

Dear Mayor and Council Members,

On behalf of City Manager Ed Shikada, please see staff responses below for questions from Council Member Tanaka on the [Monday, April 22 Council Meeting](#).

Item 6: Adopt a Resolution Authorizing the City Manager or Their Designee to Execute an Amendment to the Power Purchase Agreement with Ameresco Half Moon Bay LLC for the Purchase of up to 60,000 Megawatt-Hours per Year of Biogas Energy Over a Term of up to 20 Years for a Total Not to Exceed Amount of \$147.2 Million; CEQA Status: Not a Project under CEQA Guidelines Section 15378(a)

- 1. Considering the rapidly evolving technology in renewable energy and the fluctuating market conditions, elaborate on the rationale for locking the city into a 20-year contract extension without any provisions for renegotiation or technological updates? How do we ensure that this agreement remains cost-effective and aligned with Palo Alto's long-term sustainability goals, especially when future advancements could potentially offer more efficient and cost-effective solutions? Furthermore, how does this decision reflect the interests and concerns of our community stakeholders?**

Staff response: As with any long-term contract commitment, there is some uncertainty in future conditions. However, given the current state of the renewable energy market in California, staff believes this contract amendment has a very high likelihood of ultimately being a cost-effective choice. As we discussed with the UAC on April 3rd, staff regularly reviews renewable energy project proposals from other developers (via NCPA's RFP process), and this contract extension compares extremely favorably with the alternatives currently on the market. The most prevalent alternative resource on the market today is solar, which, while generally low-cost to purchase, has an extremely low value for its output, due to the abundance of solar resources currently operating in the state and the inflexibility of its output. In terms of other baseload generation resources, we occasionally see proposals for geothermal or biomass projects, and today these are typically priced in the \$90-\$100/MWh range (i.e., far higher than the proposed price in this amendment). Other types of emerging resource technologies – e.g., offshore wind or enhanced geothermal – are at least a decade away from being commercially available, and the City cannot afford to wait that long to lock in contract commitments to ensure its continued compliance with its RPS and other obligations.

- 2. Considering the lack of expansion about other forms of energy in the staff report, what are the specific renewable energy projects or recent state and federal incentives Palo Alto might be missing out on? How does investing a substantial portion of our energy budget into this single project align with our city's documented energy and sustainability strategies, especially when considering emerging technologies and funding opportunities that could potentially offer greater benefits? Additionally, how has stakeholder input**

influenced this decision, and what risk assessments have been conducted to ensure this commitment does not limit our flexibility to adapt to the rapidly changing energy landscape?

Staff response: Please see the response above regarding other types of renewable energy resource opportunities that are currently available (or may become available in the coming years) to the City. All the resources currently available in the market make use of all state and federal incentives available to them (e.g., the tax credits under the Inflation Reduction Act) and their market prices reflect these incentives. As for the potential future technologies that could be available in the next decade or so, the City hired a well-respected consultant (Ascend Analytics) last year to provide production cost modeling assistance for our Integrated Resource Plan, and their analysis was that these emerging technologies (e.g. offshore wind, enhanced geothermal, and small modular nuclear reactors) will cost ~\$200/MWh.

In terms of stakeholder input in this process, staff discussed this amendment at length with the UAC on April 3rd, and all the commissioners were enthusiastic in their support for this amendment.

- 3. Given the proposal to increase our commitment with Ameresco, can the staff provide a detailed analysis of the specific risks associated with increased dependency on a single energy provider? What are the potential impacts on Palo Alto's negotiating leverage and the security of our energy supply, particularly in scenarios of market volatility or provider instability? Furthermore, explain what alternative energy procurement strategies were considered to mitigate these risks and how this decision aligns with our long-term energy procurement strategy? Finally, how does the city plan to ensure transparency and accountability in managing these risks to maintain public and stakeholder trust?**

Staff response: The City has had a strong and productive relationship with Ameresco for almost 20 years, and the City's five active contracts with Ameresco represent about 10% of the City's total electric supply portfolio. This is not considered an overly high concentration of resource supply reliance in the eyes of most stakeholders, including the City's Energy Risk Manager. In the unlikely event that Ameresco experiences challenges that impact its operational capabilities, the City has negotiated numerous risk mitigation provisions into each of its contracts. For example, in each individual contract, Ameresco is required to maintain a high level of resource availability and output (the minimum availability level is 80%, and their projects routinely achieve greater than 90% availability), and if they fail to maintain these levels the contract price is reduced. Further, if any of these resources are unavailable for an extended period of time, the contract allows for the City (or an agent) to step in and operate the resource on Ameresco's behalf (and at their expense). Finally, as with all our renewable energy contracts, the City makes no payments to Ameresco upfront, only paying for output after it is delivered.

Item 8: Approval of Professional Services Contract No. C24190042 With BKF Engineers in a Total Not-to-Exceed Amount for \$283,250 for Land Surveying Services for One Year; CEQA – Not a Project.

