

MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: June 1, 2016

SUBJECT: Utilities Advisory Commission Discussion on Alternatives to the Existing Voluntary Opt-In PaloAltoGreen Gas Program Including an Opt-Out Mechanism and a Carbon-Neutral Natural Gas Portfolio

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RECOMMENDATION

Staff has reviewed various options for modifying the PaloAltoGreen Gas Program (PAG Gas) and requests that the Utilities Advisory Commission (UAC) provide feedback to the Finance Committee and Council. Alternatives include: (1) maintaining the existing voluntary opt-in program, (2) modifying the voluntary program to an opt-out structure, and (3) making carbon-neutral, all or a portion of, the natural gas portfolio using environmental offsets and/or physical biogas.

EXECUTIVE SUMMARY

The PAG Gas program uses high quality environmental offsets purchased by the City on behalf of participants in order to reduce or eliminate the impact of greenhouse gas (GHG) emissions associated with their natural gas usage. The goal is to have 20% of customers, corresponding to 10% of the City's gas usage, participate in PAG Gas by 2020. Achieving this goal would reduce Palo Alto's GHG emissions by about 15,000 tons per year, representing a 10% reduction in natural gas usage.

Since the program launch in December 2014, roughly 4% of the City's residential natural gas customers have participated in PAG Gas accounting for approximately 3,200 tons of GHG emissions per year. City facilities began participating in PAG Gas in July 2015 and account for GHG emissions reductions of approximately 6,000 tons per year. That number is expected to drop to 3,000 tons per year when the incinerator at the Regional Water Quality Control Plant is retired. With increased marketing and outreach efforts, the City is expected to achieve the 20% participation goal by 2020. For a typical residential customer participating in PAG Gas, the cost to participate in the program is approximately \$5 per month. As participation increases, the rate impact will fall since the administrative costs could be spread over more gas usage.

Converting the program to an opt-out program would achieve greater GHG emission reductions at a lower cost. However, such an approach could be negatively received by some customers and could risk damaging the relationship between the City and its customers. Alternately, the program could be stopped altogether and offsets could be purchased for the gas portfolio serving all customers.

The four options are summarized in the table below.

	Pros	Cons
Opt-in Program	<ul style="list-style-type: none"> • Consistent with CPAU’s past practices of providing program and service options for those who want them. • Allows participants to feel proud that they are doing more to help the environment 	<ul style="list-style-type: none"> • Requires significant and continuing outreach effort to maximize participation—and minimize administrative costs—by capturing all customers who would participate in the program if they knew about and understood it
Opt-out Program	<ul style="list-style-type: none"> • Much greater reductions in GHG emissions associated with natural gas usage could be achieved sooner and at a lower cost • After start up, easy and low cost to administer 	<ul style="list-style-type: none"> • Risk of harming CPAU’s reputation as the program can be viewed by customers as “slamming” or even taking advantage of customers who are not paying attention even after being notified of right to opt-out • Requires ongoing outreach to notify customers of their ability to opt-out at any time • Requires development of detailed program rules and processes to allow for opting out/in, securing refunds and identifying potential sources of funds for such refunds.
Gas Portfolio Backed by Offsets	<ul style="list-style-type: none"> • Maximum reductions in GHG emissions associated with natural gas usage • Minimal administrative costs • No need for complicated program terms and conditions 	<ul style="list-style-type: none"> • Could be perceived as an overreaching mandate • Small rate increase for all customers • Cost varies with the cost of environmental offsets
Gas Portfolio Backed by Green Gas	<ul style="list-style-type: none"> • Maximum reductions in GHG emissions associated with natural gas usage if for 100% of the gas portfolio • Minimal administrative costs • No need for complicated program terms and conditions 	<ul style="list-style-type: none"> • Could be perceived as overreaching • Large rate increase for all customers, especially if for 100% of the gas portfolio • Cost varies with the cost of green gas

BACKGROUND

Early Evaluation of Alternative Gas Supplies

The City of Palo Alto Utilities (CPAU) has evaluated ways to reduce the carbon content of the natural gas portfolio for many years. The Gas Utility Long-term Plan (GULP) includes a strategy to evaluate a voluntary green gas program and evaluate purchasing non-fossil fuel gas (biomethane or biogas) for the gas portfolio. The City Council last approved updates to GULP in April 2012 ([Staff Report 2522](#), [Resolution 9244](#)), including GULP Strategy 4:

Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan by:

- a. Designing and implementing a voluntary retail program using reasonably priced non-fossil fuel gas resources; and
- b. Purchasing non-fossil fuel gas for the portfolio as long as it can be done with no rate impact.

