CITY OF PALO ALTO

UTILITIES ADVISORY COMMISSION
Regular Meeting
Wednesday, June 04, 2025
Council Chambers & Hybrid
6:00 PM

Utilities Advisory Commission meetings will be held as "hybrid" meetings with the option to attend by teleconference/video conference or in person. To maximize public safety while still maintaining transparency and public access, members of the public can choose to participate from home or attend in person. Information on how the public may observe and participate in the meeting is located at the end of the agenda. Masks are strongly encouraged if attending in person. The meeting will be broadcast on Cable TV Channel 26, live on YouTube https://www.youtube.com/c/cityofpaloalto, and streamed to Midpen Media Center https://midpenmedia.org.

VIRTUAL PARTICIPATION **CLICK HERE TO JOIN** (https://cityofpaloalto.zoom.us/j/96691297246)
Meeting ID: 966 9129 7246 Phone: 1(669)900-6833

PUBLIC COMMENTS
Public comments will be accepted both in person and via Zoom for up to three minutes or an amount of time determined by the Chair. All requests to speak will be taken until 5 minutes after the staff's presentation. Written public comments can be submitted in advance to UAC@PaloAlto.gov and will be provided to the Council and available for inspection on the City's website. Please clearly indicate which agenda item you are referencing in your subject line.

PowerPoints, videos, or other media to be presented during public comment are accepted only by email to UAC@PaloAlto.gov at least 24 hours prior to the meeting. Once received, the Clerk will have them shared at public comment for the specified item. To uphold strong cybersecurity management practices, USB's or other physical electronic storage devices are not accepted.

Signs and symbolic materials less than 2 feet by 3 feet are permitted provided that: (1) sticks, posts, poles or similar/other type of handle objects are strictly prohibited; (2) the items do not create a facility, fire, or safety hazard; and (3) persons with such items remain seated when displaying them and must not raise the items above shoulder level, obstruct the view or passage of other attendees, or otherwise disturb the business of the meeting.

TIME ESTIMATES
Listed times are estimates only and are subject to change at any time, including while the meeting is in progress. The Commission reserves the right to use more or less time on any item, to change the order of items and/or to continue items to another meeting. Particular items may be heard before or after the time estimated on the agenda. This may occur in order to best manage the time at a meeting to adapt to the participation of the public, or for any other reason intended to facilitate the meeting.

CALL TO ORDER 6:00 PM – 6:05 PM

AGENDA CHANGES, ADDITIONS AND DELETIONS 6:05 PM – 6:10 PM
The Chair or Board majority may modify the agenda order to improve meeting management.

PUBLIC COMMENT 6:10 PM – 6:25 PM
Members of the public may speak to any item NOT on the agenda.

APPROVAL OF MINUTES 6:25 PM – 6:30 PM

Approval of the Minutes of the Utilities Advisory Commission Meeting Held on April 2, 2025

UTILITIES DIRECTOR REPORT 6:30 PM – 6:45 PM

NEW BUSINESS

2. City of Palo Alto Utilities Wildfire Mitigation Plan (WMP) 2025 Annual Update. **ACTION** 6:45PM – 7:30PM, *Staff: Terry Crowley, Assistant Director of Utilities, Electric Engineering and Operations*

3. Resolutions Amending the Amended and Restarted Water Supply Agreement Between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County and Approving the Updated Tier 2 Drought Response Implementation Plan; CEQA Status: Not a Project **ACTION** 7:30PM – 8:15PM, *Staff: Karla Dailey, Assistant Director of Utilities, Resource Management Division*

4. Residential Electric Service Time-of-Use Rates (E-1 TOU) **ACTION** 8:15PM – 9:00PM, *Staff, Lisa Bilir, Senior Resource Planner*

FUTURE TOPICS FOR UPCOMING MEETINGS – (Every Other Meeting)
This item will be discussed at the June 4, 2025 meeting

COMMISSIONER COMMENTS AND REPORTS FROM MEETINGS/EVENTS

ADJOURNMENT

SUPPLEMENTAL INFORMATION
The materials below are provided for informational purposes, not for action or discussion during UAC Meetings (Govt. Code Section 54954.2(a)(3)).

INFORMATIONAL REPORTS

12-Month Rolling Calendar

Public Letter(s) to the UAC

PUBLIC COMMENT INSTRUCTIONS

Members of the Public may provide public comments to teleconference meetings via email, teleconference, or by phone.

1. **Written public comments** may be submitted by email to UAC@PaloAlto.gov.
2. **Spoken public comments using a computer** will be accepted through the teleconference meeting. To address the Council, click on the link below to access a Zoom-based meeting. Please read the following instructions carefully.
    - You may download the Zoom client or connect to the meeting in- browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30 , Firefox 27 , Microsoft Edge 12 , Safari 7 . Certain functionality may be disabled in older browsers including Internet Explorer.
    - You may be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
    - When you wish to speak on an Agenda Item, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
    - When called, please limit your remarks to the time limit allotted. A timer will be shown on the computer to help keep track of your comments.
3. **Spoken public comments using a smart phone** will be accepted through the teleconference meeting. To address the Council, download the Zoom application onto your phone from the Apple App Store or Google Play Store and enter the Meeting ID below. Please follow the instructions B-E above.
4. **Spoken public comments using a phone** use the telephone number listed below. When you wish to speak on an agenda item hit *9 on your phone so we know that you wish to speak. You will be asked to provide your first and last name before addressing the Council. You will be advised how long you have to speak. When called please limit your remarks to the agenda item and time limit allotted.

CLICK HERE TO JOIN **Meeting ID: 966 9129 7246 Phone:1-669-900-6833**

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Utilities Advisory Commission
Staff Report

From: Alan Kurotori, Director of Utilities
Lead Department: Utilities

Meeting Date: June 4, 2025
Report #: 2505-4712

TITLE
Approval of the Minutes of the Utilities Advisory Commission Meeting Held on April 2, 2025

RECOMMENDATION
Staff recommends that the Utilities Advisory review and approve the April 2, 2025 minutes.

Commissioner _____ moved to approve the draft minutes of the April 2, 2025 meeting as submitted/amended.

Commissioner _____ seconded the motion

BACKGROUND
The draft Minutes from the April 2, 2025 UAC meeting have been resubmitted to the UAC for review and approval, with the addition of the proposed amendments (Attachment B).

ATTACHMENTS
Attachment A: 04-02-2025 UAC Minutes
Attachment B: Proposed Amendments

AUTHOR/TITLE:
Alan Kurotori, Director of Utilities
Staff: Kaylee Burton, Utilities Administrative Assistant

UTILITIES ADVISORY COMMISSION MEETING
MINUTES OF APRIL 2, 2025 REGULAR MEETING

CALL TO ORDER

Vice Chair Mauter called the meeting of the Utilities Advisory Commission (UAC) to order at 6:00 p.m.

Present: Chair Scharff, Vice Chair Mauter, Commissioners Croft, Gupta, Metz, Phillips, and Tucher

Absent: None

Vice Chair Mauter announced that Chair Scharff may be joining remotely later.

The clerk called roll.

AGENDA REVIEW AND REVISIONS

None

ORAL COMMUNICATIONS

There were no public comments.

APPROVAL OF THE MINUTES

ITEM 1: ACTION: Approval of the Minutes of the Utilities Advisory Commission Meeting Held on March 5, 2025

Vice Chair Mauter invited comments on the March 5, 2025, UAC draft meeting Minutes.

Commissioner Croft commented that the water letter stated that the drought happened every hundreds of years, but it should have read hundreds of thousands of years, which was on Page 18 of 27.

ACTION: Commissioner Philips moved to approve the draft minutes of the March 5, 2025 meeting as submitted.

Commissioner Metz seconded the motion.

The motion carried 7-0 with Chair Scharff, Vice Chair Mauter, Commissioners Croft, Metz, Phillips, Gupta, and Tucher voting yes.

UNFINISHED BUSINESS

None

UTILITIES DIRECTOR REPORT

Kiely Nose, Interim Utilities Director, delivered the Director's Report. She stated that Council had successfully gone through the 2025 Council Priority Objectives and Committee Objectives and work plans. The final list had not been approved and would return on consent, but they had set the goals and objectives. The City had hired 4 new Utilities employees in the Electric Operations Division. There were still positions open and others at various stages in the recruitment process. The department currently had 45 vacancies, which was good news. She provided information related to the Gas Main Replacement Project 24B moving locations. They expected the project to last about 6 weeks. The Utilities team had begun the annual walking and mobile leak surveys, which was routine. The walking survey would cover the southern section of Palo Alto. She provided an update on the Gas Utility Federal Grant, which had been awarded to the City. The City received a new contract from the Federal government on the grant, which staff was reviewing and any necessary actions would be brought to the UAC upon completing the review. The State legislative committees were reviewing bills for this year's legislative session, and staff was tracking SB 282 and 540, which she detailed. A number of details related to upcoming events could be found at cityofpaloalto.org/[inaudible 18:14]. On April 12, there would be a Landscape Conversation 101. The City of Palo Alto Earth day would be on April 22. On May 1 there would be a facility managers meeting for key account customers.

Commissioner Tucher asked how the search for the director was proceeding and the process for the interim director, which he wanted monthly updates on. He asked if staff was satisfied and impressed with the choice of candidates and if there were good recruits for the Electric and the Director positions.

Ms. Nose answered that they were nearing the final steps to recruit the assistant director over the Utility's Electric operations and the engineering team. She expected to announce something at the next UAC meeting. They were in the interview stage for the Utility's Director, and she expected that it would be another month or two before there would be any additional information. As for the choice of candidates and recruits, she noted that it would be inappropriate for her to speak about personal transactions publicly. They had ran competitive recruitment processes, so a lot of attention and engagement had been attracted.

Commissioner Gupta inquired if staff had an initial gut reaction as it related to the Gas Utility grant.

Ms. Nose replied that they did not has a gut reaction at this time. There were new T's and C's referencing some of the new executive orders, so they needed to look at the details of the orders, the contract terms, and State law and reconcile all obligations.

NEW BUSINESS

ITEM 2: Approval of Chair and Vice Chair to Serve a Short Term of April 2, 2025 through April 1, 2026 ACTION 6:45PM – 6:55PM

Vice Chair Mauter asked for motions to nominate a chair for the term.

Commissioner Croft asked if the selection could be pushed to the future to remedy the situation of 2 commissioners being past their terms now.

Mayor Lauing discussed why that made sense, and he suggested moving it to the next meeting.

Commissioner Philips queried if procedurally the terms of Chair Scharff and Vice Chair Mauter needed to be extended to do that.

