



## UTILITIES ADVISORY COMMISSION MEETING MINUTES OF JANUARY 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 6:00 p.m.

Present: Chair Segal and Commissioners Croft, Mauter, Metz and Phillips

Absent: Vice Chair Scharff and Commissioner Forssell

### AGENDA CHANGES, ADDITIONS AND DELETIONS

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None

### PUBLIC COMMENT

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None

### APPROVAL OF MINUTES

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**ITEM 1: ACTION:** Approval of the Minutes of the Utilities Advisory Commission Meeting Held on December 6, 2023

Chair Segal invited comments on the December 6, 2023 UAC draft meeting minutes.

**ACTION:** Commissioner Phillips moved to approve the draft minutes of the December 6, 2023 meeting as submitted.

Commissioner Croft seconded the motion.

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

Vice Chair Scharff and Commissioner Forssell absent.

### UTILITIES DIRECTOR REPORT

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

**Happy New Year!** Call customer service if you need to update your contact information.

**New! Text Messages for Power Outages:** CPAU's new Outage Management System (OMS) allows us to more quickly detect and respond to power outages. OMS can provide CPAU customers with information about power outages through text alerts. All mobile numbers on file in our utilities account records were automatically opted-in. To unsubscribe, you can reply STOP or QUIT when you receive an outage text.

Please ensure we have a current mobile number on file to receive text alerts. Visit [cityofpal Alto.org/outages](http://cityofpal Alto.org/outages) for more information.

**Fiber to the Premises and Grid Modernization Project:** The City is working to upgrade and increase its electric grid load to support higher grid demand for electrification. The City will install a fiber optic network to provide high-performance broadband internet service. These two projects will be constructed concurrently to reduce disruption and costs. Construction will begin in the pilot area in northeastern Palo Alto in the first quarter of 2024. It is anticipated that pilot customers could subscribe to fiber by mid-2024.

Public utility easements extend 2 to 5 feet behind the sidewalk. Contractors will clear vegetation and trim trees in public right-of-ways and public utility easements. They will have IDs and badges. The City will provide notice to customers prior to working on private property and if construction crews need access to backyards.

**Lead Service Line Inventory:** CPAU is performing an inventory to determine if there is any lead pipe in the water distribution system. The City will ask PAUSD and private schools to provide a plan for each school to designate locations of lines and faucets on school premises for testing.

**Water Supply and Hydro Conditions:** The El Niño season has resulted in warmer but not wetter weather. Water storage in the hydroelectric system and regional water system were in good shape going into the winter. Average or above average precipitation in the coming months is possible. Staff will provide an update in February.

The UAC Budget Subcommittee (Vice Chair Scharff and Commissioners Phillips and Croft) will meet in approximately one week to review preliminary numbers. Staff will present preliminary numbers to Finance in the first part of February. Staff will present final numbers to the UAC in March and to Finance in April. Staff will go to Council in the first part of June for budget adoption and approval by July 1.

## **NEW BUSINESS**

### **ITEM 2: DISCUSSION: Discussion and Update on the Fiscal Year 2025 Preliminary Utilities Financial Forecast and Rate Projections**

Public Comment: David Coale was surprised the report did not mention capital improvement projects or address how rates may be affected by the end of gas.

Lisa Bilir, Senior Resource Planner, presented slides on preliminary FY 2025 rate changes to be effective July 1, 2024. Staff will present full financial plans and details to the UAC in March. Staff projected a 5% electric utility increase for FY 2025. Based on a transfer of 11.9% to the General Fund, staff proposed a 9% gas utility increase. The wastewater utility 9% proposed increase would bring reserves up to guideline range and revenues in line with costs to sustain a rate of main replacement in the sewer utility. The water utility proposal for a 5% overall increase reflected a 9% distribution rate increase. Staff did not propose an increase to refuse this year but expected increases in future years. Storm drain fee increases were based on CPI. A 3% CPI increase was modeled but the rate is not finalized. Overall, the monthly utility bill would increase 5% or \$20.50 based on an FY 2023 monthly residential bill of \$369.

