



UTILITIES ADVISORY COMMISSION MEETING MINUTES OF October 7, 2020 SPECIAL MEETING

CALL TO ORDER

Chair Forssell called the meeting of the Utilities Advisory Commission (UAC) to order at 4:02 p.m.

Present: Chair Forssell, Vice Chair Segal, Commissioners Danaher, Jackson, Johnston, Scharff and Smith

Absent:

ORAL COMMUNICATIONS

None.

APPROVAL OF THE MINUTES

Vice Chair Segal moved to approve the minutes of the September 2, 2020 meeting as presented. Commissioner Jackson seconded the motion. The motion carried 6-0 with Chair Forssell, Vice Chair Segal, and Commissioners Danaher, Jackson, Johnston, and Smith voting yes, and Commissioner Scharff absent.

AGENDA REVIEW AND REVISIONS

Chair Forssell reported that Commissioner Comments would be heard after New Business items.

REPORTS FROM COMMISSIONER MEETINGS/EVENTS

None.

UTILITIES DIRECTOR REPORT

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

SunShares 2020 Solar Group-Buy Program - For the fifth year in a row, the City of Palo Alto is participating in Bay Area SunShares, a solar group-buy program administered by the Business Council for Climate Change (BC3). Three solar installers -- Solar Technologies, SkyTech Solar, and Infinity Energy -- have been vetted and selected through an RFP process. This year the program also includes discounts on battery storage. The program runs for a limited time: registration opened on September 1 and closes on November 30. CPAU will hold a free educational workshop on Tuesday, October 27. Contracts for PV installations must be signed by December 31, 2020. This year, electric vehicles are not part of the program.

Refrigerator Recycling Program: City of Palo Alto Utilities (CPAU) has reached its goal of picking up 300 refrigerators and freezers through a program started in 2019 and run in part with grant funds from the Bay Area Air Quality Management District (BAAQMD). Customers were offered a \$50 rebate to have their up old refrigerators and freezers picked up. Because of our customers' participation in this program, these older, low-efficiency refrigerators will not go into landfills or be refurbished and sold in the secondhand market. In addition, 95% of parts and materials are recycled, including refrigerants, which are potent greenhouse gases.

Our customers have made a lasting, positive change that will benefit this community and the environment for many years to come.

CALeVIP: We are encouraging commercial customers to prepare now to take advantage of financial incentives coming soon (December 16) for installing EV infrastructure. As you may recall, CPAU has partnered with the California Electric Vehicle Infrastructure Project (also known as CALeVIP) to provide rebates for EV charger purchases and installation costs. CPAU was awarded \$1M from the California Energy Commission and we have contributed \$1M in matching funds to this project. We expect that over the next 2 years the program will result in 100 to 200 new Level 2 chargers and 10 to 20 new DC fast chargers in Palo Alto. To put this in perspective, we currently have about 800 Level 2 publicly accessible chargers and 30 DC fast chargers in town. Details are available at the CALeVIP, Peninsula- Silicon Valley Incentive Project webpage at CALeVIP.org

We are also taking this opportunity to extend our EV Charging technical assistance services to our small to medium businesses to get them to consider taking advantage of opportunities like CALeVIP.

Home Efficiency Genie, 2nd Webinar: City of Palo Alto Utilities Home Efficiency Genie’s next webinar will be held on Tuesday October 6th from 6 – 7 PM. The webinar will highlight ideas to help customers prepare their homes for fall and beyond. Since many of us are spending more time than ever inside our homes, the webinar will provide useful tips and suggestions to help residents be more comfortable,

healthier, and safer, plus ideas to save energy and water and therefore reduce bills. Topics that will be covered in the webinar include: furnace filter replacement; chimney concerns; carbon monoxide and smoke detection devices; indoor air quality; windows, and other seasonal messages. The presentation will be led by Tony Jung – our expert Genie building science professional – who has performed over 350 in-home assessments in Palo Alto. Also presenting will be Emily Yarsinske from Valley Water with ideas for saving water. The Genie webinar will provide valuable takeaways to use now and to get you ready for the colder winter weather ahead.

