these still are the areas that we should be focusing on, and trying to get into the day-to-day from a utilities perspective.

1:48:11:

Commissioner Phillips: So, it would be a rolling plan, in other words, not another ground-zero exercise, of saying what do we look like in 2028.

1:48:29:

Director Batchelor: Yeah. Exactly.

1:48:26:

Chair Segal: I just wanted to sort of echo what my fellow commissioners have said. I think they brought some good points. And is a nice change to see. And then, one little -- one little nit, I guess. Under S3, which is the OneWater Plan, we have spent a fair amount of time talking about clean water here. And so, I'm just wondering whether you wanted to add efficient, sustainable, clean water supply? I know it's somewhat inh -- it's -- um -- inherent. But given the added focus lately, --

1:49:08:

Karla Dailey: Yes. And, I would say, we will not be considering any water that's not clean and drinking water quality.

1:49:20:

Chair Segal: No. Understood. That's why I -- But because we have it on our calendars, we're going to be talking about -- I'm just throwing it out there, to maybe emphasize it along with the other.

1:49:34:

Karla Dailey: Sure.

1:49:35:

Jonathan Abendschein: Yeah. We can add that.

1:49:42:

Karla Dailey: Thank you.

1:50:05:

Presentation slide 4, packet page 42 -- PRIORITY 1: WORKFORCE

Anna Vuong: Good evening, commissioners, Council member. We'll be going over -- or, I'll be going over the priority 1 workforce for us this evening.

1:50:12:

Presentation slide 5, packet page 43 -- PRIORITY 1: WORKFORCE MISSION & STRATEGIES

Anna Vuong: So, as my colleagues have mentioned, about the strategic plan, we did go through the various areas of the business, and identified workforce as one of the areas that we wanted to put some focus on. And some of the strategies we have -- Just to -- I remind everyone here -- or, then inform everyone here -- is that some of the strategies that we had was to establish CPAU as an organization where we can hire, or have experienced and proud employees who would like to work here, as well as have a place that attracts skilled employees. And then provide alternative workforce solutions to achieve our business objectives. And some of the accomplishments -- next slide, please --

1:51:18:

Presentation slide 6, packet page 44 -- PRIORITY 1: WORKFORCE ACCOMPLISHMENTS

Anna Vuong: that we've done over the years is, we've established a system operators training program. That has been in place for a couple of years now. We've had success in having three operators in the program. And we're also working on a utilities compliance program -- an apprenticeship program as well. We have -- Just so that I don't go through this whole list, 'cause you've already read through. I'm just going to highlight a couple of them. We have worked through with HR to develop HR Department liaisons, to help speed up the recruitment process. And that has actually helped a lot in the past two years. We've actually -- Or, in the past year, we've increased our recruitment of new hires by 30 percent. With the assistance of the liaisons. Otherwise, it would have been a lot slower process, since we only have one HR person that's dedicated to us. And, you know, we've hired about four electric engineers. And that was part of attending in-person career fairs. Career fairs. And -- At San Luis Obispo, as well as we've gone to Sac State, and, recently, San Jose State. Just reaching out. Giving -- Going out to the community and the colleges, to bring our presence there, so they can know that, you know, that Utilities -- the City of Palo Alto -- is a place to come work. And we've also conducted an employee satisfaction survey. We will be going through those results and working on some of the strategies or tasks from that survey. Next slide, please.

Presentation slide 7, packet page 45 -- PRIORITY 1: WORKFORCE INITIATIVES

Anna Vuong: And then, our initiatives in progress. We have -- oh, sorry -- uh -- sorry -- We are working on -- We have developed a template that provides like some training. There's a training template for each classification, that allows -- that lets them know -- lets our employees know that what's the next step. Or what does it take to get to the next step in their career. We have it in Water, Gas, and Wastewater Engineering. We're working on refining that. And then, once that is good and can be replicated, it will be spread over to the next divisions. And -- let's see -- I'm sorry, I have this elsewhere. And -- Well, some of the things we're working on, too, is exploring some daycare options. The City has recently spent it -- put out a survey for our employees about what our

daycare needs are. They have also, I think, in terms of -- They've also submitted -- I think it was -- not a survey, but Palo Alto employees who have school-age children can now attend Palo Alto Unified School District, as well. And we're also looking at retention and recruitment options, such as -- Just to briefly highlight, in past negotiations with SEIU, they did talk about a recruitment bonus and a retention bonus, as well as flexibly staffed recruitment options. So, that's where, if you put -- have a higher classification, you can post it and under-fill it at a lower classification. And then, when the individual is ready to -- for promotion, then that's where they can move into that position. It helps in terms of recruitment as well as employee morale. Next slide --

1:55:29:

Presentation slide 8, packet page 46 -- PRIORITY 1: KPIs

Anna Vuong: And then, our next slide would be the KPIs. Our employee return rate. One of the KPIs is to be within 10 percent -- or less than 10 percent -- of the return rate. We haven't been meeting that. It's really difficult. We have had vacancies of, you know, 40 in the past couple years. And last year, we've reached 57. We did add new positions, though, in fiscal year 2023. So that's actually reflected here in 2022. But, it's -- Even despite the additional liaisons, we still have a little bit of trouble filling the positions. And then, our next KPI, filling positions, 90 percent of positions annually. Of course, that's also not happening, as well. We're within -- dropped back down to 77 percent. Of that vacanc-- authorized filled positions. And next slide.

1:56:43:

Presentation slide 9, packet page 47 -- PRIORITY 1: WORKFORCE STATISTICS

Anna Vuong: So, here's just a bar chart of where the positions -- or the vacancies -- are, within the divisions. Our highest ones continue to be Electric Operations. Next one was Electric Engineering, in fiscal -- or, calendar year '22. That's because, to have those new positions -- I think it was 3 engineering positions that we added in the mid-year. And then, Water, Gas, Wastewater Operations is a little bit after that. Next slide. That's it for me. Any questions for me?

1:57:23:

Chair Segal: Vice Chair Scharff.

1:57:25:

Vice Chair Scharff: Thanks. Can we go back to the first slide you had? That would be easiest for me.

1:57:31:

Anna Vuong: OK. First slide. The Mission and Strategies?

1:57:42:

Vice Chair Scharff: No. Actually, it was the second slide. Sorry.

1:57:44:

Anna Vuong: OK.

1:57:44:

Presentation slide 6, packet page 44 -- PRIORITY 1: WORKFORCE ACCOMPLISHMENTS (again)

Vice Chair Scharff: Yes. I was curious, first of all, how did the employee satisfaction survey turn out?

1:57:50:

Anna Vuong: Um.

1:57:53:

Vice Chair Scharff: What did we learn from that?

1:57:56:

Anna Vuong: Actually, we have -- we still have to provide some of the analysis on that satisfaction survey. We did have -- I don't know. Dave, do you remember how many did fill out the survey?

1:58:10:

Director Batchelor: [unamplified] Yeah. Like 103 -- 105.

1:58:14:

Anna Vuong: 103.

1:58:15:

Director Batchelor: [unamplified] About half.

1:58:17:

Anna Vuong: 50 percent filled the satisfaction survey.

1:58:22:

Vice Chair Scharff: OK. But we haven't analyzed it yet.

1:58:23:

Anna Vuong: Yeah.

1:58:24:

Vice Chair Scharff: So, it's not really an accomplished -- on the accomplishment list yet. I mean, we DID it, but --

1:58:32:

Anna Vuong: We still have a lot of --

1:58:34:

Vice Chair Scharff: No one ** me from doing it.

1:58:36:

Anna Vuong: There's still a lot of work to do on that survey. Yes.

1:58:40:

Vice Chair Scharff: So, I guess I was going to ask, have we made any -- have we made any comparisons about how our hiring and workforce really is, compared to, you know, other publicly-owned utilities? Say, Santa Clara, Alameda? You know. I mean, they're obviously -- Obviously, they're probably struggling with some of this. You know. Are we doing the same as them? Are we doing worse than them? You know. What does that look like?

1:59:10:

Anna Vuong: Hmm. No. That -- I think that's a good question. We have not done that survey.

1:59:15:

Vice Chair Scharff: So, I would encourage us to do that, because I don't think our KPIs really tell us what we want to know. I mean, it looked to me like, on the last slide, that we haven't really made any progress, frankly. I mean, we sti- -- From year to year, it looked like we still had a similar amount of vacancies, and that kind of stuff. So, the question really was, you know, if everyone's having huge problems hiring, that makes some sense. But if we're doing much worse than our peers, that also would tell us something. And then, the one thing we really haven't talked about on this is, are our salaries competitive? I mean, does our hiring have to do with that? Or, you know, what's -- what's really going on, in terms of issues with hiring?

2:00:03:

Director Batchelor: So, Commissioner Scharff -- So, you know, SEIU just recently received a new contract. And part of the comp study that is done -- Alameda is in that comp study. Santa Clara. Roseville. Anaheim. There's one more, too, that are down south. Oh, Long Beach. City of Long Beach, from the -- just from a gas perspective. There's a couple handfuls of comp studies that were done. And, you know, I think the thing is, if you look at the comp study, and you look it out from full benefited positions, we are below and behind Santa Clara. But, you know, we're above Alameda. We're above some of the other areas down south. We are well above the City of Long Beach. From just a gas side. But Long Beach only has a gas system. So, I think the thing is is that, you know, we asked Council to take a hard look at what it would take if we were going to be equal to Santa Clara from a utilities perspective. And I had gotten some feedback that they're kind of willing to go there, but I think what ended up happening is that there are some -- still some issues with trying to deal with SEIU around that, because, again, you know, this is a unit that is about 200 employees, from an SEIU standpoint, and -- But the unit itself it like about 600-650 for the entire City. So, they're having a difficult time trying to explain to the other 400 or so members why is it that Utilities is special. Why is it that there is a separate cost rate for Utilities, where there's not one from a Public Works worker, or a CSD worker, or something like that. So, it's a balance that I think that SEIU is trying to balance out as well. And I think that, as we've talked about before -- I've been very open about this -- that, you know, it's -- I think it's a little bit of an unfortunate situation that our folks are not IBEW, and that they are with SEIU. Because there's no comparisons, then, at that point. Where IBEW, they will compare to all the NCPA members, PG&E, they can go down south. It's a union that is well representative, from a utilities perspective, for gas and electric. So, I think there are issues that we just have to work out. And, you know, we were able to make some moves, a little bit, for the Utilities side. They did get a little bit of a larger increase than the General Fund folks -- we'll say that are on the other side. And -- But it wasn't enough that I think that we're still having difficulties trying to attract folks to actually come to Palo Alto in those types of positions. In those critical positions that we have.

2:03:38:

Vice Chair Scharff: Thanks, Dean. That was really helpful. Any sense at all of how Alameda and Santa Clara are doing, in terms of the ability to fill their vacancies?

2:03:46:

Director Batchelor: So, it's interesting -- is that I have had some conversations with them. And they are actually moving forward with their very first ever, from the history of their city, to having an apprenticeship program. Because they are losing linemen. And they are not being able to replace them. [knocks on wood] Knock on wood, that our folks are not willing to jump over there. They do have openings. I was looking at it last week. They actually have 4 lineman classifications that are open. And they're going to fill them with apprentices. And try to put on an apprenticeship program. And try to grow within. Alameda's down by one. Lodi -- I did talk to Lodi last week at a commissions meeting. They're only down by 2. And Roseville, they're full. So, I think, getting away from the Bay Area portion of it has helped, from just the cost of living. But they're starting to see some some changes in Alameda and, like I said, with Santa Clara.

2:04:54:

Vice Chair Scharff: OK. Thank you very much. That was very helpful.

2:04:58:

Chair Segal: Commissioner Mauter.