Mayor Lauing responded that the terms of Chair Scharff and Vice Chair Mauter did not need to be extended.

Commissioner Philips moved that this Item be moved to the next meeting.

Commissioner Gupta seconded the motion.

Commissioner Tucher questioned why it was called short term.

Mayor Lauing responded that it was always a 1-year term and that a person could run again and again.

Commissioner Tucher seconded the motion.

Motion carried 7-0

ACTION: Item 2 was moved to the next meeting.

ITEM 3: Staff Recommend the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution Approving the FY 2026 Gas Utility Financial Forecast and Reserve Transfers, the Natural Gas Cost of Service and Rate Study, and General Fund Transfer. And Amending Rate Schedules G-1 (Residential Gas Service), G-2 (Residential Master-Metered and Commercial Gas Service), G-3 (Large Commercial Gas Service), and G-10 (Compressed Natural Gas Service) ACTION 6:55PM – 7:55PM

Lisa Bilir, Senior Resource Planner, displayed a slide summarizing the median bill projections. She noted that some of the rate increases were substantial, which staff did not take lightly. The proposals were the result of a detailed analysis balancing costs, safety, and maintenance risks. A Cost-of-Service Study had been completed in February, which led to significant increases for residential rates, particularly at the median usage levels, so staff was presenting an option for a 1-time climate credit, which she elaborated on. The overall system average rate increase would be 5 percent in FY2026, which would begin in July 2025. She outlined some of the drivers for the increase. They expected a Federal grant of $16.5M, which would in large part fund a main replacement project, Number 25. There would be a General Fund transfer of 18 percent of 2024 gross revenue, which was estimated at $9.735M in 2026. Since December, the gas increase had been reduced to 5 percent in this proposal, although the COSA meant a higher increase for the residential and large commercial customers. She furnished a chart comparing the amount of revenue that would be recovered in each of the categories based on the 4-year average in 2026 to what would be needed in 2026 to cover the estimated cost in the different categories and slides showing the costs and revenues for the Gas Utility and the Operations Reserve for the Gas Utility. She discussed the gas cost of service methodology. Prop 26 stated that gas and electric rates must represent the cost of service, and rates could not be established based on policy goals unless they were cost based and rates could not be phased in. She presented a slide focusing on the gas bill comparisons for residential and nonresidential customers as a way to represent the overall impact of the Cost-of-Service Study. She mentioned that the summer baseline usage for the seasonal rate would go from 20 to 23 therms for a 30-day billing period.

Catherine Elvert, Utilities Communications Manager, highlighted the communications and outreach strategy for talking to the community about the utility rate changes. They wanted to ensure transparency and foster understanding about the reason why there would be increases and why it would be a benefit to customers, which she elaborated on. The goal was to manage the Utility services that would ensure safety and reliability. They wanted to communicate to customers what the City was doing to keep costs down and what the customer could do to keep their utility cost low. The City offered a number of programs and services for efficiency. The key messages would also focus on the competitiveness of the utility rates. They would reiterate happenings with the need to replenish the Utility's financial reserves, rising supply costs, the program for safety and reliability, what would happen with the General Fund transfer, and the COSA.

Ms. Bilir recapped that the Cost-of-Service Study resulted in reallocations across classes. They were asking the UAC to weigh in on the proposed strategies for replenishing reserves, the investment in the CIP, and the climate credit option. They included Council's direction from last year regarding the General Fund transfer. They understood that the subcommittee had some ideas for discussion.

Commissioner Philips noted that the Finance Subcommittee consisted Commissioners Gupta and Croft and himself. The residential rates would increase and the smaller G2 commercial rates would decrease primarily as a result of the reallocation of costs driven by COSA. They had

not been able to review the COSA until after the meeting. The 22-percent increase in the median residential rates seemed excessive. The subcommittee wanted to find a way to limit that, but they had not converged on the best way to do it. Staff had presented an option, which was the Cap-and-Trade alternative, which had not been uniformly supported by the subcommittee, so they wanted to bring it to the UAC. The other possibility would not do much to replenish reserves and the third possibility was to recommend and do a smaller transfer to the General Fund. The second and third possibilities would impact residential and commercial rates through COSA. He understood that COSA was more or less fixed and there might be some ability to give guidance for future cost-of-service allocations. He did not know if the $16.5M Federal grant was on track.

Commissioner Croft stated that the initial impression was that shifting more of the cost onto a fixed versus a usage cost seemed to give the wrong incentive and that ideally folks should reduce usage. However, she stated that a high fixed cost might be helpful in folks discontinuing service. It was not clear how much guidance the Commission could give the consultant doing the COSA study, but they understood that there was an ability to give some, which they wanted to discuss. She asked if this study guided to increase the fixed costs versus the usage costs and if in future cost-of-service assessments guidance toward the goal of having people eventually discontinue gas could be done. The fixed costs going up did not seem to be productive.

Commissioner Gupta added that the COSA had not been available for discussion during the subcommittee meeting with staff. When it became available, each committee member reviewed it, and there were questions regarding the drivers behind shifting cost from customer class G2 to the residential class G1.

Vice Chair Mauter asked if the committee had reviewed only the initial proposal and not the proposal that would take funds from the Cap-and-Trade Reserve.

Commissioner Philips responded that it had been presented but the group did not have consensus on it, so they wanted to go in front of UAC.

Public Comment
There were no public comments.

Commissioner Gupta stated that with the gas rates the Cost-of-Service Study would be approved and that the new Cost-of-Service Study was cost shifting a large amount from smaller commercial G2 class to the G1 class. He noted that residential rates were not going up just because of increases in system-wide costs but also because of decisions made by the consultant on how to allocate the costs. He referenced Packet Page 106 and the General Fund transfer allocation, which had been changed to a revenue-based allocation, so customer class G1 would bear a larger proportion of General Fund transfer costs. He also addressed the rate-based allocation of the distribution assets, which had been updated to use a revised average and excess calculations, which would shift asset value from G2 to G1. He asked if the prior COSA was compliant with Proposition 26 and why there were 2 changes being made to the proposed

COSA. If the UAC did not agree with coding the General Fund transfer allocation, for example, he asked if such pieces could be returned to the consultant to obtain a revised rate schedule.

Ms. Bilir answered that the prior COSA was compliant with Proposition 26. She explained why the 2 changes were being made to the proposed COSA. Concerning making changes, she outlined that the study was integrated and interlinked. It was possible to request that the consultant look at it, but they would most likely want to start fresh, which would require restarting the study and looking at the methods and reevaluating and taking an entirely new approach. She added that in that case the rates would not be available by July.

Vice Chair Mauter asked how frequently cost-of-service studies were completed for Gas Utility and if there was guidance in Proposition 26 mandating the frequency of cost-of-service or if it was a Utility decision.

Ms. Bilir answered replied that the last Cost-of-Service Study was in 2020, but there had been a few updates in 2021. The study would typically be done between 3 and 7 years. She did not believe that Proposition 26 mandated the frequency of cost-of-service, but it was typical do it every few years.

Commissioner Metz asked if the CPAU had investigated operational expenses for the Gas Utility lately.

Matt Zucca, Assistant Director of Utilities Water, Gas, and Wastewater Operations and Engineering, responded that operational costs would probably be largely driven by labor, which was split across 3 utilities. He was not aware of spending a lot of money on the operations side short of reducing the frequency of leak surveys performed in residential areas. They did the gas surveys more aggressively than required in order to be proactive and identify leaks earlier. They looked at the budget every year and tried to ensure that adjustments would be made accordingly. He did not know if there was a lot of opportunity to investigate operational expenses.

Commissioner Tucher commented that the COSA was new to him. He asked what the consultant thought about Palo Alto financially and prudently managing the Gas Utility. He did not see a summary in the document. He could not get a sense for what the consultant was telling Palo Alto to do in assessing the utility. He added that it would be helpful to have a slide summarizing the high points of the COSA.

Commissioner Gupta stated that he could not support cost shifting so dramatically from G2 to G1 residents. He moved to remand the COSA to look at cost shifting changes.

Commissioner Philips inquired as to the potential legal risks of doing that.

Karla Dailey, Assistant Director of Utilities Resource Management Division, stated that once a COSA was published, it would be the document defending how costs among customer classes

would be allocated. She opined that the best course of action would be to explore methodologies that might address some of the concerns when doing the next COSA. However, the concerns could not drive the COSA.

Vice Chair Mauter inquired if the primary driver of the cost increase was excess or peaky demand by residential users on the system.

Ms. Bilir responded that the consultant's findings related to excess or peaky demand by residential users on the system.

Commissioner Gupta discussed why he had issues with attributing a larger portion asset value to G1 based on seasonal usage variability, which he thought could introduce more volatility in rate calculation.

Chair Scharff found cost-of-service studies to be frustrating. He believed that assumptions made by the consultants would drive it certain ways, so he did not think Commissioner Gupta was wrong. He supposed the Cost-of-Service Study could be redone/amended, although he did not see that happening, but if it was done it would need to be a Council-driven initiative. He remarked that the cost-of-service studies were basically the framework of the rates being defensible, and he thought the City would be open to risks if the study were redone.

Ms. Dailey noted that staff had offered an alternative that could help the residential G1 customers with the rate impacts. She pointed out that the smallest of the G2 customers were small, multifamily complexes and the results of the COSA provided some relief to those customers.

Commissioner Tucher inquired if the UAC had ever had a discussion related to the choice of the consultant, the directions given to the consultant, and the City's expectations or steering of the consultant. He understood that it would be perilous to change the study.

Ms. Bilir responded that an RFP had been done in 2021 or 2022, which went to Council with the consultants as part of the on-call contract. The study had not been discussed with the UAC prior to that. She clarified that the COSA was an assessment of revenue requirement and the costs imposed on the system by different customer classes. It was not an assessment of how well the utility was run.

Commissioner Tucher stated [inaudible 1:14:05] that these were the costs and the revenue requirements [inaudible 1:14:08]. He understood that no special directives had been given on some of the concerns regarding customer classes or guidance in moving from class to class.

Ms. Dailey confirmed that was correct.

Vice Chair Mauter understood that a Cost-of-Service Study was an effort to equitably split the pie. It would be unfair to any customer class if the rates did not reflect the cost a customer class was imposing on the system.

Commissioner Tucher stated that he would have appreciated the recommendations being more explicitly spelled out in a slide. He queried if staff agreed with the COSA recommendations.

Ms. Dailey said staff agreed with the COSA recommendations.

Ms. Bilir stated that staff took the work very seriously and they reviewed in detail all the data and the assumptions made by the consultant.