Chair Segal queried if the City had an in-house or consultant grant writer to obtain government funding. Dean Batchelor, Director of Utilities, replied that staff looked for federal or state grants for grid modernization, fiber, EVs and chargers. Fiber had a dedicated person looking for grant opportunities. Karla Dailey, Acting Assistant Director Resource Management, remarked there was an interdepartmental team of City staff who meet once a month to review a list of grant opportunities and identify the departments that might apply. Mr. Batchelor commented that the City used consultants and City staff to apply for grid modernization and fiber grant applications.

Ms. Dailey addressed Commissioner Phillips's questions regarding Slide 5. Staff goes to Council on January 16 to request their approval for the layoff of a transmission asset. Prepayment of renewable power purchase agreements is a project that staff is working on with the NCPA for the Calpine geothermal contract. Many municipal gas utilities use a prepay structure as an IRS-codified way to take advantage of the tax-exempt status of municipal utilities and is being used more frequently by electric utilities. It takes a lot of work to put the agreement together and Palo Alto is not large enough but Silicon Valley Power is large and has a large share of the project. This topic will be discussed at an NCPA commission meeting this month.

Commissioner Croft asked how the large reserve and capital costs of installing fiber were funded as well as the value proposition of fiber. She requested to review any documents or information presented at previous meetings about the strategic importance of fiber as well as a projected income statement balance sheet displaying the amounts we were investing and expected to receive in the future. Dave Yuan, Utilities Strategic Business Manager, replied that staff was putting together a source and use statement for dark fiber and fiber to the premises. In the 1990s, the fiber fund was created with a transfer from the electric fund, which the fiber fund repaid in the early 2000s. Fiber leasing provides funds for fiber reserves.

Jonathan Abendschein, Assistant Director Resource Management, addressed the UAC regarding the electric utility. Staff tentatively proposed a 5% electric rate increase for FY 2025. There was good hydroelectric generation in FY 2024 because of heavy rains in the winter of 2022/2023. There were opportunities to sell surplus Resource Adequacy at higher prices as well as surplus Renewable Energy Credits. There was a settlement related to the federal government lawsuit over hydroelectric power from the Central Valley project. Our reserves will be better than expected but offset by major costs for electrification and fiber, customer-related investments and general capital investment. Taking into account bond financing, staff thought the net effect was positive.

A cost-of-service study is underway to ensure fair cost allocation among customers. Staff hoped to keep increases to 5% or less for all customer classes. Staff would provide more information to the UAC in March. The expected increase in transmission costs and increased grid investment would likely result in yearly 5% rate increases. Electric distribution costs continue to rise steadily due to inflation as well as challenges with recruitment and retention.

Mr. Abendschein emphasized that forecasts in the electric utility were uncertain because of the City's investments, ups and downs in the energy markets and electrification load uncertainty. Rate forecasts of the California Independent System Operator (CAISO) unit cost the City pays for transmission have been uncertain in previous years. January 1, PG&E had a 22% primarily transmission-driven rate increase. CPAU uses a transmission consultant to track PG&E's transmission rate cases to generate our forecast.

Debt service for grid modernization will begin in FY 2025. Staff will provide more detail on the assumptions in their presentation of the financial plans to the UAC in March.

Operational costs were increasing steadily. In recent years, there were significant increases related to recruitment, retention and contracting, capital investment, construction inflation and shortages in the utility construction industry.

Staff regularly advocates reducing transmission cost increases. CPAU intervened in collaboration with other publicly owned utilities on transmission rate case resolution and expected reduced transmission costs or possibly a small refund in the future.

A geothermal project will come into our supply portfolio on January 1, 2025.

Many of the types of utility equipment we purchase are in high demand, which affects availability and costs as well as projects delays.

Commissioner Phillips asked why Slide 14 showed a 21% rate change but -5% on Packet Page 20. Mr. Abendschein replied there was an increase of 21% in the base rate and a reduction in the hydroelectric rate adjustor, resulting in customers seeing a net decrease of 5%. Staff will revise their materials when they make their presentation to the UAC in March.

