



## UTILITIES ADVISORY COMMISSION MEETING MINUTES OF APRIL 3, 2024 REGULAR MEETING

### CALL TO ORDER

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Chair Segal called the meeting of the Utilities Advisory Commission (UAC) to order at 6:03 p.m.

Present: Chair Segal, Vice Chair Scharff, Commissioners Forssell, Mauter and Phillips

Absent: Commissioners Croft and Metz

### AGENDA CHANGES, ADDITIONS AND DELETIONS

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None

### PUBLIC COMMENT

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John Kelley encouraged the UAC to consider at a future meeting the topic of allowing ADUs to have separate electrical and water service.

Lisa Madden thought AB 1944 was great and could be a good example for other items in Section 54954.3.

### APPROVAL OF MINUTES

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**ITEM 1: ACTION:** Approval of the Minutes of the Utilities Advisory Commission Meeting Held on March 6, 2024

Chair Segal invited comments on the March 6, 2024 UAC draft meeting minutes.

**ACTION:** Commissioner Phillips moved to approve the draft minutes of the March 6, 2024 meeting as submitted.

Vice Chair Scharff seconded the motion.

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

Commissioners Croft and Metz absent.

**ITEM 2: ACTION:** Approval of the Minutes of the Special Utilities Advisory Commission Meeting Held on March 14, 2024

Chair Segal invited comments on the March 14, 2024 UAC draft meeting minutes.

**ACTION:** Chair Segal moved to approve the draft minutes of the March 14, 2024 meeting as submitted.

Commissioner Phillips seconded the motion.

The motion carried 4-0 with Chair Segal, Vice Chair Scharff, Commissioners Mauter and Phillips voting yes.

Commissioner Forssell abstained.

Commissioners Croft and Metz absent.

## **UTILITIES DIRECTOR REPORT**

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Utilities Director Dean Batchelor delivered the Director's Report.

April 1 through April 8, San Francisco Public Utilities will perform an inspection project of one of the drinking water transmission pipelines along El Camino at California Avenue. This work will result in closure of two lanes of traffic on El Camino from Cambridge Avenue to California Avenue. Vehicle and pedestrian crossings at the intersection of California Avenue and El Camino may be restricted.

On March 12, the City began posting refunds to utility customers who were members of the Green case. The City will disburse funds in three payments of approximately \$156. Active gas utility customers who had service between September 23, 2015 and June 30, 2022 will receive credits on their next utility bill, in March 2025 and in March 2026. The City will reach out to non-active customers.

Hydro update: As of March 28, levels in Northern and Central California are above average. Snowpack levels are slightly above average. The City's hydro resources were projected to produce about 108% of the long-term average output for this fiscal year and 109% of the long-term average for 2025.

On February 26, 2024, Council suspended enforcement of the all-electric requirement for new buildings and substantial remodels. Staff was working on a new set of local energy Reach Codes to present to Council for consideration before their break.

As of the end of March, 29 sites have received rebates for EV chargers. Recent participants in the program include Stanford Healthcare, Children's Hospital, a school and three condominiums. The City in partnership with nonprofit Cool the Earth Ride and Drive extended the EV discount campaign through March to provide residents with savings up to \$11,500 on EVs from Audi, Ford, Hyundai and Kia. In April or May, there will be a limited-time rebate campaign.

Upcoming events:

- April 4 WaterConservationShowcase.com
- April 13 Tips and Tricks for Successful Turf Conversions
- April 21 Earth Day Festival
- May 4 The UAC will have a couple tables at the May Fete parade. Commissioners were invited to host with staff and talk to community members who stop at the table.

In response to Chair Segal's request for further explanation, Mr. Batchelor stated the City suspended the Reach Code. Utilities, Public Works and the Development Center were working together on new standards for staff to present to Council before they go on break. Staff's report to Council will include models of higher efficiency standards in San Jose, San Luis Obispo and a couple other cities. Staff will provide more information by June 2024.

In reply to Commissioner Phillips's queries about the Green case refund, Mr. Batchelor responded it was coming out of the General Fund. Utilities Strategic Business Manager Dave Yuan replied the total was about \$17M.