UNFINISHED BUSINESS

None.

NEW BUSINESS

ITEM 1: ACTION: Staff Recommendation That the Utilities Advisory Commission Recommend the City Council Adopt a Resolution Updating the City's Carbon Neutral Gas Plan to Continue to Achieve Carbon Neutrality for the City's Natural Gas Supply Portfolio.

Jonathan Abendschein, Assistant Director of Utilities, introduced Karla Dailey, a Senior Resource Planner and Micah Babbitt, Resource Planner, who presented to the item to the Commission.

Karla Dailey, Senior Resource Planner, acknowledged that the program has been in place for a few years and now is the time to review and refine the program.

Micah Babbitt, Resource Planner, commented that the two main objectives of the presentation are to review the Carbon Neutral Gas Plan to date, review carbon offsets, and recommend revisions and clarifications to the Carbon Neutral Gas Plan. In December 2017 Council adopted the Sustainability and Climate Action Plan which includes a goal to reduce emissions by 80 percent of year-1990 levels by year-2030. A Council-approved key action is to purchase carbon offsets and evaluate local offsets as an option. Carbon offset means the reduction of carbon equivalent emissions created to compensate for emissions made elsewhere. There is a robust carbon offset market already in place. Carbon offsets are not a direct reduction or substitute for reducing local emissions. Carbon offset concerns included additionality, double counting, not a scalable solution, and enabling buyers to continue to create emissions. Carbon offsets are a component in California’s Cap & Trade program, and the California Air Resources Board (CARB) has developed protocols to help mitigate

carbon offset concerns. Those protocols do not address the concerns regarding scalability and buyers still creating emissions. There are six project types that CARB currently allows which included U.S. Forest Projects, Urban Forest Projects, Livestock Projects, Ozone Depleting Substances Projects, Mine Methane Capture Projects, and Rice Cultivation Projects. The City's plan is a 100 percent carbon-neutral gas portfolio with a rate impact of less than \$0.10 per therm. The plan also included purchasing high-quality offsets with a preference for local and California projects, and spot purchases trailing 6-12 months of gas sales. The City has five Master Agreements with brokers from whom the City purchases carbon offsets. Regarding local City projects, the Ozone-Depleting Substance for refrigerator recycling program may provide less than 1 percent of offsets for the City. Staff is collaborating to identify a possible Urban Forestry projects, but any offsets generated would not be available for 15-20-years and would be a small amount. Staff's recommended plan revisions included no changes to spot purchases, no change to CARB approved projects, mirroring CARB's vintage requirements, and authorizing up to a 10 percent premium for California projects, and limiting individual carbon offset transactions to a maximum of \$19 per ton.

Commissioner Scharff opined that he did not feel that the concern regarding offsets running out was a valid concern because when the quantity of offsets gets low, the price goes up, and buyers stop buying carbon offsets. He emphasized that the City should be proud of the fact that it has a bridging strategy in place to reduce emissions and that the preference for California offsets did not make sense.

In answer to Commissioner Scharff's questions, Babbitt explained that there is a lot of inherent uncertainty around measuring CO2 removal from projects. There is no concrete answer of if it's a true one to one ratio in terms of buying carbon offsets. Abendschein expressed confidence that offsets do reduce greenhouse gas emissions, and it is an appropriate bridging strategy. Dailey reported that California projects may offer co-benefits such as jobs, lifting communities, and air quality improvement.

In reply to Commissioner Jackson's inquiry of if the 10 percent increase is authorized what is the likelihood that offsets would be purchased, Babbitt answered it was a low probability.

In response to Commissioner Johnston's statement that the only change to the plan is authorizing the 10 percent premium, Babbitt remarked that there is also no restriction on vintages.

Commissioner Johnston reported that there has not been much push back from the community in terms of rate increases.

Vice Chair Segal requested that the objective of the plan be restated to say something about the goal to reduce gas consumption with a bridging strategy that includes carbon offsets.

In response to Vice Chair Segal's question on if more reforestation projects will be available because of the recent fires, Dailey answered that it's possible, but the City does not invest in projects that will produce offsets in the future and that California reforestation projects have not presented themselves.