- 1. Given the consistent selection of BKF Engineers for several city projects, this pattern raises concerns about competitive fairness and dependency on a single contractor. How has the city evaluated the potential risks and downsides of this recurring choice, such as reduced innovation and possible cost inefficiencies? What benefits come from the city implementing a rotational policy or other strategic measures to foster a more competitive environment, thereby encouraging participation from a broader array of qualified firms and ensuring that taxpayers receive the best possible value?**

Staff response: Surveying consulting is a mature industry where field geospatial data are collected by licensed surveyors using standard survey instruments. Cost effectiveness is realized through aggregating work into larger projects to achieve economies of scale, competitive solicitation, and by retaining experienced consultants, which have all been done for this contract. Two proposals were received for this project through a formal solicitation process and the evaluation was conducted based on the criteria established in the CPA Municipal Code. BKF demonstrated their experience and capability to perform the work and their initial proposed price was \$80K lower than the other proposer.

- 2. Considering the significant investment of \$283,250 proposed for updating the GIS data and utility mapping, how has the city undertaken a detailed cost-benefit analysis to confirm the value of this expenditure? What information can the staff provide quantitative evidence or specific case studies demonstrating how similar past investments have not only improved project outcomes but also resulted in verifiable cost savings or efficiency gains? How do we ensure that this substantial amount yields a high return in terms of enhanced project management and reduced future expenditures?**

Staff response: The decision to invest in collecting survey data to update GIS information and utility mapping was carefully considered. Accurate geospatial location information of existing surface and sub-surface features and infrastructure is essential when designing below ground infrastructure to avoid utility conflicts during construction. Inaccurate geospatial location information inevitably leads to costly field re-designs and change orders once construction has commenced, and conflicts are identified. The surveying contract will cover the areas for three upcoming CIP projects with an average cost of approximately \$94K for each project. Staff believes this amount is a reasonable amount of investment to develop a feasible alignment for new underground utilities.

Item 9: Approval of a Five-Year Technical Assistance Agreement with the United States Geological Survey in an Amount Not-to-Exceed \$924,745 for Scientific Monitoring Services at

the Regional Water Quality Control Plant Outfall and Horizontal Levee Pilot Project Site (WQ-22001); CEQA Status- Categorically Exempt Section 15306

- 1. In light of our responsibility to ensure fiscal prudence and accountability, what detailed comparative analysis can the staff provide that demonstrates how the costs of this proposed contract with the USGS align with market rates and compare to similar services provided by other organizations? Additionally, illustrate how this agreement offers better value than previous agreements? This analysis is crucial for confirming that we are not only adhering to budgetary constraints but also actively seeking the most economically advantageous options for our city.**

Staff response: The value of a long-term dataset requires local field expertise and consistency in sampling approach and analytical methods that only USGS can offer at this time. This contract provides better value to the City due to the cost savings in mobilization efficiency and shared resources that one organization provides in fulfilling all scope items. In addition, this agreement is different than previous agreements because the scope of work has been expanded beyond legacy monitoring to include new required monitoring for the first-of-kind Palo Alto Horizontal Levee Pilot Project that will inform the design of future nature-based solutions for sea level rise adaptation. The data from this monitoring will be of significant value not only to the City of Palo Alto, but to the greater Bay Area which is learning how to incorporate nature-based solutions such as horizontal levees into regional sea level rise planning efforts.

- 2. Considering our long-term contract with the USGS for these monitoring services, how has the city conducted a thorough market analysis recently to ensure that there are no more advanced or cost-effective options available? Given the rapid advancements in environmental monitoring technologies and methodologies, it's imperative we periodically reassess our choices to ensure we are not only maintaining high standards but also achieving the best value. What can the staff provide evidence or rationale for not exploring alternative providers at this junction?**

Staff response: The nature of the USGS monitoring requires field expertise that is not a common service in other labs, and the Regional Water Quality Control Board relies specifically on USGS data as part of longitudinal studies and San Francisco Bay monitoring, including development of the San Francisco Bay Regional Wetland Monitoring Program. USGS's involvement in the Regional Wetland Monitoring Program as well as technical expertise makes them uniquely qualified to conduct this work. Regulatory agencies do not accept advancements in technology without first vetting them and then accepting them as standard. The Regional Water Quality Control Board accepts USGS practices as the standard and the City must comply with these monitoring standards.

3. **Given the significant investment proposed for the monitoring services with the USGS, how will the city manager provide explicit metrics and criteria that will be used to evaluate the success of these activities? Additionally, how will the data collected directly influence the development and adaptation of our future environmental policies and projects? It's crucial for us to understand how these substantial expenditures will lead to measurable improvements and strategic outcomes, ensuring we are not merely collecting data without actionable insights.**

Staff response: As noted in the staff report, specific data will be gathered about effluent water quality, slope stability, vegetation establishment, habitat types, conversion of adjacent marsh vegetation, the presence and reduction of invasive plant species, the benefits to the endangered salt marsh harvest mouse and enhanced nesting habitat. This data will be used in annual reporting to regulatory agencies as well as to inform how horizontal levee projects might be expanded around Palo Alto's shoreline to protect habitat and shorelines from sea level rise. Palo Alto's leadership on this project is expected to directly influence the adoption of similar projects in Palo Alto and throughout the Bay Area. Data will be shared regionally as well as posted to the City's webpage for public access.