



DRAFT

UTILITIES ADVISORY COMMISSION MEETING MINUTES OF JULY 7, 2021 SPECIAL MEETING

CALL TO ORDER

Chair Forssell called the meeting of the Utilities Advisory Commission (UAC) to order at 5:01 p.m.

Present: Chair Forssell, Commissioners Bowie, Johnston, Metz, Scharff and Smith
Absent: Vice Chair Segal

AGENDA REVIEW AND REVISIONS

None.

ORAL COMMUNICATIONS

David Coale commented that he sent an email to the UAC regarding the new SolarAPP+ from NREL. He suggested that the Utilities Advisory Commission (UAC) recommend that City Council adopt a similar app for plan check. He reported that the app provides permit applications and inspection checklists, it blocks non-compliant applications, performs automated plan review with compliance checks, and provides online fee payment and digital record tracking among other tools. He concluded that the app is free to municipalities and could assist Staff in the permitting process.

Chair Forssell mentioned that there will be a discussion regarding the permitting process at the next UAC meeting.

APPROVAL OF THE MINUTES

Commissioner Johnston said that he will provide an email with typographical errors on both sets of minutes to Staff.

Commissioner Scharff proposed the following changes to the minutes of May 12, 2021. On Page 6, the second line from the bottom of the second paragraph, the word “negations” should be “negotiations”. Page 8, the first line of the third paragraph should read, “if the sale of the Bucket 1 Renewable Energy Credits”. Also, on Page 8, the first line of the sixth paragraph, change the word “provide” to “approved” or “provided”.

Commissioner Scharff moved to approve the minutes of the May 12, 2021 meeting as corrected. Commissioner Bowie seconded the motion. The motion carried 5-0 with Commissioners Bowie, Johnston, Metz, Scharff, and Smith voting yes. Vice Chair Segal absent and Chair Forssell abstaining.

Commissioner Scharff proposed the following change to the minutes of June 2, 2021. On Page 6, the first line of the first full paragraph, change the word “thrived” to “thrilled”.

Commissioner Scharff moved to approve the minutes of the June 2, 2021 meeting as corrected. Commissioner Bowie seconded the motion. The motion carried 5-0 with Commissioners Bowie, Johnston, Metz, Scharff, and Smith voting yes. Vice Chair Segal absent and Chair Forssell abstaining.

UTILITIES DIRECTOR REPORT

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

Scam Alert: The City has received recent reports of scam calls to City of Palo Alto Utilities customers in which the caller poses as CPAU staff. The scammers can sometimes “spoof” phone numbers such as from our Utilities Customer Service Call Center to appear like a legitimate call. The scammers may tell people their account is overdue and threaten to turn off service if payment is not provided immediately over the phone or via a money service or app. CPAU does not conduct business in this way. We will never demand payment over the phone nor threaten to shut off services for late payments, and we have been sharing this information with the community. Find details at cityofpaloalto.org/utilityscams

Update on Water Supply Conditions: Valley Water recently mailed letters to council members and other elected officials regarding their Board's declaration of a water shortage emergency and adoption of a 15% mandatory water use reduction. In mid-June, the Santa Clara County Board of Supervisors adopted a resolution declaring a proclamation of local emergency related to extreme drought conditions in Santa Clara County. As we have shared in past updates, the City of Palo Alto's water supplier, the San Francisco Public Utilities Commission (SFPUC), remains in a better water supply position and is still asking its wholesale customers to voluntarily conserve water and try to keep summer water use to 2019 levels. There are currently no mandatory water use restrictions or drought surcharges in effect at this time for Palo Alto. Palo Alto currently has permanent water waste restrictions in line with Valley Water's recommendation. Staff are continuing outreach about Making Water Conservation a California Way of Life at all times. Visit cityofpaloalto.org/utilityprograms and watersavings.org.

Water Quality Report: Every year, the City publishes a consumer confidence report on drinking water quality conditions for the previous calendar year. The report on water quality for 2020 is now available online at www.cityofpaloalto.org/water. Last month, we mailed a postcard to all postal patrons in Palo Alto to inform them that the report is available online and by mail upon request. Additionally, we attempt to reach customers through other communication channels. Please contact us at UtilitiesCommunications@cityofpaloalto.org if you would like to receive a paper copy of the report.

Rent and Utilities Relief: Last week Governor Newsom signed legislation extending California's eviction moratorium through Sept. 30, 2021, clearing rent debt for low-income Californians who have suffered economic hardship due to the COVID-19 pandemic. The moratorium was set to expire on June 30, 2021. Bill AB 832 increases reimbursement to 100% for rent that is past due and future payments for tenants and landlords, increases cash assistance to low-income tenants and small landlords and helps with utility bills. The Utilities website includes information on the various relief and assistance programs available.