In November 2009, the UAC reviewed an analysis of physical biogas as a resource for the gas supply portfolio.¹ At that time, staff determined that biomethane cost about 50 cents per therm (¢/therm) more than natural gas, or a cost of about \$100 per ton of carbon dioxide equivalent (CO₂e)² and would increase a residential customer's gas bill by 35%. Again, in April 2013, staff presented alternatives for a PAG Gas program to the UAC³ including the use of physical biogas for the program, but found that it would cost about \$1 per therm more than natural gas based on responses to a request for proposal issued by the Northern California Power Agency. In addition, the long-term contracts required for biogas project developers to secure financing were, and are still, not conducive to the potentially volatile demand associated with a voluntary green gas program.

City's GHG Emissions From Natural Gas

The table below, based on data from the 2016 Earth Day report ([Staff Report 6754](#)), shows the estimate for City and community GHG emissions for 1990, 2005, 2012, and 2015.

Palo Alto Community and City Greenhouse Gas Emissions (in 000's of Metric Tons of CO₂e)

Emissions Category	1990	2005	2012	2015
Natural Gas Use	194	166	160	135
Electricity Use	186	160	75	0
Mobile Combustion *	332	372	320	330
Other **	68	54	36	36
Total	780	752	591	501

* Consultant estimate based on population, employment, vehicle miles travelled and vehicular emission profiles

** Includes landfill, refuse and Regional Water Quality Control Plant emissions

¹ <http://www.cityofpaloalto.org/civicax/filebank/documents/17514>

² 1 ton/2204.16 lbs * 116 lbs CO₂e/1 MMBtu CH₄ * 1 MMBtu/10 therms = .0053 tons/therm

³ <https://www.cityofpaloalto.org/civicax/filebank/documents/33744>

Note that emissions from natural gas use in 2015 were reduced by 4,406 tons due to the PAG Gas program. The larger part of the reduction in emissions associated with natural gas use is associated with reduced natural gas use (from 37.2 million therms in 1990 to 30.1 million therms in 2012 to 25.5 million therms in 2015).

PaloAltoGreen Gas Program Development

The PAG Gas program was modeled after the highly successful, voluntary PaloAltoGreen (PAG) program which allowed participants to receive 100% renewable energy and eliminate the GHG emissions associated with their electricity use. Participation rates in PAG were the highest among similar programs throughout the nation earning recognition for the CPAU and creating a sense of community pride around sustainability efforts. In 2012, approximately 20% of CPAU's customers participated in PAG, representing 8% of the City's total electric usage. The UAC reviewed alternatives to PAG in December 2012 and the City Council reviewed those alternatives at a study session in February 2013 ([Staff Report 3386](#)).

By 2013, the City's aggressive Renewable Portfolio Standard (RPS) goal combined with its carbon-free hydroelectric resources rendered the electric supply portfolio largely carbon-neutral. In March 2013, City Council approved the Carbon Neutral Plan committing CPAU to pursue only carbon neutral electric resources beginning in calendar year 2013 ([Staff Report 3550](#), [Resolution 9322](#)). In September 2013, City Council suspended PAG and directed staff to develop a new voluntary PAG Gas program to afford participants the opportunity to eliminate the GHG emissions associated with their natural gas use ([Staff Report 4041](#), [Resolution 9372](#)).⁴