## **NEW BUSINESS**

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### **ITEM 3: ACTION: Approval of Chair and Vice Chair to Serve a Short Term of April 3, 2024 through April 2, 2025**

**ACTION:** Commissioner Mauter moved to approve Vice Chair Scharff as Chair.

Commissioner Phillips seconded the motion.

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

Commissioners Croft and Metz absent.

Chair Scharff accepted the role of Chair.

**ACTION:** Commissioner Segal moved to approve Commissioner Mauter as Vice Chair.

Chair Scharff seconded the motion.

The motion carried 5-0 with Chair Scharff and Commissioners Forssell, Mauter, Phillips and Segal voting yes.

Commissioners Croft and Metz absent.

Vice Chair Mauter accepted the role of Vice Chair.

### **ITEM 4: ACTION: Continuation of Staff's Request for Utilities Advisory Commission's Recommendation for City Council to Approve the Phase IV Cross-Bore Verification Program**

Principal Engineer Aaron Perkins delivered a slide presentation. A search on the federal government's website demonstrated seven reportable incidents of a natural gas cross-bore occurred in the past 20 years across the nation. Palo Alto's cross-bore inspection program discovered 23 gas cross-bores in sewer laterals, 0 reportable incidents.

Of the 966 laterals proposed for Phase IV cross-bore inspection, 670 have emergency excess flow valves (EFVs) on gas services, 296 do not. The cost estimate is \$8950 to install an EFV for gas service including a four-person crew, materials, excavation and restoration of the street. The total to install 296 EFVs is \$2.6M. EFV installation cost is about 190% more than the cost to perform Phase IV cross-bore

inspection. An EFV failed to prevent an incident in Chicago because EFVs require a certain amount of flow to trigger.

Mr. Perkins displayed a table. The criteria for priority factored the volumes of people impacted and the likelihood of finding cross-bores. Groups 1, 2 and 3 include schools, hospitals, churches and business districts. Group 1 does not have EFVs, Group 2 has manual valves and Group 3 has EFVs. The majority of cross-bores found during this project were within 15 feet to the sewer lateral. Staff will provide an update to the UAC after the first year of Phase IV. The estimated Cross-Bore Phase IV Project two-year budget was \$1,352,400 (\$676,200 for FY25 and \$676,200 for FY26). Assistant Director WGW Engineering and Operations Matt Zucca stated there was a 1% or \$0.70 impact on an average customer's gas utility bill for every \$550,000 but this was not a recurring cost.

Mr. Perkins and Mr. Zucca addressed the Commission's questions. Phase IV is the final phase to inspect historic laterals. Staff reviewed the table of remaining laterals and all groups had a risk, so staff's proposal for next year is to prioritize inspections of laterals with higher risk (15 feet or less and Group 1).

Utilities Director Dean Batchelor remarked that staff's proposal was to do the first half of Phase IV in this budget period. Staff will review the results and return to the UAC next year for approval to continue Phase IV. The Water, Gas, Wastewater (WGW) group does not have the resources to perform 966 inspections internally. Staff believed inspections were important. If the UAC did not approve the proposal, staff would complete the project internally, which may take 8 or 10 years although staff had not calculated the actual timeline. Discussion ensued.

Mr. Perkins and Mr. Zucca explained PG&E's process. PG&E has a historic cross-bore program. PG&E changed the method for installing services. PG&E digs opens a path from the curb to the house and drops it in as opposed to running the risk of a cross-bore and the errors introduced with video.

Since approximately 2011, the City of Palo Alto uses in-house staff to video inspect the sewer when installing a gas line and previously used contractors since 2001. If Council did not approve spending additional money for Phase IV cross-bore inspections, Mr. Zucca guessed it would take 5 or 10 years to complete the project in-house. Mr. Perkins did not expect to complete the project in less than 10 years when taking into consideration approximately 100 inspections per year and some may include excavations and additional work.

Mr. Perkins addressed Vice Chair Mauter's questions. Potholing, cleanout installation and section replacement would have bid item pricing fixed for that year. Funds expended on private property benefit the homeowner to clear the cross-bore. If a failed private sewer line is found, it will be replaced to complete the inspection, resulting in a benefit to the homeowner.

The Commission reached a consensus to include Group 1 in its entirety and sewer laterals within 15-foot proximity to the gas service in Groups 2 through 6.