Utilities In-Home Energy and Water Efficiency Programs Re-Opening: The Utilities Department is re-opening energy and water efficiency programs for in-home visits as of July 1, with the stipulation that any contractors working at a residential or non-residential site must wear a face mask. Our Utilities Program Services group has been providing virtual services – such as the Virtual Home Efficiency Genie and the Virtual Home Electrification Readiness assessments – and we will continue to provide these virtual services in addition to in-home offerings.

Business Advantage Program: In March, CPAU launched a new Business Advantage Program to help small and medium business customers save energy, money, and improve indoor air quality. The program provides businesses with a free Energy Management System, a cloud-based energy management portal,

and free MERV-13 air filters to improve indoor air quality. So far, five systems have been installed and 50 additional businesses have been approved for installation.

EV Classes: Staff are developing a robust online and in-person calendar of EV education classes for 2021 and 2022. The series began with a regional Earth Day EV event which CPAU co-sponsored with Drive Clean Bay Area and other local agencies. The April 24th event was attended by more than 250 attendees from across the Bay Area, with Palo Alto residents making up the largest percentage of participants. The same group is hosting free weekly EV 101 classes which we have been promoting to our residents.

In answer to Chair Forssell's question regarding the electrical vehicle (EV) classes, Batchelor reported that the classes review topics about owning an EV.

UNFINISHED BUSINESS

None.

NEW BUSINESS

ITEM 1: DISCUSSION: Staff Recommends the Utilities Advisory Commission Discuss and Provide Feedback on the One Water Plan Objective, Scope and Community Engagement

Bob Wenzlau noted that he is on the Stormwater Commission and they have been helping Vice Mayor Burt with ideas of how to supplement groundwater into Boronda Lake as well as have been involved in purple pipe discussions. He remarked that the One Water Plan warrants deeper consideration beyond the UAC and he suggested either the Stormwater Commission be involved, or a subcommittee of the UAC be formed to discuss the topic further. He suggested that there be a discussion about distribution and storage of collected rainwater. He encouraged exploring local management rather than working on regional approaches.

Dean Batchelor, Director of Utilities, requested that the UAC provide feedback on the One Water Plan.

Lisa Bilir, Resource Planner, announced that the Utilities Department is planning to launch a long-term water supply effort called the One Water Plan. Staff was seeking feedback from the UAC and the public regarding the scope and objectives of the plan. Once feedback is received, Staff will be working with a consultant over the next 12-months to accomplish the work. The City last updated its Water Integrated Resource Plan in the year 2017, but the One Water Plan is envisioned to be more inclusive than the Water Integrated Resource Plan. The goal of the plan is to develop a roadmap for the next 20-years that has various water supply portfolios that the City can mix and match from as uncertainties unfold. The objective of the plan is to address the question of how can the City increase the water portfolio's resiliency to future uncertain conditions such as climate change, regulations, economic, political and natural disasters. The City receives 100 percent of its potable water supply from San Francisco Public Utilities Commission (SFPUC). SFPUC has a Level of Service goal of providing no more than 20 percent cutback during a drought, but the City may need to cut back by as much as 54 percent or more during multi-year droughts. The City currently uses recycled water only for municipal purposes. A key action in the Sustainability Climate Action Plan (S/CAP) is to develop a plan for implementing a one water portfolio. Staff was seeking feedback regarding the criteria that will be used to consider and evaluate various water supply portfolios.

Commissioner Metz suggested adding to the criteria for emergency response.

Commissioner Johnston agreed that it makes sense to take concepts that have been discussed in the past and evaluate them in a more comprehensive and integrated way. In response to his question regarding what the cons are of not forming a plan, Bilir commented that Staff is trying to determine the appropriate scope and make sure that the scope is not too expansive. Commissioner Johnston remarked that the objective and criteria make sense and he supported them.

Commissioner Bowie thanked Staff for starting the process and agreed that water is a resource that should be explored more in-depth. In response to his inquiry regarding if the normal year reliability is based on historical normal year reliability or something that is based on the SFPUC Climate Change Report, Bilir answered that Staff has not seen the report, but Staff will consider it. To date, Staff has relied on historical normal year reliability data.