Staff projected electric supply operating reserves to be below minimum but return to target over the forecast period due to a timing issue with the federal government settlement money.

The hydro stabilization reserve was \$8.5 million, below the minimum of \$11 million. The hydroelectric rate adjustor may be activated if we have a bad hydro year, although staff wanted to avoid that. When staff presents their proposal to the UAC in March, they will recommend using one-time revenues associated with better hydro generation and Resource Adequacy sales to replenish the hydro stabilization reserve. Staff desired a target level of at least \$17 million.

Commissioner Croft noted several reserves were below minimum and asked staff to provide an explanation to the UAC whenever that happened. Mr. Abendschein stated \$8.5 million was transferred to the hydroelectric stabilization reserve to raise it to a minimum acceptable level. \$10 million was used to repay loans from the electric special projects reserve during the pandemic and drought to stabilize the operations reserve. There were large one-time capital investments for fiber and electrification as well as expenses for major customers. The FY 24 financial plan projected below-minimum reserves due to last year's gas price spike. Council wanted a slower reserve recovery to avoid a larger rate increase.

The electric distribution fund was negative due to reappropriation for capital investments. The supply fund will fall below minimum to transfer funds to the distribution operating reserve to cover significant capital investments and bring that reserve above negative. The financial plan would build up the reserve within the target guideline range over the next few years. Staff projected the electric distribution CIP reserve to be low but remain within target over the forecast period.

Commissioner Mauter requested inclusion of past years' projections to see projection accuracy. Mr. Abendschein said it would be included in the financial plan.

Commissioner Mauter asked if the cost-of-service study included an assessment of time-of-use (TOU) and a rate for all-electric customers. Mr. Abendschein replied a TOU assessment was included in their internal analysis but there was a legal question of whether it was the right time to adopt TOU rates. CPAU's largest customer classes have TOU rates and seasonal differences were reflected in all rate classes. In two to three years, we would have equipment to reflect intra-day use. A rate for fully electric customers was challenging. As we transition to TOU rates over the next two to three years, tiered rates for residential electrification would go away.

Commissioner Metz suggested each utility have at least three reserve funds (commodity, operations, CIP, maybe debt service or things we do not control such as transmission). It was important not to transfer money between funds because it was very confusing and masked how we managed money and the activity represented by each fund. When a fund was high, he thought it was more appropriate to put money in treasury. When a fund was low, take money from treasury. Report at least on an annual basis the status of each fund. Mr. Abendschein said that while staff was able to do root cause analysis regardless of transfers between funds, he agreed the inter-fund transfers masked the visibility of those causes in reporting. After the cost-of-service study, staff would realign the supply and distribution components of rates for the electric utility. There were no interfund transfers for the electric utility projected in the financial forecast beyond FY 2024. The gas utility, on the other hand, was more complicated partly because of the way we set the commodity rate. Operational costs associated with managing the commodity rate were difficult to integrate into a monthly varying commodity rate without going to Council every month to change the rate. For administrative purposes, staff would likely continue inter-fund transfers for the gas utility.

Commissioner Metz remarked it was helpful in business management to see if every year we underestimated or overestimated costs. Trends were valuable in steering and managing the business.

Ms. Bilir presented the preliminary gas rate projections. Staff proposed a 16% distribution rate increase for FY 2025 equating to overall increases in the customer's gas bill of 9% in 2025, 7% in FY 2026 and FY 2027, 6% in FY 2028, and 5% in FY 2029. Gas utility revenues were below cost, so rates need to increase to bring reserves within guideline ranges and revenues in line with costs.

Voters approved Measure L in 2022. Staff requested UAC feedback on the FY 2025 transfer amount. Supply costs were expected to remain stable this winter. Council approved an insurance policy for this year's winter months to stabilize prices.