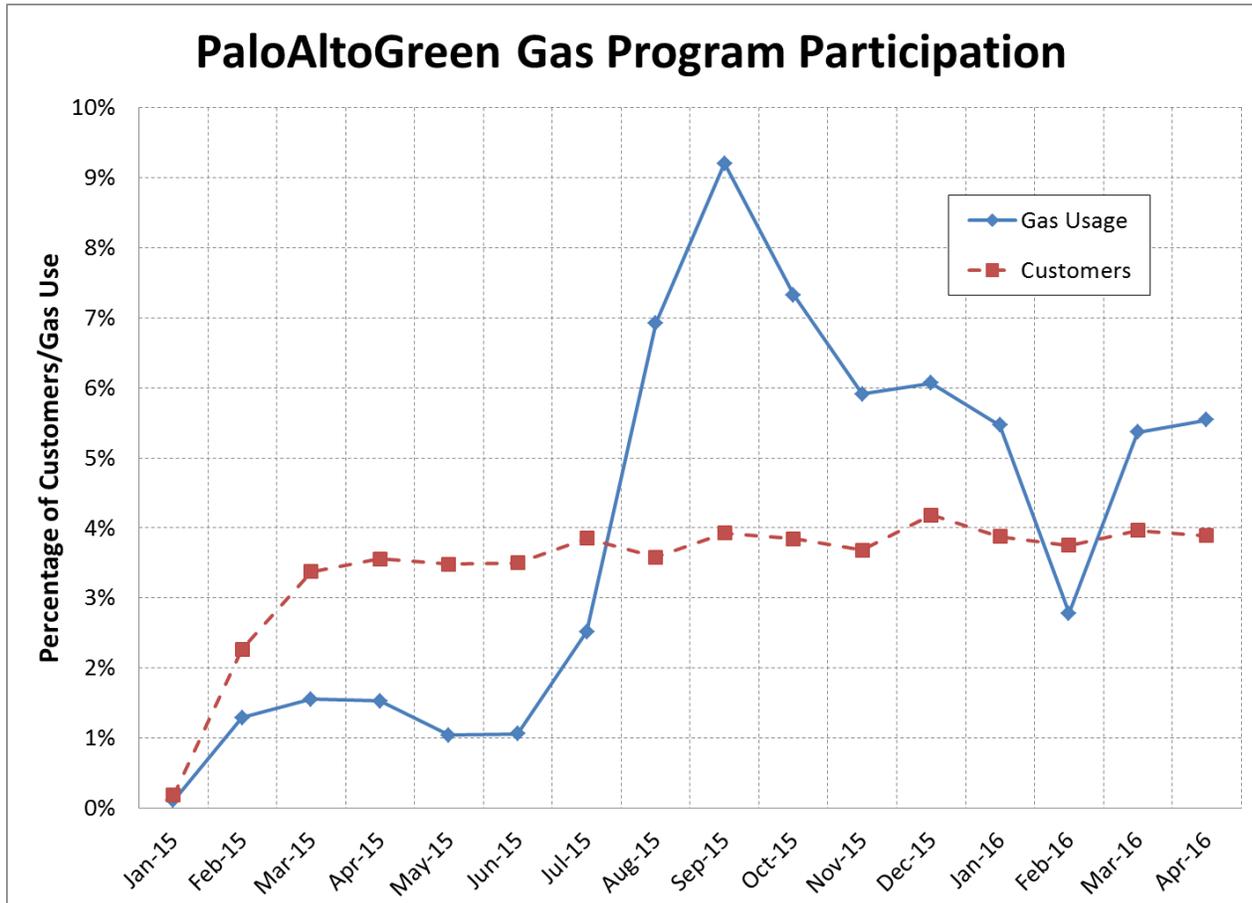
In April 2014, City Council approved the establishment of a voluntary PAG Gas program ([Staff Report 4596](#), [Resolution 9405](#)) using high quality offsets to back the program. The PAG Gas program goal is a 20% participation rate by 2020 with a corresponding GHG reduction of 16,000 tons of CO₂e per year. The 2020 goal represents a 10% reduction in the City's total GHG emissions associated with natural gas consumption. The reductions are achieved by purchasing high quality environmental offsets, with a preference for California projects, on behalf of participants in order to reduce or eliminate the impact of GHG emissions associated with each participating customer's gas usage. All customers can sign up for PAG Gas for their entire gas usage; commercial customers also have the option of participating in the program for part of their natural gas usage.

⁴ In June 2014, since the PAG (electric) program is redundant with the Carbon Neutral Plan, Council eliminated the PAG program for residential customers ([Staff Report 4718](#), [Resolution 9422](#)). At the same time, Council also reactivated the program for commercial customers since some customers (including City facilities) desire to participate in a voluntary green electric program to achieve environmental recognition and certifications in line with their own corporate sustainability goals including participation in the U.S. Green Building Council Leadership in Energy and Environmental Design (USGBC LEED) Program and the U.S. EPA Green Power Partnership Program.

