



UTILITIES ADVISORY COMMISSION MEETING MINUTES OF JUNE 3, 2024 SPECIAL MEETING

CALL TO ORDER

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

Present: Chair Scharff, Vice Chair Mauter, Commissioners Croft, Phillips, Gupta, Metz and Tucher

Absent: None

AGENDA REVIEW AND REVISIONS

None

ORAL COMMUNICATIONS

None

APPROVAL OF THE MINUTES

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

Chair Scharff invited comments on the May 1, 2024 UAC draft meeting Minutes.

ACTION: Commissioner Phillips moved to approve the draft minutes of the May 1, 2024 meeting as submitted.

Commissioner Croft seconded the motion.

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

Commissioner Gupta and Tucher abstained.

UNFINISHED BUSINESS

None

UTILITIES DIRECTOR REPORT

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

SOAR Award: The American Public Gas Association (APGA) recently presented CPAU with the prestigious APGA System Operational Achievement Recognition (SOAR) for excellence in operating its natural gas utility. Public natural gas systems are entrusted by their customers to deliver clean and affordable natural gas through a safe and reliable distribution pipeline system. To accomplish this mission, a forward-thinking natural gas utility constantly strives to improve its operating capabilities, overcome challenges, and adapt to its changing environment. Out of approximately 750 APGA members, CPAU was selected for SOAR level Silver by its peers on the APGA Operations and Safety Committee. The selection was based on demonstrated excellence in the four areas of system integrity, system improvement, employee safety, and workforce development. While CPAU is focused on reducing greenhouse gas emissions through switching from fossil-fueled gas applications to carbon neutral electricity, we remain committed to maintaining our natural gas distribution system in a safe and reliable way while in operation in our community. View apga.org/programs/soar for more about the program.

New OMS Feature: CPAU's new Outage Management System (OMS) can now call customers who do not have mobile phones or have opted-out of receiving text messages to inform them of power outages and provide status updates. We have opted in all customer landline (non-mobile) phone numbers on file for notification purposes. Customers can also opt out of phone calls if they prefer not to receive notifications. Details on outage notifications and updates are available at cityofpaloalto.org/outages

Business and Key Account Customer Surveys: CPAU is a member of the California Municipal Utilities Association (CMUA), which is facilitating customer satisfaction surveys on behalf of member agencies for business and key account customers. CMUA's contractor, GreatBlue Research, Inc. will soon begin a statewide survey of randomly selected municipal and investor-owned utility business customers to gauge satisfaction with their utility in the areas of customer service, rates, reliability, safety, emergency response, customer programs, and communication. Once the statewide survey is complete, CPAU has contracted with GreatBlue to also conduct an "oversample" survey of Palo Alto customers this summer to gain a deeper understanding of the issues that are specifically of interest to our community members.

Utility Rate Changes: CPAU staff have been developing a comprehensive outreach strategy to inform customers about upcoming utility rate changes, including through website, print and digital materials, and collaboration with partners such as the local media. Our goal is to be transparent about the reasons for rate changes and what factors into the need for increases. The decision to increase rates is never taken lightly. It is the result of careful consideration of the need for infrastructure upgrades, system maintenance, regulatory compliance, and maintaining adequate financial reserves. These investments are crucial to maintaining the integrity of our utility systems and ensuring that we deliver the dependable service our customers rely on every day. While these factors are impacting utilities throughout California, Palo Alto consistently provides utility services at more affordable rates compared to surrounding communities. For example, by comparison, the average residential electric rate for PG&E customers is close to 60% higher than CPAU, and neighboring Community Choice Aggregation (CCA) agency electric rates are around 50% higher than CPAU. However, we always strive to provide our

customers with access to efficiency programs and services to help keep utility bill costs low and offer financial assistance for those in need. Details on rates are available at cityofpaloalto.org/ratesoverview