2:05:00:

Commissioner Mauter: Do you see a deficit from like a number of applications, or a number of qualified applicants?

2:05:11:

Tabatha Boatwright: Hi. This is Tabatha Boatwright. I am not only the Executive Assistant for Utilities. I am also one of the Human Relations liaisons that

Anna had mentioned. We actually are seeing quite a rise in applications. That's not the issue. The issue is, we have a lot of attrition happening. So, what's happening is, we have people that have been in Palo Alto for a few decades. And they are leaving. Therefore, having positions open. We are taking the people who haven't been here as long and promoting them, therefore leaving a position open. And it just so happens, this is happening, consequen- -- It's just like a ladder factor. So, we will have open positions. And then, we'll fill the position. And now that we're fully staffed, it's like, OK, I feel comfortable now, I can go ahead and retire. Well, even though I just filled two positions, then two leads retired. So, it's kind of like, OK, well, now, we need to fill those. So, it's almost as if it's a mirror. Instead of, oh, we're completely full, it's like once we're full, then we drop back down again. And then we promote people. And now we're up higher. And now, the lower-level positions are now open. So, the past 5-6 months, the positions that I've filled have been extensive. And we're doing it at a much faster pace. And they are -- the applicants that I am receiving are just really appreciative of how quick it is, how much the turnaround is. So, it's not that we aren't getting the people. We actually -- One application -- for, of course, sustainability -- when you mention that word, everyone wants to be involved. We were open for three and a half weeks. Within the first two days, we have 57 applicants. So, it's not a lack of applications. It's simply, as soon as we hire someone, someone else leaves. Some people want to live closer to home, as Director Batchelor mentioned. People come here because it's an amazing place to be. And then, they realize it's really far away. So, they leave, and then they end up going back. And even though, with the line crew, that is a difficult position. Because they work really hard. And it's sometimes all the time. Even though some -- Alameda, they're only down one. They're also a much smaller crew. The crews that we require, for the amount that we have, we're down, because we have a much larger crew that we're expected. That's -- If we only needed 4 people, we wouldn't be down at all. But we need 12 people. So, that's why it seems like we're down much farther. So, it also depends on how much you're looking at, in perspective of the types of crews. So, we have to take that into consideration as well. But, yeah, a lack of applications -- that's not our issue.

2:08:25:

Director Batchelor: If I could add to that. As both Anna and Tabatha talked about, you know, we're starting to see some really qualified folks come through to some of these open positions. The key problem is is, if you looked at the chart there that Anna brought up, it's mostly in the Electric Engineering and then the Electric Operations side. The problem is trying to find linemen. We're not getting applications for linemen. We're not getting applications for engineering. So, we made the decision -- a hard decision -- that we're going to go to Sac State and we're going to go to San Luis Obispo. They have power engineering programs there. They're the only two in California. And so, we have made the decision that we're going to go after the young folks, and bring them, and train them, just like we do with our apprentices, and hope that they stay. That they'll grow with us, and they'll stay. And so far, the feedback has been, from the 4 of them, that they're really excited about being here, and it's more than what they thought it was going to be, because they thought that they were just going to be coming in and sitting down next to someone for the next years to come. But they're actually running programs. They're actually running their -- we're asking them to actually do engineering work that they're actually learning, that they learned in school. So -- Because we need them. And so, I think that there's a light at the end of the tunnel for that portion of it. But, unfortunately, it's just a long trade. And the thing is, when we do our apprenticeships, they're 4-year apprenticeships. So, you bring somebody in. And we don't have -- I wish I could say that I could bring 6 apprentices on today. But the problem is, I only got 3 trained linemen. So, there's a ratio that you have to have. And so, there's only 3 apprentices in the -- in getting trained. And they've got -- they're just -- they were in their second year now. They'll be able to get into their third year. And they'll actually become hot apprentices, where they're actually were able to work on hot lines, then, at voltage. And then we can start -- That's why I wanted to bring on 2 more -- 3 more -- brand new folks. But it's a 3 year process. And then they will actually graduate out. And we'll cross our fingers that we're able to keep them.

2:10:38:

Chair Segal: Thank you. Commissioner Phillips.

2:10:41:

Commissioner Phillips: Thank you for -- all that, at least, that -- When I looked at this number of 77 percent positions filled, it was pretty dire. So I'm glad to hear at least parts of it seem to be looking up. Which is great to hear. Kind of the question I had is, how much of this -- If I went back to 2018, would this be a problem? Or is this a new, sort of COVID -- post-COVID -- problem, emblematic of a lot of other companies who are saying we're having hard time in retaining people? The Great Resignation, etc., etc. Or has this been a chronic problem? Or new problem?

2:11:21:

Tabatha Boatwright: As far as linemen go, that's been kind of a consistent issue. A lot of linemen come from far away, they work here, and then, once they're here for their 4 years, they're fully trained, they get everything that they need, they go back home to where they came from. So, that's an issue that all of us handle, not just Palo Alto. As far as the other, I'm not going to say the Great Resignation occurred to Palo Alto. What did occur to Palo Alto, though, is the event -- When we closed down, and everyone -- or most of us -- of course, our Engineering and our Operations were not in this situation. When City Hall closed down, and everyone worked from home, there were a couple of people who did not. However, most of City Hall did. Two years -- a little bit more than two years. And then they started slowly coming back. For a lot of people, they liked working from home. And when they started having to come back, there was a fear. And so, a lot of them resigned because of that. And some of them went for other jobs where they get to permanently work from home. Palo Alto -- we're currently now at a 2 days in, 3 days at home. So, a lot of people were OK with that. But we did lose a number of people in Engineering for that reason. And they could go and consult. They could work from home. They didn't have to come in. We did what we could to maintain the staff that we have, but that was a big reason that we lost some administrative type staff. Not Operations or the Water, Gas, Wastewater Engineering crew.

2:13:19:

Commissioner Phillips: Thank you.

2:13:23:

Chair Segal: Council Member Lauing.

2:13:25:

Council Member Lauing: Yes. Thank you. I had some preliminary conversations with Director Batchelor about this. But this is a problem throughout our hiring in the City. That we just can't get it up to staff. And that's just backing us up everywhere. Unfortunately, this department becomes the poster child for that, with this kind of vacancy rate. Not -- That's not a negative. I'm just saying that that just emphasizes how big a problem it is. And I was requesting the other night that we have -- actually have a study in this budget -- a consultant to come in and do a departmental analysis -- just what else can we do, to -- in addition to what you've got on your slide. In addition to what Ms. Boatwright just recapped. Because every department is different, as you pointed out. And even within the department, it's different. But this is just so critical for what you guys will have to accomplish that I just think we have to double down and invest in our people one way or the other, and figure out these new ways of doing recruiting. So, I'm going to keep, you know, beating that drum.

2:14:25:

Are we -- One of the questions I want ask the new liaison -- HR liaison -- is, are we getting offers turned down, after we offer these people? And, if so, do we have sort of a no thank you, and why that happens?

2:13:39:

Tabatha Boatwright: Actually, there has been a few positions that we have received a thank you but no thank you. And that was based on salary. We offer the salary that we offer. Our salaries are based on what Council approves. We are not in the private sector. We're public. So, whatever our salaries are is based on what Council says we can and cannot do. We have unions, but they negotiate with Council. So, we have had 3 positions that have actually turned us down. And they said it was based on financial standings. So --

2:15:18:

Council Member Lauing: Yeah. On certain of those classifications, there ARE some changes coming that haven't been rolled in yet. So, that will help. But as we all know, in hiring, it's usually not just salary that's a problem, of either recruitment or retention. And we all know some about a lot of them, including the commute, and so on. But I would encourage you to be really aggressive on why -- that you're taking your own initiative, and creating your own HR liaisons, and making stuff happen at the -- in the trenches. I really salute that. And I'd be very aggressive with the HR Department, and continue to say, you know, whatever. I mean, for example, a couple points on your slide,

###. Presentation slide 7.

you say, you know, we are exploring digital ads. Well, don't explore. [laughs] Let's just run it and see what happens. Right? And, there was another one about -- I can't think of it. But I think you should just take action. And get some stuff done. And, you know, ask for -- What's that old phrase? I forget. Thank you. Ask for forgiveness later if you're too aggressive. Because this is a problem that's holding back major stuff. Like that whole S/CAP, electric grid, and so on. So, it's -- I believe it's close to a crisis for the City. And you guys can really impact our City in a positive way by plugging these holes. And when I went over to page 37,

###. I think he meant presentation slide 37, on packet page 105, which is in support of Agenda Item 4, not Agenda Item 3.

in calendar year '22, you hired 24, which is great. And we had 23 separations, and 5 retirements. So, we're behind, by 3 people, at the end of the year, after all that work. And we still couldn't get anything done. So, I'm going to keep beating on it. But I think you can help, by pushing others in the organization to help you get what you need.

2:17:05:

Tabatha Boatwright: As far as the digital advertising, we actually spoke to the Director of HR and the City Manager, and I got their permission. So, we actually did run a digital billboard, right outside Ikea, for 3 months. And it said, "Come work for Palo Alto." And we did two different advertisements. It was actually quite beautiful, thank you. And whether or not we impacted anyone, I don't know, because HR has a "how did you hear from us?" And that wasn't one of the options. So, I don't know how well we did with that. But it was -- ran for 8 seconds every 60 seconds. So it was ** -- And it brightly lit up the whole -- You could see it during the day and at night.

2:17:56:

Council Member Lauing: That's great. Just keep testing things. See what works

2:17:56:

Tabatha Boatwright: So, it was really nice. So, there are things that we are exploring, that are outside of the box, so to speak, to kind of get people's attention. Because that's kind of what we need. And that's who we are. That's, you know -- I also wanted to mention that, although our number look high, we are the largest department in the entire City. So, you can't compare us to HR, where there's only 8 staff people. And they're understaffed if they're down one person. So, I just wanted to make sure that everyone's aware of that. But ** fully staffed ** ...

2:18:28:

Council Member Lauing: Is that the -- It's not the number of heads. It's that it's down 23 percent from where you want to be..

2:18:32:

Tabatha Boatwright: Yeah.

2:18:32:

Council Member Lauing: That's the critical factor.

2:18:34:

Tabatha Boatwright: Yeah. We have bad numbers, but I just wanted -- you know, it looks

###. There;s a gap in the video.

if we break out fiber. So, thank you guys.

2:18:42:

Chair Segal: Commissioner Forssell.

2:18:44:

Commissioner Forssell: Just one quick question. It's been a great discussion. The -- Anna Vuong -- is that your name? --

2:18:52:

Anna Vuong: Yes.

2:18:52:

Commissioner Forssell: -- brought up in passing the -- I believe the Palo Alto School Board has instituted a new policy where City employees' children can attend Palo Alto schools. I'm just curious -- Obviously, it's too soon for new data. Is there a buzz about it? Are you that it -- that it -- What's your gut feeling on how helpful that will be in recruitment and retention? is it a big deal? Is it not really much of a deal?

2:19:18:

Tabatha Boatwright: Actually, it is a huge deal. For a few reasons. We actually had employees that were here years ago who put themselves on the lower-housing list. They worked had here for years, but their children couldn't go to school here. So, there was like a big commute for them, just to take their children to school, pick their children up. And she eventually -- after 8 years of being on the list -- got an apartment, so her daughter can go to school here. So, it is a huge ordeal that your children go to a) the Palo Alto School District, and b) to actually have your children close by. So, if you're at work, your children are here. You're not 20 miles away, or 30 miles away, and your school calls and says your child just threw up, you need to come and pick them up. OK, I'll be there in an hour and a half. No worry. You know. As a parent, that's like devastating. You're now worried, you're nervous, and you're driving. That's not a good combination. So, that's a huge step for us. As far as advertising, Chantal Gaines,

###. A.k.a. Chantal Cotton Gaines.

who is the Deputy City Manager, she is the one who is promoting this. And she is promoting it crazy. It did just start, so -- But it is going to be a big deal. And she's putting it everywhere. So, in our recruitments, it will start to be a little blurb in -- when we post. So, it will be a big thing. We just need to figure out what the details are, so when we're asked, we know.