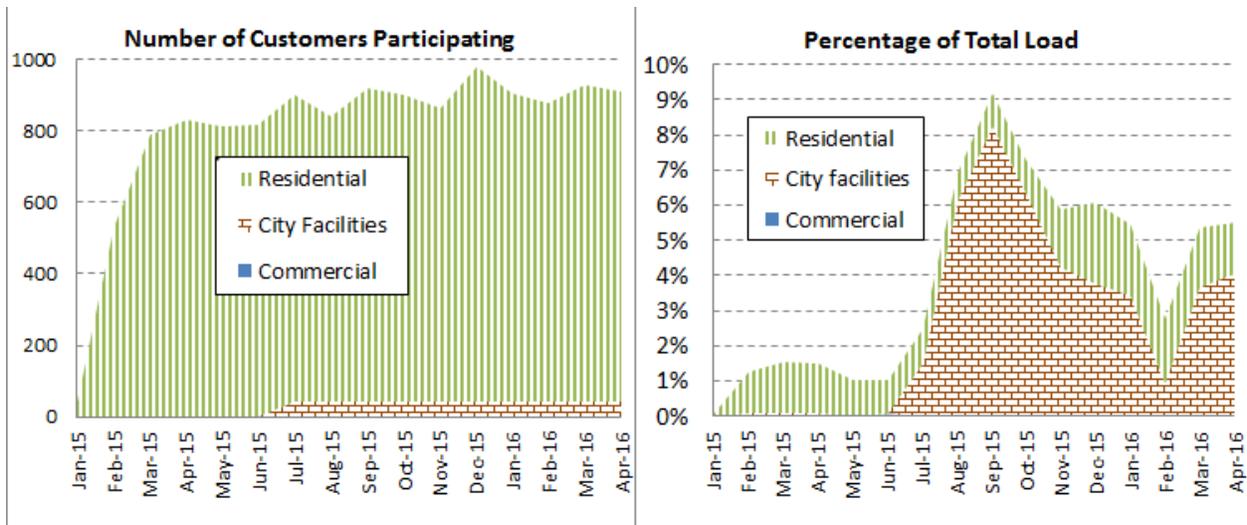
DISCUSSION

Existing PAG Gas Program

The PAG Gas program was soft launched to customers who had participated in PAG in December 2014 and officially launched to all customers in January 2015. The chart below shows the trajectory of PAG Gas participation for January 2015 through April 2016.



The two charts below show the number of participants by customer type (on the left) and the percentage of total gas usage by customer type (on the right). As shown, the vast majority of participants are residential customers—as was the case with the PAG (electric) program. The bulk of the participation in terms of gas usage is for City facilities. Very few commercial customers have participated in the program to date.



Approximately 4.1% of the City’s residential natural gas customers have signed up for PAG Gas as of the end of April 2016. In July 2015 all City facilities began participating in the program for 100% of their gas usage. With increased marketing and outreach effort, the City expects to achieve the 20% customer participation goal by 2020 and expects those participants to represent more than the 10% of total gas usage goal.

The PAG (electric) program reached 20% customer participation levels—with the bulk being residential customers—but the program achieved participation representing only about 4% of the total electric usage (since the majority of participants were residential customers who use less than 20% of the electricity used in the City).

All offsets purchased to date have been from a livestock methane capture project. The PAG Gas rate is 12¢/therm—5¢/therm for the environmental offset and 7¢/therm to cover administrative costs. The offset cost will change with the market. Administrative costs per them will decline once the program has achieved greater penetration. The 12¢/therm rate equates to an avoided GHG emissions cost of approximately \$22 per ton of CO₂e. A typical residential participant pays approximately \$5 per month to offset their GHG emissions.

Alternative Opt-Out Program

PAG Gas could be changed from its current opt-in design to an opt-out program. An opt-out program would mean that all customers would be automatically enrolled in the program, but could voluntarily leave the program at any time. Alternatively, customers could be provided an initial window of time to express their opposition to enroll before being automatically enrolled. Regardless of how any opt-out program is structured and launched, the City would need to provide a means for customers to exit (and enter) the program at any time.