Preparing for Public Safety Power Shutoffs (PSPS): In today's agenda, you will hear about CPAU's wildfire mitigation plan, which outlines specific ways in which our utility is preparing for and mitigating against possible wildfire ignition from electric equipment. Many people are familiar with the term PSPS, which stands for Public Safety Power Shutoff. This is when a utility will deenergize electrical lines in areas when there is a potential risk of wildfire. As we enter the hot and dry summer season, staff are coordinating outreach mechanisms and providing information to customers about PSPS, including how to prepare and reduce wildfire risks on their properties, and what to expect from us in terms of communication about PSPS potentially before, during, and after an event. Information on PSPS is available at cityofpaloalto.org/safeutility

EV Charger Incentive Program: The EV Charger Incentive Program has provided a total of 31 properties with rebates for EV charging infrastructure. There are currently an additional 48 active projects in the pipeline: 37 of these are enrolled in the CLEAResult technical assistance program, while the other 11 are being assisted directly by City staff as they navigate the vendor selection, site design, permitting, and installation, and inspection processes.

EV Discount Campaign: Over the month of May, staff worked with Ride and Drive Clean to run a Pre-Owned EV Discount Campaign. This effort had one of the most highly attended EV workshops on May 15 with a total of 94 participants, demonstrating residents' continued interest in electric vehicle purchases.

Upcoming Events and Workshops: Details and registration at cityofpaloalto.org/workshops
Monday, June 10, 5-6pm: What to Expect as a New EV Owner Webinar
Thursday, June 20, 6-9pm: Third Thursdays on California Avenue

Commissioner Phillips commended Director Batchelor and the staff for the award.

Mr. Batchelor clarified that when they came to the UAC, they went to the Finance Committee about rates and there was a change between the Finance Committee and the time they approved the rates and that was to consider a higher gas transfer. Council made a decision to take an additional \$2 million out of the transfer which pushed the rate to 12.5. Finance made that recommendation to Council who had a study session on it and the final approval portion will be on the 10th or 17th.

Commissioner Metz asked if that \$2 million would take it up to the cap.

Mr. Batchelor said there is still about \$900,000 left so all indications from what they heard from the Finance Committee was that next year they will take it up to the 18 percent. It is at 14.5 percent now.

Chair Scharff commented it went really high because of the commodity prices. He wanted to know if they would have to take less as the commodity prices stabilize.

Mr. Batchelor confirmed that to be the case explaining that it flattens out. That is why there is only about a \$900,000 increase next year then after that it stays flat until revenues catch.

NEW BUSINESS

ITEM 2: ACTION: City of Palo Alto Utilities Wildfire Mitigation Plan (WMP) Annual Update

Tomm Marshall, Assistant Director of Electric Operations and Engineering, shared that they do the Wildfire Mitigation Plan annually to reduce the fire risk on the Foothill lines within areas that have been designated by the state as being fire areas. It starts somewhere around Arastradero Road and runs all the way to the top of Montebello Ridge. The report is done annually to the California Wildfire Safety Advisory Board and must be submitted by July 1. He was requesting a public hearing and comments on this item. The purpose of the plan is to mitigate wildfires in the Foothills. The plan consists of proactive maintenance, power shutoff protocols and public outreach protocols, and undergrounding of the lines.

Commissioner Croft was curious what percentage of the customers they have a direct line with.

Mr. Marshall felt confident that they had most of them. Every year they verify addresses on there and typically contact them to make sure the addresses and emails are up to date.

Commissioner Croft queried if these residents have different communications than the ones that do not live in that zone.

Mr. Marshall confirmed they will get notified before the fire season that there is a possibility to have a PSPS.

Commissioner Croft was curious whether any shutoffs were implemented due to the very high wind experienced this winter.

Mr. Marshall explained shutoffs are not just for high winds but there has to be a high fire risk. That is generally seen in late fall. He said it only happened once. They monitor fire and wind conditions to make the decision.

Commissioner Croft wanted to know about the animal events that were noted in the report.

Mr. Marshall answered that squirrels and birds would get into the lines sometimes.