2:21:01:

Chair Segal: Can I just -- just pulling up, because now I might be confused. Because you talked about housing AND school. And are you saying they're linked? Or if an employee has school-age children and they're here, they can go to the PAUSD schools?

2:21:18:

Tabatha Boatwright: No, I was just saying how important it is for Palo Alto employees to have their children close. That some of the employees got put on a housing list so their children could come here. So, that's a huge impact. That they were willing to move here just so their children could go here.

2:21:41:

Director Batchelor: But to go back, to answer your question, yes, that is correct. So, one of the advantages in this program that's just launched, I believe Council just approved it last -- this week, or last week --

###. I looked in Council's 04-24-23 and 05-01-23 agendas and didn't see anything.

2:21:54:

Council Member Lauing: Which program?

2:21:54:

Director Batchelor: The childcare --

2:21:57:

Council Member Lauing: You mean the child going to school here?

2:21:58:

Director Batchelor: School here. Yeah. So, it's brand new. So, what this means is is that an employee can actually, once they get in -- so, there's a lotto

###. A.k.a. lottery.

number that they have to get in. But once they get in, their child will be in school at Palo Alto from -- say, from kindergarten, if they were able to get in, they're in all the way to the 12th grade, if they want to, with this program. So, there's definitely advantages. So, hopefully, you know, this will be something -- retention, as well as an attraction portion of it. And they can apply every year to bring their child. So -- Once they're in, though, they're actually in. And the reason -- One of the reasons that -- I heard that -- reason why PAUSD was willing to do this, they're starting to get low attendance in their school. And so, the idea was, why not try to explore this with them?

###. At the 04-18-23 PAUSD School Board meeting, at agenda item 5B, the board voted 5-0 to address declining enrollment by, among other things, inviting full-time Palo Alto City employees to enroll their children in PAUSD. (From this URL, <https://go.boarddocs.com/ca/pausd/Board.nsf/Public> it takes several clicks to get to the 04-18-23 agenda.) On the video for Item 5B (0:41:59-1:21:24) <https://midpenmedia.org/palo-alto-unified-school-district-board-meeting-64-4182023/> at 0:52:22, Superintendent Austin said that if this measure passed, there would be a meeting with the City on Thursday (04-20-23), but he didn't say with whom in particular. (The City/School Liaison Committee meets Thursdays, but I didn't see it on the 04-20-23 agenda.)

2:22:55:

Chair Segal: OK. Commissioner Croft.

2:22:58:

Commissioner Croft: I had another question about -- it kind of was a comment in passing -- that there's only one HR person dedicated to hiring all these positions. Could you guys comment on the resource? 'Cause it seems like, you know, hiring one position is really hard. Hiring 57 positions is like -- do we just need more people working on the hiring itself?

2:23:19:

Tabatha Boatwright: Well, that's -- That was a misconception. Utilities pays the salary for one full-time HR person. So, HR has a staff of recruiters. But there is a dedicated recruiter for Utilities. So, yes, that is a lot of work for one person. Which is why we created the, you know, HRLs [human resources liaisons]. And there are three of us. So -- And that was for our benefit, as well as for HR's benefit. We can control it. We can take on a lot more. So, if one person can handle, you know, 4 recruitments, and there's 4 of us now, we can recruit quite a bit more. And then, each one of us has our own group. And we have meetings every week about how we're doing. Does anyone need help? What's happening? And once you start a recruitment, and it's actually off and running, and you're receiving applications, you can move on to another recruitment, and make that process happen. Then, when the recruitment closes, you set up the interviews. So, I mean, it -- there's a pattern. It doesn't all have -- You don't stop because one recruitment is happening. So, you can actually recruit multiple at one time. But there is a limit that everyone can do, because we do have our own regular jobs, too. This is just -- And even the HR person that we do have -- she is dedicated to Utilities for recruiting, but she does have other duties that she has to do, that's part of that. So, it's -- it takes a lot to recruit one posting. So

-- But that's what we meant, was, there are more HR people, but there's one that we pay full-time. Her dedicated time is to us.

2:25:19:

Commissioner Croft: Yeah. It sounds like it's everybody. All hands on deck. And I guess the question is, then, like, just do we have enough peop- -- Do we need to -- should we hire -- consider hiring -- are you guys feeling like everything's better now? I wasn't aware that -- This is a recent change, but how do we feel about the staffing level of the HR people?

2:25:38:

Tabatha Boatwright: We actually don't have control over that. HR is their own department. So, we're just blessed to be able to afford to have one. They are two recruiters short. They have been recruiting for recruiters. Unfortunately -- I know that sounds kind of funny. Unfortunately, the recruitment world really isn't what it used to be. There used to be a time when everyone wanted to be a recruiter. Well, now, everything is done online. So, it's hard to get a human who wants to come into an office and actually do recruitment kind of stuff, because you can work for firms. Recruiting firms. Headhunters. And you don't go into the office. I've actually spoken to three different recruiting firms to help us out, and they're all remote. They're -- all the offices are remote. So, when you're actually recruiting a recruiter, and you have to come into the office, that's an interesting concept, that they're really struggling with. They've had multiple recruitments, and haven't gotten ANY. And then, the couple that they have gotten, they haven't lasted. Because they realized they had to actually come in, and it wasn't just an error. Even though they only have to come in two days a week, it was still a burden for them. So, that's the issue with HR recruitment currently, right now.

2:27:13:

Commissioner Croft: Thank you.

1:27:18:

Chair Segal: I think we'll take -- Or was there -- OK. I think we're going to take a quick, 10-minute break. It's 8:15. So, let's be back sharp at 8:25, for our last item. Thanks.

2:27:30:

BREAK

2:37:55:

NEW BUSINESS ITEM 4

Chair Segal: Welcome back, everyone. We're now on Item 4, which is the UAC -- or, the -- sorry, the operating and capital budget for the utilities. Are there any public comments?

2:38:12:

Jenelle Kamian: This is Jenelle Kamian, Program Assistant. If anyone from the public would like to speak on Item number 4, please raise your hand or dial *9 on your phone. No hands raised.

2:38:26:

Chair Segal: Thank you. Do we have a presentation?

2:38:28:

Director Batchelor: We do. Commission. So, as Chair Segal just mentioned, this is really the proposal for the operation -- the Operation and the Capital Budgets for this year. And I'm just going to go ahead and turn it over to Alexandra Harris, who is our Senior Business Analyst, that will walk you through on the electric side, to start off with. So, with that, Alex. **

2:38:58:

Alexandra Harris: Good evening, commissioners and Council member. My name is Alexandra Harris. And I will be providing an overview of the Utilities preliminary budget for fiscal year 2024. Here, we have -- Oh, next slide, please.

2:39:16:

Presentation slide 2, packet page 70 -- BUDGET REQUEST PROCESS

Alexandra Harris: Here we have an overview of the budget process, and what comes next. Budget change requests were analyzed and reviewed by HR, OMB, and the City Manager's office. We're here tonight to discuss the preliminary budget being proposed to the Finance Committee next week. And there will be some following workshops between the Finance Committee and Council before Council ultimately adopts the budget June 19th. A quick note: the proposed budget packet was officially released to the public after this staff report was published. So, even though it is almost identical, it's preliminary in nature. The content contained within. Next slide, please.

2:40:05:

Presentation slide 3, packet page 71 -- PROPOSED NEW PROJECTS

Alexandra Harris: So, this slide highlights new projects and a brief outline of recent grant opportunities. In reference to the comments made earlier about the convergence of S/CAP and Utilities work, these grant opportunities enable the City to accelerate some large infrastructure investments necessary to meet our S/CAP initiatives. So, the Grid Modernization project was established in anticipation of the work needed to upgrade our infrastructure, and support a 100 percent electrification future. There have been ongoing discussions about what it's going to -- what's going to be needed to upgrade the City's electric grid system. And with the initial high-level study that was completed in December of last year, we're now taking a lot of the preparatory steps to make this actual. Some potential developments on the horizon are a second study, to help determine and mitigate load impacts from battery, EV, solar usage, and evolving technologies, such as remote control PV. We're going to continue a pilot program through fiscal year '24 to rebuild secondary networks and install transformers that would increase capacity to about 500 homes within Embarcadero, Louis, and Amarillo. We also plan to complete a design by December 2023. So, I know this sounds aggressive, but we're also positive about the grant opportunities. And then, lastly, we hope to construct the first 10 percent of the system -- spring 2024. This may potentially be a design build, with further details to be smoothed out.

2:41:59:

The FTTP -- Oh, sorry. I'll quickly go over the next project. So, the FTTP project was added for establishing a new service that will provide broadband internet to the community. A contract amendment was recently approved this week on Monday [05-01-23] that references the Report Number 2303-1215. The contract amendment would program management for the construction of the backbone and phase 1 of the FTTP. Also, network ops and tech support, because the City would be an internet service provider, or an ISP. And then, also, **electric** make-ready engineering work.

###: I assume this make-ready work is moving cables in the telecommunications space of utility poles to make room for City fiber. (So it's not "electric.")

We do plan to come back with a summer update to Council, and probably some RFPs are anticipated as well.

###: Would this come to UAC first?

And so, with these large -- what some people have called generational -- projects, we're also aggressively pursuing recent grant opportunities that came up because of a bipartisan infrastructure bill that was passed a couple years ago. So, one of them that we recently just applied for is for the smart grid AMI project. And that would be approximately \$11 million. We're in the process of applying for the grid modernization project, which is part of the reason why we're trying to solidify the plans that have project milestones. And hopefully, we can come back with more details about what that roadmap looks like. So, it goes hand in hand with this grant effort as well. That grant would probably be about \$100 million to \$150 [million], because it is a 50 percent match of the project total that we estimate in the grant package.

2:43:51:

And then, our gas team, they are also actively pursuing a gas grant. And that would hopefully bring in about \$9 million. Next slide, please.

2:44:01:

Presentation slide 4, packet page 72 -- Projected Change in Residential Median Bill

Commissioner Phillips: Can I ask a question? Should we ask questions as we go along?

2:44:03:

Alexandra Harris: Um.

2:44:06:

Commissioner Phillips: OK.

2:44:06:

Alexandra Harris: Sure.

2:44:07:

Commissioner Phillips: So, these grants -- these would be incremental to the budget we're going to see? So, this budget does not presume we win these grants? Or -- Is that correct?

2:44:15:

Alexandra Harris: Correct. We have not reflected these grants until they are rec- -- until they're approved.

2:44:21:

Commissioner Phillips: Very wise. But then we would -- that would be incremental, and would help pull forward some of what we're going to see in the budget? Is that correct?

2:44:30:

Alexandra Harris: Um. Well, so what we did do, we programmed in the anticipated project costs, as fully as we could. But we did not bring up the revenue in anticipation of the grants, until we know the grant status.

2:44:47:

Commissioner Phillips: Would receiving the grants allow us to reduce our rates?

2:44:51:

Alexandra Harris: That is a good question. I think I will have to defer to Jonathan to answer that -- our interim rates manager.

