



**DRAFT**

## **UTILITIES ADVISORY COMMISSION MEETING MINUTES OF NOVEMBER 1, 2017 MEETING**

### **CALL TO ORDER**

---

Chair Danaher called the meeting of the Utilities Advisory Commission (UAC) to order at 7:02 p.m.

Present: Chair Danaher, Commissioners Forssell, Schwartz, Segal, Johnston, Trumbull (arrived at 7:12 p.m.)  
Absent: Vice Chair Ballantine

### **ORAL COMMUNICATIONS**

---

Robert Hinden, Murray Way, inquired about the status of implementation of smart meters. The smart meter pilot project has closed. He added solar panels to his home and is getting an electric car, so he wanted to get an idea of his electric generation and consumption.

Chair Danaher reported smart meters are in the plans for the City. The City has to implement software updates prior to beginning installation of automated meter infrastructure in two years.

Ed Shikada, Utilities General Manager, suggested Mr. Hinden speak with Shiva Swaminathan, the Senior Resource Planner in charge of the project, who was in the audience.

### **APPROVAL OF THE MINUTES**

---

Commissioner Johnston moved to approve the minutes from the September 6, 2017 meeting and October 4, 2017 special meeting. Commissioner Forssell seconded the motion. The motion carried 5-0 with Chair Danaher and Commissioners Forssell, Schwartz, Segal, and Johnston voting yes, Vice Chair Ballantine and Commissioner Trumbull absent.

### **AGENDA REVIEW AND REVISIONS**

---

The agenda was reordered to the following sequence: agenda items 1, 5, 4, 3, 2.

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

---

Commissioner Schwartz attended the California Independent System Operator (CAISO) stakeholder symposium and spoke on a panel for community solar. The symposium was followed immediately by the Germany-California bilateral conference. In both events, decarbonization was an important topic for the attendees. California cannot decarbonize the energy supply on its own, and Palo Alto has an even smaller role in the scheme of decarbonization. Goals set by the Legislature, the CPUC, and CAISO are so aggressive that it is already a stretch to meet statewide operational goals. Therefore, it makes no sense for Palo Alto to set aspirational goals more aggressive than existing statewide goals. Electric vehicles are the important factor to focus on. Residential heating and cooking is such a small part of the equation that Palo Alto should not focus on encouraging heat pumps. Germany has experienced problems with reliance on coal after eliminating nuclear energy. She encouraged staff to follow up with LADWP and with geothermal providers. If the Commission wishes to animate markets and help renewable generation, it should support

resources like geothermal, which in the long term will be more valuable than relying on Renewable Energy Certificates (REC) to achieve carbon neutrality. She spoke about Community Choice Aggregators (CCA) and their impact on the electric system as a whole. After attending these events, she felt the Commission should think about the big picture in advising the City Council.

[Commissioner Trumbull joined the meeting.]

## **UTILITIES GENERAL MANAGER REPORT**

---

Ed Shikada, Utilities General Manager, delivered the General Manager's Report.

**Community Workshop for the Utilities Strategic Plan** - I'd like to thank all of the Utilities Advisory Commissioners for joining us at our October 4 community workshop for the Utilities Strategic Plan update. The meeting created a unique opportunity to share our Department's progress-to-date and gather feedback from the public. We got some great input! Our leadership team has made significant headway on drafting the key priorities, strategies and actions that will guide our strategic efforts over the next 3 to 5 years. If you have additional feedback to share, please do not hesitate to reach out to me or email our team at [UtilitiesStrategicPlan@cityofpaloalto.org](mailto:UtilitiesStrategicPlan@cityofpaloalto.org)

**Registration Period Extended for Bay Area SunShares** – Registration for the Bay Area SunShares program has been extended to November 30. Staff is engaging in a final outreach push to inform the community about this limited time offer to sign contracts for discounts on solar PV installations and zero-emissions vehicles. Palo Alto is currently ranked second among Bay Area cities for total number of registrations, following closely behind Berkeley. Please help us spread the word about this offer. People can easily register at [cityofpaloalto.org/sunshares](http://cityofpaloalto.org/sunshares).