Mr. Perkins remarked that staff would return to the UAC in the fall or before the next round of work for approval. Chair Scharff encouraged staff to complete the remainder of the inspections using staff's resources instead of returning to the UAC to seek further approval.

**ACTION:** Chair Scharff moved the Utilities Advisory Commission recommend the City Council approve FY25 funding in the amount of \$676,200 to complete the Cross Bore Phase IV inspections of Group 1 and

inspections of the sewer laterals within proximity of 15ft or less to the gas service in Groups 2 through 6, for a total of 495 inspections.

Commissioner Segal seconded the motion.

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

Commissioners Croft and Metz absent.

**ITEM 5: ACTION: Recommendation to Adopt a Resolution Authorizing the City Manager or Their Designee to Execute an Amendment to the Power Purchase Agreement with Ameresco Half Moon Bay LLC for the Purchase of up to 60,000 Megawatt-Hours per Year of Biogas Energy over a Term of up to 20 Years for a Total Not to Exceed Amount of \$147.2 Million; CEQA Status: Not a Project under CEQA Guidelines Section 15378**

Sr. Resource Planner Jim Stack, PhD, delivered a slide presentation. Palo Alto and Alameda Municipal Power each receive 50% of the Ox Mountain Landfill-Gas-to-Energy (LFGTE) Plant's output. The plant delivers about 44,000 MWh/year to Palo Alto, which is approximately 5.5% of the City's overall electricity consumption. It has been a very reliable, valuable plant. In addition to electricity, the plant provides Local Resource Adequacy (RA) capacity and Bucket 1 Renewable Energy Credits (RECs). Palo Alto has a requirement to purchase RA capacity every year and there is a shortage of local RA in our portfolio.

The current contract price escalates at 1.5%/year. In 2026, the contract price will be \$67/MWh, which is a very competitive price in the current market. The contract ends in 2029. Proposed Amendment No. 1 increases the plant's capacity, extends the contract 20 years from the expansion capacity online date, increases the price to \$74/MWh when the expansion capacity comes online and the annual escalation factor drops to 1% except in years with high inflation when it will be 2%. The contract price will be \$0.93/MWh lower if the expansion capacity does not qualify as RA. Ameresco will have the right to terminate the amendment if it cannot obtain the CEQA permit and/or air permit needed for expansion capacity or if the required permitting improvements result in the project becoming uneconomic for them.

Amendment No. 1 would result in an annual cost to Palo Alto between \$4.4M to \$5.8M. Including the benefits of Bucket 1 REC prices and Local RA value, the net value is between -\$4 to \$21/MWh (expected value \$11/MWh). The total cost of the original 20-year contract is \$61.8M. With Amendment No. 1, the total cost of the approximately 37-year contract will be \$147.2M. For the 20-year extension term, the maximum spending authority is \$101M (approximately \$5M/year).

Dr. Stack addressed the Commission's questions. The triggering of the termination rights clause does not have specific objective criteria, as there is no objective and non-proprietary information available to make this determination. Ameresco did not want to have discussions to pre-negotiate a pure contract extension in the event that this amendment termination provision is exercised, due to their focus being on the capacity expansion at this time.

The City of Palo Alto negotiated as a team with the City of Alameda and were offered the same terms.

Commissioner Phillips commented he was very strongly in support. Landfills were not going away anytime soon. It was great economically and for the environment.

Commissioner Forssell loves landfill gas as a resource. Dr. Stack addressed Commissioner Forssell's questions. In comparison to some of our other contracts, \$74/MWh is an attractive price. The City executed this agreement in 2005. Today, a baseload contract for a new resource is probably \$95-\$100/MWh. In the current market, the price of RECs is over \$70/MWh although it is expected to come down in a few years. Most of our solar projects are priced in the \$70 range but the most recent was in the mid-\$30s. Dr. Stack believed the newest geothermal contract, executed last year, was priced at \$79/MWh.

Dr. Stack explained the proposal to waive the anti-speculation requirement of Section D.1 of the City's Energy Risk Management Policy. The anti-speculation requirement prevents the City from purchasing things we will not need in the future in order to sell them and make a profit. Given the huge amount of variation in our supply portfolio due to hydroelectric variability and climate change impacts, staff recommended waiving the requirement because it does not expect to have consistent surpluses in the future. This will be a core part of meeting our needs as well as helping meet our Renewable Portfolio Standard (RPS) requirements. Any resource we contract for now would probably require a waiver unless it was a contract only delivering in the winter months when the City has energy deficits.