Opt-out programs are known to have much higher participation rates than opt-in programs. According to the Department of Energy, for Community Choice Aggregation programs: “The lowest participation rate for opt-out programs that offer a renewable energy component is around 75% compared to the highest participation rates in the low twenties for the most

successful opt-in utility green power programs.”⁵ Staff estimates that 15%-20% of customers will opt-out of the program although this rate is highly uncertain, especially for the small commercial class. At its October 7, 2015 meeting the UAC heard public comment on, and discussed the merits and drawbacks of, an opt-in versus an opt-out structure for the voluntary program. The minutes from that meeting are provided as Attachment A.

Program Cost Comparison

Costs associated with an opt-out program, however, are not negligible. Extensive public education and outreach would be needed to inform CPAU natural gas ratepayers of the new program parameters and the new affirmative steps that such customers would need to take to avoid participating in the program. Communication activities would include direct mail, a detachable card and an ad in the newspaper, and modification to the program tool on the City’s web site for a total cost of \$100,000. Changes to the billing system are estimated to cost \$400,000 for the initial design, testing, and launch. Ongoing program management costs are estimated to be \$40,000 per year, an insignificant impact on the PAG Gas rate. Customer Service will certainly experience a large increase in calls from the public. Those costs are not included in the analysis.

The following is an estimated cost comparison between the two approaches.

	Units	Opt-in Program		Opt-out Program	
		Current	Post-2020	First Year	Subsequent Years
Participation	% of gas usage	6%	10%	90%	80%
GHG emissions reduced	tons ¹	9,000	15,000	135,000	120,000
Offset Cost	\$/ton ²	9.25	9.25	9.25	9.25
	¢/therm	4.4	4.4	4.4	4.4
Administrative cost	\$/year	\$120,000	\$85,000	\$400,000	\$40,000
	\$/ton	13.16	5.66	2.96	0.33
	¢/therm	7.0	3.0	1.6	0.5
Total Cost	\$/ton	22.46	14.91	12.21	9.58
Retail Rate	¢/therm	12	8	6	5
Residential Bill Impact ³	\$/month	4.32	2.88	2.16	1.80

Notes: 1 GHG emissions based on projected gas usage of 28.5 million therms per year (150K tons CO₂e)

2 Offset costs will adjust with market conditions

3 Median residential customer gas use: 54 therms/winter month and 18 therms/summer month

Customer Engagement and Relationship

CPAU places a high value on customer satisfaction, and an opt-out program is likely to damage CPAU’s relationships with at least some of its customers. Certain aspects of an opt-out program structure are reminiscent of the telecommunications industry “slamming” debacle of the 1980s.

⁵ See http://apps3.eere.energy.gov/greenpower/markets/community_choice.shtml accessed May 2, 2016.

Pacific Gas and Electric Company’s SMART meter roll-out is another example of a program thrust upon customers that resulted in a negative backlash. CPAU works diligently to be responsive to customer demands by providing programs and services that meet customer needs. Customers can be grouped into program supporters or opponents as follows:

Customer	Opt-In Program	Opt-Out Program
Active Supporter	Participates in PAG Gas	Supports, would not opt out
Passive Supporter	Intend to opt in, but have not prioritized signing up	Supports, would not opt out
Unaware Supporter	Would opt-in, but have not heard about it	Would not opt out
Ambivalent	Don’t pay attention, or care either way	Unlikely to opt out
Unaware Opponent	Would not opt in	Prefers to opt out, but not paying attention to the City’s messaging or the resulting changes to their utility bills
Passive Opponent	Would not opt in	Doesn’t support the program, but unlikely to prioritize opting out
Aware Opponent	Would not opt in	Really don’t want to participate but feel guilty or embarrassed about opting out, especially if the program is characterized as being environmentally friendly
Active Opponent	Would not opt in	Would opt-out of the program

Customers in the first three groups support the program and would be expected to ultimately become participants in an opt-in program if they were aware of it and it was convenient to sign up. An opt-out program would immediately increase participation by capturing those who would support the program, but have not opted in for a variety of reasons. Higher participation in an opt-out program relies on those who are ambivalent, or opposed to the program, but won’t opt-out for a variety of reasons. Placing customers in a program without their prior consent is a practice at odds with the customer care standards CPAU strives for on a daily basis.

Customers who are not engaged can easily turn into angry customers when the change is finally noticed. Some customers may be unlikely to vocally oppose the program, but may have lingering negative feelings about CPAU. An opt-out program has the potential to cause irreparable damage to CPAU’s customer relations and reputation.