**It's Easy & Economical to Drive Electric in Palo Alto** - Driving and charging an electric vehicle in Palo Alto especially makes sense due to the City's carbon-neutral electric utility and low electric retail rates. The City is one of the top cities in the nation to embrace this clean technology. The International Council on Clean Transportation (ICCT) recently released a report revealing that in 2016 more than 22% of all new vehicles purchased in Palo Alto were electric, which is the highest percentage of any California community! The City tries to make it easy and economical to drive electric by sharing information about financial incentives and FAQs through workshops, bill inserts, advertisements, and the City website at [cityofpaloalto.org/electricvehicle](http://cityofpaloalto.org/electricvehicle)

**Public Power & Public Natural Gas Week** – During October 1-7, the City celebrated both Public Power and Public Natural Gas Week. These annual campaigns recognize the value of local, not-for-profit power and gas utilities. This year marks 120 years of CPAU delivering electricity and is the 100th anniversary of our natural gas utility. With a municipally-owned utility, Palo Alto residents and businesses are direct stakeholders in energy resources and infrastructure. This means that the utility's operations and funds are tailored to meet the specific needs of our customers. From low rates and reliable service, to renewable resources and programs that invest in our community, CPAU has a long track record of empowering Palo Alto. Thank YOU for being part owner of our municipal utility!

### **Upcoming Events**

- **Saturday, November 4** – Workshop on Designing Native Gardens & Rainwater Harvesting. Details and registration are available at [cityofpaloalto.org/workshops](http://cityofpaloalto.org/workshops).

## **COMMISSIONER COMMENTS**

---

None.

## **UNFINISHED BUSINESS**

---

None.

## **NEW BUSINESS**

---

### **ITEM 1:** DISCUSSION: 2017 Utilities Planning Update

Ed Shikada, Utilities General Manager, reported that staff continues to develop the final Strategic Plan draft for the December 6 UAC meeting. He thanked Commissioners for their participation in the October community workshop.

**ACTION:** No action.

### **ITEM 5.** DISCUSSION: Discussion of Proposed Distributed Energy Resources Plan

Shiva Swaminathan, Senior Resource Planner, presented the staff report regarding distributed energy resources (DERs). DERs have the potential to impact timing, location, and size of the electric load in the distribution system. DERs are important because approximately 2,500 electric vehicles are registered in Palo Alto and about the same number are commuting into Palo Alto daily. Currently, approximately 0.5% of the City's energy load serves electric vehicles. DERs are a central part of the State's objective to reduce carbon emissions and increase resiliency. Ongoing programs and initiatives include the Local Solar Plan, the Electrification Work Plan, the Energy Storage Assessment, and Energy Efficiency Goals. Future programs include an Electric Integrated Resource Plan, a Distribution System Assessment, and AMI/Smartgrid implementation.

In response to Mr. Hinden's question during Public Comment, Mr. Swaminathan advised that Advanced Metering Infrastructure (AMI) implementation is expected to be completed in 2022 and will be available to customers within a year of AMI implementation.

Commissioner Schwartz encouraged staff to include highly interested residents in the pilot program.

Swaminathan continued with the impact of DERs on electricity sales. With electric vehicles only, loads would increase approximately 5% by 2030. Factoring in energy efficiency savings and photovoltaic (PV) penetration, the total load due to DER would be approximately 6.6% lower than it would be without DERs. Staff anticipates the overall load will decrease approximately 1% between 2017 and 2030, with DER offsetting load growth. Most of the 5% energy load for electric vehicles will come from the residential sector. Projections indicate approximately 40% of homes will have EVs by 2030, which will result in faster growth of residential energy consumption. He presented peak summer load scenario of year 2030. Electric vehicles increase sales while energy efficiency and PV reduce sales. Staff is looking for opportunities to aggregate DERs and harness greater value.

In response to Commissioner Forssell's question about commercial demand response increasing net revenues, Swaminathan explained that the utility pays a high capacity fee, which is offset through demand response, and some of that savings is passed on to the demand response participant as an incentive. To the extent the savings is higher than the amount paid to commercial customers, it's an addition to net revenue.

In reply to Commissioner Schwartz's query about the impact on carbon emissions, Swaminathan indicated analysis of carbon impacts of DERs is included in the work plan. Staff will experiment with dispatching DERs into the California Independent System Operator (ISO).

Swaminathan reviewed the goal, five objectives, and strategies of the DER Plan. DERs could lower reliance on the transmission grid. In the future with greater PV usage and lower storage costs, staff could consider feeder level resiliency measures like microgrids.

Commissioner Schwartz shared the importance of proper pricing to ensure customers who have installed solar and may have reduced the energy they take from the grid pay their fair share of the cost of assets because at some point they will use electricity from the utility when their solar system is not operating.

