



DRAFT

UTILITIES ADVISORY COMMISSION MEETING MINUTES OF SEPTEMBER 1, 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, Vice Chair Segal, Commissioners Bowie, Johnston, and Metz
Absent: Commissioners Scharff and Smith

AGENDA REVIEW AND REVISIONS

None.

ORAL COMMUNICATIONS

None

APPROVAL OF THE MINUTES

Metz proposed on Page 8, second to the last paragraph, to change the word “flushed” to “fleshed”. Also, on Page 10, third to last paragraph the words should be “consumption-based emission reduction” instead of “consumption based on” and then read “distributed energy resource”.

Commissioner Johnston moved to approve the minutes of the July 07, 2021 meeting as revised. Commissioner Metz seconded the motion. The motion carried 4-0 with Chair Forssell, and Commissioners Bowie, Johnston, and Metz voting yes with Vice Chair Segal abstaining and Commissioners Scharff and Smith absent

Motion passed 5-0

UNFINISHED BUSINESS

None

UTILITIES DIRECTOR REPORT

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

Water Supply Update and Conservation Outreach: Governor Newsom has requested all Californians to voluntarily reduce water use by 15% relative to the year 2020. The San Francisco Public Utilities Commission (SFPUC) has correspondingly requested a voluntary 15% water use reduction from all wholesale water agencies it serves. SFPUC’s total system storage is still in relatively good shape compared with state and federal systems. Earlier this summer, Valley Water set forth a mandatory 15% water use reduction compared to 2019 for its water retailers.

On August 20, SFPUC received water supply curtailment orders for several points of diversion in the San Joaquin watershed. SFPUC is currently reviewing the curtailment orders to determine the implications and

applicability to its water supply system. SFPUC may request an exemption for minimum human health and safety needs, which is water consumption below 55 gallons per capita per day.

Palo Alto has eight permanent water use restrictions in place and is encouraging customers to use water wisely. Residents may report water waste through PaloAlto311 or drought@cityofpaloalto.org. The City has increased outreach about water use efficiency this summer and will continue to educate the public about easy ways to save water, and take advantage of free services, educational opportunities, and rebates for water efficiency. Visit www.cityofpaloalto.org/water for the latest updates.

SunShares Program: For the sixth year in a row, the City of Palo Alto is an outreach partner for Bay Area SunShares, a solar and battery storage group-buy program administered by Building Council for Climate Change (BC3). More than 35 Bay Area communities and companies are participating as outreach partners. Our participation helps our customers receive information and discounted prices on solar from vetted contractors, including Solar Technologies, SkyTech Solar, and Infinity Energy. The SunShares program runs for a limited time from September 1 through November 30, 2021. Contracts for installations must be signed by December 31, 2021. CPAU will host a free educational workshop on Tuesday, October 26 from 6:30 to 8:30pm. Register at www.cityofpaloalto.org/workshops

National Drive Electric Week 9/25-10/3: National Drive Electric Week is September 25 through October 3, 2021. This is a national campaign to raise awareness of the many benefits of electric vehicles. Utilities will be sponsoring an EV Charging Workshop presented by Acterra on September 28, 2021, from 7 to 8pm. This virtual event will address any and all questions about how to charge an EV at home or in public. Topics will include public charging networks, different charging levels, fuel costs saved from charging, charging compatibility, charging installations, rebates, and strategies to optimize EV charging experiences. Please register for this free webinar at www.cityofpaloalto.org/workshops or Acterra's webpage. There will be many other online and in-person events happening during National Drive Electric Week including EV and battery operated E-bicycle expos and ride & drives, as well as talks about battery technology. Visit www.driveelectricweek.org for a full list of events.

Power Content Label: Palo Alto's 2020 Power Content Label has been published and will be delivered to all utility customers in the month of September through the utility bill inserts. Like a nutrition facts label that shows the ingredients in food, the Power Content Label shows the sources of electricity purchased by the City of Palo Alto Utilities to power local homes and businesses. The Power Content Label is also available online at www.cityofpaloalto.org/powercontentlabel

S/CAP Ad Hoc Committee: The next meeting for the Sustainability and Climate Action Plan (S/CAP) Ad Hoc Committee is September 9. View details and register on the City calendar www.cityofpaloalto.org

NEW BUSINESS

ITEM 1: DISCUSSION: Discussion of Permit Processes and Various Energy Technologies

Chair Forssell announced that if the Utilities Advisory Commission (UAC) wants to make specific policy recommendations to City Council, the item can come back at the next meeting as an action item.