2:45:04:

Jonathan Abendschein: Um. Is this working? I'm on. OK. So, we did not include the gas rates -- included winning these grants -- in setting our gas rates this year. What I will say is that our reserves are in the ballpark of \$8 [million] to \$10 million below the minimum guideline right now. And so, I think, rather than allowing us to reduce rates, the -- any additional revenue freed up would probably go towards replenishing reserves. If multiple grants were received, it might -- you know, it might replenish reserves to the point to -- that we could maybe phase in some of the later-year rate increases over a longer period. But one-time -- when receiving one-time grant proceeds, it usually won't allow us to lower rates. 'Cause they're one-time cost savings, as opposed to ongoing cost savings.

2:46:12:

Commissioner Phillips: Thank you.

2:46:14:

Commissioner Mauter: May I ask just a quick question?

2:46:16:

Alexandra Harris: Sure.

2:46:16:

Commissioner Mauter: Are these federal or state grants?

2:46:18:

Alexandra Harris: These are federal. The grid modernization grants are from the Department of Energy.

2:46:24:

Commissioner Mauter: Great. Are you aware of a California-specific cost-share program where you can plus up federal grants by \$1 million?

2:46:37:

Alexandra Harris: No. It would probably ...

2:46:40:

Commissioner Mauter: In future applications to DoE, as long as you apply to California CUC, ...

2:46:47:

Alexandra Harris: Yes.

2:46:47:

Commissioner Mauter: ... they will provide an extra \$1 million supplement.

2:46:50:

Alexandra Harris: OK.

2:46:50:

Commissioner Mauter: So -- And that happens automatically if DoE selects it. So, ...

2:46:57:

Alexandra Harris: Yeah.

2:46:56:

Commissioner Mauter: ... keep in mind on future applications. But it has to get on the list of eligible grants, prior to applying.

2:47:05:

Alexandra Harris: I would like to correct myself, though. I have kind of a narrow scope of the grants that we're applying for. But we can definitely confirm. Thank you.

2:47:18:

So, this slide actually is a recap of rates that were presented to Council on April 17th, and also at the budget kickoff earlier this week, on Monday. We have new information, which impacts the water rates, that are not yet reflected in this table. Water rates are comprised of a distribution side and a commodity side, which is the cost to purchase the water. The commodity rates are passed through to the customers. And they're calculated based on SFPUC rate changes. Those are anticipated to change from 11.6 percent to 9.6 percent. This change will slightly reduce the water rates, which would decrease from 6 percent to 5 percent. About \$5.90, down to \$5.21, in the estimated monthly bill impact. Next slide, please.

2:48:10:

Presentation slide 5, packet page 73 -- ELECTRIC

Alexandra Harris: So, for the following slides, we will go over the preliminary budgets by fund, starting with the electric fund. Copies of the preliminary budget are linked in staff report number 2302-0949.

This staff report is included in the packet for the 05-03-23 UAC meeting, on packet pages 67-110.
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes-utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2023/05-may-2023/05-03-2023-packet-v2.pdf>

2:48:29:

Presentation slide 6, packet page 74 -- ELECTRIC ACCOMPLISHMENTS & INITIATIVES

Alexandra Harris: The first 5 links in the staff report go to a preliminary view of the Capital Budget. Those documents are organized by fund, and include a detailed budget summary table, and details per project. The last link goes to a preliminary view of the Utilities Operating Budget. That document is organized by fund, starting with an overview to various budget summary tables. And it ends with a detailed reconciliation from the prior year budget to this year's 2024 budget. So, we have 5 funds to run though. And if it's OK, we can try to answer questions at the end of the funds section.

2:49:13:

So, kicking off the electric fund, we have some highlights of recent accomplishments. We recently launched our HP- -- um -- heat pump water heater program, and the related on-bill financing program. Continued to make good progress on our smart grid AMI project. And, in 2022, we completed a high-level grid

modernization study, to evaluate the impacts of electrification loads. Recently, we also started construction to increase the physical security at our electric substations. Next, are some initiatives planned in the electric fund. We will continue our efforts to apply for grants. And explore any alternative funding resources. Work on our electric grid modernization plan, which will kind of help tie everything together for the electrification efforts. And then, complete a new cost-of-services study. And -- oh, excuse me -- services ANALYSIS. And launch the new outage management system. Next slide, please.

2:50:23:

#&# Presentation slide 7, packet page 75 -- ELETRIC PRELIMINARY OPERATING BUDGET EXPENSES

Alexandra Harris: So, this slide shows the electric operating expenses for fiscal year '24, grouped by manor expense categories. So, if you're following along in the linked documents, the budget summary tables for electric start on page 13 of the operating book. The key drivers for electric operating expenses come from utility commodity purchases, which are comprised of costs incurred from purchasing activities, to purchase energy. There's also expenses from the capital --

###. There's a gap in the video.

next slide, please --

2:50:55:

#&# Presentation slide 8, packet page 76 -- ELECTRIC PRELIMINARY CAPITAL BUDGET EXPENSES

Alexandra Harris: Here we have a high-level view of the electric fund's five-year capital improvement program. Details by project can be found in the preliminary capital budget link for the electric fund. For more visibility on this slide, we highlighted the grid modernization project. So it's its own category in the yellow bars. The first column on the left -- it provides the estimated year-end total for fiscal year '23. And then, after initial reappropriations have been made. So, we had already reappropriated \$12.5 million from fiscal year '23 into fiscal year '24. That \$12.5 million is already reflected in the second column to the left, with \$54.9 million in total in fiscal year '24. So, -- Oh. Yes?

2:51:51:

Commissioner Metz: Would this be a good place to address the question that I raised before, namely, what's in the electric fund grid modernization? Because I did read the attached reference document, the -- number 8987.

###. Commissioner Metz is referring to this document:

https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmr/attachments/electric_cip_8987.pdf

The number "8987" is in the URL, but not in the text.

And I didn't see anything in there either. So, I'd like to understand what's in that activity, since it's -- as you can see, it's the big chunk of the budget for electric - capital budget for electric.

2:52:20:

Alexandra Harris: It is. So, what we have here is just a very high estimate of the cost. Partly driven by the grant efforts. Further details, though, are in flux. So -- We do have that high-level study that was completed in December. A more in-depth one is on the way. Um. And I think if we do want further details, we should probably come back to UAC with that information. The budget that we provided here was just very high-level and preliminary, so that there's more transparency and awareness of how much it would cost to really go support a 100 percent electrification infrastructure.

2:53:07:

Commissioner Metz: Right. That's exactly the question. What's in there?

2:53:11:

Alexandra Harris: What's needed. Yes. There will be details about what's needed. Numbers of transformers that would have to be upgraded. That kind of information. I do believe it's forthcoming.

2:53:23:

Commissioner Metz: OK. I mean, since it's between \$200 [million] and \$300 million, it seems like ...

2:53:27:

Alexandra Harris: Yes. Definitely. And when ...

2:53:29:

Commissioner Metz: Either ...

2:53:29:

Alexandra Harris: ... writing it off for the grant as well, so --

2:53:33:

Commissioner Metz: OK. Thank you.

2:53:36:

Alexandra Harris: Thank you for your patience. Um. I did want to spend a second to explain what reappropriations are, since we have some new members. So, reappropriations happen when work that was programmed for the current fiscal year is anticipated to continue on into the next fiscal year. For the Electric Fund, this is mostly due to limited engineering resources. And so, some of the projects had to be postponed. And then, there were also some intentional postponement, to try to align with the grid modernization efforts. There's also some supply chain issues. And it's actually -- we have some difficulty procuring transformers. And so, those are just some examples of why we may reappropriate funds from one year to the next. Next slide, please.

2:54:37:

Presentation slide 9, packet page 77 -- ELECTRIC FUND HIGHLIGHTS

Alexandra Harris: So, in summary, the Electric Fund fiscal year '24 revenues are approximately \$265 million. This is about \$80 million more than what was adopted in the fiscal year '23 budget. This big discrepancy is mostly due to the fiscal year '23 adopted budget -- the retail sales revenue for the adopted did not reflect market spikes that happen throughout fiscal year '23. There was a mid-year alignment brought forward in the fiscal year '23 mid-year adjustments. So, if we compared it to the modified fiscal year '23 budget, it would actually be about a \$10 million increase, instead of a \$30 million. In addition to increases in retail sales, we also have at one -- we also reflect the debt financing we plan to go for, with the grid modernization project, to help fund it through some bonds. And there was that one-time \$24 million revenue from the lawsuit that we won. I would like to quickly note the \$24 million payment. It was received in fiscal year '23, but at the time we published this information, we were anticipating it for '24. So, if you happen NOT to see it in '24, it's still there. It just got received in '23. For fiscal year '24 expenses, we're looking at about \$260 million. And most of this is comprised of that capital improvement expense. And then, also, the commodity purchases. So, similarly, on the expense side, there were some market changes that happened in fiscal year 2023. So, if we actually compared the commodity purchases to modified fiscal year '23 budget, it's about a \$5.7 million difference, instead of \$17 million.

2:56:41:

Presentation slide 10, packet page 78 -- Residential Electric Bill Comparison

Alexandra Harris: For another data point, this slide shows the City of Palo Alto's residential electric bill, compared to PG&E and Santa Clara. Although the City of Palo Alto is lower than PG&E, we are slightly higher than Santa Clara, because they do generate their own electric power. Next slide, please.

2:57:06:

Presentation slide 11, packet page 79 -- FIBER

Alexandra Harris: All right. And so, for those following along in the linked documents, the Fiber Fund starts on page 23. Oh. I'm sorry. I apologize. We would like to take questions about the Electric Fund at this time.

2:57:25:

Commissioner Metz: I had one question, which is, I looked at the rate increase, and didn't really understand that. So, maybe you can explain that. I mean, I know it was **. But the core rate was going up 21 percent. And it seemed like with the plush hydro that we expect to have the next two years, that shouldn't be happening. So, maybe just help explain that a little.

2:57:48:

Alexandra Harris: Sure. So, um, we'll invite Johnathan, our rate manager, back.

2:57:52:

Commissioner Metz: OK.

2:57:52:

Alexandra Harris: Thank you.

2:57:55:

Jonathan Abendschein: So, the story here is that electric rates -- electric revenues are about 20 percent below electric costs, going forward, for the long term. And so, there's a need to match revenues to costs. Now, normally, we would want to do that over several years. But the drought, combined with the FY 2023 electric price spikes, even with the hydro rate adjuster that we put in -- not all of that cost was passed through to customers. And so, reserves are very low in the electric utility. Fortunately, we were able to receive \$24 million from a settlement with the federal government over our cost allocations in the federal hydropower project. We were able to use that to replenish our reserves somewhat. We were able to repay an outstanding internal loan to our Electric Special Projects Reserve. So, not only were operations reserves low, they also had outstanding internal loans to other reserves within the Electric Utility. So, we were able to repay those. And then, we have a reserve that we use to balance our hydroelectric from year to year. And our target for that reserve, to be able to have an adequate cushion, to manage through dry -- you know, dry periods is about \$19 million. As of the end of last year, the reserve was \$400,000. So, some of the money from that settlement also went toward the -- replenishing that reserve. With all of that in place, we felt comfortable enough recommending that we eliminate the hydroelectric rate adjuster. There was -- There were really good indicators for hydroelectric power generation around that time. We're expecting that a lot of the revenue from the strong hydro generation this year will go into replenishing this hydroelectric stabilization reserve. And the net effect -- So, we're not expecting to use that money to hold down rates, because that puts us in a bad position for future years. However, that replenishing of reserves that happened allowed us to remove the hydroelectric rate adjuster. And so, even with the 21 percent base rate increase, people will see a 5 percent decrease, on average, in their bills. So, we were able to give people a bill decrease, even though we're trying to put our electric utility on much firmer financial footing. Does that all make sense? It's a very complicated story.

3:00:52:

Commissioner Metz: It sounds like it goes back to the hydro rate adjuster doesn't exactly match our costs. Is really kind of ...