Vice Chair Mauter wanted to close the open motion, which could be done by Commissioner Gupta withdrawing the motion or the motion could be voted on if there was a second.

Commissioner Gupta wanted to vote on the COSA looking at cost shifting changes.

Chair Scharff asked if the motion included the direction that should be taken in remanding the COSA back to the consultant.

Commissioner Gupta answered that the direction would be to revert the changes it made from a prior COSA with respect to cost shifting, specifically on Page 1 of 6.

Chair Scharff stated that the assumptions in COSA led to the rate design, which led to cost shifting. He questioned if the motion was to remand the COSA to use the previous assumptions. He added that legally the outcome of a COSA study could not be directed.

Commissioner Gupta wanted to reject the changes related to how it would allocate current charges and revert to the prior COSA.

Vice Chair Mauter asked if there were any seconds for the motion. Hearing none, the motion did not move forward. She asked Commissioner Philips to review the 3 options the Finance Committee studied.

Commissioner Philips stated that the subcommittee looked at 2 potential options – the Cap-and-Trade Reserve and to do a transfer to the General Fund of less than 18 percent. The third was the original rate.

Vice Chair Mauter questioned the intended purpose of drawing down the Cap-and-Trade Reserve Fund as it related to the legality and the appropriateness of it, how much had been spent and the amount of the standing reserve, and if adopting it would imply that it would continue to be adopted in the future.

Ms. Dailey answered that the revenue from Cap-and-Trade was the result of free allowances allocated to the Gas Utility as a compliance entity under the Cap-and-Trade Regulation. The State had restrictions on spending the money, and Council had adopted a list of allowable activities to use the money on, which not much of had been spent. Council preferred to use the funds for greenhouse gas reduction activities, but it could legally be returned to the customers on a nonvolumetric basis, and it could be returned to one customer class and not all customer classes, so money could be directed to just the residential customers who would feel the rate change more than others. She added that it was a use Council had approved. The full Cost-of-Service Study would be adopted this year, and it would be in place until the event of another Cost-of-Service Study. Staff's proposed alternative was a 1-year credit that would be accompanied by encouragement to electrify. Council could decide to continue/increase/decrease a climate credit in future years. Staff was not presenting that alternative today and they were addressing next year, but it did not preclude using that money in the same way in future years.

Vice Chair Mauter asked if it was likely that more would be spent than what was received, such that it would not be sustainable, and what was expected to be spent from the Cap-and-Trade Reserve.

Ms. Dailey stated that the City was having discussions on climate action, 80 x 30 goals, and keeping rates low, and there was a study session scheduled (possibly for May 5) for Council to address the choice. At some point, the money would run out, but there was quite a lot in there currently.

Ms. Bilir noted that Packet Page 196 had a table with all the reserve balances. It was expected that the climate credit of $1.6M would be spent from the Cap-and-Trade Reserve.

Kiely Nose, Interim Utilities Director, thought consideration should be given to the fund being sustainable. She stated that there may be an opportunity to look at further incentivizing folks to move toward electrification.

Vice Chair Mauter inquired if in any way these would be used as a policy.

Ms. Nose answered that they would not be used as a policy. The COSA was strictly based on the cost of providing service to customers. In this instance, there might be a chance to further help the parallel goals. She thought these were levers for the Commission and Council to consider how to spend the Cap-and-Trade funds and how to deal with the cost of providing the service in balancing rate affordability and sustainability goals.

Ms. Bilir referenced Packet Page 72 and noted that the Cap-and-Trade Fund had had $13.5M at the end of FY2024. The projected balance at the end of 2025 was $16.9M, and the balance would decline over time as the Climate Action Budget was reflected in it.

Alan Kurotori, Utilities Chief Operating Officer, added that Cap-and-Trade for investor-owned utilities received about 98 percent of all Cap-and-Trade for natural gas. Besides compliance, the funds were used for residential climate credits. They programmed in for a long-term view for Council to consider a balance of the use of the money for S/CAP goals and to consider helping customers given the larger increase for the first year. The UAC and Council could recommend continuing the credit if desired.

Commissioner Croft inquired if it would be appropriate to take funds from the General Fund to relieve customers and if the funds could be used for a single customer class.

Ms. Dailey answered that staff felt it was appropriate to include the General Fund transfer that Council directed staff to plan for in last year's financial planning cycle. It was within UAC's purview to make a recommendation to Council. She thought funds from the General Fund would apply to the full Gas Utility and that it could not be targeted for different customer classes.

Commissioner Philips stated that about 45 percent would go to residential. He queried what reduction from the $18M would result in a 9-percent increase for the median consumer. He was concerned that the 22 percent assumed no increase in the price of natural gas and that the forecast models were predicting increases. He voiced that the 22-percent increase was a best-case scenario and that it could be more.

Ms. Bilir replied that they had not looked at the amount of reduction from the $18M that would result in a 9 percent increase. They looked at continuing the 14.5-percent General Fund transfer from last year, which they had determined would be about a 2- to 4-percent reduction in the median residential Gas Utility bill across residential and nonresidential customers.

Commissioner Philips queried if more than a 14.5-percent transfer would keep the increase to 9 percent.

Ms. Bilir clarified that if the General Fund transfer was 14.5 percent instead of 18 percent it could achieve an approximately 4-percent reduction, so instead of 22 percent for the median residential customer, it would be 18 percent.

Chair Scharff wanted to suggest to Council that they use the Cap-and-Trade funds. He was also amenable to suggesting lower than 18 percent, but he noted that Council wanted 18 percent.

Mayor Lauing, Utilities Advisory Commission Liaison, stated that they had to be very cautious in budgeting. He thought Council would consider using part of this in something other than the general plan if it would positively affect utility rates. He did not think that had been addressed by the Finance Committee.

Vice Chair Mauter reiterated that Cap-and-Trade reserves were predicted to be $13.7M at the end of 2026, that they were currently at $16.9M, and that in 2027 they would be at $11M. She

stated that a $3.5M increase was expected in the Cap-and-Trade reserves this year, and she queried how much of that would be proposed to be spent.

Ms. Bilir clarified that the most recent recorded balance was at the end of FY2024 and was $13.5M. The other balances were projected. Of the $3.5M, the proposal would be to spend $1.6M.

Vice Chair Mauter wanted to turn to potential recommendations, one of which was to use the Cap-and-Trade funds to offset, so increases to the G1 residential class.

Vice Chair Mauter moved to give a 1-time credit, basically the $1.6M that would be spent, to the G1 customers on their bills.

Commissioner Philips seconded the motion.

Commissioner Gupta expressed that he would vote no on the proposal. He did not support the use of green funds to subsidize the use of fossil fuels.

Commissioner Tucher asked what the downside would be in using the funds, what they had been used for in the past, and what they were hoped to be used for.

Ms. Dailey stated that the downside was that Council had generally expressed a desire to use the funds for climate reduction activities, but staff felt it was a reasonable alternative given the rate increases. The funds were primarily used for electrification, such as for heat pump subsidies, etc.

Commissioner Philips queried if the motion was to accept the recommendation at the level proposed.

Chair Scharff affirmed that that was part of the motion. He added that it was important to note that the funds were accruing and being drawn down for the Climate Action Plan and that they were not all being used. He added that funds could be taken from the General Fund for the Climate Action Plan in the future. He thought the huge increases in rates should be mitigated.

Commissioner Croft found the 11-percent residential increase to be striking. In principle, she did not agree with taking money from Cap-and-Trade. She stated that it was important to mitigate the increase. She would support it.

Motion Carried 6-1, Commissioner Gupta Voted No

Vice Chair Mauter asked if there were questions or comments related to General Fund expenditures in addition to Climate Reserve expenditures.

Commissioner Gupta moved to adopt the rates as presented by staff in the Staff Report.

Commissioner Metz questioned if there was a specific number moved.

Vice Chair Mauter replied that there was not yet a specific number. She asked if there were questions on use of the General Fund and, if so, she requested a motion on a specific number to propose. She asked how last year's proposal to reduce to 14.5 percent had been arrived at.

Ms. Bilir detailed how the 14.5 percent gross gas revenue had been arrived at last year. Council had adopted the 14.5-percent transfer for FY2025 and had directed that in the future it return to 18 percent.

Ms. Dailey recalled that staff had recommended a more gradual ramp to the full 18 percent and that Council did not adopt it.

Vice Chair Mauter asked if there were questions related to the gas transfer.

Commissioner Tucher remarked that there was strong opposition in the community to the structure in general, and he inquired how this would be defended.

Commissioner Philips replied that the taxpayers voted for it.

Commissioner Gupta commented that it would be useful to recommend to Council something lower than the full 18 percent, particularly given the high increase in gas prices for residents. He moved to maintain the 14.5 percent from last year, although the number could be amended.

Commissioner Metz inquired what the 1-percent payout would equate to in terms of percent in increase in gas rate for residential.

Commissioner Philips was not that interested in reducing commercial rates over where they would go with COSA. He expressed why he would probably not support a reduction. Although in general and in principle, he was against the tax on gas to support the General Fund.

Chair Scharff was disappointed that Council had not followed what the UAC had recommended. He somewhat associated his comments with Commissioner Philips. He did not support the motion.

Vice Chair Mauter invited a motion, which could be discussed.

Commissioner Gupta motioned to recommend that Council keep the General Fund transfer to 14.5 percent. He thought the Cap-and-Trade allocation recommended by UAC would be a 1-time allocation, so it would not avoid the issues in the coming years. Holding the General Fund transfer to 14.5 percent might help with gas rates longer term.

Commissioner Tucher seconded the motion.

Motion: Keep GF Transfer to 14.5%, Commissioner Gupta moved
Commissioner Tucher seconded the motion

Commissioner Croft expressed that in general she did not support subsidizing gas from the General Fund. She only supported the Cap-and-Trade Reserve use for this purpose just to decrease hardship. Going forward, she thought the cost should be accepted and that perhaps it would incentivize people to electrify. She spoke of why she was disappointed that the fixed costs (not the usage costs) were going up.

Commissioner Philips clarified that it was not a subsidy but a reduced tax. The Cap-and-Trade was subsidized.

Vice Chair Mauter thought that the motion to reduce the transfer would further reduce bills for some customer classes and handicap the ability to use the transfer argument next year to further smooth rates going forward. She would not support the motion.

Motion did not carry 3-4, Chair Scharff, Vice Chair Mauter, Commissioners Croft and Phillips voted no

Vice Chair Mauter noted that she was looking for a motion to recommend to Council staff's modified recommendation (Version 2) approving FY2026 Gas Utility.