Commissioner Phillips questioned if there are any non-Palo Alto customers on the line.

Mr. Marshall remarked there are a few non-Palo Alto customers mainly around Los Trancos and they are on the notification program, as well.

Commissioner Phillips asked if the connection from the underground line to the houses was entirely undergrounded and who pays for that.

Mr. Marshall explained that it depends on the circumstances. Most of the homes already have underground service with the exception of the one at the very top where the radio antennas are. Typically the homeowner pays for that.

Commissioner Tucher queried if he was talking about Black Mountain and if that was actually in Palo Alto.

Mr. Marshall confirmed he was talking about Black Mountain and it is located in Palo Alto and they provide the power for the antennas and all structures on top of the mountain.

Commissioner Tucher assumed the undergrounding taking place was mostly relatively close to Page Mill Road up to Montebello.

Mr. Marshall explained a lot of it was already done through Arastradero Preserve and then there are sections now coming out of Foothills Park they have to do. Once they get beyond that, it goes on to Page Mill Road for a few miles and then off on Montebello Road.

Commissioner Gupta was curious if in the limited times when they activate this protocol if they coordinate with any cooling centers in case residents needed air conditioning while the power might be cut off.

Mr. Marshall instructed the Office of Emergency Services runs that portion of the program and they are in coordination with them during heat events.

Chair Scharff wanted to know what they will do for an annual report update once it is all undergrounded.

Mr. Marshall thought they would still have to do an annual report.

ACTION: Commissioner Phillips moved to approve Staff recommendation the Utilities Advisory Commission accept and approve the updated 2024 Wildfire Mitigation Plan

Commissioner Mauter seconded the motion.

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

ITEM 3: ACTION: Staff Recommends that the Utilities Advisory Commission Recommend the City Council Adopt the 2024 Annual Water Shortage Assessment Report

Mr. Batchelor pointed out a change made in the packet where it reads, “report to the City Council to consider the adoption on June 19” to be June 17.

Lisa Bilir, Senior Resource Planner, provided a slide presentation about the 2024 Annual Water Shortage Assessment Report and the recommended motion.

Commissioner Phillips wanted to know if the tables were what is actually filed.

Ms. Bilir confirmed that was what they would be approving. It was recommended to the Council and when Council approves it through a consent item on the 17th of June, Staff would submit those tables through the portal that DWR has on their website. The Urban Water Supplies of Palo Alto could choose to write a report and outline the methods but the requirement is tables that have that information and those are the standard tables.

Commissioner Croft queried who uses the non-potable water and where it comes from. She was curious if there was a plan to ever try to increase the use of non-potable water in the City as a conservation method.

Ms. Bilir explained the non-potable water comes from the Regional Water Quality Control Plant and is treated for non-potable uses. A small amount of it is used by the City in certain facilities. She stated the question of increasing the use of non-potable water could be discussed in the One Water Plan.

Chair Scharff queried if the salinity has improved.

Ms. Bilir did not have data on that but she thought it had improved a bit. The last she heard several months ago they were using it more at Greer Park.

ACTION: Vice Chair Mauter moved to approve Staff recommendation the Utilities Advisory Commission (UAC) recommend the City Council adopt the 2024 Annual Water Shortage Assessment Report.

Commissioner Croft seconded the motion.

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

ITEM 4: DISCUSSION: City of Palo Alto One Water Plan: Presentation of Initial Results

Dean Batchelor, Utilities Director, shared that this was the first beginnings of talking about the One Water Plan. They hope to get feedback on this. They plan to bring it back again when they roll the plan out a little bit more.

