



UTILITIES ADVISORY COMMISSION MEETING MINUTES OF MARCH 14, 2024 SPECIAL MEETING

CALL TO ORDER

Chair Segal called the meeting of the Utilities Advisory Commission (UAC) to order at 5:15 p.m.

Present: Chair Segal, Vice Chair Scharff, Commissioners Croft, Metz, and Phillips (attended remotely)

Absent: Commissioners Forssell and Mauter

AGENDA CHANGES, ADDITIONS AND DELETIONS

None

PUBLIC COMMENT

None

APPROVAL OF MINUTES

None

UTILITIES DIRECTOR REPORT

None

NEW BUSINESS

ITEM 1: ACTION: Staff Recommends that the Utilities Advisory Commission Recommend that the City Council Approve Amended Palo Alto CLEAN Program Rules and Requirements, Handbook, and Power Purchase Agreement; CEQA Status: Not a Project under CEQA Guidelines Sections 15378(a) and (b)

Senior Resource Planner Jim Stack, PhD addressed the Commission. The Council adopted the CLEAN program in 2012, a feed-in-tariff program open to all renewable energy resources located within Palo Alto city limits and interconnected to our distribution system. Under the CLEAN program, the City purchases all the energy the generators produce. None of the energy is used onsite by the customer hosting the project. All energy is fed into the distribution system.

Six solar projects located on parking structures or parking lots currently participate in the CLEAN program (including four on City-owned parking structures). All six projects came online between 2016 and 2019 and together account for 2.84 megawatts (MW) of generating capacity. The contract rate for solar resources is 16.5 cents per kilowatt-hour (¢/kWh) up to a program participation cap of 3 MW. After the 3 MW cap, the contract rate adjusts to the Utility's avoided cost for the energy, which is currently

about 9 cents. The contract rate for non-solar renewable energy resources in Palo Alto is the avoided cost rate, which is between 8 and 8.5 cents depending on the selected contract term.

Participating projects are required to come online and produce power within one year of signing the contract. The rationale for that program rule was to avoid projects signing a contract and occupying space in the participation queue but never come to fruition. Staff proposed to change the one-year requirement to three years for completion of affordable housing projects in Palo Alto. A one-year construction and permitting timeline works well for projects built on parking lots or parking structures but was not feasible for a rooftop project on a newly constructed building in Palo Alto because it takes much longer to go through the permitting and construction process for buildings.

After the 3 MW participation cap, staff proposed to increase the current avoided cost rate for solar resources of between 8.8 and 9.1 cents (depending on the contract term) to between 9.5 and 10.2 cents. For non-solar resources, staff proposed to increase the rate from between 8.3 and 8.5 cents to between 9.4 and 10.1 cents. The last rate adjustment was in 2017. Since then, renewable energy costs have decreased but capacity and transmission costs have increased, which has slightly offset the reduction in renewable energy costs, and consequently we are seeing a slight increase in the Utility's estimated avoided cost of purchasing power outside the city.

Dr. Stack answered the Commission's questions. The last project that signed a contract and came online was in 2019. A customer with a construction project for multifamily residential affordable housing would like to install a 50 kW solar system on the development.

Dr. Stack stated that customers with smaller projects tended to prefer the City's net metering program because they could avoid the utility rate if the project size matched the building's load, it worked as an insurance against future rate increases, and they avoided signing a power purchase agreement and interconnection agreement. For larger projects in the hundreds of kilowatts to over 1 MW, capacity was usually in excess of what the customer might consume onsite, so it was more worthwhile to sign a contract to sell it to us. If they sell it to us under the CLEAN program, the customer cannot claim they are solar-powered onsite because they are not using the solar they generate; rather, they are hosting a facility on their site that provides power to the City.

Public Comment: Jason Matlof stated that landlords had no incentives to provide renewable energy because they do not use or pay for their residents' utilities. All of the state's investor-owned utilities (IOUs) have the concept of virtual net metering, which allows the landlord to pass through the cost and charge tenants for electricity, but Palo Alto does not have that because of the size of our utility. The CLEAN program is the only way for landlords to be compensated for providing renewable energy on the rooftop. Providing renewable electricity to the grid helps the City to achieve its goals of net zero emissions and 100% renewable energy. He urged the City to not only address this problem more immediately but also provide a solution for the other 5,550 multifamily residential units. Building in Palo Alto is extremely arduous. It takes many years from concept through entitlement, rezoning, documents and permitting before beginning construction; therefore, it was not possible to sign up and build solar on a new building within 12 months.

