



UTILITIES ADVISORY COMMISSION MEETING MINUTES OF MARCH 6, 2024 REGULAR MEETING

CALL TO ORDER

Chair Segal called the meeting of the Utilities Advisory Commission (UAC) to order at 6:02 p.m.

Present: Chair Segal, Vice Chair Scharff, Commissioners Croft (attended remotely), Forssell, Mauter, Metz, and Phillips (arrived 6:04 p.m.)

Absent:

AGENDA CHANGES, ADDITIONS AND DELETIONS

Item 2 deferred.

PUBLIC COMMENT

David Coale commented about his neighbor trying for seven weeks to obtain a permit to install an electric vehicle charger. Mr. Coale contacted Chief Building Official George Hoyt, Director Jonathan Lait, the City Manager and City Council Members. Mr. Coale suggested that the UAC receive updates every six months from the City's Permitting Department.

APPROVAL OF MINUTES

ITEM 1: ACTION: Approval of the Minutes of the Utilities Advisory Commission Meeting Held February 7, 2024

Chair Segal invited comments on the February 7, 2024 UAC draft meeting minutes.

Chair Segal requested the following changes. Packet Page 8: Mr. Batchelor replied that *while trees were not inspected as part of those inspections, however, when they were inspected*, trees were trimmed if they were too close to the lines. Packet Page 11: Chair Segal opined the low rating on maintaining modern and reliable infrastructure *might be* due to Palo Alto's high interest in electrification...

ACTION: Commissioner Metz moved to approve the draft minutes of the February 7, 2024 meeting as amended.

Commissioner Mauter seconded the motion.

The motion carried 7-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Forssell, Mauter, Metz, and Phillips voting yes.

UTILITIES DIRECTOR REPORT

Utilities Director Dean Batchelor delivered the Director's Report.

Hydroelectric Update: As of March 4, precipitation and snowpack levels in Northern California are about average for this time of year and about 10% below average in Central California. Reservoir levels are slightly above average. The City's hydro resources were projected to produce around 107% of the long-term average output in FY 2024 and about 101% in FY 2025.

Water Supply Update: Precipitation is close to long-term average. Storage in the Hetch Hetchy system is above average. The San Francisco Public Utilities Commission does not anticipate a water supply shortage this summer but will release final water supply conditions in April. Wholesale water rates were projected to increase 6.5% resulting from increased costs and continued low water sales in the region. The rate increase will be finalized in May or June.

Heat Pump Water Heater (HPWH) Program Update: The City installed 202 HPWHs through the full-service program and has another 22 units scheduled for installation, of which 66 customers applied for on-bill financing. CPAU processed nine rebate applications in February. RFP proposals for emergency water heater replacement are due March 22.

Electric Vehicle (EV) Programs update: Since the launch of CPAU's EV programs, 297 EV charger ports were installed. EV charging infrastructure has been installed at 12 multifamily properties (4%), 18 non-profits, 8 high schools and 5 medical facilities. The City has an S/CAP goal of facilitating EV charging access to 10% of multifamily properties by 2025. There are 54 EV projects in process, of which 42 sites are participating in the EV Technical Assistance Program (EV TAP).

Limited-Time EV Discount Campaign: In February, Palo Alto residents were eligible for discounts up to \$18,500 on select battery EVs and plug-in hybrid EVs through the City's partnership with Cool the Earth's Ride and Drive Clean campaign. CPAU planned to offer two additional discount campaigns for EVs and e-bikes in 2024.

Sanitary Sewer Replacement Project 31: Sanitary Sewer Replacement Project 31 is scheduled to be complete in May 2024. Go to cityofpaloalto.org/utilityprojects for weekly news updates as well as contact information for questions or concerns.

Outage Management System (OMS): All customers with mobile phone numbers in CPAU's utility billing records were automatically opted-in to receive text message notifications through the new OMS. Staff is working with the OMS manufacturer on the possibility of automated phone calls for customers who do not have a mobile phone.

Upcoming Events: Details and registration are available at cityofpaloalto.org/workshops.

- **Sunday, March 10, 10 a.m.-1 p.m.:** Is an Electric Car Right for You? (in-person class and outdoor EV expo at Mitchell Park Community Center) Staff will also promote the HPWH program.
- **Wednesday, March 20, 5-6 p.m.:** New EV Owner (Zoom webinar)
- **Friday, March 23, 10 a.m.-2 p.m.:** Native Garden Workshop (in-person at Rinconada Library, Embarcadero Room)

- **Sunday, April 21, 1-4 p.m.:** Earth Day Festival (in-person at Rinconada Library)

Recent Event: On Sunday February 25, staff participated in the Lunar New Year Fair hosted by WizChinese to promote the City's HPWH program and EV Discount Campaign. Staff spoke with over 50 Palo Alto residents about financial incentives available from the City and State.