Lisa Bilir, Senior Resource Planner pointed out that they have been working as part of an interdisciplinary team between the Public Works and Utilities Departments. They are close to the end of the consulting agreement with their consultants, Carollo Engineers, who are in the process of writing up the report and doing a sensitivity analysis. They were particularly interested in feedback and input to the sensitivity analysis. They will be presenting preliminary

portfolios and invited feedback on those. She offered a slide presentation about the One Water Plan initial results discussing an outline, previous UAC meeting on One Water Plan, the One Water Plan goal, the One Water Plan approach, key uncertainties, One Water Plan overview, Water Supply and Conservation Project Screening, screening results: top water supply projects, enhanced conservation phase 1 and 2 possible measures, and groundwater options.

Vice Chair Mauter wanted to know what the TDS range of the groundwater is across the wells.

Matt Zucca, Assistant Director of Water, Gas, and Wastewater Engineering and Operations, answered it varies by range and is around 750.

Commissioner Gupta questioned if that is post reverse osmosis.

Mr. Zucca instructed that was raw groundwater.

Commissioner Gupta wanted the number after reverse osmosis.

Mr. Zucca answered that varies based on the design but the target would be to get it similar to what the TDS would be for the San Francisco supply.

Ms. Bilir provided explanation about blending where they would extract the groundwater and then blend it with SFPUC water before it enters into the distribution system instead of treating it. As part of the study, a determination was made that they would not carry that option forward even though it is less costly because the water that would be delivered to customers would have different aesthetic qualities than the SFPUC water. She then resumed the slide presentation discussing direct potable reuse (DPR), and indirect potable reuse (IPR).

Chair Scharff opined IPR seemed less efficient than DPR but understood that they would get more water that way because they get the groundwater.

Ms. Bilir confirmed that to be correct. She added they did not look at an option of groundwater plus DPR but they could be looked at.

Chair Scharff thought it seemed by putting water in the ground it would be lost as opposed to piping it directly.

Ms. Bilir advised there are a million different configurations they could think of and they could look at that one if they wanted. She shared that some of these options are very expensive and if they reconfigure, do emergency wells and treatment, and build the pipeline with the brine in it they did not think to also build their own DPR facility.

Mr. Zucca added DPR is a relatively new technology from a regulatory standpoint. IPR has been around for a while. The reinjection has a little bit of an improvement to the palatability of the water from an overall public perception standpoint.

Vice Chair Mauter pointed out any issues with groundwater taste and odor were currently not modeling an additional RO stream following the groundwater extraction so there was still potential for changes in taste and odor relative to what SFPUC was providing.

Commissioner Croft wanted to know if there was a difference in taste and odor between IPR and DPR.

Ms. Bilir answered there was basically no difference in taste and odor between IPR and DPR because they modeled that IPR has the exact same treatment. She was going to modify the chart to show that.

Vice Chair Mauter asked if it was correct that if you have iron and manganese, you have TDS.

Mr. Zucca stated that was held constant in all the options that involve groundwater to keep the comparable.

Ms. Bilir explained the only option where that is not the case is blending which is not really being included in the One Water Plan but they are bringing it out for discussion so they can know what the results are when they see it up against the other ones because it gets fairly good scores and might be worth having further discussions about it.

Vice Chair Mauter wanted to clarify because you have iron and manganese as well as TDS removal, you still have to build the brine line.

Ms. Bilir confirmed that to be correct.

Commissioner Croft asked where the taste and odor was located in the criteria.

Ms. Bilir explained the way they were thinking about this with the consultant was that because all of these options do not have a difference in their water quality, they did not need a criteria because it would be non-differentiating across the options. She thought it was important to note that as they show the results for blending, there is a difference that is not captured in the score.

Commissioner Croft asked if she was correct in thinking they were only considering things that have equivalent taste and odor but that one is currently off the table and if they were to bring it back they would have to have a way to measure that.

Ms. Bilir confirmed that she was correct.

Commissioner Tucher observed that 5 to 6 percent of Palo Alto's total water was recycled and wanted to clarify that is what they are talking about here.

Ms. Bilir explained their current recycled water is all for non-potable uses. Here they are talking about actually supplementing the drinking water supply.

Commissioner Tucher wanted to know if the assumption would be that it would be mixed in all the time for all customers.