3:01:01:

Jonathan Abendschein: Well, that's part of it. And we're looking at -- You know, this is our first experience with the -- Well, and what it really goes back to is, holding down rates during the pandemic, for several years,

###. There's a gap in the video.

[Commissioner] Metz: So people were able to benefit from lower rates for several years. And we're catching up from that. The hydroelectric rate adjuster -- You're right, the design could be improved, I think. This is our first experience putting it into effect, and I think we learned some things that we'd like to -- um -- that we'd like to modify.

3:01:30:

Commissioner Metz: Right. It's a little confusing, because we call it the hydro rate adjuster, but it really is something we charge for buying other electricity. Than when we do NOT have hydro.

3:01:39:

Jonathan Abendschein: Well, that's true.

3:01:41:

Commissioner Metz: Right?

3:01:41:

Jonathan Abendschein: Yeah. To manage the impacts of lower hydroelectric generation.

3:01:46:

Commissioner Metz: Right. OK. So, I guess I understand. It just seems like we're bulking up the core rate now ...

3:01:55:

Jonathan Abendschein: Right.

3:01:55:

Commissioner Metz: Which makes it kind of permanent. As opposed to something that would depend on future, you know, energy costs.

3:02:03:

Jonathan Abendschein: Yeah. So, that's true. The -- It's somewhat true. Part of what's happening is that our long-term -- So, the hydro rate adjuster is meant to manage hydroelectric variability. And there are some increases in our core costs -- our core continuing costs, unrelated to hydro. So, those are driving the base rate increase. There are also long-term increases in the cost of energy, that are also part of that core rate increase.

3:02:45:

Commissioner Metz: Right.

3:02:45:

Jonathan Abendschein: At the same time, the -- you know, the -- the drought-related issues that were related -- that caused us to put the hydro rate adjuster in place are easing, and so we're able to pull it off. And so, these two things offset each other. But it is not true that we are taking costs associated with the hydroelectric rate adjuster and putting them into the base rate. Because that hydro adjuster is meant to manage the variability associated with hydroelectric.

3:03:10:

Commissioner Metz: Right. That's helpful. I guess if this were 7 percent, or even 10 percent, I wouldn't have flagged it. But it's 21 percent.

3:03:17:

Jonathan Abendschein: Yeah. No. It's ...

3:03:19:

Commissioner Metz: You know, to say that labor costs have gone up, or whatever other costs have gone up -- I mean, that's a lot. For one year

3:03:26:

Jonathan Abendschein: It is. I will just point out that for the previous three years, this -- we had, I think, 0, 0, and 5 percent.

3:03:33:

Commissioner Metz: Right.

3:03:33:

Jonathan Abendschein: And when we look at the overall bill increase -- So, last year, because of the spikes, we saw about an 11 percent increase. If we go back to that chart on the overall rate increases, you can see the last -- that this year was about an overall 11 percent increase in the median residential bill.

3:03:55:

Commissioner Metz: Right.

3:03:55:

Jonathan Abendschein: But the previous two years were 1 percent increases. When you annualize it over those three years, ...

[### Presentation slide 9, packet page 77 -- ELECTRIC FUND HIGHLIGHTS \(again\)](#)

Jonathan Abendschein: it's about 4 percent increases. And utility rates --

3:04:04:

[### Presentation slide 4, packet page 72 -- Projected Change in Residential Median Bill \(again\)](#)

Jonathan Abendschein: utility costs -- utility rates -- overall, nationwide, are increasing above inflation, because of aging infrastructure, and all the investment that's involved in that.

3:04:13:

Commissioner Metz: Right.

3:04:13:

Jonathan Abendschein: So, it looks like a lot, 'cause it's all packed into one year, but, you know, we really did hold things down there for a couple of years there.

3:04:21:

Commissioner Metz: OK. Well, thank you for mapping it out.

3:04:23:

Jonathan Abendschein: Good.

3:04:29:

Commissioner Croft: I have -- Sorry, I have a new-member question. Just on some of the categorization of the pie chart, versus the next page. So, what makes a capital improvement program -- What's the difference between what's in that bucket, versus the capital budget expenses on the following page?

3:04:51:

Alexandra Harris: Are we talking the slide -- the pie chart -- and the slide --

3:04:54:

Commissioner Croft: The pie chart and the operating -- like, what makes something in the operating budget versus --

3:04:59:

[### Presentation slide 7, packet page 75 -- ELECTRIC PRELIMINARY OPERATING BUDGET EXPENSES \(again\) \(the pie chart\)](#)

Alexandra Harris: Got it. So, the capital improvement program, on -- in the pie chart, that is the non-salary capital expenses for fiscal year '24. But the capital improvement program, although we adopt the capital costs for fiscal year '24, it's a five-year plan. And so in the bar chart ..

3:05:21:

[### Presentation slide 8, packet page 76 -- ELECTRIC PRELIMINARY CAPITAL BUDGET EXPENSES \(again\) \(the bar chart\)](#)

Alexandra Harris: what we see are the -- is the entire five-year plan. And so, in fiscal year '24, the \$54.9 million -- that is a fully-loaded cost, including salary and benefits for the capital improvement program in the electric fund.

3:05:37:

Commissioner Croft: OK. Got it. So, that's -- The main difference is that it's not an entire picture in the pie chart. Did --

3:05:45:

Alexandra Harris: Correct. In the pie chart, it took all the salary and benefits and combined it into one slice.

3:05:52:

Commissioner Croft: Got it. Got it. OK. Thank you.

3:05:56:

Alexandra Harris: You're welcome.

3:05:56:

Commissioner Croft: I did have a question on the more detailed electric budget.

3:05:59:

Alexandra Croft: Sure.

3:05:59:

Commissioner Croft: Is now the time to ask that?

3:06:01:

Alexandra Harris: Yes

3:06:02:

Commissioner Croft: OK. So, there was a bump from '22 to '23 in the electric demand side management, from \$2.9 million to \$8.3 million. And I was just curious. Like, what are we doing on the demand side that that cost went toward? We had a similar demand-side bump on the gas budget. And so, I was just curious. Like, what falls in that bucket?

3:06:33:

Alexandra Harris: Are you looking at the Operating Budget book, page 14?

3:06:37:

Commissioner Croft: I'm looking at page 13 of -- I dug into the electric-specific budget. It was not in the packet. It was linked in the packet.

3:06:49:

Alexandra Harris: Got it. **

3:06:52:

Commissioner Croft: Oh, sorry. I don't know. Yeah. I don't see a footnote on it. I can show you this, if you want.

3:07:02:

Alexandra Harris: I think Jonathan will be able to answer.

3:07:04:

Jonathan Abendschein: Yeah. So, a lot of what you're seeing is related to the Sustainability and Climate Action Plan. So, we are -- For example, the cost of the advanced heat pump water heater pilot program is, I believe, \$5.7 million. On top of that, we have multi-family electric vehicle charging --

3:07:31:

Commissioner Croft: OK.

3:07:31:

Jonathan Abendschein: multi-family electric vehicle charging program, that has significant budget in it. And, also, we have -- you know, we're trying to ramp up, and we have some ambitious goals around energy efficiency as well. Got new contracts in place. So, we are -- you know, we are going to expend this money, that's available to us, for cutting emissions and doing energy efficiency work.

3:07:57:

Commissioner Croft: I'm glad we will be spending it. I just -- Yeah. So, it's good to know. I just was wondering. That's exactly the programs we've heard about. So, that makes sense. Thank you.

3:08:13:

Alexandra Harris: Do we have any more questions for the electric fund?

[### Presentation slide 11, packet page 79 -- FIBER \(again\)](#)

3:08:22:

Alexandra Harris: OK. So, the Fiber Fund starts on page 23, if you're following along in the linked budget documents.

[### Presentation slide 12, packet page 80 -- FIBER ACCOMPLISHMENTS AND INITIATIVES](#)

Alexandra Harris: We recently accomplished some major milestones for upgrading the fiber infrastructure. We completed 100 percent engineering design for the City's fiber backbone and fiber to the premises -- or FTTP -- network. We received strong community interest in FTTP, collecting over 3,600 surveys from the community, and deposits from 700 residents. We also received approval from Council in December to proceed with a new fiber backbone project and phase 1 of the FTTP project. So, we're going to be staffing up and added two new dedicated fiber people: **Dark** Fiber Engineering

###: The staff report doesn't say that one of new positions should be for "dark" fiber engineering. In fact, that would be a mistake. The expertise we need is for FTTP.

and a Marketing Analyst. Some upcoming fiber initiatives are plans to add fiber in the foothills, continue searching for alternative funding sources, and to issue construction bids and proposals related to the fiber backbone and FTTP projects.

3:09:33:

[### Presentation slide 13, packet page 81 -- FIBER PRELIMINARY OPERATING BUDGET EXPENSES](#)

Alexandra Harris: Most of the \$36.75 million you see here is comprised of the capital improvement programs. So, that's coming from costs for the fiber backbone and the FTTP project, which we programmed into fiscal year '24. Other major expenses are Salary & Benefits and Allocated Charges. Allocated Charges are the internal overhead costs from internal services, such as IT or HR support. Next slide, please.

3:10:03:

[### Presentation slide 14, packet page 82 -- FIBER FUND HIGHLIGHTS](#)

Alexandra Harris: So, in summary, the Fiber Fund's fiscal year '24 revenues are anticipated to be \$4.6 million. Most of this is attributed to a \$200,000 increase in return on investments. And that's because the City's treasury has projected market increases due to inflation. Fiber expenses are anticipated to be about \$37 million. This is a \$32.2 million increase from fiscal year '23 adopted budget. And, again, it's mostly due to the investments in our capital improvement program, and additional staffing added to support the rollout of FTTP.

3:10:54:

[### Presentation slide 15, packet page 83 -- FIBER EXPANSION PLAN](#)

Alexandra Harris: This slide provides some additional background for the fiber expansion plan, because it is such a large infrastructure investment. For some context, the City has an existing fiber backbone network. A non-technical way to think about the fiber backbone expansion that I have in my head is that it's like we are repaving the road and adding some more lanes. FTTP, on the other hand -- we're not only building more fiber but we're also creating a new service delivery model, to offer fiber broadband internet to the community on a fiber network that we build. A non-technical way to think about the FTTP project is, it's like we're adding roads in the driveways to individual premises. To help with the fiber expansion and FTTP project, Magellan, a municipal fiber consultant, has been contracted with the City. Council also recently approved to amend and expand the Magellan contract to support the next phases of the fiber project. And so, now we can take some questions for the Fiber Fund.

3:12:06:

Commissioner Phillips: The only revenue on here is -- from this program is interest on money in the fund. Is that correct?

3:12:13:

Alexandra Harris: Correct. So, the \$4.6 million is just fiber -- Oh, the \$4.6 million is fiber revenue from our existing dark fiber business.

3:12:24:

Commissioner Phillips: Got it.

3:12:27:

Chair Segal: Commissioner Forssell.

3:12:30:

Commissioner Forssell: Quick question. The phased build-out of FTTP phase 1 and the initiative to add fiber in the foothills. Are those the same thing, or are those completely different things?

3:12:45:

Alexandra Harris: They're different. So, the fiber to the foothills -- it's more part of the fiber expansion plan. So, we would be ...

3:12:55:

Commissioner Forssell: The extra lanes, if you will, and not the driveways?

3:12:57:

Alexandra Harris: Correct. But also for the internal City's cameras and equipment --

3:13:02

Commissioner Forssell: What facilities -- What City facilities are being connected up there? Out of curiosity.

3:13:07:

Director Batchelor: So, if you remember -- Remember, we -- from -- we had some customers call us -- actually talked to all of us ...

