



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager
Report Type: CONSENT CALENDAR
Lead Department: Utilities

Meeting Date: April 3, 2023

TITLE

The Utilities Advisory Commission and Staff Recommend Council Adoption of Amended Utilities Rules and Regulations, to Incorporate AMI Changes and Other Updates; CEQA review – exempt (CEQA Guidelines section 15273)

RECOMMENDED MOTION

The Utilities Advisory Commission and Staff recommend that the Council adopt the attached Resolution ([Attachment A](#)) amending Utilities Rules and Regulations 2, 8, 9, 10, 15, 18, 20, and Utilities Rate Schedules C-1 and C-4, as shown attached.

EXECUTIVE SUMMARY

Utilities Rules and Regulations (Rules) are updated as needed to ensure current procedures are in place to continue City of Palo Alto Utilities (CPAU) operations. The recommended changes to the various Rules and Regulations add new provisions, remove outdated sections, update language for clarity, and reflect changes to applicable regulations, business practices and procedures. Rule and regulation changes for Rule 2, 9, 10, 15, and 20 are related to deployment of Advanced Metering Infrastructure (AMI) metering equipment including a customer opt-out program and remote disconnection and reconnection procedures. Revisions to two rate schedules (C-1 and C-4) are required to reflect new cost recovery fees for customers seeking to opt out from the AMI program. Rules and regulation changes for Rule 8 and 18 clarify a customer's responsibility to provide unobstructed access to meters, service lines, and other facilities in order for CPAU to provide utility services.

BACKGROUND

The changes below include new Opt-Out and Electric Meter Remote Disconnect policies that were discussed at Utilities Advisory Commission (UAC) (June 8, 2022, [Staff Report 14288](#), and November 2, 2022, [Staff Report 14794](#)) and are proposed to be incorporated into Utilities Rules and Regulations 9 ("Discontinuance, Termination and Restoration of Service") and 10 ("Meter

Reading”). Most of the changes do not impact long range planning, policies, or programs. The changes mainly reflect daily operational changes and procedures that are currently in place.

Advanced Metering Infrastructure (AMI) is commonly referred to as “smart meter/advanced meter” or “smart grid” technology. AMI-enabled meters utilize radio and cell signal telecommunication channels to detect and transmit meter data (i.e. meter number, interval meter reads, meter alarms) from utility meters. No personally identifiable information is stored or passed in the AMI meters or data collectors. CPAU will replace old legacy electric meters with new advanced electric meters and retrofit existing water and gas meters with AMI radios. Council approved the AMI project on October 18, 2021 ([Staff Report #13665](#)).

The new and upgraded meters will be able to provide near-real time data on energy and water consumption and voltage information. When the AMI system becomes fully operational in 2024, residents and businesses will be able to monitor ongoing utility consumption data and make informed decisions about energy and water use based on what they observe, such as the power usage from different appliances or at different times of day. AMI will also alert customers of water leaks via email, text, and voice. CPAU views this as a benefit to customers, and a way to provide more effective utility services.

DISCUSSION

Twenty-nine Utilities Rules and Regulations (Rules) set forth the conditions under which the City provides utility services to customers from both the Utilities Department (electric, natural gas, water, wastewater, fiber optic) and the Public Works Department (refuse, storm drain). The Rules are updated on as-needed basis to reflect current standards and business practices, and to streamline language to make the rules more user-friendly and provide for ease of administration. Each of the Rules below includes changes reflecting this approach; additional specific edits are noted below, and redlined copies of each rule are attached to this report. Rate schedules are updated as needed to reflect the costs of providing utility service and meeting utility operating expenses, in this case, the cost of manual meter reading and bill processing for customers who opt out of the AMI program functionality.

Opt-Out Policy (Electric and Gas)

Based on previous feedback from Council and UAC, CPAU will provide residential customers an alternative to a standard advanced meter installation through an AMI Opt-Out Policy, as reflected in updated utilities Rate Schedules and Rules and Regulations. According to national statistics, CPAU anticipates approximately 0.5% of customers may want to opt out of the AMI program (150

of 30,000 customers). Customers who opt out will not be able to realize the benefits of an advanced meter. If a residential customer wishes to opt out of the AMI electric and/or gas program, they will be given the opportunity to opt out either before or after their advanced meter upgrade. CPAU will not be providing a water meter opt-out option since water meters are typically located in the public right of way and distant from the home.

If a customer wishes to opt out and keep their existing (legacy) meter, customers must notify CPAU before a new AMI-enabled meter is installed. Customers will be notified of scheduled meter replacement via direct mailer and email if available at least one week in advance of installation. Customers will also receive a door hanger when the AMI installer is on-site to perform the installation. If customers contact CPAU after the AMI meter is installed, the AMI meter's radio transmission communications will be turned off and disabled remotely, and meters will be read manually.

Electric Meter Remote Disconnect/Reconnect Policy

One major operational benefit of AMI is reducing the cost and number of utility service vehicles being dispatched (truck roll) for customer disconnection and reconnection. By decreasing the number of truck rolls, the City's carbon footprint is also reduced, and utility resources can be reassigned to other services. Remote disconnect meters have a breaker inside of them that can be controlled remotely. This will be an effective solution for customers who are turned on and off frequently as well as residences that have a high turnover such as rental properties or apartment complexes.

Utilities Rules and Regulations (2, 8, 9, 10, 15, 18, 20)

Utilities Rule and Regulation 02 (Definitions and Abbreviations)

Rule and Regulation 2 describes commonly used industry acronyms and the definitions of various terms used throughout Rules. The proposed changes include a definition of AMI and a minor update to the Point of Service terminology to be consistent with the change in Utilities Rule and Regulation 20, "Special Electric Utility Regulations", and clarifications around the definition of charges and taxes.