Commissioner Phillips moved to recommend to Council staff's modified recommendation (Version 2) approving FY2026 Gas Utility.

Commissioner Metz seconded the motion.

Motion carried 5-1, Commissioner Gupta voted no, Commissioner Tucher abstained.

ACTION: Recommend to Council staff's recommendation approving FY2026 Gas Utility financial forecast, as modified to provide a one-time credit, of approximately $1.6M that would be spent from the Cap and Trade reserve, to the G1 customers on their bills.

Break 7:50 p.m.

Return from break 8:04 p.m.

ITEM 4: Staff Recommends the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution, Approving the FY 2026 Electric Financial Forecast, including Transfers, Amending Rate Schedules E-1 (Residential Electric Service), E-2 (Residential Master-Metered and Small Non-Residential Electric Service), E-2-G (Residential Master-Metered and Small Non Residential Green Power Electric Service), E-4 (Medium Non-Residential Electric Service), E-4-G (Medium Non-Residential Green Power Electric Service), E-4 TOU (Medium Non-Residential

Time of Use Electric Service), E-7 (Large Non-Residential Electric Service), E-7-G (Large Non Residential Green Power Electric Service), E-7 TOU (Large Non-Residential Time of Use Electric Service), E-14 (Street Lights), E-16 (Unmetered Electric Service), E-EEC-1 (Export Electricity Compensation), and E-NSE-1 (Net Metering Surplus Electricity Compensation) ACTION 7:55PM – 8:40PM

Vice Chair Mauter declared that staff would present and then she would read the entire agenda item when asking for public comment.

Lisa Bilir, Senior Resource Planner, provided a slide outlining the electric rate proposal. She stated that the Electric Utility would be doing large projects and debt financing for grid modernization over the next several years, and this proposal would ensure that the most economical financing cost would be achieved. A driver for the rate increase was a significant investment in grid modernization, which would be funded through revenues and bond financing with the first bond issuance in FY2026. The reserves in the Electric Utility were recovering from a drawdown in 2020 through 2022. Although the supply costs were lower in the current year, in the longer term, the transmission cost and the renewable energy targets would rise. Since December 2024, staff had made updates to the proposal, which she elaborated on. She explained that the General Fund transfer estimate had been increased. The Climate Action Budget was reflected in the reserves and the supply forecast had been updated. She noted that the projected number for FY2026 had not been increased, but they were potentially looking at increases between 6 and 8 percent per year in 2027 through 2030, and they would continue to refine those every year. She shared a slide showing electric bill comparison with PG&E and Santa Clara and a cost and revenue projection chart. She discussed the large fluctuations in the chart. She furnished a chart showing the supply operations reserve, which she discussed. She displayed a slide showing the bill impact of the proposal.

Catherine Elvert, Utilities Communications Manager, stated that the primary objective of the communications strategy was to ensure transparency, foster understanding behind the reason for the rate increases, engage with stakeholders, address concerns, and encourage public participation in the decision-making processes. The primary goal was to manage the utility services to ensure the continuation of safety, reliability, sustainability, and cost effective operations. They had communicated the need for the rate increases being driven by infrastructure, maintenance, compliance, and maintaining adequate financial reserves. She outlined how they had communicated with people in a variety of ways, which included digital, mail, etc. Even though the rates were increasing, Palo Alto remained competitive with other utilities. They wanted to communicate what the City was doing and the services offered to customers to keep costs low. She spoke of the benefits of grid modernization.

Commissioner Tucher queried which outreach strategies were most important and effective.

Ms. Elvert replied that they used a variety of communications because people received and processed information differently. Information was online and they used email, newsletters, social media, community message boards, direct mail, and engagement through community

outreach events. They provided a way for customers to communicate with them on a 2-way system, which she explained. Engagement with the local media was very effective, so their goal was to engage with media representatives.

Commissioner Tucher mentioned that a future meeting he wanted to know the response from the local media and what goals or frustrations there might be and which digital communications were the most effective.

Commissioner Philips stated that the Finance Committee's conversation had been less extensive than the gas discussion. The forecasts had been revised slightly upward, but they were pretty flat and included EVs and electrification but not new housing from the Housing Element. There was a forecast that was much higher and included aggressive data center estimates. They were unanimous in considering the 5.1-percent increase reasonable.

Commissioner Tucher asked if the subcommittee had looked at several growth forecast scenarios.

Commissioner Philips responded that staff had presented several growth forecast scenarios to them.

Commissioner Croft stated that the growth forecast scenarios could be found on Packet Page 123.

Commissioner Metz questioned what the impact would be and what would be done about it. He referenced Packet Page 123 and stated there was a reservation for a 60 gigawatt hour per year increase, which was more than 6 percent of the total, and he wanted to know what it would do the grid, finances, and the load profile and what would happen to rates, stability, and RPS targets if the high forecast should be reached.

Karla Dailey, Assistant Director of Utilities Resource Management Division, stated that those questions were not addressed in the financial forecast. They were in the process of looking at dramatic load growth possibilities and the financial and physical impacts. For this forecast, they were using a relatively conservative load growth scenario so there could be confidence in recovering the revenue requirement. They were not depending on load that had not yet shown up.

Commissioner Metz did not consider the impact of much bigger growth to be financially benign, but he thought it was being said that it would be.

Vice Chair Mauter asked how growth would impact the direction of rates.

Ms. Dailey stated that it was not a simple answer. Growth up to some point would probably have a positive impact on rates, and there would probably be a tipping point where it would

not, and staff did not know where that was exactly, but they were looking at those scenarios closely.

Commissioner Gupta did not want to be concerned with the high part of the graph as the direction was not actually known. He thought it would continue to be studied and considered in the coming years. He wanted to stay the course in thinking through capacity. He did not consider growth through the Housing Element to be an issue in terms of capacity as he thought the capacity reservation would handle that.

Commissioner Philips moved the staff recommendation.

Commissioner Gupta seconded the motion.

Motion carried 7-0

ACTION: The staff recommendation was moved.

Public Comment
There were no public comments.

Chair Scharff declared that the Commission would have revoted if there had been public comment.

ITEM 5: Review and Recommend Utilities Advisory Commission FY 2025 – 2026 Work Plan for City Council Approval ACTION: 8:40PM – 9:30PM

Vice Chair Mauter recognized the tremendous effort and careful thought that had gone into the 14 recommendations provided by the Commission. She stated that there was a Work Plan and an agenda setting process and that it was important to not conflate the two. She understood that there were 2 options. One was approving the standing Work Plan and then turning individually to the 14 proposed items that would augment the Work Plan. As for the second option, Commissioner Croft had prepared alternative language to some of the standing topics and modified the description of those standing topics in such a way that they would mostly (with the exception of 4) include the proposed topics of the Work Plan under the existing standing topics, which did not mean they would not be agendized but they would not appear separately in the Work Plan. Staff prepared for Option 1, to approve all standing topics and then turn to each item individually. The Commission had a choice in the path to take.

Commissioner Gupta asked which 4 work plans would not be included in Commissioner Croft's proposal.

Commissioner Croft answered that universal access (which she suggested discussing), regional collaboration on water supply, credit card fees, and, she thought, federal issues had not been specifically added to each item.

Vice Chair Mauter confirmed that it was Work Plan topics 3, 4, 5, and 7.

Commissioner Philips did not understand the proposal, and he asked what the advantage would be to doing this instead of what staff had proposed.

Vice Chair Mauter stated that the proposal was to modify the language of the standing topics as opposed to adopting a subset or all of the 14 proposed topics submitted by commissioners.

Commissioner Croft discussed why she had taken the approach she did.

Commissioner Gupta found the approach to be efficient as long as there would not be a later argument that somehow a Work Plan that had been proposed was not included, other than the 4 exceptions.

Chair Scharff found that it made it much cleaner and manageable.

Kiely Nose, Interim Utilities Director, was not sure of the best approach. However, she felt there was a high likelihood for conflict in the future if taking the high-level approach, which she explained. She was not recommending going through a line-by-line list, but there were serious projects on the list of 14, outside of the 4 identified as exceptions, that would require a significant amount of resources and attention. She added that they were not in line with current direction from Council. She thought those items questioned whether to divert resources in those areas. She was concerned there may be tension in the coming 12 months due to not having the bandwidth to extensively discuss the 10 additional items. She explained that her department was in transition and that they were constrained in taking on new projects. As an example, Item 2, purple pipe, would be a new initiative to reinstate work. They did not have staff dedicated to data center competitiveness. She added that there were others.

Vice Chair Mauter stated that several commissioners had not previewed Commissioner Croft's modifications, and she suggested that they be displayed for the Commission. If there was general consensus to move forward with the modification to the existing standing topics, rather than the addition of new topics, then the proposed list could be used as an opportunity to discuss what the Commission wanted to agendize in the future, what staff did not have the capacity to handle, a Work Plan that may not align with the recommended direction of the Utility itself, and what there would not be time for in this year. She asked the Commission if that was a fair approach.

Commissioner Metz wanted to see the list [inaudible 2:47:30].

Vice Chair Mauter stated that Commissioner Croft's list was a modification of the existing standing topics. Modifications were noted in red, and the brackets indicated where she and Commissioner Croft believed some of the items submitted as proposed topics were being addressed. She suggested the Commission go through the proposed topics to ensure that they

would all be addressed, and she noted that displayed on the screen was how they would be represented.

Commissioner Metz queried what the box with the number 1 under gas supply represented.

Vice Chair Mauter referenced the table on Packet Page 226, and she stated that number 1 related to long-term strategy for CPAU's natural gas utility.

Commissioner Metz questioned if it was a new topic that had been listed.

Vice Chair Mauter responded that the revision to the standing topic would cover the proposed new topic.

Commissioner Metz understood, but he disagreed.

Commissioner Croft asked staff to comment on how they used the Work Plan and how it would affect their decisions on what to bring to the Commission.

Ms. Nose answered that the Work Plan helped guide resource allocations and the items brought forward to the UAC and included routine items. It was also intended that the Work Plan would identify areas that Council had asked the UAC for further guidance on or advisory work. She thought many of the 14 proposals could be further clarified in the language. She thought a new initiative might be an area of tension.

Chair Scharff asked if 3 things should be chosen to add to the Work Plan instead of 14 due to staff resources.

Alan Kurotori, Utilities Chief Operating Officer, stated that staff had tried to describe which of the 14 items were included as standing topics and they tried to bifurcate that with new items. Some items could not be addressed in the 1-year work plan, such as the microplastics, which might be a better item for future years. Staff would have to get approval from Council for new items prior to doing work. They could work on the items in the existing Work Plan. He wanted to get clarity on items and issues already being addressed and to have a deeper dive into some of the new items and determining if it would be a priority item for this year.