In reply to Chair Forssell requesting clarification on the Cap and Trade market as well as vintage projects, Babbitt explained that the difference between the offsets the City purchases versus offsets that get put into the Cap and Trade Compliance Pool is there is an additional certification that developers have to go through. Once that takes place, those offsets cannot be sold in the Voluntary Market. The Cap and Trade Compliance Offsets sell for 10 to 20 percent more than those in the Voluntary Market. U.S. Forestry projects are the vast majority of offset projects that are developed, and that is where the market is. In terms of vintages, CARB picked the year of 2006, and Staff did not know the justification for that date. Dailey added that the confidence that the CARB protocols provide is superb and buying offsets from CARB approved projects types and vintages removes those offsets from the market so other buyers cannot buy them for compliance.

Chair Forssell agreed that the purchase of California offsets at a premium did not make sense.

In response to Council Member Cormack's inquires about the \$20 per resident cost, Babbitt answered that it is based on per residential account.

Commissioner Smith emphasized that the Commission agreed to hold rates flat and now revenues are being raised for Bucket 1 Renewable Energy Certificates (RECs). He did not support a 10 percent premium for California offsets.

Commissioner Danaher stated the UAC had made the policy suggestion for the Carbon Natural Gas Plan, not the City Council. Chair Forssell noted that the UAC did not suggest there be a preference for buying California offsets.

Several Commissioners supported Staff rewriting the objective.

In answer to Commissioner Smith's request for clarification regarding vintage projects, Dailey reported that it is to align with CARB's rules so that any offsets that are purchased are in alignment with the protocols that are set forth and that nobody else can buy those offsets and use them for compliance.

ACTION: Commissioner Scharff moved, seconded by Commissioner Johnston that the Utilities Advisory Commission recommend the Council adopt a Resolution updating the City's Carbon Neutral Gas Plan, which includes the following key elements:

- Continue the Carbon Neutral Gas Plan
- Continue to restrict purchases to carbon offset projects that are accepted project types of California Air Resources Board (CARB) including U.S. Forest, U.S. Urban Forest, U.S. Livestock, U.S. Sourced and Destroyed Ozone Depleting Substances, U.S Mine Methane Capture, and U.S. Rice Cultivation; or any other Project Type subsequently approved by CARB
- Restrict purchases to CARB's vintage requirements
- Authorize up to a 10% premium to be paid for offset projects developed in California
- Continue to have a preference for California projects as long as it does not result in a price premium
- Limit individual transactions to under \$19 per ton of CO₂e or 10¢/therm
- Continue to limit transactions to spot purchases and
- Continue to purchase offsets in quantities that match gas sales volumes.

The motion carries 7-0 with Chair Forssell, Vice Chair Segal and Commissioner Danaher, Jackson, Johnston, Scharff, and Smith voting yes.

ITEM 2: DISCUSSION: Discussion and Update on the Adoption and Integration of Distributed Energy Resources in Palo Alto

Chair Forssell summarized that the item has been brought back for additional discussion around the other pieces of Distributed Energy Resources within the City.

Jonathan Abendschein, Assistant Director of Utilities introduced Shiva Swaminathan, Senior Resource Planner, who was available for questions, but who did not have a presentation.

In reply to Commissioner Jackson's inquiries regarding the value of shifting electric consumption outside of peak times, Swaminathan noted that the City does care about time-shifting usage outside of peak times because energy is, more costly in the peak time, it impacts the distribution system, it is imperative for renewable resource integration in the grid and there are decarbonization benefits. Regarding Time of Use Rates, Time of Use Rates were tested as part of a broader pilot project called Customer Connect Pilot Project. The Customer Connect Pilot Project had several objectives and one was to provide AMI meters and hourly data for customers. The outcome of the Time of Use portion of the pilot project showed the savings to customers was relatively small due to electric rates already being low and the cost differential between peak and off peak being small at the time, resulting in a correspondingly small rate difference in those periods.