Gas distribution cost drivers include: Health, retirement and associated overhead costs continue to increase. Underground construction costs have increased substantially. Cross-bore investigation costs, although the UAC may recommend adjustments. Increase in transfers from the gas utility to the capital projects fund because staff did not forecast enough.

Under Measure L, the gas utility transfers up to 18% of its gross revenues to the General Fund, although Council may elect to transfer less. Last year, Council approved a transfer of 15.5% for FY 2024. Based upon Council's direction, staff recommended an 11.9% transfer for FY 2025 and gradually increase the transfer up to 18% by 2027. An 11.9% (\$9 million) transfer would result in a 9% overall rate increase in FY 2025 versus a 14% rate increase with an 18% transfer (\$13.6 million). Staff expected the gas operations reserve to fall below minimum at the end of FY 2024 and be within the guideline range for FY 2027 and the remainder of the forecast period. The reserve projections were similar with either Measure L transfer scenario.

The supply rate stabilization reserve was negative at the end of FY 2023. There were enough funds in the operations reserve to cover that amount but staff was unable to execute the transfer at the end of FY 2023. Staff will propose revised language in the reserve guidelines for staff to perform future transfers.

Chair Segal did not want to raise the transfer to 18%. The transfer amount went up as costs increased and she did not believe it was in the spirit of Measure L to add to the General Fund with increased gas utility rates. Commissioner Phillips agreed with the lower transfer amount and asked how staff chose 11.9%. Ms. Bilir replied it was Council's direction to increase the transfer gradually to the voter-approved level of 18%. Commissioner Phillips emphasized that voters approved a cap. Commissioner Croft supported the 11.9% transfer but the annual rate increases were higher than she wanted.

Commissioner Mauter inquired if reserve projections accounted for efforts to electrify Palo Alto and the expected changes in demand. Ms. Bilir responded that the preliminary projection included the capital budget amount in FY 2028 for gas decommissioning and had a placeholder for electrification costs but those costs were still unknown. Mr. Batchelor commented there was \$400,000 in the FY 2024 budget to start the study and hire a consultant to help us transition. There were dollars allocated in the S/CAP budget. Commissioner Mauter opined it was sometimes not clear how we factored in major structural changes. Mr. Abendschein explained that it was difficult to incorporate alternative projections within the financial plans because the changes were so large. He could forward to the UAC a preliminary analysis from a few years ago of various scenarios eliminating all single family residential gas use and greatly decreasing commercial gas use as well as different rate impacts. Staff budgeted money for a gas transition study. An S/CAP electrification funding study for the electric utility was going to Council on January 16. Staff will discuss those studies with the UAC. The integrated resource plan in December included a projection with high electrification loads.

Ms. Bilir presented preliminary water rate projections. Staff proposed a 9% distribution rate increase, which equated to an overall 5% increase on the water bill. Last year, funds were utilized from the rate stabilization reserve and capital reserve due to reduced revenues. Regionally, water sales have decreased due to the drought and have not rebounded. The preliminary forecast relied on SFPUC's rate projection last May where they did not anticipate increasing the SFPUC rate this July; however, staff expected to hear informally from SFPUC in January if they would increase our wholesale rate.

The water utility needed to raise a lot of money to pay for two tanks that need to be replaced and large main replacement projects that occur every other year. Last year, the distribution rate increase was limited to 2% because of the large commodity increase from SFPUC.

Chair Segal noted water main replacement acceleration was not included. Ms. Bilir responded that the preliminary projections only included the budget amounts for water main replacement projects at a typical level but not an acceleration of main replacement.

The One Water study would evaluate supply options but those were not included in the projections. Commissioner Mauter queried when One Water supply alternatives might come online, have capital expenditures or incur debt. Ms. Bilir replied it depended on the water supply option. Something taking 10 or 15 years of planning might be outside of this forecast timeframe whereas conservation could be done in 2025. Staff will present details to the UAC as soon as they can.