Commissioner Smith noted that the Staff report does not address greywater or the use of greywater. In response to his question if greywater is on the demand-side or the supply side, Karla Dailey, Senior Resource Planner, acknowledged that it is normally included in the demand-side management programs. She declared that greywater will be included as one of the resources that will be considered in the One Water Plan. Commissioner Smith concurred that from a residential perspective, there are significant regulations associated with the collection of greywater and the use of greywater. He acknowledged that it may require further research into the City's regulations, but he supported Staff exploring it. In answer to his ask regarding green stormwater infrastructure, Dailey confirmed that the Public Works Department has a Green Stormwater Infrastructure Plan that focuses on pollution control flowing to the Bay. The piece that is missing from that plan is capturing stormwater and using it to supplement the water supply. The One Water Plan will fill in those missing links. In reply to Commissioner Smith's inquiry if there is a chance the Bay-Delta Plan will not be adopted, Dailey clarified that the Bay-Delta Plan was adopted by the state, but there are many lawsuits and a voluntary settlement process underway. She shared that what is not known is what will ultimately be implemented and when. Commissioner Smith asked whether the One Water Plan would assume Palo Alto will experience water supply cuts as a result of the Bay-Delta Plan and Dailey confirmed. Dailey explained that the study will be a dynamic plan that can adjust to uncertainties.

Commissioner Scharff disclosed that a 20-year plan is too long, and many factors can affect the plan such as climate change. In answer to his question regarding why did Staff choose a 20-year timeframe, Bilir explained that the Water Integrated Resource Plan and the Urban Management Plan have 20-year planning horizons. Dailey confirmed that the plan is dynamic and will be visited often. Commissioner Scharff supported having a 20-year plan because the plan will be a dynamic plan. He suggested adding criteria about how quickly can the water supply be obtained. Commissioner Scharff expressed concern about tree canopy health with the possibility of 60 percent cutbacks during drought and stated that a criteria should be; how does the City prioritize saving items if the City has this level of drought cutbacks, to make sure items are not lost while the City explores other water supplies. In response to his ask of what is the objective of the plan, Bilir explained that the objective is to determine how the City can increase the resiliency of its water portfolio given unknown conditions in the future. Commissioner Scharff said the objective should be, "given potential severe drought scenarios, how can we get water supplies in place to mitigate the damage?". In answer to his inquiry regarding what other focus is there that the report is trying to address, Bilir asked if Staff should focus on locally controlled water supply or should the City take a more regional approach. Staff will be identifying regional opportunities, but will not be pursuing them. Commissioner Scharff agreed with that approach. He shared it would be great to maintain a 20 percent cutback if the Bay Delta Plan is fully implemented. If the Bay Delta Plan is not fully implemented, he stated he would be happier with a less than 20 percent cutback. In answer to his question regarding the Green Building Code requiring black water systems, Dailey noted that the Staff will be exploring demand-side management programs and rebate programs. If blackwater systems are identified as an economically viable source of water, Staff will explore that resource further. Commissioner Scharff advised Staff not to explore blackwater collection systems. He disclosed that the scope of the project is right and he supported Staff moving forward with the project. In terms of public feedback, he suggested narrowing the questions to three or four areas that Staff needed input on and use regular communication channels and surveys.

Commissioner Bowie addressed the equity criteria and suggested Staff explore CalEnviroScreen as well as ways that folks can reduce their demand. In answer to Commissioner Bowie's inquiry regarding how Staff plans to evaluate the equity criteria and can the City consider the plan in isolation to the watershed, Bilir responded that Staff's intention was not to do the work in isolation of watershed management, but to avoid duplication with other City work. In terms of the equity criteria, Staff will be focusing on the quality of

water and how equity will play into that. Dailey added that Staff is still exploring ways to include equity into the plan.

Commissioner Smith observed that is Staff is exploring water quality, but everyone else is focused on how water is used. He agreed that if residents can reduce their demand, then the total water demand will go down. He encouraged Staff to identify in the study opportunities with regards to building codes that may not be executed, but are available.

In answer to Commissioner Scharff's inquiry regarding whether the City expects to receive normal amounts of water supply if there is no drought, Bilir answered yes. Commissioner Scharff believed that SFPUC bases water supply on the actual water that is used and not the actual supply. He predicted that if the City does demand management and residents cut their water use back, that will make the drought scenario worse without new supplies because the City does not receive credit for the water that is saved in a drought. Dailey confirmed that long-term reductions in water use are not helpful in the cutbacks that the City is subjected to during droughts. She emphasized that there are other reasons to use less Hetch Hetchy water. Commissioner Scharff mentioned that he did not disagree, but suggested that one criteria Staff should explore is the crisis that could occur at a 50 percent cutback. He expressed his concern that if the City pushes demand management, that could make the City's water supply worse during a drought. He advised Staff to be aware of that concern and scope within the plan of how to make the City resilient to drought.