David Coale acknowledged that he has sent in written comments to the UAC. He shared that the existing process is not working and the City must take a different approach with solar permitting. He noticed that the Staff report does not list any proposed changes to the Palo Alto specific requirements and was frustrated to see no change to the alternating current (AC) disconnect requirement. He suggested that the UAC recommend to Council that the Planning Department adopt SolarAPP+. The app can help streamline the application process and help reduce Staff workload.

John Kelley mentioned that his comments were for oral communications. He indicated that he will send in written comments to the UAC and speak at the next meeting.

Jonathan Lait, Director of Planning and Development Services summarized the conversation that took place at the April 2021 UAC meeting regarding the topic. He acknowledged that Staff is aware that the permit process is taking too long and is cumbersome. Since the April 2021 UAC meeting, Staff has enhanced communication with the public regarding the process and has been working with other City departments to address concerns.

In answer to Commissioner Metz's questions regarding measuring the timeline from the start to end of a completed project and benchmarking compared to other jurisdictions, Lait explained that the Planning and Development Services Department is responsible for permitting and inspection. The Development Center gathers all departments in one place so that there is a coordinated review process. Staff has been tracking how long it takes the City to process a permit and how long the applicant has the permit. Dean Batchelor, Director of Utilities shared that Staff has set a goal of a 5-day review period for electrical applications. Lait added that other jurisdictions do not own their utilities, so the turnaround time is not comparable to Palo Alto. Batchelor interjected that Staff has done some benchmarking with other jurisdictions and can provide those preliminary results to the Commission.

In reply to Commissioner Johnston's inquiry regarding the lockable AC disconnect requirement, Batchelor confirmed that Pacific Gas & Electric (PG&E) does not require a lockable AC disconnect. Staff strongly supports having a lockable AC disconnect for the safety of City utility employees due to back feed. PG&E's approach to minimizing back feed is to remove the entire electric meter. Tikan Singh, Electric Engineering Manager, shared a video with the UAC regarding what can happen if an electrical meter is removed. He emphasized that meters are not designed to be removed. In response to Commissioner Johnston's query regarding SolarAPP+, Lait shared that the City has been exploring SolarAPP+ and Staff is pursuing moving forward with implementing the app. George Hoyt, Chief Building Official, disclosed that he has been in direct dialog with SolarAPP+ and has been discussing with them how to implement the Palo Alto specific requirements into the application. SolarAPP+ is an independent process that looks for building and fire code compliance for photovoltaic (PV) systems and only a licensed contractor can use the app. Concerning lockable AC disconnects, Lait added that as applications come in, Staff is looking to see if there are multiple AC disconnects, and Staff has been requesting that contractors minimize how many disconnects there are. Commissioner Johnston mentioned that Staff has provided adequate answers to his question and he was happy to hear how the City is moving forward.

Vice Chair Segal appreciated that Staff is holding weekly inter-departmental meetings regarding the topic. She noted that safety is the top priority, the second priority should be ease of use, and she hoped that ease of use is part of the weekly meeting conversations. She acknowledged that the big picture goal is the electrification of the entire City and how that can be accomplished. In response to her questions regarding is the size of a PV system a factor and are there other building constraints hindering the creation of standardizations, Lait agreed that the inter-departmental meetings are to develop a permitting process that is not cumbersome but encouraging to a homeowner. The planning Staff have been exploring zoning regulations and will be bringing forward recommendations to change zoning to help with equipment placement constraints. A checklist is another way to help streamline the application process. In answer to Vice Chair Segal's question regarding if the checklist has decreased the permit issuance timeframe, Lait clarified that the checklist has not been published. The reduction in the permit processing time is due to the active management of the applications. The hope is that when the checklists are published, applications will not be rejected for missing certain requirements which will result in a faster processing time. Concerning PV system size, Lait indicated that Staff's focus is on residential customers and facilitating routine installations of systems that do not trigger a larger review. Hoyt noted that currently, 10 Kilowatt (kW) systems and below do not require additional review. Lait added that Staff is exploring the threshold and investigating ways to move the threshold higher to capture more systems in the streamlined review process. In response to Vice Chair Segal's ask regarding how many systems are routine installations compared to larger installations, Lait announced that Staff can supply that information and will provide supplement information at the next discussion. Vice Chair Segal acknowledged that currently the process is very labor-intensive, but she

predicted that over time the process will be simplified. Lait agreed and acknowledged that transitions take time to implement.