Dr. Stack addressed the Commission's questions.

Resource adequacy (RA) was part of the calculated overall value because it reduces the requirement to purchase RA from other facilities. That calculation was part of the avoided cost estimate.

Typical participating projects in the CLEAN program were at least 100 kW. A typical 1,500 or 2,000 square foot residential system was maybe 5-7 kW. There were two on Cal Ave and two in the University Ave area on Bryant and Webster. We do not have any participating projects on rooftops. The biggest one in the program is in the Research Park off Page Mill with a parking lot canopy structure.

It is difficult to quantify a resilience reliability value, so it is not included in the avoided cost calculator but was part of Council's justification in adopting the 16.5 cents rate.

Dr. Stack was not sure but assumed the solar projects at schools were part of the net metering program. Resource Management Division Acting Assistant Director Karla Dailey stated the other possibility was if they were completely off the grid and had a big battery storage facility.

Discussion ensued on staff's proposed change on Page 4 of 14 (Packet Page 8) to eliminate UAC review of future program updates.

Although not a UAC matter, Chair Segal thought the City asking contractors to have insurance minimums at \$1M per occurrence was too low.

Commissioner Metz commented that technology has changed dramatically since the CLEAN program was designed, particularly in storage, so he would like a discussion on energy generated locally that met our RA requirement and provided revenue from RECs. Mr. Batchelor stated that staff could present ideas to the UAC as a separate discussion topic. Commissioner Metz added that many benefits could be quantified, such as cutting transmission costs, getting Bucket 1 REC value, increasing RA, as well as increasing reliability and resilience.

ACTION: Commissioner Croft moved amended Staff recommendation that the Utilities Advisory Commission recommend that the City Council:

1. Approve the attached amended Clean Local Energy Accessible Now (CLEAN) Program Eligibility Rules and Regulations (Attachment A) as follows:
 - a. Continue the CLEAN Program rate structure for local solar energy resources at 16.5 cents per kilowatt-hour (¢/kWh) until the program reaches 3 MW of solar energy resource capacity, after which the contract rate for solar energy resources reduces to the City's estimated avoided cost of energy generated by these resources, which is updated to:
 - i. 9.5 ¢/kWh for a 15-Year Contract Term,
 - ii. 9.8 ¢/kWh for a 20-Year Contract Term, and
 - iii. 10.2 ¢/kWh for a 25-Year Contract Term; and
 - b. Continue the CLEAN Program rate structure for local non-solar eligible renewable resources without any participation cap at a contract price equal to the City's estimated avoided cost of energy generated by these resources, which is updated to:
 - i. 9.4 ¢/kWh for a 15-Year Contract Term,
 - ii. 9.8 ¢/kWh for a 20-Year Contract Term, and
 - iii. 10.1 ¢/kWh for a 25-Year Contract Term.
2. Approve the attached amended CLEAN Program Handbook (Attachment B) to extend the allowable time to complete a project to three years from the date of execution of the Power Purchase Agreement (PPA) for affordable housing developments and continue to include

the Utilities Advisory Commission in reviewing and reevaluating the program status, terms, and contract rates.

3. Approve the attached amended Palo Alto CLEAN Program Eligible Renewable Energy Resource PPA (Attachment C) to implement the recommended changes to the CLEAN Program.

Vice Chair Scharff seconded the motion.

The motion carried 5-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Metz, and Phillips voting yes.

Commissioners Forssell and Mauter absent.

COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

None

FUTURE TOPICS FOR UPCOMING MEETING

None

NEXT SCHEDULED MEETING: April 3, 2024

ADJOURNMENT

Vice Chair Scharff moved to adjourn.

Commissioner Croft seconded the motion.

The motion carried 5-0 with Chair Segal, Vice Chair Scharff, Commissioners Croft, Metz, and Phillips voting yes.

Meeting adjourned at 5:56 p.m.