AMI is an integrated system of "smart" or advanced meters, communications networks, and data management systems that enables two-way communication between utilities and customers. AMI uses radio-based technology to read and transmit daily interval usage data and alarms from meters.

Utilities Rule and Regulation 08 (Access to Premises)

The recommended amendments to Rule 8 clarify the customer's responsibilities in keeping the meter and meter facilities clear of obstruction, debris, and vegetation in order for CPAU to provision utility services.

Utilities Rule and Regulation 09 (Discontinuance Restoration)

The recommended amendments to Rule 9 include adding a new section for remote disconnect and reconnect services from the meter. CPAU will use the remote disconnect/reconnect feature enabled on the new AMI electric meters. The use of this feature allows for the disconnection and/or reconnection of an electrical service to a service address without CPAU staff being physically present at the meter location.

Utilities Rule and Regulation 10 (Meter Reading)

The recommended amendments to Rule 10 add a new section for customers who may choose to opt out and temporarily keep their existing (legacy) meter by notifying CPAU before a new AMI-enabled meter is installed. Opt-out customers will be assessed opt-out fees to recover costs for Customer Service, Meter Reading and Billing for manual monthly billing, as reflected in the updated rate schedules described below.

Utilities Rule and Regulation 15 (Metering)

The recommended amendments to Rule 15 expand provisions relating to meter installation to also cover installing or updating related metering equipment as needed to maintain standards and update outdated equipment that maintains or improves on the functionality of CPAU's utility services.

Utilities Rule and Regulation 18 (Utility Service Connections and Facilities on Customers' Premises)

The recommended amendments to Rule 18 stipulate CPAU must have the flexibility and ability to relocate or modify Utility Service Lines or Points of Service for the purpose of meeting quality control standards, updating outdated equipment, or otherwise improving the functionality of Utility Services.

Utilities Rule and Regulation 20 (Special Electric Utility Regulations)

The recommended amendments to Rule 20 are to be consistent with Utilities Rule and Regulation 15, “Metering”, to reflect CPAU’s ability to install not only meters but any related equipment needed to maintain standards and update outdated equipment in order to maintain or improve on the functionality of CPAU’s utility services.

Utility Rate Schedules (C-1 and C-4)

The set-up charge is to recover costs of establishing a new meter reading route for opt-out customers and verifying customer’s eligibility to participate in the program. The ongoing monthly charge recovers staff time for reminding customers to submit self reads, collecting and entering the self reads, reviewing against historical reads for anomalies, validating the monthly read, and performing an annual visual inspection of the meter.

Utility Rate Schedule C-1 (Utility Miscellaneous Charges)

The recommended amendments to Rate Schedule C-1 includes the Opt-Out fees for AMI. A one-time non-refundable set up charge in the amount of \$100 will be billed on the customer residential account. In addition, a recurring monthly fee of \$25 will be billed to the residential account to cover the costs of utility billing and manual meter read verification.

Utility Rate Schedule C-4 (Residential Rate Assistance Program)

The recommended amendments to Rate Schedule C-4 includes the Opt-Out fees for AMI. For low-income customers enrolled in the RAP program, a one-time set-up charge is \$50 with a recurring monthly fee of \$10. Customers can opt into the AMI program at any time to discontinue the opt-out fees for no charge.

RESOURCE IMPACT

Approval of changes to Utilities Rules and Regulation 2, 8, 9, 10, 15, 18, 20, Rate Schedules C-1 and C-4 will not result in a significant change in net operating revenues or expenses. The Residential Rate Assistance Program will be funded by Public Benefits funds.

POLICY IMPLICATIONS

These recommendations do not represent a change in current City policies.

STAKEHOLDER ENGAGEMENT

The UAC unanimously approved (6-0, Bowie absent) the recommendation for Council adoption of the proposed rules and regulations changes and rate schedules, including the AMI opt-out and electric meter remote disconnect/reconnect policies, at the November 2, 2022 UAC meeting ([Staff Report 14794](#)) with minor language clarification edits.

UAC requested staff to refine the definition of AMI including “daily interval” instead of “near-real time” usage data. UAC received confirmation that the two written disconnection notices (10-Day Late Notice and 48-Hour Disconnect Notice) to customers is applicable to both physical and remote disconnection. UAC also inquired how the \$100 one-time and \$25 monthly opt out fees were established. Staff explained the fees are set to recover staff’s time to administer the opt out program, validate and enter the monthly reads manually, and perform a physical audit of the meters annually. UAC requested staff to review the fees in a couple years to determine if staff time or costs have changed.

CPAU will provide AMI project updates at www.cityofpaloalto.org/ami.

ENVIRONMENTAL REVIEW

Council finds that the adoption of revised rate schedules in this Resolution is statutorily exempt from the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines Section 15273(a), because the fees and charges proposed are necessary to recover the cost of providing utility service and meet operating expenses. After reviewing the reports presented, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption. Council finds that the adoption of revised Utility Rules and Regulations does not meet the definition of a “project” under Public Resources Code Section 21065 or CEQA Guidelines Section 15378(b)(2).

ATTACHMENTS

Attachment A: Resolution

Attachment B: Rule 02 Definitions and Abbreviations

Attachment C: Rule 08 Access to Premises

Attachment D: Rule 09 Discontinuance Restoration

Attachment E: Rule 10 Meter Reading

Attachment F: Rule 15 Metering

Attachment G: Rule 18 Utility Service Connections and Facilities on Customers' Premises

Attachment H: Rule 20 Special Electric Utility Regulations

Attachment I: Utility Rate Schedule C-1

Attachment J: Utility Rate Schedule C-4

APPROVED BY:

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