Chair Forssell shared that the UAC received several emails from residents regarding the required AC disconnect. In answer to her question regarding why Staff believes the lockable AC disconnect is the only suitable mechanism, Singh explained that Staff has explored other disconnecting mechanisms. Those mechanisms did not address safety as strongly as a lockable AC disconnect. He emphasized that the City is not trying to make the process more burdensome for customers. The lockable AC disconnect provides a visual air gap that signals disconnection has occurred. Chair Forssell appreciated that the lockable AC disconnects create a visual disconnect. If another disconnect mechanism is used, she requested further explanation why someone cannot test the line to see if the line is active. Batchelor explained that employees do test the lines, but the concern is that the system will come on. Then start to back feed back into the system and then energized the lines without the utility workers knowing. In response to Chair Forssell's understanding that SolarAPP+ does not include an AC disconnect component, Hoyt confirmed that is correct. Chair Forssell expressed that if Staff is pressing that an AC disconnect is a safety requirement, she did not understand why other jurisdictions and the Department of Energy do not require it. In answer to her ask if SolarAPP+ allows jurisdictions to layer in their own requirements and can other City departments be added, Hoyt confirmed that Staff is working with SolarAPP+ to include Palo Alto specific requirements. Concerning other City departments, Hoyt acknowledged that SolarAPP+ was not made to incorporate utility requirements or utility review, and the company is not interested in incorporating that component into their program. SolarAPP+ checks for compliance with the California Electrical Code, the National Electrical Code (NEC), the National Fire Code, and the California Fire Code. Chair Forssell echoed Vice Chair Segal's comments about pushing a system that is easy to use.

In reply to Council Member Filseth's inquiry regarding is there a way to design an AC disconnect that is simple that follows the City's standard, Batchelor explained that the current standard is that the disconnect switch has to be within 10-feet of the meter. Staff is drafting templates to include in application packages so that applicants know exactly what the City will be looking for. Council Member Filseth summarized that the pre-application process takes 2-weeks and that is a very long time. Lait acknowledged that 2-weeks is a long time, but that is due to the quality of the submission, how familiar someone is with the City's submission system, and how responsive the applicant is in supplying the missing information. Council Member Filseth encouraged Staff to explore having a checklist to speed up the process. Lait added that Staff is discussing if an in-person or virtual meeting is necessary to walk folks through the City's system. Also, Staff is exploring simplifying the City's website to list exactly what is needed for an application. Council Member Filseth stated that if the data is clean before it is inputted into the algorithm, that saves massive amounts of effort and time. Lait agreed but indicated that he is more concerned about the quality of the service that the applicant receives. In answer to Council Member Filseth's queries regarding fires from PV systems and does an application need review from three City departments, Stephen Lindsey, Acting Fire Marshall, clarified that the Fire Code has provisions for setbacks for fire truck access if there needs to be ventilation holes cut into a roof. Lait noted that the size of the PV system determines how many City departments need to be involved.

In response to Chair Forssell's inquire regarding what other Palo Alto specific requirements need to be added to SolarAPP+, Hoyt noted the interconnection agreement, utility review based on the size of the system, and possible planning review are areas that are being discussed. Lait clarified that SolarAPP+ checks for the state standards and Staff is exploring ways to eliminate local zoning standards that impeded state standards. Chair Forssell shared that at the April 2021 discussion, the UAC indicated that Staff should explore eliminating unnecessary Palo Alto specific requirements. Based on the discussion, she summarized that Staff is looking to use SolarAPP+ as a mechanism for streamlining the process, but not changing any of the Palo Alto specific requirements. Hoyt interjected that SolarAPP+ is not intended to strip requirements and the City is not currently doing anything technical that is not outside state or ordinance code. He shared that SolarAPP+ is capable of approving systems that are up to 47.5 KW and the City does need to explore ways to raise the 10 KW threshold to match the app's threshold. Lait emphasized that jurisdictions that do not have their own utility do not have to figure that piece out. Staff has acknowledged that the City did have overzealous