Swaminathan reported seven to eight staff members are analyzing DERs related to energy efficiency, electric vehicles, electrification, and demand response. Phase I of DER penetration relates to DER adoption and pilot programs. Phase II will be integration and dispatching into the ISO, but this requires AMI. Next steps are to engage the community regarding programs. Staff plans to return to the Commission and Council in the spring for approval of the DER Plan. The DER Plan will become part of the Integrated Resource Plan, which has to be submitted to the State by the end of 2018. Staff requests Commission feedback regarding the proposed DER Plan and community engagement.

Commissioner Schwartz felt the Strategic Plan community workshop could have been designed to reach more members of the community. It is important to increase community participation and understanding so that the general community can provide input. She expressed disappointment that Commissioners did not receive a workshop description that they could share with their community contacts. Shikada indicated staff provided multiple notifications of the workshop and conducted quite a bit of outreach, even though specific details of the workshop content were not provided. Commissioner Schwartz stated the information was inadequate. People need more information than was provided in order to generate interest and discussion among their cohorts. Shikada clarified that the intent of outreach is not to market programs. It is an opportunity for the community to share their thoughts with staff. Chair Danaher suggested Commissioner Schwartz share outreach techniques with staff at a later time. Commissioner Schwartz said she would be open to meeting with staff to share resources. Shikada indicated the next phase provides an opportunity for staff to obtain a more random and representative indication of consumer interest.

Commissioner Johnston had three unrelated questions. These questions and Swaminathan's response were as follows. 1) As presented in the report, how do four staff members devoted to energy efficiency program spend their time? About 30% of their time is spent promoting energy efficiency programs to residential customers by providing information and rebate services, bulk-buy programs such as the current Sunshares program for PV and EV purchases. On the commercial side, staff manages contractors who work with businesses to implement efficiency programs. Contractor effort costs \$3-4 million, and is not accounted for within the four person staff level estimates. 2) With increased EV charging do you expect transmission level constraint? Currently there are no major constraints on transmission should residents choose to charge their EVs simultaneously. However, there may be constraints on distribution if residents choose to charge their EVs during the evening residential peak time. On the commercial side, there are many factors to consider, but there are unlikely to be constraints. 3) Do you plan to do Vehicle to Grid program for EVs? No, there are no plans to do V2G services in the next 5 years as part of the DER plan.

Commissioner Segal suggested staff draft metrics to quantify the success of DER strategies.

In response to Commissioner Segal's inquiry about what types of services could be provided to customers in the next 5 years, until AMI meters arrive, Swaminathan reported smart thermostats and electric vehicles can provide data without the use of smart meters. A pilot program for either of those would require a great deal of vendor and customer contact. Depending on the amount of customer engagement, staff could focus on programs for EVs and smart thermostats in next 5 years. Commissioner Schwartz explained that smart meters are necessary for sending price signals for time-of-use charging. Commissioner Segal clarified that she meant general information for the community such as the best time to charge your EV. Staff acknowledged more could be done in to inform customers.

In reply to Commissioner Forssell's query if the City could use a social cost of carbon in evaluating different customer program, Jonathan Abendschein, Assistant Director of Utilities Resource Management, indicated the social cost of carbon is both a utility topic and a Citywide topic in relation to the Sustainability and Climate Action Plan, and that internal discussions are underway on the merits of adopting such a social cost of carbon. Commissioner Forssell added that a considerably higher social cost of carbon will affect the cost effectiveness of strategies.

Commissioner Forssell was not convinced the utility should pursue PACE on-bill financing as it is susceptible to predatory lending practices. Swaminathan explained on-bill financing as the City placing a separate charge on utility bills. Council Member Schwartz added that a utility lender is unlikely to utilize predatory lending practices.

Council Member Filseth remarked that commuters will charge their EVs at night when they are at home. Commuters are not going to respond to time-of-day incentives for charging; however, residents working in the City may be very susceptible to time-of-day incentives. He suggested staff, when developing projections, consider the proportion of people living and working in Palo Alto versus people living in Palo Alto and commuting elsewhere.

In answer to Council Member Filseth's query about how realistic is the solar PV forecast which projects a tripling of solar PV installation, Swaminathan advised that the forecast for a large expansion in solar PV is a best estimate. As the cost of PV declines and the utility retail rates increase, the economics will continue to become more favorable for PV.