NEW BUSINESS

ITEM 3: ACTION: Staff Recommend the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution: 1) Approving the FY 2025 Wastewater Collection Utility Financial Plan 2) Amending Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger), and 3) Approving up to a \$3 million enterprise transfer loan from the Fiber Optics Fund to the Wastewater Collection Utility's Operations Reserve in FY 2024.

Senior Resource Planner Lisa Bilir delivered a slide presentation. PG&E increased electric and gas rates at the beginning of this year. CPAU's median residential bills this year are projected to be lower than PG&E for gas and electric by 10% and 50%, respectively.

Staff proposed rate increases effective July 1, 2024 that would increase median residential bills by an estimated 9% for gas and electric, 15% for wastewater, 10% for water and 2.6% for storm drain. Refuse was not expecting a rate increase.

Wastewater reserves were very low, one reason being Sewer Main Replacement 31 taking place one year earlier than expected to coordinate with the repaving of El Camino. Cost estimates were higher and revenues lower than staff forecasted. A 15% wastewater rate increase allows for a smaller sewer replacement in FY 2026 of \$2M for construction and \$1M for design in FY 2025 as well as a pump station retrofit in FY 2028. Resumption of 2.5 miles/year of sewer main replacement occurs in 2028 with either a 15% or 9% wastewater rate increase.

Commercial winter usage was low possibly due to the wet winter, business impacts from COVID, recovery and drought. As a result, commercial revenue declined about 4%. The forecast assumed commercial revenue to return over a three-year period and then normal winter usage each year going forward.

Finance Committee Members were supportive of staff's proposal. Because wastewater reserves were very low and due to the large main project, staff wanted to ensure there were sufficient funds for short-term needs. Staff proposes a loan of up to \$3M from the fiber utility to the wastewater collection utility to be repaid in Fiscal Year 2026 at the City's portfolio rate (currently 2.47%) plus 0.25%. The financial plan reflects 3% interest on a \$3M loan. Staff asked for feedback from the UAC.

In response to the Commission's questions, Ms. Bilir clarified that staff would make a decision at the end of this fiscal year on the amount of the enterprise transfer loan from the fiber optics fund to the wastewater collection utility's operations reserve depending on the reserve balance and how much was needed, although not to exceed \$3M. Staff often asked for Council approval of transfers within or across utilities but only completes those transfers if needed. By the end of the year, staff should have a good

idea of the funds needed in the short term for Sewer Main Replacement 31. Revenues should cover everything else.

Staff was uncertain on the timeline for the Valley Water grant. There could be some grant funds received but wastewater treatment costs and revenues could be higher or lower than projections.

Regarding Packet Pages 42 and 56, Utilities Strategic Business Manager Dave Yuan provided an explanation on unrealized losses on investments. The City has bonds as a laddering strategy. Unrealized gains and losses were for accounting purposes assuming the City liquidated everything at the current price but the plan was to hold the bonds until maturity. For example, if the City bought a bond at 2% but the market rate was now 5%, the City takes an unrealized loss of 3%. In response to Commissioner Croft asking if the City was paying debt service at a fixed rate for all bonds, Mr. Yuan replied that as far as he knew it was a fixed rate but staff could confirm.

Ms. Bilir displayed a Wastewater Reserve Projections chart. The operations reserve was negative \$0.7M at the end of Fiscal Year 2023 but funds moved into the CIP reappropriations and commitments reserve will be spent in 2024 and 2025.

Utilities Director Dean Batchelor explained the reason for the loan was to put the money in the reserve to pay for projects. It was mostly a timing issue. If the wastewater utility needed a loan, the approval process from the UAC, Finance and Council would take more than the 30-day window to pay for costs after a project is finished.

If there were no reserve to borrow from, funds would come from a loan or bond financing at market rate. Prior to 2009, there was one large reserve. The auditor stated there was too much money in one reserve, so the reserve was divided by fund and the utility was divided into five utilities.

In reply to Chair Segal asking for the minimum and maximum reserve amounts for wastewater, Ms. Bilir responded that the operations reserve target was 105 days of treatment and operating expenses and a band above and below that of 45 days of expenses. The minimum in Fiscal Year 2025 is projected to be about \$3.5M.