Ms. Bilir answered they have not done a study on which customers would get the water coming from the different sources but depending on which option, different customers might get different sources of water. They would have to study further who and when would get the different water.

Commissioner Tucher believed Palo Alto uses 10 or 11 million gallons of water a day. He thought usage was trending down dramatically in total over the years. He wanted to know the backdrop for the discussion of lessening their use.

Karla Dailey, Acting Assistant Director, Resource Management, described how imported water in general is under a lot of different strains. In the introduction, Ms. Bilir referred to the Bay Delta Plan that would increase the unimpaired flow on a lot of the rivers in the state. The San Francisco Public Utilities Commissions has done an analysis and informed the agencies that take SFPUC water that by the second year of a drought under full implementation of the Bay Delta Plan, they could be looking at 50 percent or more reductions in water. On top of that, Palo Alto City Council passed a resolution supporting the Bay Delta Plan.

Chair Scharff recalled Council passing this resolution and that they were told this was fear mongering on the SFPUC's part. He did not think the vote would have gone that way if they believed there would be a 50 percent reduction. He queried if the state has adopted the Bay Delta Plan.

Ms. Dailey answered the state has adopted it but it has not been implemented.

Chair Scharff stated every time they implement conservation efforts, the ability to cut gets harder and harder. He cautioned Staff to have a robust discussion to Council.

Ms. Dailey remarked this was a chance for Council and the community to weigh in on these weighted criteria and decide what the priorities are of this Council.

Commissioner Croft wanted to know if there was an analysis of the water use by commercial versus residential and then by function.

Ms. Bilir explained they have information about the customers' water usage by customer class, account class, and by individual customer. The state has a new requirement that there is no watering of outdoor nonfunctional turf for commercial customers. This goes a step further in not allowing the turf to be installed. She advised there is a very short staff report with a link to the list of water supply and conservation options with feedback from the stakeholders. She added that they are looking at their supplier and the cutbacks they are providing. They provided the their numbers to them as part of the Urban Water Management Plan and they incorporated that 50 percent cutback during a drought number into their Urban Water Management Plan. Even if that is not a correct number, SFPUC has a 20 percent level of service goal for cutbacks

during a drought and a regional cutback of 20 percent, wholesale customers have to cutback by more than 20 percent because there is more outdoor water usage in the wholesale customer area than in San Francisco and the City. Those cutbacks will be greater than 20 percent in Palo Alto and it may be harder to reach those number in the future. She then resumed the slide presentation discussing Baywater desalination, project normal year yield comparison (acre feet per year), and project unit cost per acre foot comparison.

Commissioner Phillips asked if the commodity charge for tier 1 was \$2269.50.

Ms. Bilir confirmed that was the commodity charge that they charge to their customers for every unit of water and it includes a debt service charge they pay to SFPUC through BAWSCA.

Ms. Bilir continued the slide presentation with project compatibility with Valley Water effluent transfer, tool for water supply portfolio analysis, water supply portfolio evaluation criteria and suggested weights, and initial water portfolio evaluation results.

Commissioner Croft asked for a clarification about reliability.

Ms. Bilir said the reliability criteria was being defined as how much dry year supply does it provide. They also look at the normal year supply as a sub-criteria of the environmental benefits. She added there are scenarios in the Urban Water Management Plan that describe what would happen in a multiyear drought. This just looks at a user input of what if they have a cutback.

Commissioner Gupta was curious what kind of bump that might provide to the baseline SFPUC in the inclusion of conservation phase 1 and phase 2.

Ms. Bilir answered comparing the baseline SFPUC on the left and the conservation portfolio that says 3.04 is what he is looking for.

Commissioner Tucher queried if the taste of the water is factored anywhere in here.

Chair Scharff explained that is why groundwater blending was taken off the table.

Commissioner Tucher wanted to know if the whole idea was that they could turn this on and off for drought years or would it be a permanent change in the water supply.

