



# DRAFT

## **UTILITIES ADVISORY COMMISSION MEETING MINUTES OF JANUARY 11, 2017 SPECIAL MEETING**

### **CALL TO ORDER**

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Chair Cook called to order at 7:00 p.m. the meeting of the Utilities Advisory Commission (UAC).

Present: Chair Cook, Vice Chair Danaher, Commissioners Forssell, Johnston, Schwartz, and Trumbull

Absent: Commissioner Ballantine

### **ORAL COMMUNICATIONS**

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Deputy City Clerk David Carnahan spoke regarding recruitment for three vacancies on the Historic Resources Board, five on the Parks and Recreation Commission, and one on the Planning and Transportation Commission. Applications would be due on January 27, 2017 at 4 pm. The City Clerk's Office asked Utilities Advisory Commissioners and other public listening to the meeting to pass on the information to any potential candidates.

### **APPROVAL OF THE MINUTES**

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Commissioner Schwartz noted two corrections to the minutes. On page three, there was a statement that the date for the joint study session with Council was being rescheduled for 2016, and she assumed it was intended to state 2017, and on the same page, the phrase "totally about 2.5 megawatts" should be corrected to "totaling about 2.5 megawatts." On page five, there was a statement that "Chair Cook agreed with the..." when "Commissioner Cook agreed that..." would have been more accurate. There were also typos on that page.

Commissioner Trumbull moved to approve the minutes from the November 2, 2016 UAC meeting and Commissioner Johnston seconded the motion. The motion carried unanimously (6-0) with Chair Cook, Vice Chair Danaher, and Commissioners Forssell, Johnston, Schwartz, and Trumbull voting yes and Commissioner Ballantine absent.

### **AGENDA REVIEW AND REVISIONS**

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Chair Cook asked that Item Three, Amendment to Utilities Rule and Regulation 27 be delayed until the next meeting. He said Commissioner Ballantine would be at that meeting and would be able to provide good feedback.

## **REPORTS FROM COMMISSION MEETINGS/EVENTS**

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Commissioner Schwartz discussed the Western Energy Institute's Women in Energy Symposium, where she had recently given a keynote address. She said it was unusual that not only were the symposium attendees nearly all women, they represented every functional group that could be found in a utility. It was one of the most well-done conferences she had been to in a long time. She found the symposium speakers to be really good. She highly recommended it to women in the City of Palo Alto Utilities Department. She also discussed the Low Income Energy Issues Forum put on by DEFG. She presented there on a new model she was working on related to low-income customers and solvency. The model addresses customers who have trouble paying their bills. She was not sure how relevant it was to Palo Alto, but if there were some customers having trouble paying their bills it might provide relevant information. The way a program is designed affects its uptake for different segments of the low-income population and there were a lot of people working creatively on addressing this problem.

## **UTILITIES DIRECTOR REPORT**

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1. **New Large-Scale Solar Projects:** In December, the City added two new large-scale solar projects to its renewable energy portfolio, increasing the City's solar commitments in California to more than 150 megawatts (MW). Of those total solar commitments, over 125 MW are now operating. The 40 MW Elevation Solar C and 20 MW Western Antelope Blue Sky Ranch B solar farms located in Lancaster, California are developed, owned and operated by sPower, a leading independent renewable energy provider. Palo Alto is purchasing all 60 MW of solar energy produced at these facilities under 25-year power purchase agreements (PPA). These projects represent the last of five recent solar PPA contracts that will enable the City to supply about one-third of Palo Alto's total annual electricity needs through solar energy. The City is now on track to reach a Renewable Portfolio Standard (RPS) of up to 60% in 2017, helping us move closer towards the goal of 100% carbon free electricity.
2. **Recent Water Supply Changes:** The San Francisco Public Utilities Commission (SFPUC) has begun infrastructure improvement work on the Mountain Tunnel pipeline facility that delivers water to its wholesale customers from the Hetch Hetchy Reservoir. In order to accommodate this work, water supply from Hetch Hetchy is anticipated to be shut down until March of this year. During this period, SFPUC will provide San Francisco Regional Water System customers, including Palo Alto, with treated water from the Sunol Valley and Harry Tracy Water Treatment Plants. City staff will work with SFPUC to deliver timely information about water source changes through the webpage [cityofpaloalto.org/WaterQuality](http://cityofpaloalto.org/WaterQuality) and proactive communication with customers via neighborhood groups, email list serves, social media, etc., as appropriate.
3. **Water Supply Availability:** The recent storms have made a significant contribution to the water supply availability in the Regional Water System. As of January 5 Hetch Hetchy reservoir is 93.9% full. Other storage is similarly situated. The State Water Resources Control Board is holding a workshop next week to discuss the fate of the Emergency Conservation Regulation beyond February 2017.
4. **Bay Area Storm Response:** Recent winter storms have energized Bay Area agencies including the City's Utilities, Office of Emergency Services, Public Works, other departments and regional entities, to coordinate efforts for storm, flooding and emergency response. The City of Palo Alto has not yet experienced major local creek flooding so far. We had a few power outages