Legal Considerations

If PAG Gas is expanded to make opt-out the default setting for all customers, new program rules clearly defining program terms and conditions will need to be carefully crafted and adopted by City Council. Expansion of the PAG Gas program to include all customers is effectively a rate increase and must be adopted by the Council. The City’s gas rates are cost-based, in compliance with Proposition 26, so any changes to the PAG Gas program must be

cost-based as well. In addition, it is important that the public be fully informed concerning the PAG Gas program's terms and conditions, particularly the process customers must follow to opt out of the program and any refund process and potential refund funding source, for customers wishing to opt out.

All of the options discussed in this staff report, including an opt-out program structure, procurement of offsets to cover the entire portfolio of GHG emissions associated with the City's natural gas usage and any biogas/green gas resource procurement may require the City to modify its existing contractual relationship or to secure new agreements.

Other Voluntary Offset Programs

Staff is aware of several voluntary green natural gas programs in the U.S. and Canada. Staff is not aware of any opt-out programs.

Renewable Portfolio Standard (RPS) for Natural Gas

In 2015 a California Senate bill was introduced that would have compelled natural gas sellers to provide a specific percentage of renewable gas supplies during certain compliance periods. In essence, this bill would have established an RPS for gas similar to that for electricity. This bill died in the legislative process. Unlike electricity, renewable physical supply options for natural gas are limited and expensive. Biogas as a component of Palo Alto's supply portfolio will be reconsidered in 2020 when PAG Gas is re-evaluated.

Carbon Neutral Gas Portfolio Alternative

Using offsets to neutralize the GHG emissions of the entire gas portfolio is a cost-effective alternative with merits and drawbacks. Maximum reductions in GHG emissions would be achieved at the lowest possible cost, essentially the cost of the offset with minimal administrative overhead. All customers would be subject to a rate increase of approximately 5% (at current costs for environmental offsets). Residential customers would experience a bill increase of less than \$2 per month, similar to the long-term cost for the opt-out voluntary program. Such a change would need to be fully vetted and approved by Council.

Instead of using offsets, the gas portfolio could be backed by physical green gas ("biogas" or "biomethane"). As stated above, staff evaluated this option in the past—most recently in April 2013—and could conduct a new analysis of this option by updating the market prices and availability for green gas. To reduce the cost impact of buying green gas for the gas portfolio—and the GHG emissions reductions—the portfolio could include green gas for a portion (e.g. 25%) of the portfolio. Alternately, a green gas portfolio standard could increase over time (e.g. start at 10% in 2018 increasing to 100% by 2030).

RESOURCE IMPACT

As the PAG Gas program is a revenue neutral, voluntary program, there is no net impact on CPAU's financial resources. If the PAG Gas program was replaced with a carbon neutral gas portfolio for all customers, a rate increase would be necessary to cover the cost of the offsets. If the program was terminated and the gas portfolio for all customers included a green gas

standard, program costs would increase depending upon the fraction of green gas in the portfolio.

POLICY IMPLICATIONS

The Council-approved Utilities Strategic Plan includes an objective to offer programs to meet the needs of customers and the community.

Strategy 4 in the Council-approved GULP states:

Reduce the carbon intensity of the gas portfolio in accordance with the Climate Protection Plan by:

- c. Designing and implementing a voluntary retail program using reasonably priced non-fossil fuel gas resources; and
- d. Purchasing non-fossil fuel gas for the portfolio as long as it can be done with no rate impact.

ENVIRONMENTAL REVIEW

Continued implementation of the PAG Gas program does not meet the definition of a project, pursuant to section 21065 of the California Environmental Quality Act (CEQA). Under the existing PAG Gas program, where the City will receive CO2e output from offset projects that will constitute a project for the purposes of CEQA, or for projects located outside of California, NEPA or other applicable state environmental statutes. Offset project developers will be responsible for acquiring necessary environmental reviews and permits as offset projects are developed.

The discussion of potential modification to the PAG Gas program discussed in this staff report with no proposed action being taken at this stage also does not meet the definition of a project under CEQA. Any modifications to the program proposed subsequently will undergo independent analysis for applicability of CEQA.