inspection criteria and that has been rectified. He mentioned that exploring how the City compares to other jurisdictions concerning inspections could be informative and Staff is having conversations around that. Chair Forssell expressed her appreciation to Staff for their thoughtful answers to the Commissioner's questions.

ACTION: None

ITEM 2: DISCUSSION: Discussion of Legal Framework for Construction Work Hours and Street Closures

Aylin Bilir, Deputy City Attorney summarized Chapter 9.10 of the City's Municipal Code. In general, in a residential area, noise shall not go over 6 decibels above the local ambient level and 8 decibels above the ambient level in commercial areas. Subsection B of Chapter 9.10.60 of the Municipal Code outlines special provisions and exceptions for construction noise. Noise from construction is allowed only from 8:00 a.m. to 6:00 p.m. Monday through Friday and 9:00 a.m. to 6:00 p.m. on Saturdays, as long as the activities during those hours meet the standards in the code. The City is authorized to approve an exception permit to the Noise Ordinance as long as the applicant has investigated all options and the standard cannot be met, and there is good cause for exceeding the standard. Any projects that are located in the public right of way and will cause traffic impacts are required to submit a Logistics Plan to the Public Works Department. Part of the confusion around construction hours within Palo Alto is that business traffic is restricted and any work done in designated streets must halt at 4:00 p.m. Also, any construction near a school must begin after the school day starts. Staff reviews all projects individually and uses best practices to apply the policy, based on where the project is located. In regards to how Palo Alto's Noise Ordinance compares to other local jurisdictions, Palo Alto's policy is comparable to the City of Mountain View and the City of Menlo Park's policy.

Vice Chair Segal recalled that the biggest concern is the traffic closure restrictions and that there be a 9:00 a.m. to 4:00 p.m. workday with a lunch break. That results in a short workday which causes a project to go longer and become more expensive. She suggested Staff explore more exemptions to noise to help mitigate the length and cost for certain projects.

In answer to Commissioner Bowie's queries if Staff has more information on the case by case exceptions and if the urgency of a project impacts exceptions, Bilir mentioned that planning and transportation Staff have an interest in not granting exceptions that might be precedent-setting for a wide range of projects. Dean Batchelor, Director of Utilities acknowledged that utility Staff have requested exceptions when under constrained circumstances and those exceptions have been granted.

In response to Chair Forssell's query on when this issue came up, Dave Yuan, Strategic Business Manager answered that the issue was raised during the discussion on fiber to the home (FTTH). Batchelor added that if work hours cannot be extended, then the fiber project may be extended, or it may deter companies from answering the Request for Proposal (RFP).

Council Member Filseth noted that Council should be concerned about the extension of work hours, not the Commission.

ACTION: None

The UAC recessed at 6:44 p.m. and returned at 7:00 p.m.

ITEM 3: ACTION: Staff Recommendation That the Utilities Advisory Commission Recommend the City Council Approve Design Guidelines for the 2022 Electric Cost of Service and Rates Analysis

Eric Keniston, Senior Resource Planner presented the design guidelines for the 2022 Electric Utility cost of service rates analysis. The last cost of service analysis (COSA) was completed 5-years ago. The COSA project will take 2-years to complete due to constrained resources. One design guideline of the COSA is that rates must be based on the cost of providing the service to the respective groups. The COSA will explore electrical vehicle (EV) charging rates for homeowners, separate direct current (DC) fast charger rates for multi-vehicle charging areas, minimum versus fixed charge, rates for data center customers, time of use rates, and more.

Staff recommended that the UAC make recommendations to Finance Committee who then will make final recommendations to Council.

Vice Chair Segal found that Staff's priorities make sense and design guidelines 3 and 4 should not create barriers. In answer to her question regarding a rate for flex alerts or strains on the system, Keniston agreed that there is a possibility to create a critical peak pricing rate for high demand periods.