Adobe Creek Networks.
<https://adobecreek.net/>

3:13:12:

Commissioner Forssell: I DO remember that.

3:13:12:

Director Batchelor: ... that -- up there? So, the thing is, we haven't been able to connect them yet.

So, does that mean that Adobe Creek Networks is not yet actually a customer? If they become a customer, will they be paying the City's standard dark fiber rates?

So, the idea is to push the fiber back up, as we are undergrounding the electric line that's running through Foothills Park. So, we're going to combine those two. And then, the other thing is is that we have some reservoirs up there that don't have any fiber. So we have no security, per se. And then, also, there's going to be some links that are going to happen to the new police station. They want to do some site to site, using that. And then -- So, we want to push the fiber more up in that foothills area, so that -- Those are the two projects -- differences. And the phase 1 is more in town.

3:13:55:

Commissioner Forssell: Got it. OK. So, the -- So, the dark fiber is being pulled up there both because there's just an opportunity, because undergrounding's happening anyway, and we always talk about when you're digging anyway. So, that's actually happening. But also -- But the dark fiber's being provided -- just as dark fiber -- to the community up there that wants internet access, and they're going to form their own ISP.

3:14:20:

Dave Yuan: Right. The neighbors over there are trying to find a partner to help meet us at -- with the dark fiber spot.

3:14:26:

Commissioner Forssell: OK.

3:14:26:

Dave Yuan: And they would connect them to the ISP.

3:14:28:

Commissioner Forssell: But unrelated to the phase 1.

3:14:30:

Dave Yuan: That is correct. That's a separate endeavor.

3:14:30:

Commissioner Forssell: Great. OK. Thanks.

3:14:37:

Chair Segal: I have one question. I'm just not quite understanding -- the same question -- or related to what Commissioner Phillips was asking. So, we have \$4.6 million on the dark fiber. I understand this. And this \$200,000 on investment -- that's just the interest on the cash that's sitting there in the fund. And the \$4.6 million revenue -- like, how much does it cost us for that \$4.6 million?

3:15:02:

Dave Yuan: The cost is pretty minimal -- it's just a -- really just the salaries and benefits. 'Cause the infrastructure has already been paid for, 20 years ago, and there's very low maintenance. It just --

3:15:13:

Chair Segal: But like when we upgraded the University Avenue, and whatnot, that wasn't -- That was not insignificant. Right?

3:15:22:

Dave Yuan: Right.

3:15:22:

Chair Segal: How much is allocated to fiber expansion?

3:15:25:

Dave Yuan: I think for that one, I think the fiber repaid about a million and a half towards that one. As a project.

###: On 04-09-18, Council voted to reduce what the Fiber Fund should pay for the Upgrade Downtown Project on University Avenue from \$2,140,404 to \$1,070,202.

https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/final-staff-report-id-9017_funding-allocation-for-upgrade-downtown-project.pdf

I think that was still excessive. The questionable rationale was that the water, gas, and fiber utilities should pay equally for opening the trench, even though most of the trench-opening expenses were due to the needs of the water and gas utilities. Council should really ask staff to propose principles for trench cost-sharing that make more sense.

3:15:31:

Chair Segal: OK. Great. Thanks.

3:15:39:

Presentation slide 16, packet page 84 -- GAS

Alexandra Harris: And now, I'll go ahead and pass the presentation on to Anna.

3:15:44:

Anna Vuong: Thanks, Alex. All right.

Presentation slide 17, packet page 85 -- GAS ACCOMPLISHMENTS & INITIATIVES

Anna Vuong: So, I'll be going over the Gas, Water, and Wastewater Funds. It's not as sparkly and interesting as Electric and Fiber, but -- And I might just zip through everything. So, please slow me down if you need to. OK. So, similar format to Alex's slides on Electric and Fiber, we have the gas accomplishments here. We've completed phase 3 of the crossbore program. So, for the new commissioners, the crossbore is when a utility line crosses through another. In this case, gas lines through a sewer lateral. To date, we've inspected over 9,000 laterals, and we have about 3,700 remaining. Overall, we found about -- a total of 27 crossbores to date. And for gas main replacement projects, the City replaces approximately 4 miles of gas mains every 2 years. We've completed the gas main replacement for 23. And project 24A. And we will be finalizing the designs for -- and going out to bid, actually -- for gas main replacement 24B. So, the gas main replacement projects -- to water and wastewater -- they're all -- project -- they're consecutive. Wrapped together. They're based on criteria of age of the pipe, the deterioration of the pipe, maybe even pipe material. And then, they're packaged together into a project number and ** funded in future years, as we'll see in the CIP slide. In initiatives, we will then ** the bid. We will complete work on the construction, and complete 24B. Our gas main 24B. We also have a gas decommissioning study slated for fiscal year '24, to meet the overall City S/CAP goals to reduce carbon emissions. And then, the electrification, we'll start a study in 2024 to evaluate the approach for downsizing the gas system, and identify potential locations for proof-of-concept. Another initiative is -- Due to the winter -- recent winter gas price spikes, staff will evaluate winter hedging strategies to mitigate future price spikes. And then, similar to Electric and Fiber, too, we mentioned looking to apply for the federal grants, as well, for the gas. All right. Next slide.

3:18:27:

Presentation slide 18, packet page 86 -- GAS PRELIMINARY OPERATING BUDGET EXPENSES

Anna Vuong: This is the budget -- gas operating budget by category. Top 3 categories is purchases -- commodity purchases, CIP, and salaries & benefits.

3:18:44:

Presentation slide 19, packet page 87 -- GAS PRELIMINARY CAPITAL BUDGET EXPENSES

Anna Vuong: And the next slide is our gas CIP program for the next five years. Um. In fiscal year -- Or, in the current year, we have \$14.8 million in estimates for fiscal year '23. And we have programmed for fiscal year '24 is about \$7 million. And it includes a little bit of the reappropriations -- about \$300,000. You see that it's a big, tall bar in '23, because we have about \$10 million for GMR [gas main replacement] 24A and -B already funded in 2023. And then, in '24, there's that -- it's a design year. '25, it's a construction year. But we've kind of -- We've spread it out in the next 5 years, so it's not that peak-and-valley that

we're going to see. Or that we've seen here.

3:19:47:

Presentation slide 20, packet page 88 -- GAS FUND HIGHLIGHTS

Anna Vuong: Um. Let's see. And then, we can -- Oh, yes. Thank you. [laughs] For the gas summary, revenues -- we'll see an increase of about \$19.6 million over the -- as compared to the fiscal year '23 adopted budget. This -- As we know, the high market prices this -- the fiscal year '23 adopted doesn't reflect those fluctuations. So, we'll see a \$19.8 million in retail sales -- increase. And then, in the expenses, it's an increase of \$6.2 million. And that will cover the commodity purchases. I just want to note here that you see that negative \$5.9 [million] capital improvement -- as I mentioned just in the previous slide -- it's just because we're moving from one year to the next. It's \$10 million in '23, and then coming down to \$5 million in fiscal year '24. And we have another slide

3:20:54:

Presentation slide 21, packet page 89 -- Residential Gas Bill Comparison

Anna Vuong: It's a bill comparison. Palo Alto is -- Our Palo Alto median residential bill is about 11 percent below PG&E. That's all I have for Gas Fund. If you have any questions. OK. Thank you. It's OK. [laughs]

3:21:26:

Presentation slide 22, packet page 90 -- WASTEWATER

Anna Vuong: OK. The Wastewater Fund.

3:21:33:

Presentation slide 23, packet page 91 -- WASTEWATER ACCOMPLISHMENTS & INITIATIVES

Anna Vuong: We've completed a design and construction for the project 31. Project 31 construction was actually programmed in fiscal year '24. Due to coordination with CalTrains, we had to pull forward -- or, pull -- yeah -- pull forward funding from fiscal year '24 to '23. The -- CalTrain has a big repaving project happening at -- along Alma. And if we missed that, it's going to be another five years before it can come back to that area. And, actually, I think we can probably consider Wastewater Project 30 as all an accomplishment, too. We have actually just wrapped -- about to wrap up. We have some punch list items in there. So, not quite an initiative. We do have a Sewer Master Plan Study that's planned for fiscal year '24. We last did a master plan study in 2004. This will help us determine our present and future capacity for wastewater collection. It will also help us determine like the areas -- the future areas of the projects that -- for replacement. And they're going to develop a hydraulic model, as well as a model for capacity analysis. Lots of engineering stuff. We've also replaced -- or, will also replace 39 monitoring units for sewer sanitary overflow throughout various areas of the City. That's been helpful in bringing down our overflow numbers. 'Cause it alerts us before the overflow happens. And then, we have construction of 31. That's, again, the one with coordination with CalTrain.

3:23:27:

Presentation slide 24, packet page 92 -- WASTEWATER PRELIMINARY OPERATING BUDGET EXPENSES (again)

Anna Vuong: And for our wastewater operating expenses, our pie chart, the top categories are utility purchases -- which is actually the treatment plant. And it's NOT CIP for this fund. And then, it's Allocated Charges and Salaries & Benefits. So, Allocated Charges, as Alex mentioned earlier, are internal services, with HR, IT, ASD. Our numbers -- The CIP is lower here in this fund because, again, in '24, we -- the funding that we had originally planned for 31 was moved forward. So, it looks like it's a lot lower. But it's really not, because we -- Once we encumber the contract this year, the activity's going to start in July. We'll have to reappropriate or carry forward that contract to next year anyway.

3:24:21:

Chair Segal: I have one question. So, almost half of the operating expenses is utilities. So, that's the gas and electric to operate the plant. Is that what that is? Or, what is --

3:24:34:

Anna Vuong: So, it's -- Oh. So, that's wastewater treatment charges.

3:24:43:

Commissioner Phillips: So, that's the charges that the wastewater treatment plant charges us, which is proportional to our usage, relative to the others. And then, the Salaries & Benefits are the salaries and benefits of the people here. They're not part of those charges. So, that can be entirely considered separate.

3:25:00:

Anna Vuong: Yes. They are separate.

3:24:01:

Commissioner Phillips: Thank you.

3:25:09:

Chair Segal: OK. So, 30 percent is electricity -- of that \$12 million?

3:25:15:

Dave Yuan: Yes. I think we share it with four or five different partners, like Mountain View, and whoever else. I think the City's share is about 30 something -- 32 percent. Currently. At the treatment plant. I think we are doing an assessment to see if that's the right percentage. Is that what you're asking?

3:25:31:

Chair Segal: Yeah. I guess I'm just trying to understand what is encompassed in that Utility Purchases. It's half of the --

3:25:37:

Dave Yuan: Yeah. Those are just the treatment charges for the Regional Quality Plant. That's how much they charge us to --

3:25:44:

Chair Segal: To -- to clean our wastewater. OK. So, it's not utility in the sense of what we think of it -- gas and electricity. It's operating the plant.

3:25:57:

Dave Yuan: Yes. I think they just try to standardize the categories across all the different funds. So -- It should be called treatment charges, and not commodity purchase.

3:26:06:

Chair Segal: Right.

3:26:13:

#&# Presentation slide 25, packet page 93 -- WASTEWATER PRELIMINARY CAPITAL BUDGET EXPENSES

Anna Vuong: And then, our next slide is our capital improvement. So, as mentioned previously, we have a big spike in fiscal year '23. That's -- \$5 million of that was originally in '24. And then, in fiscal years '25, '26, '27, '28, we actually do have some changes for the wastewater that's not reflected here. We are increasing the replacement rate from 1-2.5 miles to 2.5 miles per year.

###. I think she meant from 1.2 miles per year to 2.5 miles per year.

Right? And that's not shown here. It will be part of the adopted budget. We -- We'll see the spike start in '26. In fiscal year '26. It will go from \$5.2 million for replacement project to about \$11 million. Per project.