Ms. Bilir advised what was being modeled here was to supplement the water in a drought year and a normal year.

Commissioner Tucher again asked if the taste was factored into the weighting system.

Mr. Zucca explained that the assumption was that with the treatment technologies they have that all of the taste and odor from the middle bars of this graph are roughly the same.

Commissioner Tucher wanted to know if the Valley Water Transfer is the recycling center that is delayed for several years and what is the earliest it might come onstream.

Ms. Bilir confirmed that to be correct.

Ms. Dailey answered it would be more somewhere between 10 and 20 years. They have the option until 2033 to tell them whether they plan to take the effluent or not. She addressed that there is a possibility for groundwater that they could use intermittently. The other options are not cost effective to use just during droughts.

Commissioner Phillips felt dark about what kind of problem they are trying to solve. He thought doing everything with expected cost below Hetch Hetchy water was a no brainer. For him to support doing anything more expensive, he would need to be convinced that there is a big problem they were solving somewhere down the line and he did not have that sense.

Ms. Bilir resumed the slide presentation talking about initial water portfolio evaluation results, initial observations, sensitivity of initial results, initial results sensitivity to cost weighting, and the next steps.

Commissioner Gupta was curious if they have considered water quality differences between these options beyond odor and taste, particularly the differences there might be in terms of any contaminants.

Mr. Zucca stated the assumption is that all water options will meet the maximum contaminant levels (MCL) and for the purified water, there is sufficient redundancy and rigor in the treatment processes to deal with the unregulated contaminants. The primary difference would be minor changes in aesthetics.

Commissioner Croft asked if they were just assuming that all the options are similarly remediable.

Mr. Zucca explained the treatment process is sufficiently robust that it should take into account no unconventional contaminants.

Commissioner Gupta was curious to see beyond the MCL what the differences might be in contaminants between the options and wondered if that was something that could be put into the weighted criteria rankings.

Mr. Zucca advised that they would not know the specifics until they get into the design. He thought the contaminants were basically the same and they would not treat an option that had slightly more of one versus another if it was less than the MCLs. He stated they could consider that going forward.

Commissioner Metz thought the linear weighting system was not adequate. He recommended changing how the results are presented before taking this to City Council.

Ms. Dailey asked for a specific recommendation about how to change the way the consultant was thinking about these weightings. She added there were several plans they did over the past few years that fed into the work that Carollo is doing in this plant. One was a Northwest County Recycled Water Strategic Plan they did in partnership with Valley Water and there was an extensive groundwater study done by a groundwater consulting specialist as part of the overall study. They do know there are some contaminations plumes in Palo Alto and some wells that are relatively close to those plumes so they have cut those out of this study and not considered pumping groundwater from any wells anywhere near any of those contamination plumes.

Chair Scharff asked Commissioner Metz to follow-up with Staff on the measurement schemes and then have Staff push it.

Vice Chair Mauter asked if the O&M costs on conservation were assumed to be staff based costs.

Ms. Bilir explained they made their high-level planning level estimate for each of the options including conservation and there were staffing costs included in the conservation options as well as other options.

Vice Chair Mauter queried if there are any O&M costs in addition to staff in the conservation.

Ms. Bilir thought there may be other costs in there in some cases.

Linda Grand, Sustainability Program Administrator, explained that mostly they did focus on staffing cost for conservation and then there are some additional program costs included in there.

Vice Chair Mauter noted a difference in the yield and total annual cost in the SFPUC water in 2045 as a possible typo. She asked if they explored discharging to the sewer line in the groundwater treatment case.

Mr. Zucca confirmed they spoke with the plant and they were reluctant to commit to being able to receive the water due to the combination of the high TDS and potential for some of the metals so they made the assumption that they needed the volume pipeline.