ATTACHMENT

- A. Excerpted final Minutes from the October 7, 2015 Utilities Advisory Commission Meeting

PREPARED BY:

 Karla Dailey, Senior Resource Planner KD

REVIEWED BY:

Jane Ratchye, Assistant Director, Resource Management

DEPARTMENT HEAD:



Ed Shikada, Interim Director of Utilities



EXCERPTED FINAL MINUTES OF THE OCTOBER 7, 2015 UTILITIES ADVISORY COMMISSION MEETING

ITEM 2. DISCUSSION: Conversion of the PaloAltoGreen Gas Program From an Opt-In to an Opt-Out Program

Chair Foster noted that this item is on the agenda due to support for the idea expressed from members of the community.

Public Comment

Sandra Slater commended the commission for keeping sustainability on the agenda. She said that it's time to move the needle now. She noted that research shows that participation will be much higher if the program was converted to an opt-out program. She said that the program could be changed to make the program supportable by all income levels. Converting the program to an opt-out program is something the City could do that would have an immediate, positive impact.

Lisa Van Dusen said that the program is not perfect since it is backed by offsets, but we shouldn't let the perfect be the enemy of the good. We could pay even more by purchasing more aggressive offsets. There could be mechanisms to get out of the program during an "amnesty period" and low income customers on the Rate Assistance Program could be retained as opt-in customers. She said that there was so much staff effort for the PaloAltoGreen (electric) program just to achieve 24% participation and that there would be savings from lower marketing and administration costs in an opt-out program.

Chair Foster said that the money paid by PaloAltoGreen Gas (PAGG) program participants fund offsets that pay to convert waste into methane that is burned to produce renewable electricity at a dairy farm in Wisconsin and that this wouldn't be done without the revenue from the offsets. Assistant Director Jane Ratchye indicated that this is correct. She said that the offsets that back this program are very high quality as they are selected only from those protocols that have been certified for use in the state's cap-and-trade auction by the California Air Resources Board. One of the requirements of those protocols is that the offset be "additive", or from a project that would not have been done without the monetary support from the sale of the offsets. Chair Foster said that he supports an opt-out program and that the additional cost is only \$5 to \$6 per month for the average resident.

Commissioner Ballantine noted that there are ongoing costs to maintain an anaerobic digester. He said that people who opt-in are causing something real to happen. The greenhouse gas

emissions reductions from those sources would not otherwise happen without programs like PAGG.

Vice Chair Cook noted that the PaloAltoGreen (PAG) Electric program was effectively converted to cover everyone via the carbon neutral program and was a great way to transfer the new goal. He asked why PAGG was not made an opt-out program originally. Vice Chair Cook added that Community Choice Aggregation (CCA) programs were successful because they were opt-out programs. Ratchye replied that the carbon neutral electric supply is not the same as PAG and that it was not developed as a transition from PAG. She noted that PAG purchased Renewable Energy Certificates (RECs) for 100% of a residential customer's load at a cost of 1.5 cents/kWh, or about 12% more than the normal electric rate. On the other hand, the carbon neutral electric supplies consist of about half carbon-free hydroelectric supplies, renewable supplies that are eligible under the state's Renewable Portfolio Standard (RPS) and that RECs are purchased for the balance of the needs. It is expected that by the end of 2016, the City's RPS will be 57% and with hydro supplies (given a normal hydro year), no RECs will be needed for carbon neutral electric supplies. She said that the state's new goal for an RPS of 50% would result in carbon neutrality anyway at no additional cost in a normal hydro year. However, the increased cost of PAGG for participants is 12 cents per therm, or about 12% more than the normal gas rate of about \$1 per therm. She said that the additional cost for PAGG was a consideration for making the program an opt-in program like PAG when the program was originally conceived. In addition, the program was just launched in January 2015 (and has yet to roll out a comprehensive marketing campaign for the program) and staff was hoping to determine the community's appetite for the program. Ratchye agreed that CCAs are successful opt-out programs, but that they are generally no more costly than the alternative from the local utility so participants are not paying any extra to be "slammed" into a CCA.

Vice Chair Cook said that our rates are allowed to go up with the carbon neutral electric supplies and asked what the threshold is for an opt-out versus an opt-in program.

Chair Foster replied that the comparison of PAGG to the carbon neutral plan is different—like apples and oranges—since the carbon neutral electric supplies is not an opt-out, or opt-in, program, but is the electric supply for all customers. The percentage increase in cost to electric rate payers by going carbon neutral is small compared to the percentage increase to a customer by paying for participation in PAGG. He said that PAGG should be compared to the PAG electric program.