this past weekend due to rains, windy conditions and trees falling on power lines. Less than 1,000 out of a total of about 66,000 residential customers experienced a power outage of some duration over the past weekend and early part of this week. The impact was relatively small compared to the rest of the Bay Area. We are grateful to our staff who worked diligently to ensure swift responsiveness and continuity of services to customers even during weekend hours and through inclement weather conditions. The Palo Alto community responded in-kind with messages of kudos and thanks to our crews!

5. **Upcoming events:** Save the date! The City is hosting an Earth Day festival on Saturday, April 22. This event invites all in the area to join in the festivities, including cities, non-profits, environmental and community groups. Activities will include the Great Race for Saving Water 5K fun run and walk, electric vehicle test drives, nature walks, bike tours, zoo animals, zero waste picnic, raffles, live music, arts and crafts, entertainment and more!

Commissioner Schwartz, in reference to the comments on storm response, noted that her friend was within the outage area and was very impressed by the responsiveness of the staff, the CPAU outage map, and the fact they beat the projected time.

### **COMMISSIONER COMMENTS**

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Commissioner Danaher requested a brief discussion on fundamental issues such as strategic planning when the UAC has a light meeting agenda. Topics could be high level ones that require little staff work to prepare for, but that would help to educate the Utilities Advisory Commission and the public.

Chair Cook welcomed the new City Council liaison, Councilmember Eric Filseth.

Utilities General Manager Ed Shikada read a set of comments on heat pump water heating from Commissioner Ballantine. Commissioner Ballantine had been doing some research on heat pump water heating. He had previously believed that the coefficient of performance for state of the art heat pumps was very low, and that the amount of energy required to pump the water would be equivalent to the energy required to heat the water. Because of that, he had not believed using solar thermal energy for heat pump water heating was not efficient, because if the energy was not carefully stored as hot water the heat would have to come from the grid at night. His later research had revealed that the coefficient of performance for heat pump water heating was much higher than he had thought for climates like Palo Alto's. The installed cost for a heat pump water heater was also competitive with the installed cost of a solar thermal system. On that basis he supported the program.

### **UNFINISHED BUSINESS**

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Chair Cook stated there was no unfinished business.

## **NEW BUSINESS**

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### **ITEM 1: ACTION: Staff Recommendation that the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution Approving the Updated City of Palo Alto Utilities Legislative Policy Guidelines**

Acting Assistant Director of Engineering Debbie Lloyd said staff comes to the UAC annually to update the legislative guidelines. These guidelines are used when staff meets with legislators. The attachment to the report shows the redline changes.

Commissioner Trumbull asked if the guidelines covered regulatory items as well as legislative; Lloyd responded that they did.

Senior Resource Planner Heather Dauler said staff also coordinated with the City's guidelines as well. There were no changes to the goals for all utilities. The first recommendation was to provide policy guidance enabling staff to engage with key accounts when legislation comes up that would affect them. The next recommendations were to strike redundant language related to ratemaking, customer data security infrastructure, and cap and trade. The changes for the electric utility included modifications to language related to Net Energy Metering (NEM) successor programs to reflect the fact the City has already adopted a successor program. The only change for the gas utility was to modify redundant language related to the cap and trade program. The only change for the wastewater collection utility was to add a basic guideline related to infrastructure security.