3:27:14:

#&# Presentation slide 26, packet page 94 -- WASTEWATER COLLECTION FUND HIGHLIGHTS

Anna Vuong: And -- So, in summary, we -- in revenues, the wastewater fund -- wastewater collection fund -- will -- we're anticipating an increase of about \$2.1 million. And that can be attributed to the rate increase. And in expenses, we have an increase of \$700,000. And that's toward the treatment charge -- treatment plant charges. They have a rehabilitation project, so I think we may see like incremental increases over the next couple years. Or few years. 7-10 years. They have a big rehabilitation project. It's about \$300 million, that they're --

3:28:00:

Chair Segal: But you don't expect that to start being imposed for another 7 -- It's not going to start for another 7-10 years? So those \$300 million are outside of the five-year plan we're seeing here?

3:28:13:

Anna Vuong: It's part of the financial forecast already -- in the wastewater treatment -- sorry, in the wastewater collection fund. We've already fore- -- included that forecast into the financial plan. For the -- these increases.

3:28:30:

Dave Yuan: They're also going to be bond financing most of that money. So, we're only repaying the debt service part of it. Or 30 percent of it.

3:28:40:

Anna Vuong: Yes. It sounds like a big number. It's not all for us.

3:28:45:

Chair Segal: But we have about a third of it -- that \$300 million.

3:28:50:

#&# Presentation slide 27, packet page 95 -- Sewer Bill Comparison

Anna Vuong: OK. And then, in our next slide, we have the -- some sewer bill comparison, for residential and non-residential customers. Residential, we have about -- we are about 28 percent below our comparison cities. And then, in the non-residential, for commercial-class customers, it's about 7 percent above. And then, for the restaurant-class customers, it's 12 percent below our city comparators.

3:28:22:

Commissioner Phillips: Does the Regional Water Quality Plant -- Do they lease their land from us? Or rent it from us?

3:29:30:

Anna Vuong: No, I believe they own it. Right? The City owns that --

3:29:33:

Commissioner Phillips: We own it.

3:29:36:

Dave Yuan: [unamplified] They pay rent to the City, probably. Like we do for our substations and reservoirs.

3:29:42:

Commissioner Mauter: Two very quick questions. Do we have a meter on our wastewater? Or is that referenced to water?

3:29:52:

Anna Vuong: We don't have a meter for our wastewater.

3:29:53:

Commissioner Mauter: OK.

3:29:53:

Anna Vuong: It's based on the --

3:29:56:

** : Yeah. We do?

3:29:57:

[staff huddle -- inaudible]

3:30:06:

Anna Vuong: Did you catch that? For residential customers, it's a flat rate. For commercial customers, it's based on their water usage.

3:30:16:

Commissioner Mauter: Great. And then, in terms of accelerating these lines, and these sewer line replacements, you know, aside from the fact that like when the road's dug up, like, you might be incentivized to replace it, is there a sort of data driven plan for -- and liking -- for when we decide to replace different parts of the lines?

3:30:40:

Anna Vuong: Right. Yes. We do. So, the Sewer Master Plan that we're going to be doing this year will inform us of -- will provide more information about the age of the pipes. And the deterioration of the pipes as well. Yes, there is a ranking that they put together.

3:30:59:

Commissioner Mauter: OK.

3:31:08:

Chair Segal: Can you just remind us -- With the comparison cities -- And mostly, I'm curious why Hayward shows up there. It's seems a little bit -- surprising.

3:31:24:

Anna Vuong: Oh. Jonathan's going to help us out with that question.

3:31:29:

Jonathan Abendschein: You know, I -- I'm going to have to confer with a colleague. It's been a while since I looked at this one. But what I remember about Hayward is that they have -- they have a -- Maybe, first off, they are right across the Bay from us. And they have similar water supplies. And they have some water and wastewater rates that I think are a little bit on the low side. And I think there was a desire at some point to include them as a comparison city. And so, they were added in. But I would need to go back and talk to my colleague, Lisa Bilir, about the -- see if she remembers the history.

3:32:08:

Chair Segal: And then, the other thing I just want to follow up. Did you say that we are hiring someone to take a look at our participation obligation for the plant? What percent? And any idea when that study will happen?

3:32:23:

Dave Yuan: Yeah. I think that endeavor is being led by Water Quality. So Public Works is leading that effort. They're hiring a consultant, to check the flows of all the different cities.

3:32:36:

Chair Segal: Great. I'm really glad to hear they're pursuing that. Commissioner Mauter.

3:32:48:

Anna Vuong: Thank you.

3:32:53:

[### Presentation slide 28, packet page 96 -- WATER](#)

Anna Vuong: Now, on to our last fund. It's the water fund.

3:32:56:

[### Presentation slide 29, packet page 97 -- WATER ACCOMPLISHMENTS & INITIATIVES](#)

Anna Vuong: Our accomplishments. We mentioned the OneWater Plan. We began the community engagement and the development of the OneWater Plan.

It's a 20-year water supply plan to address supply reliability. And the droughts and climate change. We will have complete -- We will have completed by June of '23 -- 2023 -- is the assessment of Park Reservoir, to determine whether or not -- to determine whether we're going to replace Park Reservoir or rehabilitate Park Reservoir. And, in terms of initiatives, once we have that assessment done, then we can go ahead and design and construct for Park Reservoir. We also have wrapping up the Water Main Replacement Project 28. And Project 29, actually, begins in fiscal year '24 as well. And then, next slide.

3:34:03:

Presentation slide 30, packet page 98 -- WATER PRELIMINARY OPERATING BUDGET EXPENSES

Anna Vuong: Here, in our operating pie chart -- our operating expense pie chart -- we have -- the top three categories are the utility purchase of the water commodity, the CIP program, and the Salaries & Benefits.

3:34:22:

Presentation slide 31, packet page 99 -- WATER PRELIMINARY CAPITAL BUDGET EXPENSES

Anna Vuong: For the capital improvements five-year plan, we have in fiscal year '23, we have -- our current year total is \$27 million. That's adopted budget. And we are estimating about \$14.4 million of that will be spent, and reappropriating \$12.6 [million] of that. Part -- the bulk of that would be the Park Reservoir. And the water system's ** improvements project, we have an initiative to replace the security cameras, as well as install generators at our booster pumps -- booster stations and pump stations. And so, in fiscal year '24, the CIP for water fund is \$26-point -- \$26 million. And that includes that \$12.6 [million] reappropriation that I just mentioned.

3:35:24:

Presentation slide 32, packet page 100 -- WATER FUND HIGHLIGHTS

Anna Vuong: OK. And then, in summary, for the Water Fund, we anticipate an increase of \$3 million in revenues. And that would be the -- at the point of time where we were doing -- putting the presentation together. It was a 6 percent rate increase. Now -- And for the adopted version -- the adopted budget, we'll be proposing a 5 percent rate increase. And then, in expenses, it's an increase of about \$13 million. That includes the capital improvement. So, that would be some of the reappropriations from '23, as well as Water Main Replacement 29. And then, as well as an increase from the commodity -- the SFPUC commodity rate increase of what, at the time, was 11 percent, and now is 9.6 percent. OK.

3:36:23:

Presentation slide 33, packet page 101 -- Single-Family Residential Water Bill Comparison

Anna Vuong: And then, our next slide is the water bill comparison for residential customers. Palo Alto is about 14 percent above our other comparative cities. We do have a proactive investment in our infrastructure. And we're 100 percent Hetch Hetchy. Some of these other cities might have ground water sources.

3:36:46:

Presentation slide 34, packet page 102 -- Commercial Water Bill Comparison

Anna Vuong: And then, our next slide is our Commercial Water Bill Comparison, where we are 5 percent above comparison. I did note that we are getting closer. And we used to be higher than Redwood City. So, our -- the gap between how high we are compared to other cities is closing.

3:37:19:

Presentation slide 35, packet page 103 -- STAFFING

Anna Vuong: And then -- Well, do you have any questions for the Water Fund?

3:37:29:

Vice Chair Scharff: Um, ...

3:37:29:

Chair Segal: Commissioner -- or Vice Chair Scharff.

3:37:32:

Vice Chair Scharff: Thanks. I don't really have a question. I actually just wanted to give a comment. I actually just remembered why we use Hayward. One, I think it's because of BAWSCA. And we use it on this as well, because we -- they get Hetch Hetchy water as well. And then, a lot of cities actually don't do their own sewer. Like Fremont, and Newark, and Union City belong to Alameda County Water District, and I think Oakland and most of the other north Alameda counties

cities?

belong to East Bay MUD. I think it's one of those that actually works. I remember something about that when we chose it, a long time ago. So, I just thought I'd throw that out, because it might help.

3:38:10:

Anna Vuong: Great. Thank you.

3:38:11:

Chair Segal: Thanks. Commissioner Phillips.

3:38:16:

Commissioner Phillips: I guess I'm just curious about the Water Fund -- the difference between the revenues and the expenses. The \$21 million gap. Maybe I missed something, but --

3:38:30:

Dave Yuan: Yeah. I think part of it is because of the reappropriations. So, there's like \$10 million of money that was encumbered in 2023, but we have moved that to 2024. And then, the other reason is, we do have a healthier reserves in water, compared to the other utilities. Mostly, it's because of the deferral of CIP projects in the past. And also during -- I think, during COVID, the revenues actually was higher than we projected, 'cause a lot of people working from home. And so forth. So --

3:38:57:

Commissioner Phillips: So, the \$9.4 million -- the reappropriation -- is already covered -- in rev- -- because we already have the budget for that. And the remainder is going to come out of the reserves? Is that what I hear?

3:39:11:

Dave Yuan: Yes.

3:39:13:

Commissioner Phillips: And that will leave our reserves in a reasonable position?

3:39:16:

Dave Yuan: Yes. It still is in a very healthy state.

3:39:24:

Commissioner Croft: I guess I'll ask my question now, since it's a similar question. Before we go on to staffing. But it was about the budget. And, again, I'm sorry, I don't know -- this is a page 8 of -- I was trying to find like just a summary of all the funds. Revenue and Expenses. And so, it's page 8 of -- I think it was the attached budget -- full budget. And so, the revenues are -- Sorry, the expenses are \$470 million and the revenues are \$413 [million] So, there's a big difference. This year -- Oh, sorry, for 2024 proposed budget. But then, if I look past -- '22 and '23 are the same. Like, there's a very large difference between -- the expenses being much, much higher than the revenues. Consistently. So, I was curious where that money came from. How are we covering those shortfalls. And so, I went to go look at the City budget. But we don't break it out by fund. So, it's really hard. You can't figure it out. So, what -- Are we just eating into reserves? Or is there some other place that the shortfall comes from?

3:40:35:

Dave Yuan: Yes. So, a part of those expenses is reappropriation dollars. I don't know what the total might be. Around \$20 million for 2024. I'm guessing. Roughly. But another thing is, for budget expenses, it's how much we're authorized to spend. We don't normally spend everything. So, for, like CIP, we only usually spend anywhere from 25 to 50 percent of our budget, depending on the time when we issue the project, and depending on staffing. And for our salaries and savings, we do have a 20 percent vacancy. So, that won't be spent as well. So, there's also Contract Services, that we may not have time to complete. So, I think what we realize, usually, is about -- I want to say 60 to 75 percent of our expenses we'll spend. So, even though we are authorized to spend more, we don't usually use it all.

3:41:23:

Jonathan Abendschein: I can also add that when we reappropriate things from one year to another, we've collected the money for those expenses in rates. And so, you may ha- -- So, that will end up in reserves, and then get drawn down the following year. So, it's all factored into the long-term business plan, the long-term rate plan. When that sort of inter-fiscal-year thing happens.