Vice Chair Mauter explained why she thought that was an option they should continue to keep on the table. She thought a sense of the frequency with which they would need an intermittent supply was missing from this report and would make a difference in plans. She thought they needed to break out CapEx versus OPEX costs in these systems to augment the discussion around whether this is a baseload or intermittent supply. That is what would reduce cost for them. The SFPUC option itself is likely to incorporate a diverse set of water sources in the future including the potential for indirect and/or direct potable reuse. All of the options might include some sort of reuse in the future and the need for immediate outreach to the community now is imperative. She thought it would be helpful for Council to better understand this in the context

of water rates. She did not think that Carollo was providing a trigger-based implementation plan and should be critically looked at.

Ms. Dailey added SFPUC's Alternative Water Supply Plan was looking at projects similar or identical to the projects being talked about here. One potential recommendation from this report would be to not do anything locally but rely on the bigger region. As they were scoping the plan, they had to figure out what to build the fence around and they built it around Palo Alto and what they could do here but there is a world of opportunities to partner or support SFPUC in their quest to add to their water supply portfolio. She added that even today their regional water system is about 85 percent water from the Tuolumne River so every year a part of that system is shut off for maintenance and Palo Altoans are not getting Hetch Hetchy water. She added a word of caution about groundwater that Valley Water is the manager of the groundwater basin in Santa Clara County and they have a program where they monitor the health of the aquifer and have asked for voluntary reductions in groundwater pumping during times of drought. They have the authority to make those mandatory cutbacks and levy fines for groundwater pumpers who are not complying with whatever constraints they put in place. There would be a big public process before any of that would happen so she was not implying they could wake up one morning and start making cutbacks mandatory but it is in their purview as the groundwater manager. She did want to give a false sense of reliability for groundwater.

Commissioner Metz asked if they have also seen increasing costs to groundwater.

Ms. Dailey confirmed that to be correct stating it was reflected in their cost estimates. The Valley Water groundwater pumping fees are projected to be higher than SFPUC commodity rates in the future.

Ms. Bilir explained what the different number pointed out on the future yield for SFPUC was and stated they would relabel that. She described costs that would be associated with using the sewer if they were to find they could use that.

Vice Chair Mauter added it is a low CapEx, higher OPEX option and supports intermittent utilization rather than baseload supply.

Chair Scharff asked if the sewer fees go to the City.

Vice Chair Mauter confirmed they do.

Chair Scharff observed they were really just taking money out of one pocket and putting it in another and they should think about that more carefully.

Vice Chair Mauter explained that they were paying themselves but the cost of running the wastewater plant is split between three different entities.

Ms. Bilir discussed one thing they could get from the tool Carollo has provided is the average cost of water per unit in the portfolio. Instead of focusing on the unit cost of one particular new supply, they could look at it together with their conservation and SFPUC supply in each year on

average in the weighted portfolio unit cost. This is a preliminary look at the initial results but they are still working with Carollo to draft the actual One Water Plan and other information but they can make a point of Staff looking at the question of how it impacts the rates but the weighted average cost portfolio ranges from about a 20 to 75 percent increase in cost. That can be thought of as applying to about half of the utilities costs.

Vice Chair Mauter thought that was an important thing to present to Council because it helps inform the options on the table and their impact. She would not want to take good options off the table because of one big number on the pie chart.

Commissioner Phillips supported taking a rate-based view with this. He was not clear on what the other outcomes are needed for and what the potential combinations of outcomes would be that would require them to draw upon them.

Ms. Dailey advised there is a basic assumption that needs to be confirmed or denied by Council which is if there is a desire to rely on Tuolumne River water less.

Mr. Batchelor thought they have to look at what the best options are and what is cost effective. The state could take the 50 percent at any given time or more in an extended year drought. He thought that was the main reason for this exercise. They know Valley Water is off the table for at least 10 years. The question now is if they can get out of the contract portion and wait until 2033. They could wait to see if there are other partnerships they could work out but he thought they needed to plan for the future portion of it and have to look at what is the most cost effective.