Chair Scharff understood that staff did not have the bandwidth to work on the 14 items. He wanted to know if staff should comment on the feasibility of putting each item in the Work Plan and if there should then be a vote to follow the staff recommendation or if staff should comment on what they had the bandwidth to do and the Commission could then vote on not doing the other ones.

Ms. Nose thought staff could identify a list that they had concerns with, and if the Commission could focus on those, she believed staff could edit the Work Plan for the rest of them. She suggested focusing on the 5 items causing pause.

Chair Scharff wanted to address each of those 5 items and decide whether they would be included.

Vice Chair Mauter strongly agreed. She wanted to address all of them so it would be understood where they would be addressed in the revised language. The 5 that staff was suggesting not be included could be addressed first and then the others could be addressed in order to revise language to standing topics or determine if a separate topic would be needed.

Ms. Nose suggested that Items 2, 3, 8, 9, and 12 be discussed and that staff work on the placement of the others.

Vice Chair Mauter agreed to proceed in that manner.

Public Comment

Hamilton Hitchings hoped there would be strong oversight of geographic failure and residential fiber. Regarding geographic failure, he suggested partnering with Stanford, although there were also other alternatives. He discussed the City not having a monopoly on fiber. He stated that the City analysis indicated that an absolute minimum of 27 percent of all homes needed to adopt the City's fiber service to break even, which would be hard because he understood that AT&T fiber covered 71 percent of the city and was expanding. He asked the Commission to read the University of Pennsylvania's *Municipal Fiber in the United States, a Financial Assessment* by Christopher Yoo. He stated that he had AT&T fiber and loved it.

Vice Chair Mauter declared that Topic 2 would be addressed.

Commissioner Philips asked if there would be a vote on each one.

Vice Chair Mauter suggested voting on each item and the Work Plan as a whole.

Chair Scharff suggested that staff speak to each item first and then whoever added the item respond and that each item be voted on. At the end of the vote, staff could voice whether they had the bandwidth to do it.

Ms. Nose requested that Item 12 not be specific to Stanford but to discuss the prioritization and a second transmission corridor, which was part of staff's Work Plan. Staff would be concerned if the Commission wanted to specifically explore a Stanford interconnect.

Vice Chair Mauter declared that staff would start the discussion with each of the 5 items of concern and then the Commission could discuss them. She addressed Number 2, Feasibility Study of Purple Pipe Expansion.

Karla Dailey, Assistant Director of Utilities Resource Management Division, stated that it had been studied extensively and was found to be expensive and not feasible as a water supply alternative. They wanted to focus on different types of projects moving forward.

Commissioner Gupta noted that he was one of the commissioners who submitted it, and he agreed with staff.

Vice Chair Mauter asked for a show-of-hands to vote to eliminate it.

[____] [inaudible 3:06:34].

Vice Chair Mauter stated [inaudible 3:06:38]. She addressed Item 3.

Mr. Kurotori stated that the universal access was to enhance accessibility on ADA compliance to ensure equitable service for all customers. He opined that it would better fall under the purview of the HRC rather than the UAC.

Commissioner Gupta commented that he was one of the commissioners who had submitted the topic. He noted that the Work Plan was about how customers with disabilities accessed CPAU's services, and he asked if the HRC could review that.

Mr. Kurotori responded that to the extent it would be involved with the billing system would be under the UAC, but if it was looking at access for the community as a whole, unless it was very narrowly defined for the utility bill, then it should go to HRC.

Commissioner Gupta asked that the table be furnished. When he submitted it, it was supposed to be fairly specific to CPAU.

Ms. Nose stated that it addressed the billing portal, communications, and facilities and looking at best practices and universal design, including community engagement. Even if specific to the Utility, engagement was a large undertaking. If the Commission wanted staff to embark on it as a priority, it would require resources and it was not necessarily on the current Work Plan.

Commissioner Gupta asked if, being specific to CPAU, it could be addressed by the HRC.

Vice Chair Mauter stated that it did not seem to be fully specific to CPAU, so it needed to go to the HRC, which was staff's recommendation.

[____ 3:09:52] [inaudible] facilities, which the CPAU did not have full control over.

Commissioner Gupta was happy to amend [out 3:10:01] the physical sites, which was a small portion of the proposal. The chief concern was how folks requiring accommodations would access and understand the services. Particularly as AMI was added, he was curious how well those features would be usable to disabled customers. He had read that up to 47 percent of

residents across the Bay Area required accommodations, so he thought it was a significant issue and that it should be considered as a CPAU to ensure services would be available to all.

Commissioner Croft inquired if the proposal was in response to complaints or if it was a proactive proposal.

Commissioner Gupta responded that it was a proactive proposal, which he elaborated on. He understood that outreach had not been done to customers requiring accommodations.

Vice Chair Mauter was concerned that the item did not fall under the purview of the UAC. She considered the timeline for conducting accessibility audits and launching customer surveys to be in the domain of staff rather than the UAC. She was struggling to understand what the Commission would do and where it would provide guidance. Given the limited bandwidth, she did not find the topic to be right for input from the Commission.

Chair Scharff concurred with Vice Chair Mauter. He noted that he had not heard complaints regarding this, so he it was unclear why this would be launched at this time.

Commissioner Gupta would be happy to remand it to the HRC if that was the consensus. His understanding of the Work Plan process was to help define where staff should spend their time.

Vice Chair Mauter stated that the UAC would not and should not direct staff time and that the Work Plan was for the Commission, not staff.

Ms. Nose stated that this was not intended for operations but for the UAC to help advise Council on policy items.

Commissioner Gupta queried if the work plans would be advised forward to Council. He was trying to distinguish between the purpose of the Work Plan versus the direction of staff time.

Mayor Lauing, Utilities Advisory Commission Liaison, stated that Council had to approve the Work Plan. Until approved, staff could not work on projects that had not been approved in the prior plan.

Vice Chair Mauter understood that it was a Work Plan for the UAC in particular so the UAC could work on the topics only if approved by Council and that the Work Plan was not for the Utilities themselves but that the General Manager, Assistant General Manager, and the Utility's Director direct work for the Utilities.

Mayor Lauing confirmed that was correct.

Ms. Nose stated that everyone was correct in their statements, that all things could be true, that there were nuances, that it was not one or the other, and that all helped funnel through at the direction of Council.

Vice Chair Mauter stated that the UAC would not conduct an accessibility audit or launch customer surveys, so she wanted to know if it was a reasonable thing to have on the UAC Work Plan.

Ms. Nose stated that staff would conduct accessibility audits and launch customer surveys, not the UAC. However, staff would bring forward policies or programs beyond ADA compliance to the UAC as a result of that work and then the UAC would recommend those programs or policies or adjustments to them to the full Council for their consideration. Staff's work would be the inputs to get to those program or policy changes. She thought the question was whether this was an area that the Commission would like to recommend as a new area to dedicate resources to over the course of the next 12 months.

Commissioner Gupta questioned if this should be remanded to the HRC because it would be a better place for the topic.

Ms. Nose answered that if it was for universal access to the City's programs, facilities, and systems, it would be an HRC topic. The UAC did not have authority to remand anything to another committee or commission. The UAC could identify additional important topics in the Work Plan, and the UAC could advise Council of it, but outside of an action by Council, it would not necessarily be remanded to HRC. She added that the HRC was also working on a Work Plan.

Vice Chair Mauter requested that staff make a recommendation on the topic that the Commission could vote on.

Ms. Nose thought the question was whether staff should spend time on analysis above and beyond what was required for ADA accessibility. She thought the vote by the UAC would be whether to recommend to Council spending time and resources to serve disadvantaged populations over the course of the next 12 months.

Commissioner Gupta stated that the text of the proposal was more specific to the Utilities except for maybe the facilities point. He questioned if it could be requested that Council broadly view it and send it to HRC.

Vice Chair Mauter asked if Commissioner Gupta was withdrawing the proposed topic and that it instead be submitted to Council separately for them to direct it the HRC.

Commissioner Gupta confirmed that was correct but that maybe it be phrased that some commissioners were interested in the topic but maybe the more appropriate place would be to look at it citywide and that the HRC might be a better place to do that.

Mayor Lauing suggested that the UAC staff liaison talk to the HRC staff liaison to see if there was interest in addressing it.

Vice Chair Mauter recommended that Commissioner Gupta withdraw the proposed topic and that it be noted that the respective representatives would be in touch.

Commissioner Gupta agreed to do that.

Vice Chair Mauter addressed Number 8, Data Center Competitiveness.

Mr. Kurotori voiced that they were very interested in exploring options for data centers to come to Palo Alto. However, he detailed why it was not a suitable item for a 1-year work plan, although there may be future discussion of incremental items related to it. He noted that the item may not be in the interest of daylighting, etc.

Commissioner Philips mentioned that he was one of the sponsors for this. He understood that accommodating a large data center would be a substantial investment of staff time. He questioned if the City should be proactive in trying to attract data centers. He wanted to know at what point data centers would be good for rates and at what point they would not be. He understood that the City would work out the details if someone showed an interest, which he thought would put the City in an unprepared position. He asked if getting one would be good or neutral.

Commissioner Metz understood that staff did not have the resources to address it at the speed portrayed. The solution may be to do the intro, and he questioned if that would be acceptable. He understood that there had not been preparation to deal with this.

Vice Chair Mauter stated that data centers were one of many of future large loads that would come into the grid, and she thought there had been general and consistent interest by the UAC to have greater clarity of how load growth would likely impact rates, which would inform decisions about attracting load-consuming customers.

Mr. Kurotori stated that it tied into the efforts the UAC were already engaged in. They were talking about the second transmission quarter bringing in additional capacity from theCAISO to Palo Alto. The City's peak was around 170 megawatts, and the data centers on a smaller scale could be 10-20 megawatts, which would be a significant load, so staff would have to look at the transmission corridor and integrate it in the grid modernization. He thought it could be integrated as part of the grid modernization and looking at larger loads, not just data centers, which might be the size of impact they could evaluate as part of the workflow already occurring.

Commissioner Tucher strongly supported Point 8, but he did not want to raise the bar too high. He voiced that data centers for the industry at large would drive electrification in America. On one hand, the UAC must be focused, knowledgeable, and fluent in the market potential of data

centers to drive the business. On the other hand, the City did not have sub 10-cent electricity, which was an argument for data centers being a pie in the sky. He did not know if the City should drive hard to attract data centers or if the City would ever have the wherewithal to attract them. He wanted assessment studies and he wanted to know why those interested in data centers in Palo Alto were interested in them being in Palo Alto.