Commissioner Schwartz asked why infrastructure security wasn't applicable to all utilities, not just wastewater; Dauler said staff could consider that.

Dauler discussed the changes recommended for the water utility guidelines. The guideline related to the CUWCC BMPs was recommended to be deleted because it was not currently applicable. Staff also recommended adding language related to SFPUC. Staff also recommended streamlining language related to Proposition 218. This was also in preparation for dealing with new upcoming State conservation plans.

Schwartz said policies were changing at the Federal level, with California trying to maintain its leadership role. Was there any specific language needed to give staff the ability to respond to those issues?

Dauler believed existing language was sufficient.

Lloyd said it was also possible to return to the UAC and Council if a change was needed. She agreed with Dauler that the existing language gave staff adequate flexibility.

Commissioner Johnston asked whether the guidelines were in priority order.

Lloyd said there was no priority order in the guidelines. The guidelines were meant to achieve the three to four high level goals for each section.

Utilities General Manager Shikada said the legislative guidelines were often effectively defensive, particularly to deal with “gut and amend” bills at the end of the legislative session. He addressed Commissioner Schwartz’s point about Federal action, saying he expected there to be lead time to respond to those issues.

Danaher asked whether the guidelines addressed energy efficiency; Dauler said they did.

Dauler discussed potential issues that were going to arise in 2017. She said that regionalization was potentially going to be delayed.

Lloyd said anticipated changes to environmental policy under the Trump administration could affect the appetite for other states to join California in a regional energy market. The City would be involved in upcoming discussions related to these issues through the BAMX group.

Dauler discussed Western issues. There was some hope that progress would be made on the Central Valley Project Improvement Act (CVPIA).

Chair Cook asked staff to state for the record why we were interested in Western issues.

Dauler said the Western Area Power Administration provided a large fraction of the City’s power. The CVPIA was passed a long time ago to address environmental impacts of the CVP, but there was some concern that the costs passed to power customers were too high.

Lloyd said staff was beginning working with Western on the next contract period ten years from now.

Schwartz asked whether regionalization could affect the carbon content of the power we buy  
Lloyd said regionalization could affect the carbon content of market power.

Shikada said staff expected major changes to these issues due to the Trump administration.

Dauler said changes to Federal policies were expected due to the 2016 presidential election and the new appointees of the new administration. California was preparing to fight anticipated actions. In 2016 water was a major issue due to drought. Currently the legislature was waiting to see whether precipitation would obviate the need for a drought bill. There was also an energy bill in 2016 that contained provisions that would help with dam relicensing, but it died. The bill sponsor was interested in it, but it was not clear whether there would be appetite in the House to move it forward.

Public speaker Jeff Hoel spoke regarding Fiber. He noted there was no discussion of Fiber Utility issues in the staff presentation. He said there were differences between the redlined and final draft. He noted there was no discussion of Dig Once. He asked whether the policy change would take effect prior to Council action.

Dauler said there were no substantive changes to Fiber policies proposed. The Dig Once policy language remained unchanged.

Commissioner Trumbull verified that no changes to policy would occur until Council acted.

Shikada noted there were unintentional differences between the redline and final drafts in that the proposed Dig Once language changes shown in the redline had not been made in the final version.

Dauler said it was the intention to keep Dig Once language in the policy. She would follow up to fix the issue with Fiber guideline six.

**ACTION:** Commissioner Trumbull moved, seconded by Commissioner Danaher to recommend approval of the guidelines with the correction of the Dig Once language. The motion carried unanimously (6-0, with Chair Cook, Vice Chair Danaher, Commissioners Forssell, Johnston, Schwartz, and Trumbull voting yes and Commissioner Ballantine absent).

