

Resolution No. _____

A Resolution of the City of Palo Alto Declaring Intention to Reimburse
Expenditures Relating to Modernization of the Electric Utility System Infrastructure from the
Proceeds of Tax-Exempt Debt

WHEREAS, the City of Palo Alto (the “City”) operates a system for the distribution of electric energy (the “Electric System”); and

WHEREAS, the City provides electricity from a 100% carbon neutral portfolio, and has been in the forefront of efforts to design programs allowing customers to easily use clean energy; and

WHEREAS, one major initiative in the City’s Sustainability and Climate Action Plan (“S/CAP”) is to promote the transition to all-electric homes and electric vehicles (“EVs”) to reduce greenhouse gas (“GHG”) emissions; and

WHEREAS, in 2020, the City launched an update to the S/CAP to reduce GHG emissions 80 percent below 1990 levels, i.e., reduce 624,095 metric tons of greenhouse gases by 2030 (the “80 x 30 goal”); and

WHEREAS, a 2021 impact analysis showed that to meet the “80 x 30 goal”, the City must electrify all of its roughly 15,000 single-family homes, replacing natural gas equipment with efficient electric alternatives; and

WHEREAS, the City recently conducted an electrification study to evaluate the impacts of projected electrification loads from converting houses to electrical power and the adoption of EVs on the City’s distribution and substation transformers, primary/secondary distribution circuits, and to propose upgrades needed to mitigate overloads; and

WHEREAS, in response, the City developed the Electric Grid Modernization for Electrification Project (“Modernization Project”) to increase distribution capacity, enhance grid resiliency and reliability of the electric distribution system, and to continue to accelerate the City’s clean energy and decarbonization goals; and

WHEREAS, to meet the expected increase in demands, the Modernization Project will increase network capacity; capacity increases will include the following work:

- converting 4kV systems to 12kV,
- installing more distribution transformers with greater capacity,
- rebuilding secondary networks by increasing the conductor size and creating more secondary networks, and

- replacing distribution substation transformers, breakers and feeders at three substations to increase capacity; and

WHEREAS, in addition, the City expects to finance acquisition and construction of a Hanover substation improvement and the acquisition of land for use in the construction of the Electric Grid Modernization for Electrification Project, among other things; and

WHEREAS, the estimated cost of the Modernization Project, the Hanover substation improvement and the land acquisition (collectively, "Project") is between \$220 million to \$306 million, depending on the approach and cost of materials; and

WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, one of which is a requirement that prior to the payment of any such expenditure, the issuer declares an intention to reimburse such expenditure; and

WHEREAS, it is in the public interest and for the public benefit that the City declares its official intent to reimburse the expenditures referenced herein.

NOW, THEREFORE, the Council of the City of Palo Alto does hereby RESOLVE, as follows:

1. The City intends to issue one or more series of debt payable from its Electric System revenues, including, but not limited to revenue bonds, loans and installment purchase obligations (collectively, the "Bonds") for the purpose of paying the costs of the Project.

2. The City hereby declares that it reasonably expects (i) to pay certain costs of the Project prior to the date of issuance of the Bonds, and (ii) to use a portion of the proceeds of the Bonds for reimbursement of expenditures for the Project that are paid before the date of issuance of the Bonds.

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3. The principal amount of the Bonds is not expected to exceed \$350,000,000, not including the amount needed to pay for debt service reserve funds, costs of issuance and capitalized interest.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED AS TO CONTENT:

Chief Assistant City Attorney

City Manager

Jones Hall,
A Professional Law Corporation

Director of Utilities

By: _____
Christopher K. Lynch
Jones Hall, A Professional Law
Corporation Bond Counsel

Director of Administrative Services/
Chief Financial Officer