Mr. Kurotori understood that the UAC wanted a feasibility analysis, which would have to involve transmission planners, to look at the system and the ability to expand and the capacity the City could build. He thought that would be helpful for the UAC to understand the available capacity. He discussed Palo Alto having limitations. If there were to be data centers with AI or advancements in autonomous vehicles, Palo Alto would have to be close to the data. He believed staff could do a feasibility analysis to look at the size and scale that would fit in Palo Alto.

Commissioner Tucher felt that a market demand assessment should come before that to identify potential customers. He wanted to know who had interest.

Commissioner Philips asked if data centers would be a good thing for residential customer rates and if it would be good to a point and what it would take to do it. If it would be good and it could be done at a reasonable price, he wanted to know if there would be a market for it. He did not want a detailed technical study, and he did not think individual customers needed to be identified.

Vice Chair Mauter inquired if the submitting commissioners wanted a special agendized topic on data centers or if staff should comment on the items raised in the context of grid modernization, time-of-use rate, electricity rate setting over the coming year, etc.

Commissioner Gupta requested that the language he submitted be displayed. The purpose of it was the market analysis and comparing competitive advantages more than the technical side. He wanted to know if there was a class of customer Palo Alto could attract. He thought capacity should be reviewed second. He wanted to see a dedicated agenda item on the topic related to the market analysis, the technical options, and at what point it would be advantageous and at what point would it not be.

Chair Scharff stated that putting something in the Work Plan meant the UAC would have the authority to work on it but not that it would be worked on. He found that Commissioner Philips narrowed the topic to doing a first step this year. He wanted to know if data centers would lower the rates for Palo Alto customers and, if so, how many megawatts of data center would not lower rates or if data centers would always lower rates. He asked staff if it would be too much work to start the process Commissioner Philips spoke to.

Ms. Nose replied that the proposed topic had a 12-month detailed plan, which she outlined, and before embarking on those activities, staff wanted to understand if it could be supported with the current system. She thought Chair Scharff's proposal was feasible.

Mr. Kurotori confirmed that Chair Scharff's proposal was feasible. They could go through the process. He had worked with several data center developers and the first question was power availability and when could it be obtained, so staff needed to do that homework in order to have effective communications. Staff could look at resources, system limitations, and if it would be of value to the City and bring it back to the UAC.

Commissioner Tucher stated that when the time was right he would move to do more than just answer the question of data centers being good for consumers but to also do the market analysis. If Mr. Kurotori had had conversations with potential customers, he suggested that he summarize what he knew. He wanted to soon have an agenda item on what was known about data centers, specifically the market potential and how it would affect consumer rates.

Commissioner Gupta expressed that Commissioner Tucher's proposal was adequate to vote on.

Vice Chair Mauter remarked that she had heard 2 things – a market analysis and the impact on consumers as a separate agenda item and whether it would be a separate Work Plan item could be debated later.

Chair Scharff had heard from staff that they would be amenable to determining whether data centers would make financial sense and the impact on rates and that they did not have time to do the broad process outlined on the screen. He felt that Commissioner Tucher wanted to make a motion to do the broad process.

Commissioner Tucher responded that he did not want to do the broad process but just the market analysis, which may be summarizing what the Utility team already knew. He wanted to understand the demand potential for data centers.

Chair Scharff questioned if staff had concerns with broadening it to what Commissioner Tucher voiced.

Mr. Kurotori replied that staff could support determining whether data centers would make sense. In terms of market availability, a consultant may be needed, which they saw as a separate item. He wanted to answer first whether it would make sense and, if so, then bring it back to the UAC to do the next step of the market analysis.

Commissioner Tucher wanted to know what potential customers had voiced to Mr. Kurotori or others, which should not require additional market research.

Chair Scharff noted that there should be a vote. He thought it would be fine to put data center competitiveness in the Work Plan and for staff to tell the UAC at some point during the year whether data centers would raise or lower residential rates and at what megawatt levels it would make sense and not make sense, and after gathering that information, the UAC could

determine whether staff should hire a consultant, etc. He would support that if that was what staff was referring to.

Mr. Kurotori stated that staff could support the first and second one. It was necessary to determine whether it made sense to have data centers in Palo Alto and whether it would increase or decrease rates before pivoting to the short term.

Commissioner Philips supported that and would love to put it in a motion.

Vice Chair Mauter agreed.

Chair Scharff wanted it to be put in a motion.

Vice Chair Mauter called roll to get commissioners' opinions, and all commissioners voted yes. She could not let the particular language move forward because there was a question as to how exactly it would be represented in the Work Plan. It was clear that an agendized item was desired. Information was displayed on the screen, and she asked if it was acceptable to everyone rather than trying to revise the Work Plan submission made and have it as a separate Work Plan item.

Chair Scharff supported the language on the screen.

Vice Chair Mauter suggested that while agendizing data centers, it would not include a separate data center competitiveness item in the Work Plan, so that proposal would be withdrawn.

Commissioner Tucher asked if [inaudible 3:51:08].

Vice Chair Mauter answered yes. She addressed Number 9, Microplastics and Forever Chemicals in Water Supply.

Matt Zucca, Assistant Director of Utilities Water, Gas, and Wastewater Operations and Engineering, stated that he shared the Commission's interest in the topic, and it was being monitored carefully. They had sampled for PFAS, and PFAS had not been detected in any surface water, so there was no data to suggest that anything needed to be investigated. He explained that the microplastics topic was scientifically very much in its infancy. In 2022, the State of California issued an order for many of the Bay Area water suppliers to sample surface waters for microplastics, and the results were expected at the end of this calendar year. He thought information would be received within the next year that would inform what might need to be done going forward. Independent monitoring of the water would be redundant to San Francisco's efforts and maybe premature. Staff suggested waiting for the data to come in and then to reevaluate. He would have to defer to Public Works regarding wastewater.

Commissioner Gupta voiced that he had submitted it. He thought there was an interest in studying the issue. He believed the objective of the topic was to make sure the community

understood the water supply and the wastewater. He wanted to do testing to be able to consider new information as it came in. He noted that a lot of the infrastructure upgrades were introducing plastic components in the water and wastewater lines and there was growing science with respect to that. He wanted to get in front of the issues and understand them before they potentially became an expensive concern.

Mr. Zucca remarked that generally water quality data was collected when there was a defined public health goal. There was no current public health goal for microplastics, and there was not sufficient science to develop one. They could collect numbers, but there was no ability to interpret them. Staff recommended waiting for larger players to collect data and for the science to evolve.

Vice Chair Mauter wanted to know if water quality broadly remaining to be a key priority would be acceptable to staff.

Mr. Zucca stated that was acceptable. If more information was received, they would be happy to return and present the findings.

Commissioner Gupta was happy with the broader topic. He thought water and wastewater testing should start in Palo Alto so there would at least be data.

Vice Chair Mauter was not comfortable voting on a direction to start testing now, but she was happy to include water quality as an item on the Work Plan and to revisit the need for that and the science data when it came forward. She stated that Commissioner Gupta could withdraw it or there could be a vote to include it in the oversight of the Water Utility.

Commissioner Gupta inquired if the topic was included in the general topic.

Commissioner Croft answered that it was a compromise staff was comfortable with.

Commissioner Gupta wanted to vote because he had spoken to many residents who wanted the information.

Commissioner Croft queried if Palo Alto's water would be different than the water that had been tested.

Mr. Zucca replied that conceptually Palo Alto's water would not be different than the water that had been tested. In the absence of knowing exactly where they were sampling, he could not provide a specific opinion, but he assumed San Francisco would collect a representative sample of the watershed. He thought it would be a good starting point. He discussed the sampling for microplastics not being simple, and he did not think the City had the internal technical skills to do it, and they would have to determine how to start the sampling. He thought the forthcoming data would give them a good idea and that they could evolve from there.

Vice Chair Mauter took a vote to recommend that proposed Topic Number 9 be adopted in the Work Plan.

Commissioner Gupta clarified that it would not include wastewater.

Vice Chair Mauter stated that wastewater was not in the domain of the UAC. She voiced that following the accessibility recommendation, there could be a discussion with the Public Works liaison.

Mr. Zucca would be happy to interface with Public Works and report back.

Vice Chair Mauter took a straw vote on Work Plan Item Number 9, Microplastics and Forever Chemicals in Water Supply and Wastewater. A yes vote would indicate a desire for the distinct Work Plan as currently presented. If voting no, Commissioner Croft's recommendation would move forward to include the water quality component only into the standing topic. She declared that there was 1 yes vote, so it would not be on the Work Plan for this coming year in distinct form but water quality would be included in the oversight of the Water Utility. She moved to Number 12, Stanford Interconnection.

Ms. Nose suggested moving straight to a straw vote. Staff had suggested changing the language of Commissioner Croft's proposal to read second transmission *corridor* instead of reading second transmission *line*. Commissioner Croft's language was furnished on the screen.

Vice Chair Mauter requested that the second transmission *line* be modified to read second transmission *corridor*.

Commissioner Metz, as one of the authors, addressed the second transmission line/corridor. He was amenable to including it with the insertion of specifically the Stanford corridor. He discussed the important technical reason for doing that. He wanted to explicitly consider the option of [inaudible 4:04:45].

Vice Chair Mauter disclosed that she was a faculty member at Stanford and at SLAC where the interconnect laid, so she had a potential conflict. She announced that she would not vote, but she thought she could still Chair.

Commissioner Croft questioned why the Stanford item was strongly [inaudible 4:05:56].

Mr. Kurotori replied that the Stanford item had been pursued for about 10 years with Stanford. The item had been returned to Council in terms of not being able to move forward, and it pivoted to looking at a second transmission corridor in connection with CAISO, so they had done some studies and they were moving forward. They hoped it would be scheduled to go to the CAISO in the next month or so and that they would have good information to bring back. The study gave diversity in terms of the connection points, which he elaborated on.

Chair Scharff stated that staff had been talking with Stanford for at least 20 years and Council had looked at it, and there was no deal to be had for years. It would be great to get a deal with Stanford, but it did not appear that it would happen soon. He commented that it should not be a separate callout. If the situation changed, he thought staff would address it. He expressed it would be great to get a second line and that staff was already working on it.

Mr. Kurotori stated that it could be brought back into the 1-year time frame of the Work Plan.

Vice Chair Mauter called for a straw vote. A vote of yes would maintain the Item Number 12 proposal as it was. A no vote would support using the language in Commissioner Croft's revisions to the existing Work Plan.