3:41:50:

Commissioner Croft: So, do you have -- Just to follow up. So, this is happening repeatedly for three years, that we have a much bigger -- So, do we just have kind of a rule of thumb when we're doing our planning, that on the expense side, we're not going to spend it all? Like, just how do you come up with a budget, where you're so different, in terms of revenues and expenses, and feel comfortable with it? Like, how do you -- Is it due to that rule of thumb that you're talking about, where really the expenses you're expecting -- you never -- you never spend them all?

3:42:27:

Dave Yuan: I would think yes. That is part of the dynamics of the budget to the actuals. It's probably better if you look at the prior year actuals, to see what the true spend rate is. So, you'll see that. Like, our budget actuals in prior years, in '21 and '22, the total expenses is more like \$280 [million]-\$320 million. And -- Whereas, that what we're budgeting this year is more like -- a lot more than what we're really able to spend. Like, if that money -- Again, there's like \$50 million in the grid modernization project and the fiber to the premises. So, those dollars will get spent a little bit, but not the full amount. And that will be carried forward to the following year after that.

3:43:06:

Jonathan Abendschein: [unamplified] So, is this electric **

3:43:08:

Dave Yuan: No, that's everything.

3:43:10:

Jonathan Abendschein: [unamplified] Oh. Everything. Yeah. Well, and then there's also some things in there that are going to be debt financed. And there's some things [cough] Right?

3:43:19:

Jonathan Abendschein: [amplified again] Yeah. So, there are also some items in there that we're expecting to debt finance. So that's probably responsible for part of it. And then we also have a practice of spending more on CIP in some years and less in other years. We're doing a main replacement project, for example, every other year, so that we can have a larger project and be able to get more bids. And also manage staff capacity issues. And so, you'll see, sometimes -- Some years, you'll see high spending on capital and low spending the next year. And we take care of that through a capital reserve that we maintain. So, there's -- that's what the -- Next year -- And we -- You -- We already brought this to the commission, but every year, we'll bring a -- essentially, a business plan -- a financial plan for each utility, that takes all of these varian- -- year-to-year variances into account, and maps them against the reserves.

And against weights. And that's where we really do the checks, to make sure that the utilities are in a good financial position.

3:44:27:

Commissioner Croft: OK. Thanks. I'll look forward to that.

3:44:30:

Jonathan Abendschein: And we can forward those to you, too.

3:44:31:

Commissioner Croft: OK. Awesome.

3:44:42:

Anna Vuong: Any other questions? OK. All right. Well, we'll move on to staffing.

3:44:50:

Presentation slide 35, packet page 103 -- STAFFING (again)

Presentation slide 36, packet page 104 -- STAFFING -- Vacancies and Recruitments

Anna Vuong: We touched on it a little bit with the Strategic Plan. But this just kind of goes back to it. This slide here is on our vacancies and active recruitments. Currently, we're at 57 vacancies. Um. To date. And that is about -- represents about a 22 percent vacancy. We do have 34 active recruitments, and we're able to do that with the help of the HR liaisons that we mentioned earlier.

3:45:22:

Presentation slide 37, packet page 105 -- STAFFING (continued)

Anna Vuong: And in the next slide, here, is -- just kind of covers what Tabatha mentioned earlier. Despite our -- all the activity, we do have a net loss of 6 positions -- 6 FTEs. We've hired 30 new hires, from -- in the year -- calendar year '22, and the first three months of this year. We also have 23 promotions. But through all of that shuffle, we did have 5 retirements and 36 separations -- oh, sorry, 31 separations. So -- for a net loss of 6.

3:46:02;

Presentation slide 38, packet page 106 -- STAFFING AND RETAINMENT STRATEGIES

Anna Vuong: So, we don't quite catch up. Even through we have all this -- you know, all this work that we've been doing in filling the positions. OK. And our next slide, for recruitment and retention strategies, the recent, I think, commissioner -- or Councilman Laung, you had mentioned that the negotiations -- you know, the recent contract -- Right? -- we did raise -- there has been some market alignments. About a 10 percent to the market rate. And we'll continue that effort as well. To be -- To reach market rate, or be more competitive. And then, we also have the flexible remote work in place, for the positions that are available to take advantage of that. And we have our new apprenticeship programs. One other thing to highlight is our cross training program with our meter readers. Part of the AMI transition -- or post-AMI transition for that project is to provide our meter readers opportunities within the department -- other options as well. So, we did have one meter reader go to Customer Service, and another meter reader go to Water Transmission. And then, we do cross train when we have full staffing in the meter reading position -- group. We do have full staffing via hourly positions. And so, when those are all full, we're able to provide our full-time guys -- and even the hourly -- cross training opportunities. And then, let's see, we talked about career fairs. And retention. So, in the new contract, for -- with SEIU, we have a -- there's a hiring bonus and a retention bonus that they have put in. We will need some interpretation from HR, but it's on a case by case basis. So that should help, in terms of recruitments and retention as well. We'll see that maybe in the next couple months or a year. We'll get some data there. And, I think, --

3:48:34:

Presentation slide 39, packet page 107 -- PROPOSED STAFFING REQUESTS

Anna Vuong: Oh, one more thing. Proposed staffing for fiscal year '24. This is reflected in the various funds over the budget book. We have -- are proposing to increase our regular FTEs by 4.5 positions. And that's mostly in the Palo Alto Fiber. Um. With -- I think it's going to be a new division. And then, a .04 in the hourly. So, that -- our .04 is where we're going to increase an hourly position up to 1.0 FTE. Any questions on the -- on staffing in general?

3:49:20:

Chair Segal: I think we spent a lot of time on staffing. [laughs] Thank you.

3:49:24:

Presentation slide 40, packet page 108 -- STAFF RECOMMENDATION TO UAC FOR APPROVAL

Anna Vuong: OK. All right. And then, I think that is our recommendation slide. Do I have to read that out? OK.

3:49:39:

Chair Segal: So, it's two different motions.

###: In theory, for action items, UAC should be able to make any motions it wants, not just the motions staff recommends.

So, if anybody wants to move to recommend that Council approve the FY '24 utilities operating budget -- Do I have a motion to approve that?

3:50:02:

Vice Chair Scharff: I'll move it.

3:50:04:

Chair Segal: And a second.

3:50:05:

** [inaudible]

###. I don't know who seconded the motion.

3:50:06:

Chair Segal: Great. So why don't we just go down the line, starting with Commissioner Croft.

3:50:12:

Commissioner Croft: Approve it.

3:50:14:

Commissioner Metz: Yes.

3:50:16:

Commissioner Mauter: Yes.

3:50:18:

Commissioner Forssell: Yes.

3:50:20:

Commissioner Phillips: Yes.

3:50:22:

Chair Segal: Vice Chair Scharff.

3:50:22:

Vice Chair Scharff: Yes.

3:50:23:

Chair Segal: And I approve as well. So, that passes.

###. 7-0 (unanimous).

###. In theory, unless the commissioners identify themselves, it may difficult to figure out who voted for and who voted against.

And then the motion is to recommend that Council approve the FY2024 utilities capital budget. Do I have a motion?

3:50:40:

Commissioner Phillips: I'll move that.

3:50:41:

Commissioner Mauter: Second.

3:50:41:

Commissioner Croft: I'll second.

###. I don't know which second counted as the official second.

###: At this point, I think it would have been good for Chair Segal to have asked whether any commissioners wanted to propose an amendment or substitute motion.

3:50:43:

Chair Segal: OK. We'll start on that end, Commissioner. So --

3:50:45:

Commissioner Phillips: Yes.

3:50:46:

Commissioner Forssell: Yes.

3:50:47:

Commissioner Mauter: Yes.

3:50:48:

Commissioner Metz: Recognizing the great amount of work that went into this, in the absence of any specifics on the grid modernization, I'm going to vote no.

3:51:00:

Commissioner Croft: Yes.

3:51:01:

Chair Segal: Vice Chair Scharff.

3:51:03:

Vice Chair Scharff: Yes.

3:51:04:

Chair Segal: And, yes. That carries as well.

###. 6-1 (Metz no).

OK. Thank you for all the work on that. And now, I'll move to Commissioner Comments and Reports.

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From: [Sherry Listgarten](#)
To: [Evert, Catherine](#); [Batchelor, Dean](#)
Cc: [UAC](#)
Subject: Info on 20 kVA restriction on solar/battery installations in Palo Alto
Date: Sunday, June 4, 2023 12:02:04 PM

CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.

Hi Catherine and Dean. I am interested in learning more about the 20 kVA limit that Palo Alto recently instituted for solar/battery installations. At least, my understanding is that it is fairly recent, or at least recently enforced.

I understand well that our distribution grid has inadequate capacity for an electrified future and we are trying to fix that. That is great. It's not uncommon for there to be a single 37.5 kVA transformer supporting 15 households, I recall Marshall saying. So while we are working to address the grid shortcomings (it's not a quick fix), we need to be fair about how the limited supply is allocated and dissuade very large loads. That makes sense to me.

So I'd like to understand the details of the 20 kVA restriction. Does it apply to solar-only as well as solar-plus-battery? Does the 20 kVA apply to the sum of solar plus each battery and if so, what is the rationale for that? If the batteries are configured not to backfeed, the limit applies -- is the concern that there still might be a surge for 1-2 cycles, causing power to flicker briefly for everyone on that transformer?

Please lmk how I can learn more. I am asking in part because the state as a whole is encouraging battery installations -- they help to mitigate the duck curve effect of solar and reduce our peak usage and costs. So if Palo Alto effectively limits households to a single battery, that is not a small restriction. But again, I do not know the details and I would love to learn more.

Please lmk if there is someone I can talk with and/or something I can read.

Thank you,

-- Sherry.

--

Sherry Listgarten
Climate blogger for Embarcadero Media

[A New Shade of Green](#)

Online at [Palo Alto Online](#), [Mountain View Voice](#), [The Almanac](#), [Pleasanton Weekly](#), and [DanvilleSanRamon](#).

650-646-4644

From: [Jeff Hoel](#)
To: [UAC](#)
Cc: [Hoel, Jeff \(external\)](#); [Council, City](#)
Subject: Request: agendize FTTP for each UAC meeting
Date: Tuesday, June 6, 2023 3:23:16 PM

CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.

Commissioners,

I'd like to request that UAC consider asking staff to agendize for each UAC meeting an item about FTTP progress. That would allow you to discuss the item if you wanted to. Furthermore, if the item were agendized as an action item, then you could vote on what to advise Council, if you wanted to.

I suggested this once before, in my message to you of 12-30-21. (See pages 13-14 here.)
<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/01-05-2022/public-letters-to-uac.pdf>

I cited as a precedent that "From 05-07-14 to 08-31-16, each UAC agenda had a scheduled item about the drought, just in case UAC wanted to talk about it."

One particular topic of interest might be an updated timeline. On 12-19-22, staff presented a timeline (see page 22 here)

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/item-presentations/2022/20221219/20221219pptccsm-item-20.pdf>

that Mayor Burt thought looked pretty aggressive (see page 39 here, at 5:03:53).

<https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2023/02-feb-2023/public-letters-to-uac-february-2023.pdf>

Thanks.

Jeff

Jeff Hoel
731 Colorado Avenue
Palo Alto, CA 94303

PS: The 06-07-23 12-month rolling calendar did not schedule any FTTP topics as future agendized items, although it did mention "Informational Fiber Updates" and "GM Update: Fiber Hut Count (update June 2023)" as "To Be Scheduled."

(I would like to cite this 12-month rolling calendar as a clickable link (URL), but the City's website does not currently allow me to do that. You can use the clickable link in the 06-07-23 UAC agenda, just after agenda item 5.)

<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=11331>