Chair Foster asked if there is any legal reason that City Council could not adopt an opt-out program. Senior Deputy Assistant City Attorney Jessica Mullan said that a legal analysis would have to be completed and the answer may depend on the program design.

Commissioner Schwartz asked if the point of the program was to reduce gas use or raise revenue. Chair Foster responded that neither of those options is the point, but that the objective is to reduce greenhouse gas (GHG) emissions associated with customers' gas use.

Commissioner Schwartz said that she agreed that more people will do an opt-out program, but that we need to make sure that participants truly want to participate. We need to provide a very easy way for people to opt-out and not be penalized for any of the months they were enrolled if they don't want to be. A good outreach campaign could be a good way to increase awareness of the issue and it could have an impact of increasing customers' awareness. She said that the program could be a bridge for people to become more conscious of using energy and would not just be a way to buy ourselves out of the problem.

Commissioner Hall suggested that we not act too hastily, but develop a program like this over time, similar to the carbon neutral portfolio adoption. He said that he suspects that there would be a percentage of consumers that would find out later that they were enrolled in a "voluntary" program and feel cheated. A way forward could be to develop a carbon negative plan and start with a surcharge that would fund a solution to global warming. He said it could be a program that would be broadly advertised to ensure that everyone would be aware of the program.

Commissioner Schwartz noted that she had seen an effective "cow power" video, which is an example of how the communication can be done in a playful way that would let people understand that we are in this together, which is a compelling message for many people. She added that it would be a good messaging experiment.

Commissioner Eglash thanked the public commenters. He also complimented the UAC for placing the item on the agenda and allowing this discussion to take place. Commissioner Eglash said that when he weighs the advantages and disadvantages of opt-in versus opt-out, he would like to avoid disgruntled customers and any worry about customer satisfaction. The greatest danger of an opt-out plan is potential customer dissatisfaction. We devote a lot of time to customer satisfaction with the utility. He said it is more risky in this respect and as the price becomes significant, the danger becomes worse. He said that, with a full marketing campaign, is it still plausible that people would not be in the program that wouldn't want to be. He added that perhaps a very successful campaign would result in the same participation of an opt-out and an opt-in program. Commissioner Eglash indicated that he is leaning towards maintaining PAGG as an opt-in program. He added that there should be no action on the item at this time since there is no staff analysis, no fiscal analysis or legal analysis completed at this time. The discussion is conceptual at this point; there is no proposed design for an opt-out program.

Chair Foster indicated that he disagrees that the participation rates for opt-in versus opt-out will converge with a great marketing campaign. He added that this is a discussion item on the agenda tonight so no action can be done.

Commissioner Schwartz said that customer satisfaction depends on transparency. The fact that CPAU cares about being green will show that an opt-out program is consistent with the brand. She added that safeguards to allow folks to opt-out will be consistent with transparency.

Commissioner Eglash said that many people in Palo Alto take pride in the City's environmental efforts. He stated that safety, reliability, and low cost are primary considerations and to impose a greener solution that costs extra money is hazardous and must be done carefully.

Commissioner Ballantine noted that offset resources are finite and that pressures from supply and demand will eventually bite us as the price for offsets will increase as demand increases. He added that an opt-out program would require sufficient offsets to be supplied.

Commissioner Danaher said that the PAGA program has an environmental benefit, a psychological benefit, and a moral benefit. He said that the best idea is to make the program neither opt-in or opt-out, but our gas supply for everyone. He added that an opt-out program still allows people to opt-out easily since it could be very easy to go to the website and opt out.

Commissioner Hall said that we could conduct a poll to see what the customers' response would be to an opt-out program. He said that we should want to have this information before making a decision.

Commissioner Schwartz advised against a poll as it would defeat the purpose of communicating the benefits of an opt-out program. Commissioner Danaher added that the poll would only be answered by the small number of people who read and respond to email.

Commissioner Foster said that the program could be designed so that anyone who failed to opt-out early enough could still get their money back. He asked if the UAC could make a motion to recommend that the Council direct staff to develop an opt-out program. Director Fong stated that it can be added to the rolling calendar. Mullan added that the item is agendaized as a discussion item and that the Commission can add it as a future item to be agendaized under Item 4 on this meeting's agenda.

Vice Chair Cook thanked the public commenters. Commissioner Hall added his appreciation of the input from the public commenters, even if some commissioners disagree.