Water sales revenues, net of supply cost savings, were \$2.4 million lower than forecasted. Expenses were \$1.6 million higher than forecasted, including transfer to the capital projects fund, accounting adjustment to the beginning balance, and CIP costs were higher than anticipated. Staff projected the operations reserve to be close to the minimum guideline range and return to target in FY 2029. The sales forecast was lowered based upon recent reductions in sales due to drought and conservation. Cost drivers include drought-related reduction in water revenue; health, retirement and associated overhead cost increases; increased cost for generator rental, as well as cost for exposed pipeline in Arastradero for water, wastewater and gas.

Commissioner Mauter asked for a breakdown of distribution operation costs for labor and electricity for pumping. Ms. Bilir replied there was usually a chart with a breakdown of operation costs but she did not have those details.

In answer to Commissioner Phillips query on the amount of commercial water usage versus residential, Ms. Bilir replied it was about 63% residential and the rest was non-residential.

Commissioner Mauter wondered if rates were significantly different between commercial and residential per CCF and was surprised to see a big difference in commercial and residential rates in other cities. Ms. Bilir explained that the single family residential class had a tiered rate, meaning customers paid more per unit if they exceeded 6 CCF of water usage within a given month. Nonresidential classes do not have tiered rates. The irrigation charge was significantly higher. Other cities may use different rate structures and customer classes, so it was difficult to compare rates.

Ms. Bilir presented preliminary wastewater rate projections. Last year, staff presented to Council three years of 9% increases from FY 2024 through FY 2026. Increasing the rate of sewer main replacement from an average of 1 mile per year to 2.5 miles per year was very important to replace remaining mains within their approximately 100-year lifespan. That plan would have replaced all remaining mains within 108 years. Last year, Council also approved a large sewer main replacement a year early to coordinate with the Caltrans repaving project on El Camino, so those funds were moved to the reappropriations and commitments reserve. That main replacement project would fully utilize all of the capital reserve funding and draw down the rate stabilization reserve to zero. Achieving a sustainable rate of main replacement within the same time period would require more rate increases. Staff recommended deferring the first of a series of capital projects from 2026 to 2028 and looking for cost cutting opportunities this year. With this approach, all remaining mains would be replaced within 111 years.

Last year, staff projected the operations reserve would be at the minimum guideline level. However, revenue projections were higher than actual revenue and projected costs were lower than actual costs in FY 2023. The reserve dropped to negative \$700,000. The sewer service charge revenue was very close to staff's projections but the projection for other revenue was too high, particularly the capacity fee revenue for new development. In FY 2024, nonresidential sewer service charge revenue decreased mostly due to reductions in water usage from last winter. Charges for commercial customers are based upon their three lowest months of winter water usage, which was lower last winter.

CIP-related costs were higher than staff's projection because staff did not project administrative costs. A higher transfer out to capital projects impacted the reserve fund. Staff reconciled all costs in 2023 with the accounting costs listed in the City's financial statements to forecast more accurately next year. A group of staff from Engineering, Admin, Rates and Budget convened to examine each of the categories where projections were over or under to reach consensus on a better forecasting method.

Chair Segal expressed her concern with deferring sewer main replacement. CPAU was significantly lower than residential bills from other communities. Chair Segal thought there should be a discussion of the consequences. She did not want to confront dangers that could have been avoided. Her recollection of the discussion about accelerating main replacement was because they were so old. UAC chose the mid timing instead of the fastest because of budget constraints. A 9% increase may be a couple dollars but would have a big impact on when we start these projects. Ms. Bilir thanked Chair Segal for her input. Staff presented to Council a range of options between 108 years to 114 years, so this was within the range but not the expectation that was set.

Chair Segal wondered why staff recommended a rate increase that left wastewater reserves in a bad place and our sewage pipes older than we would prefer. Mr. Batchelor replied that staff evaluated a 13% increase compared to the 9% proposal and staff could send it to the UAC after this meeting. Commissioners could reply via individual emails if they agree to move it forward to Council. Staff could receive input during the budget subcommittee meeting before staff goes to Finance. Ms. Bilir stated the 9% increase was \$4.40 whereas a 15% increase was \$7.30 per residential customer per month.

