



Utilities Advisory Commission Supplemental Report

CITY OF
**PALO
ALTO**

From: Kiely Nose, Interim Director of Utilities

Meeting Date: March 5, 2025

Item Number: 5

Report #:2502-4220

TITLE

Supplemental Information: Review and Recommend Utilities Advisory Commission FY 2025 – 2026 Work Plan for City Council Approval

RECOMMENDATION

Staff recommends the Utilities Advisory Commission (UAC) to review, provide feedback, and recommend City Council approval of the FY 2025 - 2026 Annual Work Plan.

This supplemental report transmits proposed workplan items submitted by UAC commissioners subsequent to the release of the original staff report to assist in facilitation of the UAC discussion and recommended workplan for Council consideration.

BACKGROUND

In accordance with the 2020 City Boards, Commissions, and Committees Handbook, each Board and Commission should prepare an annual work plan for proposal to the City Council by the second quarter of the calendar year. The purpose and duty of the UAC is outlined in the City of Palo Alto Municipal Code Chapter 2.23.050.

“The purpose of the utilities advisory commission shall be to advise the city council on present and prospective long-range planning and policy and major program and project matters relating to the electric utility, gas utility, water utility, wastewater collection utility, fiber optics utility and recycled water matters, excluding daily operations.”

ANALYSIS

The Commission is recommended to consider its purpose as defined in the Palo Alto Municipal Code, the City Council Priorities, the City Council Priority objectives, and Council approved workplans and strategic plans as some of the variables when deciding on recommended workplan items to the work of the Commission for 2025. This will ensure alignment with the City Council activities and resource allocation. The UAC may add a workplan topic, amend an existing topic on the draft workplan to address a desired topic more explicitly, and may choose

to consider items for future years. As a reminder, the workplan is intended to reflect activities to be completed in a 12-month period, specifically identifying the UAC role and actions. This workplan will be forwarded for City Council review and approval by recommendation of the UAC.

UAC Commissioner Workplan Feedback

Commissioners were surveyed for proposed topics to add to the UAC Work Plan. Proposed topics are as follows in no particular order. When additional information was provided by Commissioner(s), it has been included in Attachment A to this report.

1. Long-Term Strategy for CPAU's Natural Gas Utility: Develop a comprehensive 5–20 year plan to align the gas utility with climate goals, financial stability, and regulatory changes, while evaluating options for electrification, biogas integration, and long-term infrastructure strategy.
2. Feasibility Study of Purple Pipe Expansion & Establishment of a Recycled Water Utility: Assess the potential for expanding Palo Alto's recycled water system.
3. Universal Access - Enhance CPAU accessibility beyond ADA compliance to ensure equitable service for all customers.
4. Regional Collaboration on Water Supply - Advocate for accurate drought planning, strengthen regional partnerships, and explore alternative water supply solutions to enhance resiliency, cost efficiency, and long-term water security.
5. Credit Card Fees: Implement a fee pass-through to reduce City costs, improve transparency, and allow larger credit card payments while monitoring customer impact.
6. Fiber to the Premises (FTTP): Pilot and Phase 1 - Review and evaluate pilot results, recommend to Council ISP rates, refine business and operations plan for Phase 1 rollout, and inform decision on further investment after Phase 1. Annual update on project.
7. Federal Issues and Collaboration Monitor federal policy changes, informational item regarding impact, secure critical funding, advocate for beneficial legislative or regulatory actions to protect City resources and strengthen federal partnerships.
8. Data Center Competitiveness: Review and recommend policies and incentives to attract data centers to Palo Alto.
9. Microplastics and Forever Chemicals in Water Supply and Wastewater: Assess and mitigate forever chemical (PFAS etc.) and microplastic contamination in drinking water and wastewater.
10. Time of Use rates: bring TOU to UAC early to give us a chance to discuss and advise on options before they are rolled out. Then, once TOU rates are in place, report out on how it is going at least once a year
11. Demand side management: annual update and discussion on programs and performance
12. Stanford Interconnection: Transmission line between CPA and Stanford in case of power loss

13. Emergency Preparedness: Prepare CPAU and the Palo Alto community it serves for emergencies, such as earthquakes, cyber-attacks, wildfires, and floods, in coordination with Palo Alto's Office of Emergency Services (OES).
14. Grid Modernization Strategy: successfully address the key issues that will affect the design and cost of CPAU's future distribution Grid. Annual update on project.

Proposed Topics and Current Status:

To assist the UAC in finalizing it's recommended workplan, staff have provided the following information to assist in identifying any existing alignment with standing UAC workplan topics and or the current status or schedule of items suggested by various Commissioners.

Title	UAC Standing Topic	Current Status / Schedule
1. Long-Term Strategy for CPAU's Natural Gas Utility	Topics 8 & 9	Decommissioning of the CPAU natural gas utility is an action item both in the Council 2025 priority objective and S/CAP approved workplan and falls under these two standing topics. Specifically, 'Share preliminary analysis of strategies for a physical and financial transition of the gas utility to relevant policymakers and stakeholders' is the expected work for 2025.
2. Feasibility of Purple Pipe Expansion & Establishment of a Recycled Water Utility	N/A	New Workplan Item Purple pipe has previously been explored in the Northwest County Recycled Water Strategic Plan which included a business plan for a system expansion ¹ with discussion at the UAC ² and City Council ³ in 2018. Information from this study was recently updated for use in the One Water Plan. Current Regional Water Quality Control Plant improvements are focused on rehabilitation of the over 50-year-old regular sewage treatment functions.
3. Universal Access	N/A	New Workplan Item
4. Regional Collaboration on Water Supply	N/A	Advocacy letters both discussing the One Water Plan framework and engagement with SFPUC and BAWSCA are agendized for the March 2025 UAC meeting for recommendation to City Council.
5. Credit Card Fees	N/A	New Workplan Item This topic relates to Standing Topic 1, review of the annual budget and rate changes for utility services though can be considered off cycle by the Commission from the typical rate setting process.