The cost differential has grown substantially since then. In regards to whether a future Time of Use rate would be a static rate or a dynamic rate, the City did not want to be at the forefront of dynamic pricing, but would look to implement it when it matured. In regards to Energy Storage Systems (ESS), there are no plans to incentivize the installation of ESS Systems, but the City support it because there are resiliency benefits for ESS Systems and the enable greater self-consumption of solar energy.

Commissioner Jackson concluded that the City is investing a lot of time and resources for a Static Time of Use Rate that will not have a big impact. Dynamic Time of Use Rate is a lot more effective in driving behavior and that should be the focus for the City.

In response to Vice Chair Segal's question on why there is a Greenhouse Gas reduction from solar and whether Time of Use Rates were offered to businesses, Swaminathan explained that the Greenhouse Gas reductions were related to reductions in gas generation on the statewide electric grid. The Time of Use Rate was available to all commercial customers but only one commercial customer has used it.

Vice Chair Segal commented that she'd like to see the economics associated with each system.

In response to Commissioner Johnston's questions about time of use and cost of service and about the planned competitive assessment, Abendschein confirmed the assumption that there is no legal restriction on Time of Use Rates if they conform to cost of service. Regarding the work item to complete a competitive assessment, Abendschein stated that as storage costs and solar costs decline the City needs to stay aware of its competitiveness relative to grid disconnection. Dave Yuan, Strategic Business Manager, responded to Commissioner Johnston's question regarding the timeline for the AMI project, reporting that Staff is in the final evaluation stage and is hopeful that the progress on the evaluation and the selection process for the Request for Proposal (RFP) for the AMI will be brought to the Commission by the end of 2020 or the beginning of 2021.

Chair Forssell found it interesting that electric vehicles, Photovoltaic (PV) and energy efficiency are the dominant Distributed Energy Resources in the City. Also, adding a heat pump water heater or heat pump space heater per unit is comparable to half the CO2 reduction potential as getting an electric vehicle.

In reply to Chair Forssell's inquiries about the discontinued Commercial Demand Response Program, the new MyCPAU Portal, and what transactive markets meant, Swaminathan noted that because the Commercial Demand Response Program required a lot of resources, Staff decided to put the program on hold due to competing priorities. In response to Chair Forssell's question about how the City had gotten commercial customers to reduce load during recent grid emergencies, Abendschein reported that the City had requested that several large customers during the summer run their backup generators to relax the load on the grid. The State had temporarily suspended its policy against running backup generation for demand response to enable that and Staff is trying to push the State to clarify what the policies will be in the long term regarding back up generations during tight grid situations. Yuan reported that the new MyCPAU Portal has about a 60 percent adoption rate and overall the feedback has been positive. Swaminathan reported that a transactive market meant enabling customers to trade energy among each other.

Commissioner Jackson encouraged Staff to explore a machine to the machine communication mechanism that can inform a customer to reduce their load during peak hours.

ACTION: None

COMMISSIONER COMMENTS

Vice Chair Segal mentioned that it is great that Tesla stepped up and provided education for their customers when the state asked Californians to reduce usage to avoid Brown Outs or Black Outs.

ITEM 3: ACTION: Selection of Potential Topic(s) for Discussion at Future UAC Meeting.

Commissioner Danaher wanted an update on how the pandemic is affecting revenues, costs, and Staff. Also, he asked to invite the Development Center staff to provide a presentation on the permitting process for solar and electrification. Chair Forssell seconded that suggestion.

Chair Forssell requested more information regarding the new customer portal and how it is being received and used.

Commissioner Smith said he wanted an update on the Bucket 1 REC sales program recently approved by Council.

ACTION: None

NEXT SCHEDULED MEETING: November 4, 2020

Commissioner Scharff moved to adjourn. Commissioner Jackson seconded the motion. The motion carried 7-0 with Chair Forssell, Vice Chair Segal, and Commissioners Danaher, Jackson, Johnston, Scharff, and Smith voting yes. Meeting adjourned at 5:52 p.m.

Respectfully Submitted
Tabatha Boatwright
City of Palo Alto Utilities