Chair Segal asked if there were any consequences with City bond ratings or interest rate if the reserve was below risk assessment, reserve minimum or reserve target. Mr. Yuan thought a one-time occurrence would not but it would hurt our ratings if it were perpetual; bonding with multiple utilities can help get a better rate.

Vice Mayor Lauing suggested that staff bring Assistant City Manager Kiely Nose to present the facts and alternatives to the UAC.

ACTION: Commissioner Mauter moved to approve Staff recommendation that the Utilities Advisory Commission (UAC) recommend that the City Council adopt a resolution (Attachment A):

1. Approving the Fiscal Year (FY) 2025 Wastewater Collection Financial Plan (Attachment A, Exhibit 1); and
2. Increasing Wastewater Collection Utility Rates Via the Amendment of Rate Schedules S-1 (Residential Wastewater Collection and Disposal), S-2 (Commercial Wastewater Collection and Disposal), S-6 (Restaurant Wastewater Collection and Disposal) and S-7 (Commercial Wastewater Collection and Disposal – Industrial Discharger) (Attachment A, Exhibit 2); and

3. Approving up to a \$3 million enterprise transfer loan from the Fiber Optics Fund to the Wastewater Collection Utility's Operations Reserve in FY 2024.

Commissioner Phillips seconded the motion.

The motion carried 7-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Forssell, Mauter, Metz, and Phillips voting yes.

ITEM 4: ACTION: Staff Recommends the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution: 1) Approving the Fiscal Year (FY) 2025 Electric Financial Plan and Accepting the 2024 City of Palo Alto Electric Cost of Service and Rate Study, and 2) Amending E-1 (Residential Electric Service), E-2 (Residential Master-Metered and Small Non-Residential Electric Service), E-2-G (Residential Master-Metered and Small Non-Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7-G (Large Non-Residential Green Power Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service), E-NSE (Net Metering Net Surplus Electricity Compensation), and E-EEC (Export Electricity Compensation)

Utilities Resource Management Assistant Director Jonathan Abendschein delivered a slide presentation. As a result of the Cost of Service Analysis (COSA), commercial customers and large residential users were expected to see decreases while small residential users would see increases. To mitigate the bill impacts of incorporating COSA changes, staff proposed a 0.5% increase in revenue versus last year's 5% forecasted revenue increase. The median residential bill would increase by 9% (\$6.97/month). Staff was exploring ways to use the Rate Assistance Program for low-income customers who may have trouble absorbing the increase. Staff expected lower supply costs this year because of higher hydroelectric generation from the wet 2022/2033 winter. Substantially higher revenues from electric supply portfolio sales in the current fiscal year and next fiscal year will replenish reserves over the short term. In the long term, staff projected a yearly 5% rate increase due to rising supply costs, capital expenditures and debt service related to grid modernization and other investments.

Proposition 26 was a 2010 State ballot initiative that amended the State Constitution. Gas and electric rates must represent the cost of service absent voter approval. Chair Segal asked what percentage of voter approval was needed if the City wanted to change rates to incentivize City values. Mr. Abendschein stated he would get back to Chair Segal with a response. He was unsure when it is two-thirds versus half but he thought it depended on how the initiative was formulated.

Mr. Abendschein responded to the Commission's questions. Staff's rate proposal reflected cost of service. A COSA was usually done every three to seven years. CPAU does not analyze the marginal impact of new customers or charge custom rates based on marginal impact. The COSA estimated usage patterns and costs associated with peak demands. This analysis has to be updated next year and the following year as we transition toward time-of-use (TOU) rates with the smart meter rollout. TOU was likely to start on July 1, 2026; however, in the next few months staff will evaluate alternatives to introduce TOU rates earlier.

For 2023, CPAU's median residential bill was about 40% below PG&E. After PG&E's January 1, 2024 rate increase, CPAU was 50% to 60% lower than PG&E.

A loan from the electric special projects reserve would cover large capital investments in FY 2024 and would be repaid in FY 2025 along with other outstanding loans from the electric special projects reserve. The plan replenishes the hydro stabilization reserve to \$17.4M (target level of \$19M). Reserves will exceed supply cost risks. The electric distribution operations reserve was negative partly because of large capital investments in FY 2023 but will return to guideline level in FY 2025 and forward.