**ITEM 2. ACTION:** Recommendation that Council Approve the 2017 Water Integrated Resource Plan Guidelines

Senior Resource Planner Karla Dailey said this item had been discussed in November 2016. There were minor changes based on that meeting. The discussion of threats to the Hetch Hetchy system was expanded. She said there would be ample time to respond to these threats if they materialized. Also, after the draft was taken to the UAC, it was taken to the UROCC, and they recommended some clarifications to the fourth guideline regarding evaluating the technical and economic feasibility of alternative water sources. The recommendation was that the UAC recommend the Council approve the WIRP guidelines.

Johnston asked how this document was used on a day to day basis.

Dailey said staff is already pursuing cost effective DSM. She said staff will take steps to understand customer preferences regarding water quality and cost and noted that the recent blend change to water that had a taste and odor problem showcased that customers notice when there is a change in their water. Dailey said a consultant will be hired to make sure customers are surveyed in a scientifically sound way. She said the Recycled Water Strategic Plan is underway and that it is important to understand how recycled water and potable water are closely related.

Johnston asked how long the recycled water strategic plan would take.

Dailey said that funding from the Santa Clara Valley Water District has been obtained and a consultant hired. Work will take place over a couple of years. The recycled water expansion evaluation will be completed more quickly, but the groundwater study will be more time intensive.

Johnston asked whether we would revisit the WIRP after the Recycled Water Strategic Plan is complete.

Dailey confirmed that the WIRP will be revisited at that time.

Schwartz said get in front of communication related to blend changes and basement dewatering. People were being asked to conserve and then they see apparent waste from dewatering. She also advocated for making advanced metering a priority.

Danaher said his concern was that the outlook wasn't dire enough regarding water supplies.

Dailey said the report does include a discussion about more dire scenarios. She said that the most immediate threat is the state's proposal to double the unimpaired flow requirements on the Tuolumne which would still leave enough water during normal years but would require deep cutbacks in dry years. She said that reducing the need for potable water is one way to address the dry year need and that the Recycled Water Strategic Plan will provide more insight to that alternative. None of the other potable water supply alternatives are bullet proof in dry year scenarios. Groundwater with an indirect potable reuse project could be a drought proof supply.

Utilities General Manager Shikada added that the cost associated with the recycled water alternatives will be clearer over the next couple of years.

Dailey said there are a number of unfinished tasks that will impact future water supply planning. It has been a number of years since the potable water supply alternatives have been evaluated, and the cost and availability of those resources have changed in that time, especially given the State's actions regarding mandatory reductions in 2015. This report updates the information about those potable resources so that, when more information on recycled water is available, the resource options can be more easily compared.

Danaher commented that 91 years of historical data is not sufficient to predict future water supply conditions. He said he is concerned that the SFPUC should consider more dire future scenarios to evaluate what actions should be taken now.

Dailey said the SFPUC is undertaking studies of climate change and the impact on water supply availability.

Schwartz said that experience from Australia and Israel may provide insight for actions that should be taken in California.

Dailey agreed and said that water managers in California are already looking at those countries and the lessons learned. She said that a lot of water issues are regional and that agencies are working together.

Abendschein added that it is worth noting we have an ability to respond to shortages in the form of demand reduction and groundwater. He said we have made great strides to reduce per capita use. We are moving in the right direction to be able to respond to dire scenarios even if the projections don't reflect that.

Danaher reiterated the desire to see more explicit scenarios in the future.

Councilmember Filseth asked how big a problem we will have in a dry year and if we have modeled how the alternatives will fill in for various deficiencies.

Dailey said the SFPUC system is currently designed for not more than a 20% cutback. Other impacts, like the State's proposal to increase unimpaired flows, would result in great cutbacks.

There is an overarching sentiment, as reflected in the S/CAP, to reduce the reliance on imported water and that is also driving the need to explore recycled water.

Councilmember Filseth said the economic benefit analysis needs to include the assurance that the investment will provide the coverage we need.

Shikada said the Santa Clara Valley Water District may need to take the lead on some projects because doing them at a regional level may provide economies of scale.