Commissioner Gupta noted that he was one of the authors of the Work Plan. He had looked into the timing of negotiating with Stanford, and it seemed that they suffered a fairly major power outage afterward. He remarked that maybe it did not need to be a dedicated callout. He suggested that staff reach out again to see if there was any interest on Stanford's side.

Ms. Nose replied that staff would be happy to raise the UAC's interest with the Stanford liaison. Other than that, she did not see any further work being fruitful.

Vice Chair Mauter called for a hand vote. A vote of yes would be for a separate dedicated work plan. A no vote would move forward Commissioner Croft's specific highlighting of a second transmission corridor.

Commissioner Metz thought the first option was to have a callout within the language of the Croft document.

Vice Chair Mauter asked if it was adequate.

Commissioners Metz, Croft, and Gupta answered that it was adequate.

Vice Chair Mauter withdrew Item Number 12 and declared that a vote would not be held. She stated that 9 other items were submitted as discrete proposed topics, and the majority of those had been included in Commissioner Croft's revisions with the exception of Items 3, 4, 5, and 7. She noted that 3 had already been covered. She requested that staff comment on Item 4, Regional Collaboration on Water Supply. She stated that staff had not provided guidance on their sense of resource adequacy within staff employee time and/or interface between this proposed recommendation and the role of [Rosqua 4:13:09] and Council.

Ms. Nose stated that it could not be worked in because it was part of the work underway, which she explained. Staff would be forwarding to Council the work done by the UAC last month, and she thought that accomplished the step that the UAC could make at this time in alignment with what short term 6 through 12 was. To go beyond that work, she thought the

path direction the UAC had given to staff would be important, but otherwise that was why staff had said it was underway and why the UAC had taken the initial steps.

Vice Chair Mauter inquired if it should be included on the Work Plan or if the UAC felt it was already adequately represented and could make its way onto the agenda through the general Water Utility topics.

Commissioner Gupta mentioned that he was one of the commissioners who had put it together. He noted that there were longer-term elements that could be considered and discussed, but he was happy to wait to see how the current efforts progressed.

Commissioner Tucher voiced that it would be interesting to hear Vice Chair Mauter comment on the importance of a regional approach.

Vice Chair Mauter strongly believed in a regional approach. She opined that it was included by the Water Utility's mission [space 4:16:14] and oversight. Responsible oversight over the Water Utility required taking the regional perspective. Calling it out separately was confusing, and she thought the letter by Commissioner Tucher and the letter by herself and Commissioners Philips and Gupta provided a nice set of action items that the UAC could continue to build on. She suggested that the topic be withdrawn, and she saw no objections, so the topic would not move forward. She addressed credit card fees.

Ms. Nose recommended modifying the language provided by Commissioner Croft. When speaking about annual budget, it said to include time of use rates 10 and review credit card fees for FY2027.

Vice Chair Mauter wondered if the time of use rates belonged under the electricity supply. She wanted to see time of use rates in water supply, but she did not think it would happen in her lifetime.

Ms. Nose stated that they [could put 5 on that 4:18:13].

Vice Chair Mauter understood from the last meeting that there was a wholehearted embrace of opportunities to further pass along fees that were not helpful in rate setting. She wanted there to be, at least, a staff report on where they had gone with it. She asked if this was adequate coverage or if there should be a separate work item on credit card fees.

Commissioner Croft inquired if there was an opportunity to do something sooner than 2027.

Ms. Nose responded that the rates for FY2026 were being set now, which was why 2027 was referenced. Changes to the rate setting would likely not happen until the next cycle.

Vice Chair Mauter thought off-cycle review was possible, and she questioned if a midyear review should be done.

Ms. Nose answered that staff would likely do the analysis off cycle and return to the UAC for discussion, and then the UAC could choose to do an off-cycle rate change or roll it into the coming year.

Commissioner Philips inquired if it would be a rate or a policy change.

Ms. Nose replied that it could potentially be both. They could remove the dates.

Chair Scharff understood that staff would do the work and that the UAC would vote on it at some point and possibly ask Council that people pay their own credit card fees. It made sense to add this separately since staff would do the work anyway, but he was not opposed to putting it in the way it had been done.

Vice Chair Mauter wanted to take a straw vote, and she asked for expressions of strong opinions either way prior to the vote.

Commissioner Gupta supported including it separately because it seemed to be a quick win and it was already being done.

Vice Chair Mauter stated if it was to be included separately that it would be important to look at the language already in the Work Plan. In its current form, it suggested that it would be implemented in the next 3 to 6 months, although staff stated it was not feasible and, as a result, it was not possible to do the medium-term goal. She needed a proposal to revise it or to move forward with Commissioner Croft's language.

Chair Scharff proposed to revise it. He moved that it say staff would return and give an analysis with the necessary information to make a recommendation to Council that customers using credit cards pay their own credit card fees.

Commissioner Philips argued for including it. It seemed unusual to have it singly called out.

Chair Scharff agreed. He wanted it to return to the UAC.

Vice Chair Mauter declared that it would be included. She trusted that staff, the Chair, and Vice Chair would make sure it would be agendized. She moved to Item 7, Federal Issues and Collaboration.

Ms. Nose noted that it was Topic 7 in the UAC's Work Plan.

Vice Chair Mauter stated that it was specifically duplicated. She thought what the commissioners submitted contained more color. She requested that staff comment on the feasibility and appropriateness of the specific action items.

Ms. Nose thought the additional information proposed was helpful feedback for staff to consider in the Federal and State legislative advocacy efforts. However, she thought it dipped into the operations of how business was done as opposed to the outcome, which was monitoring major federal items as they came down. A legislative session with the UAC may be helpful. She felt the topic as previously written was specific enough for the policy level work the UAC should do.

Commissioner Gupta voiced that he had submitted it. He thought a legislative session with staff would handle the pursuits of the Work Plan. He would withdraw the topic unless commissioners felt it should be included.

Vice Chair Mauter heard no requests to include it, so Item 7 was withdrawn. She did not believe Item 6 was subsumed, which was distinctly called out in Commissioner Croft's proposed revisions. She requested that those proposed revisions be displayed. It appeared that the end of the document was a generalized version of the time line and priorities.

Ms. Nose thought Commissioner Croft's language was a better approach than wordsmithing the specific proposed topic. If the UAC chose that path, the only edit should be to specifically say *metrics affecting City decision* instead of *details affecting City decision*, which she elaborated on. She suggested using the higher-level one and staff filling out some of the additional details in the item to Council.

Vice Chair Mauter commented that it was bizarre that there was not a specific Work Plan item for fiber. She appreciated the recommendation to have a specific standing topic for fiber, and she thought staff's reflection on what that standing topic should include would be helpful.

Commissioner Gupta was happy with the general language as long as it informed the approach moving forward. He noted that there was a lot of focus from the residents on the pilot and the metrics used to make a decision.

Commissioner Metz asked when the Fiber Utility was last agendized.

Ms. Nose did not recall when Fiber Utility was last agendized. The rates would be done in May or June.

Commissioner Croft mentioned that fiber had been covered in the Budget Subcommittee meetings. They wanted to see the metrics from the pilot to justify it paying itself back.

Vice Chair Mauter stated that she had heard from the Commission that staff should add a standing topic item related to Fiber Utility and that metrics from the pilot should be included to decide whether to move forward. She asked that the change in the wording be made on the other document.

Ms. Nose stated that staff had 2 minor edits to what was before them. They would remove the second white section on the far right related to recycled water and the purple pipe. Ms. Nose suggested, under Reliability, Resiliency, and Adaptation under the CIP projects, that it specify that the emergency preparedness would be an emergency preparedness plan for Utilities as it would not be under the UAC's purview to do the broader citywide EOC.

Vice Chair Mauter requested that the section related to recycled water and the purple pipe section remain so they could be updated on recycled water but not purple pipe. She agreed with specifying that the emergency preparedness would be an emergency preparedness plan for Utilities.

Vice Chair Mauter stated that the remaining items were 1, 10, 11, 13, and 14 and that many of the items were reflected in Commissioner Croft's edits. She noted that staff had described Number 1 as being subsumed by Topics 8 and 9.

Commissioner Metz felt that a detailed transition strategy and plan was needed for Topic 1, which should address a time line up to about 20 years. He considered it to be a small part of 2 other topics.

Vice Chair Mauter asked if it should be a distinct item in a Work Plan as a separate topic or if it should be prioritized to be agendized in the next 12 months.

Commissioner Metz considered this to be one of the top 2 or 3 strategic items facing the CPAU, which deserved focus.

Commissioner Philips concurred because there was not a current strategy.

Vice Chair Mauter requested that staff look at the language and some of the time line things. Related to the gas standing topic, she stated that there was an objective to be 10 percent below PG&E, which the City was not.

Mr. Zucca stated, regarding the gas item, that staff planned to bring an item before the Commission in the late summer or fall. He explained that they were currently doing a model of the system, which needed to be the first step. It was at the front of what they were working on. There was an item on the agenda this year to at least bring back the modeling results to show the physical side of the infrastructure.

Vice Chair Mauter asked if staff would be willing to develop a distinct Work Plan item that would align with the modeling topic and/or a couple of the things listed. She did not find it realistic to cover all on the list.

Mr. Zucca did not believe staff would be able to address all the items on the list this year. He added that some of the elements tied into the S/CAP, Cap-and-Trade money, etc., which was complicated, so staff was trying to divide it and start with the physical part of it and the

estimated cost to define different approaches. He thought staff planned to address all the items on the list but probably not on that timeline, at least not until there was more resolution of what the future system would look like and what the cost of it would be. It would be helpful to remove the time line.

Commissioner Metz stated that there were important operational issues but that there were also important external forces that he did not hear addressed, and he found assessing such to be critical.

Mr. Zucca agreed that it was a financial problem, not an engineering problem. He added that S/CAP and Finance would be involved in analyzing it.

Ms. Nose noted that the UAC's work should follow the S/CAP plan. She did not think staff had reconciled the necessary level of detail to see the congruencies or incongruencies between the S/CAP plan and this.

Vice Chair Mauter asked if aligning it with the S/CAP plan could be deferred to staff.

Commissioner Metz remarked that the long-term plan for the Gas Utility needed to take the S/CAP plan into consideration, although there were other important drivers that the City did not control, which were the worrisome ones in terms of the strategy. He did not agree with this being a subset of the S/CAP.

Vice Chair Mauter wanted staff to determine if there was misalignment between the current text and the S/CAP goals.

Commissioner Metz agreed with that with the understanding that the UAC and S/CAP could be aligned without the rest of the world liking what was being done.