Chair Forssell supported the idea of having a subcommittee made up of UAC members to explore additional water subject expertise. In response to her question regarding how the One Water Plan supports the other City water plans, Bilir explained that the Water Integrated Resource Plan focused on potable water options and the One Water Plan is similar to an integrated resource plan but is envisioned to be broader. In response to Chair Forssell's query if the One Water Plan will be making recommendations or suggest exploring available options, Bilir restated that the plan will be a dynamic, prioritized list of options that may include ideas from other water plans. Chair Forssell agreed with Commissioner Scharff's comments and strongly supported adding the criteria of how quickly such a water supply can come available. She encouraged Staff to explore regional opportunities and not just local opportunities. In terms of public engagement, she requested that Staff explain that no matter what the next resource is, it will cost more than SFPUC water.

ACTION: None.

ITEM 2: ACTION: Staff Recommendation That the Utilities Advisory Commission Recommend the City Council Adopt a Resolution Approving the Verified Emission Reduction Agreement With the Integrative Organization of Oaxaca Indigenous and Agricultural Communities to Purchase 24,000 Tons CO₂e for a Total Purchase Price of \$228,000.

Bob Wenzlau disclosed he sent a letter to the UAC that gave background on the support from Neighbors Aboard and that the City is not alone in the effort. He encouraged the UAC to approve the agreement.

Micah Babbitt, Resource Planner, explained that the reason for the transaction is that the City has a Carbon Neutral Gas Plan and the City procures 150,000 metric tons of carbon offsets per year. In December of 2020, Council approved the updated Carbon Neutral Gas Plan and the plan identified the types of carbon offset projects that the City can purchase. In October of 2017, a non-profit called Neighbors Abroad presented an opportunity to the City to purchase 17,000 carbon offsets from Integrative Organized of Oaxaca Indigenous and Agricultural Communities (ICICO) which the City approved as a one-time purchase. Recently, the ICICO reached out to the city with a proposal for another purchase of 24,000 carbon offsets. The transaction is to purchase 24,000 tons of carbon, which equated to 15 percent of the City's annual requirement, at \$9.50 per ton of carbon. Since implementing the Carbon Neutral Gas Plan, the City has purchased 375,000 carbon offsets at an average price of \$6.25 per ton of carbon. If approved, the transaction would add \$50,000 to the annual cost which equated to a \$1.00 increase per year to residential customer's bills.

In reply to Commissioner Smith's question regarding how often ICICO can sell credits, Babbitt explained that ICICO manages the forests which allows them to obtain credits that are issued through the Climate Action Reserve.

In response to Commissioner Metz's inquiry if the project complies with the Carb Protocol, Karla Dailey, Senior Resource Planner, noted that compliance with the Carb Protocol is a City self-imposed restriction and Council must approve all purchases that do not fall under the Carb Protocol. In reply to Commissioner Metz's ask regarding if there are any California projects available, Babbitt explained that for the transaction, Staff did not request that the City's brokers run a competitive procurement process, but historically there are not many California available offset projects.

In answer to Chair Forssell's ask regarding where the price of \$9.50 came from, Babbitt remarked that ICICO gave the City two options. One was a one-time purchase of 24,000 offsets at \$12.00 per carbon ton and the other option was a multi-year purchase at \$9.50 per carbon ton. Staff countered the one-time offer cost and ICICO agreed to the \$9.50 per carbon ton. She acknowledged that while the purchase does provide benefits to the sister City, she was concerned about the financial burden that residents will have to bear to cover the additional \$50,000 cost. In response to her query regarding if other agencies purchase from ICICO, Dailey confirmed that the City is not the only buyer. She added that there is growing interest from other agencies about the City's ability to purchase offsets outside of the United States.

Commissioner Scharff agreed that the price is high, but it is a sister city and the City has a robust relationship with the sister city.

ACTION: Commissioner Scharff moved Staff recommendation that the Utility Advisory Commission (UAC) recommend the City Council:

1. Adopt the resolution approving the Verified Emission Reduction Agreement with the Integrative Organization of Oaxaca Indigenous and Agricultural Communities (ICICO), to purchase 24,000 tons CO₂e at \$9.50 per ton CO₂e for a total purchase price of \$228,000; and
2. Delegate to the City Manager, or designee, the authority to execute on behalf of the City the VER Agreement and confirmation with ICICO.