Council Member Filseth noted the overwhelming majority of program expense is in the implementation of AMI. He hoped communications will be concise about the return on investment for the community.

Dean Batchelor, Chief Operating Officer, advised that staff will have a better projection of the number of residents owning Electric Vehicles after public outreach. Staff needs to discuss the best time to conduct public outreach.

Chair Danaher requested staff return to the UAC with a rank order of the types of programs and the cost effectiveness of carbon reduction and other measures. The DER program should include frequent evaluation of cost effectiveness. Abendschein reported staff has performed those analyses. Staff is working on a good way to present the analyses to the UAC in a form similar to other analyses. Chair Danaher requested review of analyses prior to a joint meeting with the City Council.

Chair Danaher suggested staff place more emphasis on anticipating technologies. For example, EV chargers installed in the next few years may have components compatible with vehicle to grid, which is at least five years in the future. New homes can be wired for EV chargers or other things to enable DERs over time. The UAC should review EV charging speed in relation to subsidizing or incenting installation of chargers. With respect to enabling customers to capture additional value by serving CAISO market needs, the UAC should also think about the utility capturing additional value by serving CAISO market needs. If the projection of 19,000 EVs in Palo Alto by 2030 is correct, then EVs deserve a separate section in the DER Plan.

Councilmember Filseth calculated 10,000 EVs charging simultaneously at 10 kilowatts an hour as requiring 100 megawatts, which is a sizable load. Swaminathan stated staff is projecting 40 megawatts.

Commissioner Forssell hoped the DER strategy includes encouragement of workplace charging and an incentive for employers to install chargers. Staff is facilitating the installation of charging stations but not providing any rebates at this time.

Commissioner Schwartz suggested staff design a program to incentivize EV charging after peak residential usage, i.e., between 10:00 p.m. and morning. Swaminathan indicated the time-of-use rate encourages charging after 10:00 p.m.

Commissioner Schwartz remarked that the utility has opportunities to meet the needs of citizens and to develop groundbreaking concepts.

**ACTION:** No action.

**ITEM 4. DISCUSSION: Smart Grid Assessment and Developing Utility Tech Roadmap Update**

Shiva Swaminathan, Senior Resource Planner, presented the City's Smart Grid Assessment and Utility Technology Roadmap. The City is developing a customer portal and app, which will be able to display AMI data. The portal should be available in the summer of 2018. Staff has received six responses to a Request for Proposals to upgrade the customer information system (CIS). The upgrade will be available by 2020 with enterprise resource planning (ERP) software implemented thereafter. Through advanced metering infrastructure (AMI), electric meters will be replaced, but devices will be attached to water and gas meters to transmit data to the meter data management system (MDMS), which feeds data to CIS. The customer portal will obtain data directly from MDMS. Capital expenditures are estimated at \$16.5 million, which includes electric meters, devices for water and gas meters, network integration, MDMS, and implementation. The electric portion of capital expenditures is approximately half of the total expenditure. Operational benefits are projected at approximately \$3.3 million and incremental costs up to \$0.3 million for an ongoing operational savings of approximately \$1 million. The net present value (NPV) calculated over 18 years results in a loss of approximately \$7.3 million. The NPV is a conservative number that does not include benefits that are difficult to quantify. Expenditures include additional staff to manage the system, hardware, and software. Benefits include elimination of the meter reader positions, reduced calls for customer service, and conservation savings.

In reply to Chair Danaher's question if the operating costs were escalating over time, Swaminathan advised that ongoing cost savings include 3% inflation of costs and 1% annual increase in value. The consultant's prior experience with smart meter evaluation and implementation was considered in projections.

In response to Commissioner Schwartz's query about future role of meter readers, Swaminathan indicated that employees currently filling meter reader positions can be retrained for other positions within the City.

Swaminathan reviewed a long list of benefits that are difficult to quantify. In answer to Chair Danaher's inquiry if the demand reduction due to DERs was quantified, Swaminathan reported that demand reduction and DER flexibility was not quantified.

Commissioner Schwartz commented on the enormous value of being able to detect outages and leaks. Swaminathan concurred and indicated this topic is part of reliability. Additional value streams could be quantified, but the calculations require too many assumptions.

Swaminathan summarized the findings by saying, based on the consultant's experience with this type of project, staff is confident the estimates of capital expenditure are reasonable. However, the operational costs and benefits are estimates that can vary widely. Non-quantifiable values can be also large. With community engagement, this project can be better utilized in Palo Alto than in other communities because of the penetration of distributed energy resources and sustainability goals. Since AMI is a strategic and enabling technology, staff recommended the implementation of AMI over the next 5 years.