The Residential E-1 kWh rate on Packet Page 132 (EES page 7) did not match Packet Page 271 (Utility Financial Plan Page 12). Mr. Abendschein stated the rates in the COSA were correct.

The COSA will help align rates with the projected costs for each year but there was a cash flow issue related to the timing of debt issuance for major capital investments in FY 2024. Page 6 of the staff report showed the various reserves and proposed transfers. In FY 2024, a loan will be taken from the electric special projects reserve. Money is transferring from the supply operations reserve to the distribution operations reserve for capital investments. Once debt service is issued and reserves are replenished, the distribution operations reserve will repay the supply operations reserve. Then, the supply operations reserve will repay the electric special projects reserve. The Commission expressed their concerns about the practice of interfund transfers. Mr. Abendschein was open to having further discussion but staff thought the actions they were asking the UAC to take tonight would prevent electric utility interfund transfers beyond FY 2025.

Long-term declines in electricity consumption were related in part to efficiency, rooftop solar and the changing character of large commercial uses in Palo Alto as industrial uses have continued to move out but potentially could be offset by data center loads and electrification. Staff updates the forecast every year. As new loads come in and electrification increases, staff will include those in the forecast. When planning for the grid or supply, staff takes into consideration buying electric supply to address load growth or increasing grid capacity for building electrification. Staff uses a conservative forecast when setting rates.

Mr. Abendschein clarified that the rate sheets in the COSA were accurate but the financial plan and staff report had the wrong Tier 2 number, so staff will correct it for Finance Committee.

On Packet Page 341, the total spending over the forecast period including FY 2024 budget is over \$450M and the plan was to finance \$330M through debt, of which \$300M was for grid modernization, \$15M for the Hanover Substation rebuild and \$15M was the electric utility's share of the fiber rehabilitation.

ACTION: Vice Chair Scharff moved to approve Staff recommendation that the Utilities Advisory Commission (UAC) recommend the City Council Adopt a Resolution (Attachment A):

1. Accepting the 2024 City of Palo Alto Electric Cost of Service and Rate Study (Exhibit 1)
2. Approving the FY 2025 Electric Financial Plan (Exhibit 2), which includes the following actions:
 - a. Amending the Electric Utility Reserves Management Practices (Attachment B), to direct staff to transfer to the CIP reserve, at the end of each fiscal year, any budgeted capital investment that remains unspent, uncommitted, and which is not proposed for appropriation to the following fiscal year and to clarify how the Cap and Trade Program Reserve is adjusted each year.
 - b. Approving the following transfers at the end of FY 2024:
 - i. Up to \$20 million from the Electric Special Projects Reserve to the Supply Operations Reserve;

- ii. Up to \$17 million from the Supply Operations Reserve to the Hydroelectric Stabilization Reserve;
 - iii. Up to \$58 million from the Supply Operations Reserve to the Distribution Operations Reserve; and
 - c. Approving the following transfers in FY 2025: Item #3 Packet Pg. 103 Item No. 3. Page 2 of 15
 - i. Up to \$26 million from the Distribution Operations Reserve to the Supply Operations Reserve;
 - ii. Up to \$30 million from the Supply Operations Reserve to the Electric Special Projects Reserve; and iii. Up to \$5 million from the Distribution Operations Reserve to the CIP Reserve;
- 3. Amending the following rate schedules effective July 1, 2024 (FY 2025), (Exhibit 3):
 - a. Changing retail electric rates E-1 (Residential Electric Service), E-2 (Small NonResidential Electric Service), E-4 (Medium Non-Residential Electric Service), E-4 TOU (Medium Non-Residential Time of Use Electric Service), E-7 (Large NonResidential Electric Service), and E-7 TOU (Large Non-Residential Time of Use Electric Service) by varying percentages depending on rate schedule and consumption with an overall revenue increase of 0.5% effective July 1, 2024;
 - b. Decreasing the Net Surplus Electricity Compensation (E-NSE-1) rate to reflect 2023 avoided cost, effective July 1, 2024; and
 - c. Decreasing the Export Electricity Compensation (E-EEC-1) rate to reflect current projections of FY 2025 avoided cost, effective July 1, 2024; d. Updating the Residential Master-Metered and Small Non-Residential Green Power Electric Service (E-2-G), the Medium Non-Residential Green Power Electric Service (E-4-G), and the Large Non-Residential Green Power Electric Service (E-7-G) rate schedules to reflect modified distribution and commodity components, effective July 1, 2024.

Commissioner Forssell seconded the motion with corrections as discussed.