Commissioner Metz felt more nervous about several of the reserve funds being at or below their minimum than bill increases. He thought staff should evaluate how to bring reserve funds into range within a year or two.

Commissioner Phillips commented that the combination of the following factors convinced him there was room to be more aggressive with rate increases. After a 9% increase, CPAU was substantially lower than our neighboring communities. Deferring important maintenance worried him. Reserves were low.

Commissioner Mauter asked if Public Works determined the prices for major treatment projects. Ms. Bilir replied that Karin North, Assistant Director Public Works, oversees the treatment plant. Public Works provides regular updates on their capital projects. Staff incorporated those projections into the forecast, but costs will continue to increase over the next five years and may not be fully captured. Public Works was pursuing grant funding from Valley Water to offset some treatment costs. Some grant funds are included in staff's forecast for the financial plan. Additionally, there is a team composed of staff from Public Works and Utilities that meets regularly regarding the ongoing work on the One Water Plan.

With the structural changes we might see over the next decade when water and wastewater facilities are more tightly integrated, Commissioner Mauter suggested thinking about reserve funds as complementary to one another and the need for adequacy. She strongly supported increasing wastewater and water reserve funds due to future increased wastewater treatment costs and the associated costs of a One Water Plan.

Commissioner Croft asked how expenses were calculated and shared with partner cities. Ms. North explained that CPAU provided two cost-of-service analyses for our partners. One is the fixed-rate capital cost based on capacity rights from the 1980s when communities requested their allocation of the 40 million gallons/day capacity of the wastewater treatment plant. Second, there was an operating (flow and load) cost share based on 34% flow, 22% ammonia, 22% total suspended solids and 22% oxygen demand. CPAU sends our partners quarterly bills based on monthly data from samples collected throughout the collection system for all partner agencies. CPAU met with partnering communities frequently, gave them projections and kept them apprised of sewage treatment plant upgrades. The



sewage treatment plant was being rebuilt. A \$193 million project to remove nutrients started this year. The sewage plant runs at 15 of the 40 million gallons/day capacity. Every partner city had more capacity than they need. CPAU provided partners a 10-year forecast so they can project their rates.

**ACTION:** None

The UAC took a break at 8:21 p.m. and resumed at 8:32 p.m.

**ITEM 3: DISCUSSION:** Discussion and Update on Utilities Department Five-Year Capital Improvement Program Progress and Projections

Public Comment: David Coale thought the City should plan for capital improvement projects to treat forever chemicals (PFAS). He opined that pyrolysis was one of the most effective ways to treat wastewater effluent. This was cost effective and energy neutral or energy positive in Redwood City.

Matt Zucca, Assistant Director WGW Engineering and Operations, discussed gas, water and wastewater capital projects from FY 2019 projecting forward five years.

Staff split GMR 24 into two projects. GMR 24A is a gas replacement project in the Stanford Mall area. Staff hoped to find out in the first part of 2024 if their application will be awarded a \$12 million grant for GMR 24B from the Pipeline and Hazardous Materials Safety Administration.

Of CPAU's eight reservoirs, all were replaced and within the first quarter of their anticipated useful life except for Park Reservoir and Dahl Reservoir. Reservoir projects cannot be performed at the same time because taking two tanks offline would affect the operation of the water system. Before reissuing the Park Reservoir RFP, staff had to determine why there were no responses in the first round. The Dahl Reservoir upgrade was planned for FY 26.

Mohammad Fattah, Manager Electric Engineering, addressed the UAC regarding the electric utility. The strategic focus was on grid modernization. The penetration of electric vehicles (EVs) in Palo Alto was about 30% to 35%. Capacity was probably 50% of where it needed to be. There was about a 25% compound annual growth rate (CAGR) on the annual increase of EVs. The fiber to the premise (FTTP) project is in the design stage. In the next two to three weeks, work will begin on placing and replacing poles. Grid modernization is a five-year program. The first segment of grid modernization services will come live in June/July 2024 with the fiber network following in the pilot area. The Hanover Substation upgrade project with Tesla was going through permitting and anticipated to break ground in the next three to four weeks.