Councilmember Filseth commented that elimination of meter reader positions will result in additional cost savings.

Commissioner Schwartz expressed enthusiasm for this project. This is fundamental technology for many other projects. She encouraged Commissioners to support it.

**ACTION:** Commissioner Danaher moved to recommend Council approval of the staff recommendation. Commissioner Forssell seconded the motion. The motion passed (5-1) with Chair Danaher and Commissioners Forssell, Schwartz, Segal, and Johnston voting yes, Commissioner Trumbull voting no and Vice Chair Ballantine absent.

Commissioner Trumbull advised that he is not prepared to spend \$7 million of City money after his poor experience with a smart meter at his home the prior year. The smart meter was useless and poorly constructed.

**ITEM 3: ACTION: Recommendation that the Utilities Advisory Commission Recommend that the City Council Approve the 2018 Update of the Utilities Legislative Guidelines**

Heather Dauler, Senior Resource Planner, presented the proposed 2018 legislative guidelines. In the 2017 legislative session, the bill to extend the current Cap and Trade program passed. A bill to modify integrated resource plan (IRP) requirements was proposed. The IRP is similar to the LEAP and is due in 2019. SB 100 contained goals to achieve statewide 100% clean energy by 2045 and 60% RPS by 2030. It did not pass. The small cell bill, SB 649, did pass but was vetoed. The park bond bill proposed \$4 billion in general obligation bonds. A bill was introduced that would clarify the process for funding storm water projects as the same process for funding other water and sewer projects under Proposition 218. A bill to impose fees on the water bills of all water users died. A bill regarding lead testing in schools passed. A bill to regionalize the Western Grid did not pass. Staff is tracking some federal bills regarding streamlining licensing reform. In 2018, SB 100 could return. The water fee bill will likely return, because the Committee Chair indicated it will be a two-year bill. Staff is preparing to fight it because it will add a fee for all water users.

In response to Chair Danaher's question, Dauler reported that the bill would establish a drinking water fee that would be assessed each month on each water user. The funds from the fee would be utilized for disadvantaged communities with failing water systems. If the next iteration contains the same provisions, 98% of residential customers will pay an additional \$1 per month, and the remaining 2% will pay an additional \$4 per month. Approximately 47% of all other customers would pay an additional \$1 per month, 31% \$4, and 11% \$10.

In reply to Commissioner Schwartz's query, Dauler indicated the energy data transparency bill required the City to provide energy information to certain building owners. This bill may return in 2018. Staff expressed concerns about maintaining the confidentiality of data.

Dauler reported staff is tracking proposals to reform federal income taxes to ensure the tax exemption for bonds is retained. Hydroelectric/energy bills focus on streamlining licensing requirements. A bill regarding cybersecurity may or may not return. SB 100 may or may not return because de Leon has announced his candidacy for Congress and may resign as Speaker Pro Tem. Election year always impacts legislation. 2018 will be Governor Brown's final year in office, and he may focus on high-priority issues. Bills from 2017, the first year of a two-year cycle, may return in 2018.

Debra Lloyd, Acting Assistant Director of Utilities Engineering, remarked that the proposed guidelines are simplified, more general, and provide more flexibility for staff to respond to changing legislative conditions.

Dauler advised that the proposed guidelines have been reduced from 15 pages to 1 page and merged into broad guidelines. Staff eliminated wordiness to reduce misinterpretation and to apply to all utilities. The proposed guidelines retain important topics. The Utilities General Manager or his designee retains final authority. Staff will return to the UAC to seek clarification or for discussion of guidelines.

Commissioner Schwartz felt the revised guideline in the example is too broad and generic; it doesn't provide any guidance. Dauler indicated the guideline can be clarified to provide more guidance. Ed Shikada, Utilities General Manager, added that he could not recall the City ever opposing a funding bill that might provide funds to the City.

Chair Danaher suggested Number 10 refer to support of government actions that support water conservation and fair pricing. With respect to Number 8, he prefers tiered rates to penalize overconsumption rather than cost recovery rates. In Number 12, confidentiality should be balanced with obtaining and using data to support actions.

Commissioner Schwartz agreed with Chair Danaher regarding confidentiality. Guideline 12 may be too simplistic. Dauler indicated staff could add language regarding "without barriers to gaining adequate information." Chair Danaher suggested there could be support for bills that improve access to information. Dauler stated the energy transparency bill would serve to improve information and allow greater access to data.