Seconded by Commissioner Johnston. Motion carries 6-0 with Chair Forssell and Commissioners Bowie, Johnston, Metz, Scharff and Smith voting yes. Vice Chair Segal absent.

The UAC recessed at 6:43 p.m. and returned at 6:51 p.m.

ITEM 3: ACTION: Staff Recommend That the Utilities Advisory Commission Recommend the City Council Approve the Use of the Electric Special Project Reserves in an amount Not-to-Exceed \$18.5M to Fund the Smart Grid Technology Installation Project (EL-11014) for Advanced Metering Infrastructure (AMI) Implementation-Related Expenditures.

David Coale appreciated that the program is moving forward and felt that the program can provide many energy efficiency opportunities. In particular, he found the idea of allowing customers to monitor in real-time their electricity usage very exciting. He suggested that the UAC encourage a pilot program to be issued to see what the voluntary conservation measures will be once folks have real-time data.

Dean Bachelor, Director of Utilities, wanted to discuss with the UAC about funding for the project, the timeline, what resources will be needed for the project, and upgrades that are needed.

Shiva Swaminathan, Senior Resource Planner, disclosed that Council approved a small-scale Advanced Metering Infrastructure (AMI) pilot project in October of 2012. During the pilot program, 300 customers signed up and received various utility equipment. Based on the pilot project results and updated economic analysis, Council approved the AMI Investment Plan in November of 2018. Staff issued a Request for

Proposal (RFP) in March of 2020, 13 proposals were received, and Staff has selected three vendors for the project. Sensus was selected as the AMI equipment provider, Utility Partners of America as the installation service provider and SmartWorks as the meter data management provider. The total implementation cost was estimated to be \$18.5 million, the ongoing cost is roughly \$300,000, with the total contract amount including contingency around \$20.5 million. Staff was seeking funding recommendations for the \$18.5 million. Staff proposed to have five locations hosting 10 base stations at City facilities and the base stations will communicate with all 74,000 meters through a radio band. The base station consists of one meter and communication equipment and one pole can accommodate up to three base stations. Though the AMI Program does not require water meters to be replaced, Staff proposed to replace 8,300 aging water meters that are greater than 20-years old. The benefits of an AMI system included reduced meter reading costs and injuries, reduced field checks and connection costs, improved meter reading accuracy and many others. It will take roughly 3- to 4-years to implement the project and Staff will begin by installing a handful of meters in early 2022. By Quarter Two of the year 2023, full deployment will begin with the installation of the remainder 71,000 meters. Staff requested that the Electric Special Project (ESP) Reserve be used to fund the \$18.5 million. The Electric Fund would cover up to \$7.6 million with the water and gas using a loan from the ESP reserve of \$7 million and \$3.9 million respectively. The loans will be repaid over a 5-year timeframe with prevailing interest and will begin payments upon completion of the project. In addition to the funding for implementation, the Utilities Rules and Regulations must be updated. Staff will be returning to the UAC at a future time with suggested updates.

In answer to Commissioner Johnston's inquiry regarding were other sources of funding explored and is this the lowest cost to ratepayers, Swaminathan disclosed that the City may have access to grant funds from Valley Water for the Water Utility and Staff is pursuing that. He noted that the approach outlined in the Staff report is the lowest cost and provides simplicity for implementation of the project. Commissioner Johnston appreciated that Staff has done the work to fund the project sensibly. In reply to his query regarding ransomware attacks, Swaminathan proclaimed that was an important evaluation criteria for the vendor selection process. Staff, along with the consultant, evaluated the chosen organization and they met all the industry standards of information security and privacy. Batchelor noted that Staff explored bond financing for the Water and Gas Utility, but Staff found out that it is cheaper to borrow from the electric special project reserve.

In reply to Commissioner Bowie's query regarding where the data goes after it reaches the contractor and can they sell the information once it is collected, Swaminathan declared that the data cannot be shared or sold. Staff plans to publish the data in aggregate on open platforms. Dave Yuan, Strategic Business Manager added that Staff will not be gathering personal information from customers.