In reply to Commissioner Johnston's query regarding how often a COSA should be done, Keniston replied that Staff tries to update the COSAs every 5- to 10-years. The reason to update the COSA now is that the City is looking to add several new rate schedules. Commissioner Johnston acknowledged that there will be changes to electric customers and the use of electricity within the City. He predicted that the purpose of the COSA is to allow flexibility for electrification and an updated COSA will allow flexibility to adopt new rates quickly. Keniston mentioned that the flexibility in the COSA makes sure that the City is properly allocating distribution costs to the various groups of customers which includes customers groups that may change in size. Commissioner Johnston agreed and wanted the COSA to be designed in a way that will give the City flexibility to be able to generate rates that will encourage electrification. Keniston acknowledged that the COSA will guide how much flexibility the City will have.

In response to Commissioner Metz's question about how does the COSA incorporate environmental burden for the various user classes, Keniston indicated that environmental costs are distributed among customers. In answer to Commissioner Metz's question regarding if the COSA envisions having a tier for higher quality electrical service, Keniston stated he will bring that up with the consultants and see if there is justification for it. Commissioner Metz appreciated that Staff will be exploring it. He expressed that design guideline 3 is misleading that EV charging stations do use large amounts of energy and that they could have a big impact on demand. He questioned if the City should be charging folks for the demand that an EV charger requires. Keniston agreed that the COSA will be exploring rates that encourage folks to have a better load factor. Jonathan Abendschein, Assistant Director of Utilities emphasized that it is possible that a situation is created where in order to pay for the cost of running an EV charger, the charging station owner has to increase the fee to use the station, and that is what the City is trying to avoid. Commissioner Metz's understood that the City wants folks to store energy so that they do not consume electricity during peak demand periods. If so, he pointed out that directly conflicts with design guideline four. Keniston acknowledged that the City wants to encourage the use of the technology, but does not want rates that over incentivize particular technologies. Commissioner Metz advised changing the word "demand" because the City wants to incentivize folks to lower demand. In answer to Commissioner Metz's question does the City have demand charges, Keniston confirmed that the City does have demand charges for larger commercial customers. Commissioner Metz advised Staff to think about a demand charge in order to make sure the utility is whole. Abendschein noted that the description of design guideline four does not address the difference between collections related to the distribution system versus collections related to demand impacts on the state grid as a whole. He confirmed that the City does want to create incentives for folks to reduce demand as well as reduce distribution demand, but there is a difference in the time periods when this should happen. The idea is to encourage folks to reduce demand when demand needs to be reduced and not encourage folks to reduce demand during times when it's not saving money for the utility or the grid. Commissioner Metz expressed that is an important clarification that needs to be made and that Palo Alto's demand peak is mid-day.

Commissioner Bowie agreed that the difference between demand and consumption includes a geographic element. In reply to his query that demand is geographic, Keniston agreed that there may be a geographic element. He summarized that Commissioner Bowie is suggesting different pricing for different customers within the City in different geographical areas. Commissioner Bowie confirmed that is correct and he requested if there is value in breaking down time-of-use rates on a geographic basis. Keniston indicated that Staff can investigate it, but that it would be a very complex analysis. Commissioner Bowie advised that Staff explore how to create the incentive for demand in certain areas and increase utilization. Abendschein agreed that one way to encourage that is to make sure that DC fast charging is located in places where spare capacity is. He noted that will most likely will be reflected in residential rates versus non-residential rates rather than

on a geographical basis, but programs can be based on geography. Commissioner Bowie suggested that Staff explore how flex rates can be framed in the demand response.

In answer to Chair Forssell's question regarding will the COSA affect net energy metering (NEM), Keniston explained that a fixed monthly charge would be applied to NEM 1 customers. NEM 2 customers payback rates for generated power will not be affected by the COSA because those customers use a separate methodology. Staff continues to monitor the evolution of NEM 3. In reply to Chair Forssell's query regarding minimum and fixed charges, Keniston explained that minimum and fixed charges allow the utility to differ the costs that are incurred regardless of whether or not the customer uses power. Having a high minimum or fixed charge can disincentivize folks from installing solar power. Chair Forssell stated it makes sense to have a minimum charge or a fixed charge, but saw it as a work item and not a design guideline. Keniston agreed it is a work item in making sure that minimum and fixed charges fit within the design guidelines and that they do not create unnecessary barriers. Abendschein noted that the UAC can recommend that Staff design a design guideline that addresses minimum and fixed charges. Chair Forssell shared that the COSA and rate design should support a transition to a minimum or fixed monthly charge.