Commissioner Johnston agreed that guidelines are very broad and general. In response to his questions, Dauler advised that the proposed guidelines do provide sufficient guidance. In reviewing bills, staff considers their impact on utilities and applicability of the guidelines. Examples of locally designed electrification programs are vehicle electrification and residential electrification. Locally designed is intended to allow local officials to design programs specific to the jurisdiction. Staff would not necessarily recommend opposing legislation that mandates residential and commercial electrification programs. It depends on the bill's provisions. Staff rarely recommends absolute opposition to a bill. The guidelines allow staff to educate policymakers as to how a bill can be better and more flexible. Staff works with trade associations to craft letters recommending amendments to legislation. If trade associations oppose a bill, then the City has to decide whether to join in opposition. In deciding whether to recommend support or opposition to a bill, staff looks to other relevant guidelines. The guidelines are meant to be considered individually and holistically.

In reply to Chair Danaher's query regarding a statewide tax on water consumption, Dauler stated it's difficult to answer in the abstract. Staff might recommend opposition of a bill that increases water fees when that fee funds other water systems. Staff considers the best interest of the ratepayer and the priorities of the City and Utilities Department. Shikada added that 80% of the time a bill is obviously consistent or inconsistent with the guidelines. When a position on a bill is debatable, staff presents it to Council for action.

Commissioner Schwartz remarked that she would support a fee of \$1 a month if it would make a difference to a disadvantaged community's water supply. Dauler explained that the particular bill does not provide a choice as to what the funds support. Government officials determine disbursement of funds. Two guidelines address bills about rates, the first and sixth. The bill does not provide local government discretion. Whether the bill provides impractical rates or mandates is debatable. If Commissioners would like more nuance in the guidelines about rates, staff will take that direction.

In answer to Chair Danaher's question, Dauler reported staff reserves the right to return to the UAC for guidance on conflicting issues.

Lloyd explained that staff considers whether a bill will keep rates and use of revenue under local control. Generally staff attempts to educate policymakers on the impacts to local communities when local control is removed.

Commissioner Trumbull praised staff for reducing the number and complexity of guidelines. More simplistic would be even better. Staff needs to react quickly to legislation.

In response to Commissioner Segal's inquiry, Dauler reported Guideline 13 was added in 2016 as a result of a data energy bill that could affect key accounts. Staff needed to know if they could or should contact the key accounts about the legislation.

Commissioner Forssell appreciated the simplicity of the proposed guidelines. She did not wish to lose the opportunity for discussion of legislation that may be proposed. Dauler stated the annual discussion of upcoming legislation will continue. In addition, quarterly reports contain a legislative component to inform the UAC. Commissioner Forssell requested future reports of upcoming legislation contain additional details

of expected legislation. Dauler clarified that she could not provide many details because the bills either have not been proposed or may not contain the same provisions in a new iteration.

Chair Danaher expressed concern that the guidelines emphasize maintaining local control, which may conflict with good State policy. Dauler explained local jurisdictions should be allowed the flexibility to apply the mandate in a way that works best for local businesses and residents.

Shikada recalled that the City Council opposed the affordable housing and small-cells legislation the prior year, but the bills moved forward anyway. The legislative process creates a balance between good State policy and local control.

In reply to Chair Danaher's request, Shikada reported the proposed guidelines provide staff with the basic authority that allows them to move quickly when necessary.

**ACTION:** Commissioner Trumbull moved to recommend Council approval of the staff recommendation. Commissioner Forssell seconded the motion. The motion passed unanimously (6-0) with Chair Danaher and Commissioners Forssell, Schwartz, Segal, Trumbull, and Johnston voting yes and Vice Chair Ballantine absent.

**ITEM 2: ACTION:** Staff Recommendation that the Utilities Advisory Commission Recommend council Adopt a Resolution Amending Utilities Rule and Regulation 11, "Billing, Adjustments and Payment of Bills" to Update the City's Billing Adjustment Process

Ed Shikada, Utilities General Manager, reported this is a follow-up item regarding water leaks. Staff has proposed a policy change.

Anthony Enerio, Customer Service Manager, requested UAC feedback regarding the proposed billing adjustment policy.