Staff was making efforts to provide prospective tenants or owners of newly constructed apartments and condominiums the option to obtain communication services including dark fiber from the City.

SWOT analysis identified key threats of supply chain instability and labor shortage. Several engineering staff left CPAU. It was a challenge to recruit and hire new engineers because engineers were moving to more lucrative areas such as artificial intelligence (AI) and machine language (ML). CPAU created a two-year rotation program for engineers to design, build, support and maintain substations; rotate to transmission and distribution, new customer connections and customer services. The cost of transformers more than doubled in the past five years with lead-time up 300%. Cable, especially aerial cable because of California fires, was a very difficult commodity to obtain.

The Foothills underground project for fire prevention was delayed until next year to seek easements for electrical facilities. The AMI project was ongoing. Substation security systems will be updated, including cameras and raising the walls. Substation circuit breakers were about 50 years old and some do not have spare parts, so existing infrastructure would be reviewed for breaker replacement. Eighty percent of the engineering staff focused on grid modernization and FTTP.

In reply to Commissioner Phillips' question about AMI, Dave Yuan, Utilities Strategic Business Manager, responded that residential was on target to finish by December 2024 and commercial by mid-2025.

Commissioner Metz asked when the UAC could see details on the \$160 million for grid modernization over the next five years. Mr. Fattah replied it was a work in progress. Staff did not have a date to return to the UAC to present the program but first they will do an inventory of poles, miles of cable and wire and identify which ones needed replacement.

**ACTION:** None

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

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None

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

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Commissioner Croft wanted a long-term forecast on buyers of excess solar energy and who was using gas. She wanted to know staff's confidence level that there were buyers for our excess energy if we entered new solar contracts and the length of time that market would exist.

Commissioner Metz remarked that grid modernization was the biggest capital project but the UAC had not seen any details. Dean Batchelor, Utilities Director, stated that Jonathan Abendschein spoke about it in the resiliency study. Chair Segal pointed out that we had to issue a bond and voters need to be informed. Commissioner Metz would like to know the reason why ratepayers in Palo Alto should spend over \$300 million, what we will achieve with that money and when, what we will not spend it on and why. Commissioner Phillips wanted an explanation of what grid modernization entailed, what people would be able to do when grid modernization was complete, how personal or commercial life may be different and how will the environment be improved. If we do not modernize the grid in Palo Alto, he asked what we would not be able to do, such as not being able to support more than X number of homes installing solar or EVs. This construction project was building a capability and he wanted to understand what that capability was. Mr. Batchelor replied that Tom Marshall made the benefits clear in his prior presentation. Without grid modernization, there is not enough capacity to allow whole-home electrification. Mr. Batchelor will talk to staff about providing a report in the next couple of months to the UAC on this project and its values. He agreed that residents needed to start getting informed so they could understand the cost and the reasons we were asking for the bond.

Commissioner Metz requested staff to add calendared items on the rolling calendar. Chair Segal also noted the long list of items to add to the calendar. Mr. Batchelor stated they would schedule the items that needed discussion within the next 11 months. Mr. Batchelor could provide updates on some items on a quarterly basis. Staff will put together a presentation about solar and its advantages.

Commissioner Metz asked for a cybersecurity update. Mr. Batchelor needed to contact the Director of IT and Jonathan Lait about the permitting process and a timeline for presenting this topic to the UAC.

**NEXT SCHEDULED MEETING:** February 7, 2024

**ADJOURNMENT**

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Commissioner Phillips moved to adjourn.

Commissioner Mauter seconded the motion.

Motion carried 5-0 with Chair Segal and Commissioners Croft, Mauter, Metz and Phillips voting yes.

Vice Chair Scharff and Commissioner Forssell absent.

Meeting adjourned at 9:17 p.m.

Respectfully Submitted  
Jenelle Kamian  
City of Palo Alto Utilities