Chair Scharff thought there was a possibility to over plan. If SFPUC was to cut back 50 percent or more, he observed that would cause political mayhem. He did not think they need to plan for the disaster scenario. He thought they needed to phrase this to Council correctly. The question was if they want to rely on the SFPUC. He thought the rate-based idea was great. He agreed that they just need to focus on the drought scenario. He did not think it was worth paying the consultant on the large infrastructure projects. He did not think conservation measures helped them in a drought.

Ms. Bilir agreed that as demand got more hardened, it will become more difficult to get the same percentage cutback when there is a drought.

Vice Chair Mauter thought it was important to note that the cutback calculations in a period of drought are likely to be a function of how many people they have. One thing they should advocate for is also considering things like tree canopy. She opined they could weigh the varying factors that should go into the overarching equation for what their cutback are.

Ms. Bilir agreed they do need to think about the tree canopy and vegetation but that is outside the scope of this study.

Commissioner Tucher asked that the next time they discuss this that there be a bit more contextual information. He thought their rates are pretty well structured so if you use a little bit of water you do not pay a lot and escalate as more water is used. That would put a financial burden on the rate payer who uses a lot of water. He recalled that the City just spent money on a recycling plant for watering the trees, fish ponds, and golf course but it was not in the packet. It was hard to talk about these things without having information like this. He thought it seemed rush to be recommending DPR this year.

Vice Chair Mauter thought DPR was likely to be a part of the water supply portfolio in the future so they need to start education and outreach now.

Commissioner Croft asked if there is any plan for capturing stream water in the considerations and would they have the ability to capture that.

Ms. Bilir was not sure they looked at capturing stream water but did look at stormwater capture. They had one option recommended by a stakeholder that she thought would be making stormwater go into Lake Lagunita on Stanford Campus and percolating into the groundwater from there.

Mr. Zucca thought it would be difficult to conceive of a surface water treatment plant that was capturing surface water and using that as an augmented source because of fish rights and the fact that it has not been done before. He thought that could be considered a recharge option for groundwater.

Ms. Dailey added they did look at green stormwater infrastructure. It is expensive and does not yield a lot of water so was screened out early in the process.

Commissioner Croft felt it was likely they would have prolonged drought at some point and it seemed smart to think about the options. She agreed that if SFPUC is going to be spending a lot of money in building this and they could ride on their coattails would be considered. She also thought they should not leave it to that if they have resources there they could use at a reasonable cost. She wanted to understand tiered rates and asked if that could be explored.

Ms. Bilir described the tiered rates they have for residential customers. Every customer pays the same amount for the commodity portion of the rate that pays for each unit of water from SFPUC. They could explore how they set the rates in a cost of service study with a specialized consultant that is familiar with the legal requirements of Prop 218.

Commissioner Croft asked if there was anything that could be done in terms of tiers for foreseeing the drought situation.

Ms. Bilir explained that Palo Alto has a drought surcharge in order to recover costs. If there is a drought and they need to recover the cost associated with the distribution system in particular because their revenue has gone down from the quantity of water going down, they can use that drought surcharge mechanism to increase the rate.

Commissioner Croft wanted to know if that would have any tiered impact to further encourage conservation or just flat.

Ms. Bilir answered there was no tiered impact but that was something they could potentially explore.

Commissioner Croft encouraged continued exploration of tiered rates and scenario dependent tiered rates and of ideas on the conservation side.

Ms. Grand described that they would be connecting the hourly water use to their WaterSmart portal and be sending automated potential leak alerts as part of their AMI deployment.

Ms. Bilir clarified that there is a different charge for residential customers right now for the tier 1 that is lower than tier 2 for the current drought surcharge.

ACTION: None

COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

None

FUTURE TOPICS FOR UPCOMING MEETINGS:

Vice Chair Mauter – 12 month rolling calendar does not have a One Water Report, Recommend Oct. Nov.

NEXT SCHEDULED MEETING: July 3, 2024

Commissioner Phillips moved to adjourn.

Vice Chair Mauter seconded the motion.

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

Meeting adjourned at 8:43 p.m.