

DRAFT

UTILITIES ADVISORY COMMISSION MINUTES OF FEBRUARY 7, 2007

CALL TO ORDER

Chairman Melton called to order at 7:00pm the regular scheduled meeting of the Utilities Advisory Commission.

Present: John Melton, Dick Rosenbaum, Marilyn Keller.

ORAL COMMUNICATIONS

NONE

APPROVAL OF THE MINUTES

Rosenbaum: Moved approval; Keller seconded.

AGENDA REVIEW

NONE

REPORT FROM COMMISSION MEEINGS/EVENTS

Rosenbaum reported on the NCPA Strategic Planning Meeting he attended. He flagged an interesting presentation by Alan Richardson from the APPA, and Senator Lloyd Levine's proposal to ban the sale of incandescent light bulb. He further noted the lack of strategic planning activities at the meeting.

Melton reported on the CMUA Capital Day meeting he attended in Sacramento. Meetings were held with Senator Joe Simitian and with Assemblyman Ira Ruskin's staff.

UTILITIES DIRECTOR REPORT

Valerie Fong (Utilities Director) thanked both Commissioners Rosenbaum and Melton for attending the Strategic Planning Workshop. She summarized the message shared at CMUA Capital Day by noting that the legislature tends to pass laws that sometimes work at cross-purposes, particularly in the arena of renewables, access to renewable power, and local capacity requirements. She also noted NCPA efforts to reduce cost and to increase service levels with Shiva Swaminathan's

participation in the efforts. Lastly, she reported on the Council's workshop held over the weekend and the four priorities that were identified for the year with particular emphasis on the recommendations of the Green Ribbon Task Force.

NEW BUSINESS

Long-Term Acquisition Plan and Update

Presentation by staff with the following summary highlights:

- LEAP last updated in April, 2006

- Overview of portfolio with addition of renewables contracts

- Energy efficiency plans should meet 3 to 5 percent of the City's load over time. Green Power Pool Agreement (through NCPA) is progressing and should result in 15 megawatts of new renewable generation.

- Guidelines are modified to reflect latest Council, State, Federal mandates with one new guideline focused on Greenhouse Gas Initiatives

Commissioner Rosenbaum asked about the solar program including the amount of funding for the program and the way in which customers achieve savings from their solar installations. Karl Knapp (Sr. Resource Planner) and Tom Auzenne (Assistant Director, Customer Support Services) explained costs assigned to municipals for solar programs under SB1, indicated the Palo Alto share will be roughly \$1 million annually, and noted the growing demand for solar incentives. They further explained the matter of under-recovery of distribution costs that thus far have been very insignificant, so while not a matter for immediate concern, something to keep in mind as rates are designed in the future.

In response to a query from Commissioner Keller on solar education, Knapp and Auzenne explained how CPAU works with the Palo Alto Unified School District to educate students on solar program benefits, and works with the facilities managers at PAUSD to increase the efficient use of energy at the PAUSD facilities.

Commissioner Rosenbaum asked about the Palo AltoGreen program and the underlying expenses for that program. Auzenne explained that the 1.5 cents/kWh payment under the program takes

into account the actual cost of procurement and marketing efforts. Commissioner Rosenbaum inquired whether the program administration costs are significant and whether the program could be phased out with a concurrent increase in the renewable percent in the portfolio, or whether it would be a good time to look at where the program is and how it might be improved. Staff agreed that a review of the program goals and design was worthwhile and would get back to the Commission.

Commissioner Melton asked staff to clarify the use of “non-fossil and non-nuclear” under Guideline #6, Renewable Energy Supply. Valerie Fong explained that the 80% number refers to CPAU’s total energy supply from renewable resources, which includes large hydroelectric power plus the new resources from “eligible renewable” technologies.

Commissioner Melton asked about the tests to determine whether an efficiency measure is cost-effective. Knapp explained the approach is at looking at bill reductions, not necessarily rate reductions, and the goal at ensuring that all customers have the opportunity to participate in an efficiency program, not just the large or commercial customers for instance.

Commissioner Keller asked for examples of hydro resource management products Shiva Swaminathan (Senior Resource Planner) noted that one such product is the “Complimentary Hydro Exchange Program” whereby we would contract with a large thermal plant owner to take on the hydro risk. The thermal plant owner’s incentive to do so is driven by the complimentary nature of the thermal vs. the hydro plant ... the value of the thermal plant asset decreases in a good hydro year so it compliments the hydro exposure. Another product is a “weather hedge” – a financial hedge that would limit financial exposure to dry hydro conditions.

Commissioner Melton observed that there is a state vs. federal issue in determining acceptable carbon emissions levels, and that there could be conflicting regulations coming from the legislative entities.

Rosenbaum moved staff’s recommendation with Keller seconding. Motion passed unanimously on voice vote.

Prior to adjournment, there was a quick discussion on setting the time and place for a special meeting to discuss the Final Environmental Impact Report for our Emergency Water Supply and Storage Project and the five year cost trends and drivers. A Special meeting was scheduled for Monday Feb. 12th. The next regularly scheduled meeting is on March 7th.

Meeting adjourned at 8:00p.m.

Respectfully submitted,

Jennie Castelino
City of Palo Alto, Utilities