In response to Commissioner Johnston's inquiry about whether any relief would be provided for very high bills exceeding \$500 due to leaks, and for more detail on the estimated costs of the water leak adjustment credits, Enerio advised that the cap of \$500 would apply regardless of the actual cost in order to be equitable for both the customer and the utility. The annual water leak adjustment cost of \$50,000 is data associated with a prior policy. At that time, there was not a limit on the amount that could be forgiven. The \$50,000 amount included unknown sources of high water consumption. Shikada understood the credit given the customer under the prior policy excluded the wholesale cost of water.

In reply to Chair Danaher's queries about how many bills exceed the cap and how the adjustment would be calculated, Enerio was aware of more than a dozen bills exceeding the \$500 cap since the drought ended. The adjustment will be calculated by applying the higher tier rate to the excess water amount.

In answer to Commissioner Schwartz's request to clarify what would happen if a customer ended up with a \$10,000 bill, Dean Batchelor, Chief Operating Officer, offered a hypothetical situation to explain calculation of the amount to be paid. If a customer receives a bill for \$1,500 due to a leak, the first \$500 will be credited to the top tier. The customer will owe the remaining \$1,000. The policy allows a flat \$500 reduction of the total water bill. For a bill of \$10,000, the customer will owe \$9,500. Shikada advised that staff was directed to provide some forgiveness for a customer who had a water leak and who is searching for some relief of the cost. The policy provides a credit of up to \$500 to provide some relief. The policy does not completely absolve the additional cost. A variety of methodologies could be used to provide relief. The proposed policy is administratively simple.

Chair Danaher believed a \$500 limit is low. For example, the adjustment could be the higher of \$1,000 or half of the excess bill. He supported a more generous adjustment.

Commissioner Segal suggested a better balance between ease of administration and a more generous adjustment.

In response to Council Member Filseth's inquiry, Jonathan Abendschein, Assistant Director of Utilities Resource Management, reported the marginal cost of water is \$4.10 per hundred cubic feet, and the customer cost is approximately \$7.15 per hundred cubic feet.

Council Member Filseth remarked that the adjustment could be the marginal cost of the amount of water used. This way, other ratepayers do not pay for the excess water.

Shikada indicated that was the method of the former policy. A 50/50 or 60/40 split would effectively be the credit under commodity cost. In order to calculate that credit, staff would have to estimate the volume of water used absent the leak.

Chair Danaher proposed an adjustment of \$1,000 or, if higher, one-half of the excess charges. A customer would pay \$1,500 on a total bill of \$3,000.

Commissioner Segal wished to share the cost with the customer while relieving the customer of some of the burden and retaining administrative simplicity.

Abendschein suggested a large facility could experience a water leak that costs tens of thousands of dollars. The Commission may not wish to include large facilities in this policy.

In response to Commissioner Schwartz's inquiry about distinguishing between customer types, Shikada believed the City Attorney would advise that one policy apply to both residential and commercial customers.

Commissioner Segal proposed a tiered forgiveness system.

Chair Danaher proposed an adjustment of half the billed amount up to a maximum of \$5,000. The maximum credit would be \$2,500.

Shikada suggested staff review accounts to determine a typical bill amount resulting from water leaks.

Commissioner Johnston felt it was unlikely residential customers were receiving water bills of more than \$1,000.

Chair Danaher requested that staff to return with a revised policy based on the Commission's comments.

Commissioner Forssell supported a more generous policy, but not as much as \$2,500. She asked how baseline consumption was estimated given that use fluctuates over the year. In response to her inquiry, Enerio explained that staff uses data for the same month over the prior three years to calculate water volume used.

**ACTION:** No action.

**ITEM 6. ACTION:** Selection of Potential Topics(s) for Discussion at Future UAC Meeting

Chair Danaher noted the informational report regarding customer demographics and recommended Commissioners read it. It could be used for reference in the future. He thanked staff for the report.

Ed Shikada, Utilities General Manager, reported the Strategic Plan and cross bore next steps will return in December.

In response to Commissioner Schwartz's query about the date for the rescheduled joint UAC/Council meeting, Shikada indicated he is working to obtain tentative dates for a joint meeting with the Council.

Commissioner Segal requested staff provide data regarding the number of residents who work in Palo Alto and who commute outside the City, if it's available.

Commissioner Schwartz recommended agendaing a discussion of customer demographics in the future.

**ACTION:** No action

Meeting adjourned at 9:33 p.m.

Respectfully Submitted,  
Marites Ward  
City of Palo Alto Utilities