Schwartz said the Council should establish priorities for potential projects.

Forsell asked if high population or economic growth scenarios have been baked into this plan.

Dailey said the Planning Department's projections are included and can be seen in the Urban Water management Plan. She added that in Palo Alto we have seen water use go down as population increases. This is due to two reasons: increased efficiency and single family houses replaced by multifamily units with little to no landscaping.

Danaher said he wants to make sure actions with long lead times are being considered now. He used dual plumbing requirements as an example.

Dailey said dual plumbing is required in new commercial developments over a certain size and that landscaping requirements have become quite strict.

Danaher suggested the City may be able to acquire other water rights. He asked about how the Utilities Strategic Plan relates to the WIRP.

Shikada said the WIRP is between the shorter term look of a strategic plan and the longer term look of the comprehensive plan. Projections of population and employment are based on assumptions, but changes in those may warrant a change in the WIRP.

Danaher asked is this plan will be in place till 2030.

Dailey reminded him that the WIRP will be updated after the Recycled Water Strategic Plan is complete in a couple of years.

**ACTION:** Commissioner Trumbull moved and Commissioner Schwartz seconded a motion to recommend Council approve the 2017 Water Integrated Resources Plan Guidelines. The motion carried unanimously (6-0, with Chair Cook, Vice Chair Danaher, Commissioners Forsell, Johnston, Schwartz, and Trumbull voting yes and Commissioner Ballantine absent).

**ITEM 3. DISCUSSION:** Amendment to Utilities Rule and Regulation 27, Generating Facility Interconnections

Item moved to the February 1, 2017 Utilities Advisory Commission Meeting.



**ITEM 4. ACTION: Selection of Potential Topic(s) for Discussion at Future UAC Meeting**

Utilities General Manager Ed Shikada stated there were several items for future meetings he wanted to bring to the Commission's attention. On the February meeting agenda there was an item related to State Revolving Fund loan repayments related to the Regional Water Quality Control Plant. This was being brought to the Utilities Advisory Commission because it involved pledging the revenues of the Wastewater Collection Utility as collateral.

Abendschein stated that the Energy Efficiency item on the February UAC agenda would only involve Electric Energy Efficiency. Gas Efficiency goals would be put on a later meeting agenda. This was due to some late guidance from the California Energy Commission (CEC), and to incorporate that guidance staff had decided to focus solely on the electric efficiency goals in order to meet CEC regulatory deadlines, which did not apply to the gas utility.

Commissioner Schwartz noted that she and Commissioner Ballantine were working on a Commissioner's memo on electrification, particularly building electrification. She asked which meeting would be a good one for that memo, and how early she needed to refer it to staff.

Shikada said March would be a good meeting due to other related topics being on the agenda. He said receiving the memo a couple of weeks before the meeting would be fine. He then noted that staff was planning to provide a presentation in February on Property-Assessed Clean Energy (PACE) programs at a future meeting, since staff and commissioners were regularly contacted by interested PACE providers. Staff would also provide a short overview of staff's current thinking on the Strategic Plan update. They would be seeking some guidance from the UAC on how the UAC would like to interact with the Strategic Planning effort, whether through the full Commission or an ad hoc committee. In March, staff anticipated returning with an electrification analysis.

Commissioner Schwartz asked when future discussion of smart metering and grid modernization efforts would occur.

Shikada said the discussion would take place through the Strategic Plan.

Vice Chair Danaher asked when the next discussion of the Fiber Utility would be brought to them.

Shikada said it was not scheduled yet, but staff understood it was a high priority.

Chair Cook noted that the rolling calendar for the latter half of the year was fairly empty.

Commissioner Schwartz said it would be worthwhile to have a discussion with the new City Council before filling out the rest of the rolling calendar for the Commission for the year.

Shikada stated the Council was just starting to discuss its own priorities, and he expected that part of that meeting would involve discussing how to interact with the City's various Commissions.

**ACTION:** None

Meeting adjourned at 8:34 p.m.

Respectfully Submitted,  
Marites Ward  
City of Palo Alto Utilities