¹ Northwest County Recycled Water Strategic Plan https://www.cityofpaloalto.org/files/assets/public/v/1/public-works/water-quality-control-plant/recycled-water/2021/tm-6.5_30dec2020.pdf

² UAC October 2018; <https://cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=72210.49&BlobID=68055>

³ City Council November 2018; <https://cityofpaloalto.org/civicax/filebank/blobdload.aspx?t=72210.49&BlobID=68054>

Title	UAC Standing Topic	Current Status / Schedule
6. Fiber to the Premises (FTTP) Pilot & Phase 1	Topic 1	FTTP is an action item in the Council 2025 priority objectives 'Complete build-out of fiber-to-the-premises (FTTP) pilot Phase 1 with grid modernization...and work to establish internet service provider operations' in 3 rd quarter (Q) of CY 2025. In alignment with the Standing Topic 1, rates for fiber services are scheduled for UAC review in Q2 of CY 2025.
7. Federal Issues and Collaboration	Topic 7	Standing Topic 7 addresses legislative initiatives, tracking local state and deferral bills that impact utilities operation and regulations and review of changes needed with the UAC to the extent needed. These actions support the real time tracking of issues a recognize alignment with existing legislative guidelines for City operations as adopted by the City Council annually. Considering the recent federal administrative actions, the City Council has taken action to create a Council ad hoc committee to draft a resolution that 'underscores the Council's Commitment to Sustaining Palo Alto Values and Interests' in the face of the federal administration.
8. Data Center Competitiveness	N/A	New Workplan Item
9. Microplastics and Forever Chemicals in Water Supply and Wastewater	N/A	New Workplan Item As part of the City's operating activities, testing of wastewater and water occur in accordance with state and federal laws and regulations as well as with applicable permits issued by regulatory agencies. During 2023, the City tested for PFAS and all results were below reporting limits and were presented in the City's 2023 Water Quality Report. ⁴ During 2022, the State Water Board issued an order for certain agencies to begin testing for microplastics. ⁵ SFPUC is one of initial agencies required to monitor surface water for microplastics and staff are waiting for the results of the state's investigation.
10. Time of Use Rates (Electricity)	Topic 1	In alignment with the Standing Topic 1, rates for electric utility service pilot time of use rates are scheduled for UAC review in 2025 including implementation plans and the rates recommended for feedback and recommendation to the Finance Committee and City Council.
11. Demand side management (DSM)	Topics 2, 3, 4, & 9	Standing Topics 2-4 facilitate discussion of demand side management of utility commodities. Annually as part of the 2 nd quarter Utilities Quarterly Report, the annual DSM report is prepared and transmitted for the UAC review. In addition,

⁴ City's 2023 Water Quality Report <https://www.cityofpaloalto.org/files/assets/public/v/1/utilities/water-quality/pal108cpauwaterannual2023.pdf>

⁵ Water State Board Begin Testing for Microplastics https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/microplastics/rs2022-0032.pdf

Title	UAC Standing Topic	Current Status / Schedule
		the 10-year Energy Efficiency goals are scheduled to be reviewed by the UAC in spring 2025. Discussion of technologies to advance demand management are included as part of the Reliability and Resiliency Strategic Plan reviewed by UAC and approved by Council and part of the approved S/CAP plan outlined in Standing Topic 9.
12. Stanford Interconnection	N/A	New Workplan Item The City and Stanford have explored interconnection between the agencies as recently as January 2021, however, discussions concluded due to parties unable to reach agreement on price and terms. Resources were refocused and have continued to work on establishing a second transmission corridor with PG&E.
13. Emergency Preparedness	N/A	New Workplan Item The Office of Emergency Services is updating the City's Emergency Operations Plan (EOP) in 2025. The EOP will be in alignment with the 2023 Santa Clara County Multijurisdictional Hazard Mitigation Plan. Additionally, two work initiatives are underway relating to this topic, an audit by the City Auditor (as provided by Baker Tilly) regarding wildfire preparedness and the recent wildfire maps as released by the State of California Fire Marshall. Both are scheduled to be reviewed by the Policy & Services Committee and City Council by the conclusion of FY 2025.
14. Grid Modernization Strategy	Topics 5 & 6	The significant investments for Grid Modernization capital improvements - in alignment with activities under Standing Committee topics 5 and 6, Utilities Capital Improvement Program and reliability and resiliency activities respectively - are next scheduled to be reviewed by the UAC in early FY 2026 to support review of financing authorization for issuance of debt including a project update. Studies recently reviewed by UAC inform future implementation of grid management systems to improve situational awareness, operational efficiency and Distributed Energy Resources (e.g. rooftop solar, battery storage, and electric vehicles).

ATTACHMENTS

Attachment B: Proposed Topics Submitted by UAC Commissioners

APPROVED BY:

Kiely Nose, Interim Director of Utilities