Chair Scharff remarked he was very strongly in support and it seemed like a good deal for the Utility.

**ACTION:** Commissioner Phillips moved Staff recommendation that the Utilities Advisory Commission (UAC) recommend that the City Council adopt a Resolution (Attachment A) to:

1. Authorize the City Manager, or their designee, to execute Amendment No. 1 (Exhibit A to Attachment A) to the Power Purchase Agreement (PPA) with Ameresco Half Moon Bay LLC (Ameresco) to increase the generating capacity of the Ox Mountain landfill-gas-to-energy (LFGTE) project, increase the contract price, and extend the contract term by approximately 17 years;
2. Increase the maximum spending authority under the PPA from \$61,800,000 to \$147,200,000; and
3. Waive the application of the anti-speculation requirement of Section D.1 of the City's Energy Risk Management Policy as it may apply to surplus electricity purchases resulting from the City's execution of this amendment, due to the small increase in the facility's generating capacity and the City's need for the output to continue complying with its Renewable Portfolio Standard (RPS) procurement requirements.

Commissioner Forssell seconded the motion.

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

Commissioners Croft and Metz absent.

**ITEM 6: ACTION:** Utilities Advisory Commission FY 2024 - 2025 Work Plan

Utilities Director Dean Batchelor invited commissioners to have a conversation on this item and move the work plan forward.

Chair Scharff believed the scope of work plans should be as broad and flexible as possible so the UAC could take up any matter they choose.

Vice Chair Mauter wanted to define the relationship between the UAC and S/CAP. A RACI table to clarify who is responsible, who has decision-making authority, who to consult and who to inform as these efforts get underway would be very conducive to helping S/CAP and the UAC collaborate more effectively and more effectively work with Council to move some of these actions forward.

The Commission discussed changes to Standing Topics.

**ACTION:** Commissioner Forssell moved to approve Staff recommendation the Utilities Advisory Commission Review and Approve the Amended Utilities Advisory Commission's 2024-2025 Annual Work Plan, and Recommend the City Council Review the Work Plan and Provide Feedback

Commissioner Segal seconded the motion.

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

Commissioners Croft and Metz absent.

#### **COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS**

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Commissioner Phillips attended a power conference at Berkeley. He learned it takes 8000 hours of training to become an authorized electrician but authorized electricians can only have one trainee working for them at a time according to California State Law. In Alberta, Canada, 210 people who had EVs were assigned into three groups. One group monitored their behavior on charging, the second group received gave a \$0.035/kWh reward for off-peak charging at home, and an optimization program managed when the third group could charge. The time-of-use group changed their behavior so much, the spike moved to later in the evening. Commissioner Phillips asked staff to send slides to the commissioners.

Commissioner Segal stated this is likely her last meeting. She expressed her gratitude for having been a part of the UAC and the pleasure of working with her fellow commissioners. The quality of staff impressed her. She believed Palo Alto residents were in good hands.

Commissioner Forssell expressed gratitude to staff, commissioners and the public who comment at UAC meetings. She felt it was an honor and a pleasure to serve as commissioner. Going forward, she will watch the UAC meetings on video.

If new commissioners were not appointed within the next month, Commissioner Segal and Commissioner Forssell would be back for the next UAC meeting.

#### **FUTURE TOPICS FOR UPCOMING MEETINGS**

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Commissioner Segal suggested a topic on ADUs having their own meter as the public commenter requested. Chair Scharff agreed. Utilities Director Dean Batchelor pointed out that Utilities Rules and Regulations only allow one set of services to any parcel. Utilities staff needed to have more conversations and talk to Jonathan Lait's group about permitting. Chair Scharff asked staff to put it on

the topic list and staff can address the UAC to say if rules and regulations will or will not change. Commissioner Forssell thought it was a compelling topic and remarked that ADUs need separate meters to allow for EV chargers and electrification.

**NEXT SCHEDULED MEETING:** May 1, 2024

#### **ADJOURNMENT**

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Chair Scharff moved to adjourn.

Commissioner Phillips seconded the motion.

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

Commissioners Croft and Metz absent.

Meeting adjourned at 8:08 p.m.