The motion carried 7-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Forssell, Mauter, Metz, and Phillips voting yes.

The UAC took a break at 8:07 p.m. and resumed at 8:20 p.m.

ITEM 5: ACTION: Staff Recommend the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution Approving the Fiscal Year 2025 Gas Utility Financial Plan, Including the General Fund Transfer, and Increasing Gas Rates by Amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service)

Senior Resource Planner Lisa Bilir stated the Finance Committee provided general feedback in support of staff's proposal, although expressed uncertainty about the gas utility transfer to the General Fund.

Staff proposed the following: 9% overall rate increase to customer bills, which assumes supply costs are held constant in FY 2025, 7% rate increase in FY 2026, 7% in FY 2027, 6% in FY 2028 and 6% in FY 2029.

Staff presented a chart with two options for the General Fund transfer. Measure L allowed an 18% transfer of gas utility gross revenues from two fiscal years prior; however, the Council may elect to

transfer less. For FY 2024, the Council elected to transfer 15.5%. Staff's recommendation for FY 2025 was an 11.9% transfer (\$8.96M) and to gradually transition to an 18% transfer in 2027. An 11.9% transfer would require a 9% rate increase as represented in the financial plan.

Utilities Director Dean Batchelor answered the Commission's questions. In addition to the gas utility transfer, the General Fund receives tax revenue from hotels and purchases. A portion of the money from the gas utility transfer was used for fire and police as well as programs and services the City provides to the community. The Commission discussed the transfer options.

Ms. Bilir displayed a chart of gas utility cost and revenue projections. The gas operations reserve was within the guideline range at the end of Fiscal Year 2023 but staff expects it to go below the minimum level at the end of Fiscal Year 2024 partly because of increasing costs and because some costs associated with Fiscal Year 2023 did not occur until Fiscal Year 2024. Staff projects the operations reserve to return to within the guideline range at the end of Fiscal Year 2026. The CIP reserve remains very low but this proposed financial plan brings the reserve balance up within the guideline range by 2028. The reserve guidelines stated that staff had to propose a plan to replenish the reserve to guideline range within a certain timeframe. Ms. Bilir thought it was a five-year period but she needed to verify. Commissioner Metz expressed his concern and thought staff should find a way to bring reserves to within guideline range sooner than 2028. Ms. Bilir stated that staff would look into it. Chair Segal agreed with Commissioner Metz. Chair Segal remarked it would be helpful if the charts showed the reserve minimum and maximum range.

Discussion ensued about the Berkeley decision from the Ninth Circuit Court and its effect on S/CAP and the City's goal of shutting down gas. Mr. Batchelor remarked that this item was in Council's objectives. Staff was looking at how other cities were proceeding and staff will present options to the Council.

Utilities Resource Management Assistant Director Jonathan Abendschein stated that the City would encourage retrofits through voluntary programs regardless what happens with the Reach Code. The gas transition planning study will address infrastructure sequencing of trimming back the gas system and dealing with declining sales. The S/CAP funding study will look at funding sources to keep the gas system running safely under declining revenues. As the gas transition planning study and S/CAP funding study are still in process, the gas financial plans have not incorporated any changes.

Ms. Bilir stated that Council's direction from last year during the budget process was to transition gradually to an 18% General Fund transfer. Mr. Batchelor commented that there was no recommendation from Finance on 11.9% versus 18%. Finance wanted to hear the UAC's feedback. Ms. Bilir pointed out that the transfer amount was higher than normal because it was based on revenues from the spike year occurring two years ago. Discussion ensued regarding the transfer percentage.

Mr. Batchelor addressed Commissioner Croft's queries about the material used for the mains. The life expectancy for new HD pipe was about 100 years. The City is in the process of changing out approximately 38 miles of remaining PVC pipe. Then, steel pipe will be replaced. The long-term plan was to have high-density polyethylene pipe throughout the city but Mr. Batchelor will get back to Commissioner Croft on when that will happen.

Commissioner Forssell reiterated her concerns about the reserve.

ACTION: Vice Chair Scharff moved to approve Staff recommendation the Utilities Advisory Commission recommend that the City Council adopt a resolution (Attachment A):

1. Approving the Fiscal Year (FY) 2025 Gas Utility Financial Plan (Attachment A, Exhibit 1), which includes amending the Gas Utility Reserve Management Practices (Attachment A, Exhibit 2); and
2. Increasing gas rates by amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service) (Attachment A, Exhibit 3); and
3. Transferring up to 11.9% of gas utility gross revenues received during FY 2023 to the General Fund in FY 2025.