Vice Chair Segal agreed with Chair Forssell that minimum or fixed monthly charges should be drafted as a design guideline.

Commissioner Bowie wanted, at a future meeting, to revisit the topic of geographic rates, but that discussion should take place once the City has more advanced metering infrastructure (AMI) data and time of use rates have been developed more.

ACTION: Chair Forssell moved Staff recommendation that the Utilities Advisory Commission (UAC) request the Finance Committee recommend the City Council approve the Design Guidelines for the 2022 Electric Utility Cost of Service and Rates Analysis with the addition of a sixth guideline emphasizing the need for a transition to a fixed or monthly minimum charge.

Seconded by Vice Chair Segal. Motion carries 5-0 with Chair Forssell, Vice Chair Segal and Commissioners Bowie, Johnston, and Metz voting yes. Commissioners Scharff and Smith absent

COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

None.

FUTURE TOPICS FOR UPCOMING MEETINGS: October 06, 2021

Commissioner Metz recommended that the UAC discuss resiliency and local generation as well as emergency preparedness and response in terms of having minimum amounts of energy available during an emergency. Jonathan Abendschein, Assistant Director of Utilities reported that Council has directed Staff to prepare an assessment of the resources needed to address resiliency. He suggested that the assessment be presented to the UAC at a future meeting. Commissioner Metz and Chair Forssell supported that suggestion.

Chair Forssell wanted to continue the discussion regarding the power outages. Dean Batchelor, Director of Utilities shared that he will be making a presentation on that at the October or November 2021 UAC meeting. Chair Forssell recalled that Commissioner Scharff mentioned an interest in discussing underground utilities. Batchelor disclosed that will be included in the 10-year water, gas, wastewater, and electric project review. He understood that Commissioner Scharff is interested in understanding more about undergrounding the electric utility within the next 10-years and what the cost may be. Chair Forssell understood that the UAC wanted a retroactive look at what projects were planned versus what got built for the water, gas, wastewater, and electric project review. Batchelor appreciated the clarification and disclosed he misunderstood. Chair Forssell recalled that a community member had requested that the UAC discuss if the City should be

measuring total suspended solids as well as dissolved solids in the City's water. Batchelor shared that Staff can provide a presentation on water quality and what is tested.

Commissioner Bowie mentioned that there was interest in having more information regarding data handling, cybersecurity, and third-party penetration testing. Chair Forssell noted that the topic is on the to-be-scheduled list.

Chair Forssell requested that the Commissioners share their top priority items from the list. Vice Chair Segal confirmed cybersecurity is at the top of her list. Commissioner Johnston agreed that cybersecurity is a top priority as well. He hoped that the November 2021 topic on reliability and resiliency includes emergency preparedness. Commissioner Metz acknowledged that a discussion regarding emergency preparedness is premature and suggested he have an offline discussion with Staff before having a discussion with the full UAC. Commissioner Bowie agreed with the comments regarding cybersecurity and Commissioner Metz's comments. He wanted to understand what happens with the data once the City has it, is it publicly available, how much sensitive information is involved in it, and who receives the data.

Council Member Filseth mentioned that Council already had a deep dive discussion regarding cybersecurity, but it was done in a closed session. He predicted that the UAC could do the same. Chair Forssell agreed with Council Member Filseth.

NEXT SCHEDULED MEETING: October 6, 2021

Vice Chair Segal moved to adjourn. Commissioner Metz seconded the motion. The motion carried 5-0 with Chair Forssell, Vice Chair Segal and Commissioners Bowie, Johnston, and Metz voting yes. Commissioner Scharff and Commissioner Smith absent. Meeting adjourned at 8:03 p.m.

Respectfully Submitted
Tabatha Boatwright
City of Palo Alto Utilities