Commissioner Scharff appreciated that the item is moving forward. He disclosed that due to prior discussions about potentially shutting down the Gas Utility, he did not see the benefit of including the Gas Utility in the plan. In answer to his inquiries regarding removing the Gas Utility from the plan and are there any benefits to including the Gas Utility, Swaminathan indicated that operationally it would be cumbersome not to include the Gas Utility because meter readers would need to be sent out to read the gas meters. The cost for that service would be reflected on customer's bill. Yuan noted one benefit is there is a gas detection for leaks and also for pressure loss. Swaminathan added that gas conservation may occur if customers are aware of their usage. In response to Commissioner Scharff's ask regarding the impacts to gas rates, Jonathan Abendschein, Assistant Director of Utilities, explained that there will be an increase for some time to customer's bills but the impact was estimated to break even or have a saving over the life of the project. Without efficiency saving, Staff predicted a 1 percent cost increase to a customer's bill. He added that there are scenarios where the City can achieve its sustainability goals while still maintaining gas services to commercial and multi-family customers. Commissioner Scharff observed that the assumption is that the City will have a Gas Utility for 18-years and Abendschein confirmed that is correct.

In reply to Chair Forssell's query about how efficiency turns into cost savings, Abendschein explained that the community will see savings when utility commodities do not have to be imported to the City. The

second benefit is existing capacity will be used more efficiently. Commissioner Scharff mentioned that none of that is true for the Gas Utility. Abendschein informed the UAC that there is a commodity saving for the Gas Utility. Commissioner Scharff argued that if less gas is sold, that results in a higher fixed cost and will cost each person more. Abendschein remarked that it is not true that if less is used, rates will have to be increased. In the gas, water and electric system, 30 to 60 percent of the costs are related to supply. He noted from a utility's financial position, if gas is sold to someone, that person has to pay for it. From a community standpoint, it is cheaper not to use that energy because the utility does not have to buy it. The City tries to deliver the utilities at the lowest possible cost and that is why the City invests in gas, water and electric efficiencies.

Commissioner Scharff agreed with Abendschein's comments but remarked that gas is not allowed to be installed in new construction. He stated for the Water utility and the Electric Utility, the AMI Program made sense, but he questioned whether Staff is allocating the program correctly between the utilities. He predicted that the Gas Utility will continue to decrease over the coming years. Also, the City has been discussing not allowing gas connections for single-family homes which is the majority of the customer base.

In reply to Commissioner Smith's inquiry regarding if there is fiber already at the proposed base stations and are the collection radios located at the base stations, Swaminathan indicated that fiber is nearby, but has to be brought to the pole. He answered that collection radios are at the base stations. In answer to Commissioner Smith's query regarding compatibility with MyCPAU, Yuan reported that Staff is working with the vendors to make sure their programs are integrated with MyCPAU. Commissioner Smith requested that Staff double check the total cost calculations before taking the item to Council.

In reply to Commissioner Metz's question regarding how conservation savings relate to the implementation of AMI, Swaminathan specified that the assumption is that if residents understand their consumption, they will conserve better. Commissioner Metz reported that the customer will receive hourly data the day after and so it is not truly real-time data. Swaminathan explained that once folks are aware of their consumption, the City can encourage the use of energy efficiency programs. Commissioner Metz summarized that assumption is plausible, but considering that assumption is a large portion of the financial analysis. He expressed that the assumption is not convincing. Yuan noted that customers will have the option to buy a home monitoring device that does allow them to see real-time usage data. Abendschein responded that Staff included in the analysis with and without efficiency savings. Staff is confident that there will be efficiency savings based on the experiences that the vendors have had and studies that have been done regarding savings with AMI. Commissioner Metz's indicated that the main benefit listed in the Staff report was smart grids and distributed energy generation. He reported that the S/CAP relies on Renewable Energy Credits (REC) and carbon offsets and does not rely on distributed generation or demand response. He commented that there is a disconnect. In answer to his query about how AMI implementation provides a benefit if there is no demand response or distribution program, Swaminathan mentioned that Staff plans to implement demand response programs. Staff will use time of day rates to influence customer energy consumption as demand response. Abendschein added that Staff is evaluating automated demand response and it requires AMI. Commissioner Metz agreed that those are good reasons to do AMI, but those reasons should be included in the plan. He observed that smart grids are used as a slogan and are not flushed out in terms of what value can be gained from using automated metering.

In answer to Chair Forssell's queries regarding Zigbee radio and cybersecurity, Swaminathan answered that Zigbee will report out usage in a matter of seconds. In terms of cybersecurity, he explained that the City has an information security manager who vetted the programs, but he is not an AMI expert. Staff is relying heavily on the reputation of the vendors and they all meet the industry national standards for cybersecurity. He noted that the vendor Sensus has a Federal Communications Commission (FCC) License Band and that band is not a public band. Chair Forssell encouraged Staff to hire a private security firm to do an audit and infiltration tests as the project moves forward. Swaminathan noted that one stipulation in the City's contract with the vendors is that the vendors must provide third-party penetration testing annually and provide a certificate that their system passed. In reply to Chair Forssell's question regarding if Staff

explored having the radio talk to the property's Wi-Fi and then transmit the data on a secure internet connection, Swaminathan explained that if the customer's Wi-Fi goes down, Staff will not have access to the data. In response to Chair Forssell's prediction that the fiber expansion will facilitate connections for a small percentage of the AMI Program, Yuan confirmed that is correct. Chair Forssell mentioned that the UAC has expressed interest in discussing cybersecurity and she suggested the City do its own consulting and infiltration testing.