Commissioner Forssell seconded the motion.

The motion carried 7-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Forssell, Mauter, Metz, and Phillips voting yes.

ITEM 6: ACTION: Staff Recommends the Utilities Advisory Commission Recommend that City Council Adopt a Resolution Approving the Fiscal Year 2025 Water Utility Financial Plan, and Increase Water Rates by Amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service From Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service)

Senior Resource Planner Lisa Bilir stated that staff's proposal reflected an SFPUC 6.5% rate increase effective July 1. Cost estimates were updated with increased inflation for operations at about 4% and for CIP at about 5.4%. Sales have continued at a lower level than anticipated last year due to the wet weather and not as much rebound after the drought. Therefore, staff lowered the sales forecast. Staff's proposed distribution rate increase of 13% together with the SFPUC increase of 6.5% combined to a total water rate increase for customers of 10%.

There were increases in water supply costs, operating costs and capital costs. 2027 and 2028 show one-time capital cost for two reservoirs needing replacement. The water operations reserve was within the guideline range throughout the forecast period. The reserve level was near the bottom of the guideline range but returns to the target by the end of the five-year period. The water CIP reserve was projected to dip down in FY 2028 when the second tank capital cost happens at the same time as a water main replacement but projected to return in 2029 to within the guideline range. Ms. Bilir showed a slide on Water Operations Cost Projections. Each category showed a steady increase over time. As inflation increases, the cost increases as well. In 2024, there was an increase for a CIP project for GIS.

Ms. Bilir addressed the Commission's questions about demand projections and usage. The water supply purchase forecast shows actuals and projections from last year's FY 2024 financial plan. In 2023, actual purchases were lower than staff's projections. In the past 10 years, there has been a decline in demand of about 1% per year. There was an increase in water usage during COVID over the last few years. Over the next couple of years, staff believes there will be recovery from the drought but not to the extent as previously projected. Staff worked with BAWSCA on a longer-term forecast for supply purposes that has demand projections on a per capita basis by customer class, projecting use per device and per fixture, taking into account the building code, standards, conservation programming and growth. The BAWSCA projections are done every five years to prepare for the Urban Water Management Plan. The long-term forecast from 2021 through 2040 in the Urban Water Management Plan has a reduction in the per

capita usage over time but also takes into account the planned city's growth, which resulted in an increase in demand instead of a decline.

Ms. Bilir showed water usage by rate class (commercial includes master-metered multifamily). Commercial was about 41% of water usage. A COSA will be performed in the next one to two years. The last COSA was completed around 2021.

ACTION: Commissioner Phillips moved to approve Staff recommendation that the Utilities Advisory Commission (UAC) recommend that the Council: Adopt a resolution (Attachment A):

1. Approving the Fiscal Year (FY) 2025 Water Utility Financial Plan (Attachment A, Exhibit 1); and
2. Amending the following rate schedules to reflect increases effective July 1, 2024 (FY 2025): W-1 (General Residential Water service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) (Attachment A, Exhibit 2)

Commissioner Mauter seconded the motion.

The motion carried 7-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Forssell, Mauter, Metz, and Phillips voting yes.

COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

Commissioner Phillips will attend a conference on energy policy at Berkeley next Friday. He encouraged interested Commissioners to contact Jenelle Kamian. The early bird rate cutoff is tomorrow. Chair Segal stated there was a government discount and an early bird discount.

FUTURE TOPICS FOR UPCOMING MEETINGS

Utilities Director Dean Batchelor took note that the Commission wanted a discussion on the reserve management policy with Assistant City Manager Kiely Nose.

In response to tonight's public comment, Chair Segal stated that the UAC was probably due for a discussion on permitting.

Commissioner Croft asked about an item on the City Council schedule on pad-mounted electric equipment. Mr. Batchelor explained that was for a contract in response to an RFP that needed Council approval to buy pad-mounted transformers and switches to replace smaller pad-mount transformers. Commissioner Croft stated that the topic of pad-mounted transformers and where they will be installed in underground neighborhoods was of interest to her.

Commissioner Metz requested staff to add unscheduled items to the calendar.

NEXT SCHEDULED MEETING: April 3, 2024

ADJOURNMENT

Commissioner Forssell moved to adjourn.

Commissioner Mauter seconded the motion.

The motion carried 7-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Forssell, Mauter, Metz, and Phillips voting yes.

Meeting adjourned at 9:24 p.m.