ACTION: Commissioner Johnston moved Staff recommend that the Utilities Advisory Commission Recommend the City Council Approve the use of the Electric Special Project reserves to fund the Smart Grid Technology Installation Project (EL-11014) in an amount not to exceed \$18.5M, as follows:

1. Transfer up to \$7.6M from the Electric Special Project (ESP) reserves to the Smart Grid Technology Installation Project (EL-11014) for Electric Advanced Metering Infrastructure (AMI) and smart grid-related expenditures;
2. Transfer up to \$7M from the ESP reserves to the Smart Grid Technology Installation Project (EL-11014) for Water AMI and smart grid-related expenditures as an inter-fund loan with a repayment term of 5-years with prevailing interest, upon completion of the project; and
3. Transfer up to \$3.9M from the ESP reserves to the Smart Grid Technology Installation Project (EL-11014) for Gas AMI and smart grid-related expenditures as an inter-fund loan with a repayment term of 5-years with prevailing interest, upon completion of the project.

Seconded by Commissioner Bowie. Motion carries 5-1 with Chair Forssell and Commissioners Bowie, Johnston, Scharff and Smith voting yes. Commissioner Metz voting no and Vice Chair Segal absent

ITEM 4: ACTION: Staff Recommends the Utilities Advisory Commission Review and Approve the Utilities Advisory Commission's 2021-2022 Annual Work Plan, and Recommend the City Council Review the Work Plan and Provide Feedback

Chair Forssell indicated that if the UAC changes the Work Plan, Council will receive an At Place Memo that will reflect the changes. Dean Batchelor, Director of Utilities stated that is correct. She noted that Staff provided the draft and Vice Chair Segal and herself reviewed the draft before it came to the UAC for discussion.

Commissioner Johnston wanted the work plan to include topics about climate change, sea-level rise, and improving the resiliency of the utilities.

Commissioner Scharff advised to list out what is written in the general purpose paragraph as anticipated items/topics. Including acquisition development of utility resources, joint action projects, and environmental implications. He suggested that the Commission not wordsmith the plan, but give general direction to Staff. He mentioned that many of the topics have subtopics that the UAC may discuss. He advised to include a topic about the reliability of the electrical system and underground utilities. He shared that legal opine on construction work hours and street closures is a topic for an upcoming UAC meeting, but that discussion is not listed on the work plan. Discussion of utility programs, the permit process and cybersecurity is also not listed on the work plan. He advised that Staff should make the work plan broader to reflect the 12-month rolling calendar and that it cover what is normally discussed at the UAC.

Chair Forssell agreed that several of the items Commissioner Scharff mentioned are not in the work plan. She felt that a broadly written work plan may be more helpful than a list of items. The standing item on every agenda requesting for future agenda topics is not going away and the work plan does not bind the Commission to only discuss what is listed on it. Commissioner Scharff argued that Staff has indicated that if there are topics the UAC wants to discuss that are not on the work plan, the Chair has to submit a request to Council and the Council has to approve it. Chair Forssell agreed that the Boards and Commission

Handbook does not correlate with the UAC By-Laws. Chair Forssell suggested that the Commission provide language changes to the documents so that the UAC can approve it before it goes to Council.

In answer to Commissioner Scharff's query about what Staff is seeking from the UAC, Batchelor confirmed that Staff can add items from the rolling calendar, future discussions and add any suggestions the Commissioners have. Commissioner Scharff supported that approach.

Commissioner Smith noted that if folks do not want comments on a document, it should not be sent out in advance. He appreciated the comment that the work plan is not meant to restrict the UAC's discussions. He stated that his submitted comments were made based on the indication that the UAC can only discuss what Council wants the UAC to discuss. If that is not the correct interpretation, then he supported Commissioner Scharff's comment that the work plan should be written as broadly as possible. He agreed that resiliency in the utilities needs to be included in the work plan. Also, dark fiber should be listed as the use of dark fiber and the expansion of dark fiber across the entire City. California RECs are outside of water and power and should be discussed in their own anticipated topic line. He indicated that there should be training on how Commissions and Boards should interpret the work plan. He observed that the dark fiber, as written in the document, does not represent that the dark fiber network or the fiber network is a utility. He supported having Staff editing the document with the suggestions that the UAC make.

Chair Forssell announced that there is general agreement among the UAC that the work plan should be broader. Chair Forssell suggested that Commissioner Smith review his proposed edits with the UAC.

Commissioner Smith suggested edits to the general purpose paragraph including adding the words "and financial review" after acquisition and development in the first sentence, include "on the acquisition, development and financial review of the dark fiber network" after provide advice as well as "treatment" after wastewater collection. To anticipated items/topics, he proposed to include City-wide resiliency efforts, dark fiber network expansion and fiber to the home (FTTH) internet service provider (ISP) initiatives, and California Renewable Energy Credits (REC)s – Bucket 1s and Bucket 3s. He provided language for the description and/or information for the topics. For commodities, he suggested the description should include rates for fiber to the home.

Commissioner Metz agreed that the work plan should be broad and he supported all of the suggested additions. He proposed to include as an anticipated item/topic, an integrated framework for emergency response, resiliency and sustainability. He followed with the proposed language for the description and/or information. Chair Forssell felt that the proposal was very specific and asked if it could be broader. Commissioner Metz suggested adding emergency preparedness and response as a new anticipated item/topic. He suggested adding consumption based on emission reduction and distribution of energy resources to the work plan. Commissioner Scharff thought consumption based on emission reduction and distribution of energy resources could be added under resiliency and Commissioner Metz agreed.

Commissioner Johnston suggested that resiliency be drafted more broadly. He suggested, "consider means of improving resiliency of all utilities to accidents, natural disasters, climate change, and sea-level rise".

Commissioner Bowie advised that resiliency should be a reactive item. Under water supply he suggested "water supply-demand and coordination with other water programs". He suggested demand management programs, greywater, and capacity be added in the description/information for water supply. He also suggested adding equity of services to anticipated topics/items.

Chair Forssell suggested undergrounding of utility services, cybersecurity, and make the City's utilities sustainable be separate anticipated topics.

Commissioner Scharff suggested reliability of utility services be an anticipated topic. He advised changing the topic electrification of the City to “meet the S/CAP Goals” and then add in the description “including the goal to” to the beginning of the first sentence.

Commissioner Smith suggested inspection and permitting be added as an anticipated topic.

Commissioner Bowie suggested adding data handling in the description of cybersecurity. Commissioner Metz suggested it be added as a separate anticipated item/topic and Commissioner Bowie agreed.

Chair Forssell noted that Staff has indicated that the general purpose paragraph is language pulled from a Council-approved document and changing it would need Council approval. In answer to Commissioner Smith’s question regarding if the proposed paragraph could be approved when the Council approves the work plan, Batchelor believed that the UAC can provide the language and Council can consider approving it.

Commissioner Bowie indicated that rate increases in only listed once under commodities. Chair Forssell suggested changing commodities to budget.

Chair Forssell shared that there is a lot of information listed on the work plan. She was concerned that the work plan has no priority. She suggested that subcommittees be formed to explore items on the work plan. Commissioner Scharff advised agendaing a discussion regarding subcommittees for a future meeting.

Batchelor noted that Staff will research what the process is for amending the language in the general purpose paragraph.

ACTION: Commissioner Scharff moved Staff Recommendation as changed that the Utilities Advisory Commission (UAC) Review and Approve the Utilities Advisory Commission’s 2021-2022 Annual Work Plan, and Recommend the City Council Review the Work Plan and Provide Feedback.

Seconded by Commissioner Johnston. Motion carries 6-0 with Chair Forssell and Commissioners Bowie, Johnston, Metz, Scharff and Smith voting yes. Vice Chair Segal absent.

REPORTS FROM COMMISSIONERS MEETINGS/EVENTS

None.

FUTURE TOPICS FOR UPCOMING MEETINGS:

Chair Forssell suggested a discussion on subcommittees for items listed on the work plan and Commissioner Smith agreed.

NEXT SCHEDULED MEETING: September 1, 2021

Commissioner Scharff moved to adjourn. Commissioner Metz seconded the motion. The motion carried 6-0 with Chair Forssell and Commissioners Bowie, Johnston, Metz, Scharff, and Smith voting yes. Vice Chair Segal absent. Meeting adjourned at 9:08 p.m.

Respectfully Submitted
Tabatha Boatwright
City of Palo Alto Utilities