Vice Chair Mauter stated that in adding it to the Work Plan it could be more generally deferred to staff to populate it or all the detail could be included, minus dates, giving staff the liberty to align with S/CAP goals.

Commissioner Metz would accept that or there could be a sidebar with staff in the next few weeks. He agreed with removing the dates.

Commissioner Gupta suggested adding the text aligning with S/CAP and removing the time.

Vice Chair Mauter suggested there be a vote while giving staff a little editing liberty. As yes vote would add it to the Work Plan, and a no vote would subsume it under topics 8 and 9. She declared that it passed as a distinct Work Plan item. She noted that Commissioner Croft had submitted Numbers 10 and 11 and incorporated it into her revised text.

Commissioner Croft stated that she submitted the Time of Use rates suggestion. She suggested subsuming it. She voiced that it could read "Electric" Time of Use rates. She was interested in withdrawing Number 10.

Vice Chair Mauter declared that Number 10 would be withdrawn. She addressed Number 11, Demand side management.

Commissioner Croft stated that she submitted Number 11, and she was interested in putting clearer metrics around what was trying to be achieved with efficiency efforts and demand side management programs to handle peak rates. She wanted to see metrics and reports against metrics. She was amenable with subsuming the item under Reliability, Resiliency, and Adaptation, and she noted that she had included "and annual discussion of efficiency programs, demand side management, and performance against plan".

Vice Chair Mauter declared that the proposed revision to the standing topic was acceptable to staff and that it would be withdrawn. She addressed Number 13, Emergency Preparedness, which was included in Commissioner Croft's proposed revisions.

Commissioner Croft stated it was under Reliability, Resiliency, and Adaptation and that it had been edited to say "including Utility's Emergency Preparedness Plan."

Ms. Nose preferred what Commissioner Croft identified and to include it as part of the Resiliency, Reliability, and Adaption item to appropriately align conversations and resources.

Vice Chair Mauter asked for comments related to it being a distinct Work Plan item.

Commissioner Metz explained why he was concerned with it falling through the cracks. He recommended that the CPAU work with the OEM on the EOP update and that the CPAU and UAC address CPAU preparedness as a separate topic, including getting on the same page with OES in defining an emergency and coming up with options for what CPAU's response could be and letting Council decide what should be signed up for. He felt it was important to address it as its own topic.

Vice Chair Mauter stated that it could be included as part of a reliability and resilience topic or separately included in the Work Plan. She wanted to vote on it being separately agendized if staff had no concerns with the language.

Ms. Nose thought it was operational in how it was written. Ensuring that CPAU and OES were coordinating on the items was the responsibility of the City Manager, and different departments would have different plans to support different phases of an emergency. She thought interest in understanding the totality of the ecosystem bordered on not being within the UAC's purview. As written, it provided a lens that dug into how the City worked operationally between departments. It was within the UAC's purview to understand the plans,

how they would fit into the broader context of the organization, and the areas of risks that further investments needed to be made in.

Commissioner Metz understood from the City Charter that this was an important plan and program of CPAU and appropriate for the UAC.

Vice Chair Mauter agreed. She thought the language in the item may be causing Ms. Nose some anxiety. She voiced that Commissioner Metz had repeatedly requested the topic be agendized, which she did not want to discount. She inquired if it would be possible to include it in Reliability and Resiliency while recognizing that it would be important to agendize it this year and that when agendized there should be reference points to ensure that that key features would be covered. She inquired if it should be subsumed into Reliability and Resiliency while making sure that Emergency Preparedness would be agendized in the coming 12 months.

Commissioner Metz wanted measures of success incorporated in that.

Vice Chair Mauter requested that staff refer back to this discussion when agendizing it. She wanted to hold a formal vote to have a separate agenda item or to move forward with Commissioner Croft's recommendation to subsume it into Resiliency and Reliability.

Commissioner Metz agreed to subsume it with the understanding that the measures of success 1 through 4 would be added to Commissioner Croft's submission.

Ms. Nose stated that the 4 measures of success could be included as topics and areas that would be measured as a successful conversation and outcome.

Vice Chair Mauter expressed that the measures of success would be added to Commissioner Croft's language.

Commissioner Gupta, as a fellow sponsor, agreed with that.

Vice Chair Mauter moved to Number 14, Grid Modernization Strategy, which was a separate topic. She voiced that Commissioner Croft suggested it be represented as part of the electric supply.

Commissioner Croft read a few more things that she had added, which would ensure that the City would think about and talk to the UAC about innovations to enable a smarter grid.

Commissioner Metz felt it needed to go further and that it was important to specifically address outside factors and the specifics in the plan and that the UAC needed to be able to address the forces driving grid mod and the strategic and financial details, which he did not feel were adequately addressed in the document.

Commissioner Croft stated that it may warrant its own item, but she was concerned about being too specific in what was being asked for, so she wondered if the topic could be generalized as a separate item if subsuming it did not call it out enough.

Vice Chair Mauter called a straw vote and asked commissioners to raise their hands if they wanted to separately agendize the item and to not raise their hands if moving forward with Commissioner Croft's revised text was desired.

Commissioner Tucher wanted to agendize it but he was happy with the text, and he questioned if that was at odds.

Vice Chair Mauter stated that inclusion in the Work Plan was distinct from agendizing. She stated that the Work Plan was complete. Review of the Gas Utility and Fiber had been added, and many of the existing standing topics had been substantially revised. She stated that there was a complete and thorough description of the topics that the Chair, Vice Chair, and staff could agendize over the coming year. She requested that staff pay attention to the content in the Work Plan so that topics brought forward would address the core issues the UAC cared about. She took a vote to approve the final plan, which she declared was unanimous.

ACTION: Item 2 [inaudible 3:06:38]. Item 3 was withdrawn and the respective representatives would be in touch. While agendizing data centers, it would not include a separate data center competitiveness item in the Work Plan. Work Plan Item 9 would not be on the Work Plan in distinct form for this coming year, but water quality would be included in the oversight of the Water Utility. Item Number 12 was withdrawn. Item 4 would not move forward. Item 5 would be included and return to the UAC. Item 7 was withdrawn. Staff would add a standing topic item related to Fiber Utility, and metrics from the pilot would be included to decide whether to move forward. Item 1 passed as a distinct Work Plan item. Numbers 10 and 11 were withdrawn. Regarding Topic 13, measures of success would be added to Commissioner Croft's language. Item 14 [____ 5:05:48]. The Work Plan was completed. Review of the Gas Utility and Fiber had been added, and many of the existing standing topics had been substantially revised. The UAC unanimously voted to approve the final plan.

FUTURE TOPICS FOR UPCOMING MEETINGS ON (May 7, 2025) AND REVIEW OF THE 12 MONTH ROLLING CALENDAR

Vice Chair Mauter stated there were many topics for upcoming meetings.

COMMISSIONER COMMENTS and REPORTS from MEETINGS/EVENTS

Commissioner Tucher voiced that he had visited the Water Temple.

Vice Chair Mauter commented that she would be in Sacramento tomorrow speaking on water desalination in the State of California.

ADJOURNMENT

Vice Chair Mauter moved to adjourn.

Chair Scharff seconded the motion.

The motion carried 7-0 with Chair Scharff, Vice Chair Mauter, Commissioners Croft, Gupta, Metz, Phillips, and Tucher voting yes.

Meeting adjourned at 11:00 p.m.

ACTION: Regarding the Utilities Advisory Commission FY 2025-2026 Work Plan (Agenda Item 5), the following outcomes were determined for the proposed topics:

- **Work Plan Topic 1 (Long-term Natural Gas Utility Strategy):** This topic passed as a distinct Work Plan item, with modifications to remove specific dates and ensure alignment with SCAP goals; staff was given editing liberty while preserving the topic's intent.
- **Work Plan Topic 2 (Feasibility of Purple Pipe Expansion):** This topic was eliminated by vote after discussion.
- **Work Plan Topic 3 (Universal Access):** This topic was withdrawn by the submitter with the understanding that UAC and Human Relations Commission (HRC) liaisons would discuss the topic's appropriate placement.
- **Work Plan Topic 4 (Regional Coordination on Water Supply):** This topic was withdrawn by the submitter, as recent UAC efforts had addressed much of its intent.
- **Work Plan Topic 5 (Credit Card Fees):** This topic was subsumed into the revised Annual Budget standing topic, with the understanding that staff would conduct an analysis and the item would return to the UAC for discussion.
- **Work Plan Topic 6 (Fiber Utility Pilot Review):** This topic was approved to be a new standing Work Plan topic; the language will include 'metrics' for evaluating the pilot program to inform the City's decision to move forward with a full rollout.
- **Work Plan Topic 7 (Federal Issues and Collaboration):** This topic was withdrawn by the submitter, with the understanding that a legislative session with staff would occur to cover these matters.
- **Work Plan Topic 8 (Data Center Competitiveness):** This topic will be addressed via a future agenda item but was not added as a separate Work Plan item; it was subsumed under the revised 'Electric system and supply' standing topic.
- **Work Plan Topic 9 (Microplastics and Forever Chemicals):** This topic will not be a distinct Work Plan item. Its water quality aspect was subsumed into the revised Water Supply standing topic. Staff will interface with Public Works regarding the wastewater aspect and report back to the UAC.
- **Work Plan Topic 10 (Time of Use Rates):** This topic was withdrawn by the submitter and its focus on electric time of use rates was subsumed into the revised Annual Budget standing topic.

- **Work Plan Topic 11 (Demand-Side Management):** This topic was withdrawn by the submitter and subsumed into the revised Reliability, Resiliency, and Adaptation standing topic, with its detailed points to inform future discussions.
- **Work Plan Topic 12 (Stanford Interconnection):** This topic was withdrawn. It is understood to be covered under the 'second transmission corridor' language within the revised Electric System and Supply standing topic, and staff will raise UAC interest with the Stanford liaison.
- **Work Plan Topic 13 (Emergency Preparedness):** This topic was subsumed into the revised Reliability, Resiliency, and Adaptation standing topic. The four measures of success outlined in the original proposal for this topic will be added to the revised standing topic's language to guide future discussions.
- **Work Plan Topic 14 (Grid Modernization Strategy):** This topic was subsumed into the revised 'Electric system and supply' standing topic, which includes grid modernization.

The FY 2025-2026 Work Plan was completed. As noted, new distinct standing topics for the Long-term Natural Gas Utility Strategy and the Fiber Utility Pilot Review were added, and many of the existing standing topics were substantially revised to incorporate other proposed items. **The UAC unanimously voted to approve the final revised Work Plan.**

Utilities Advisory Commission
Staff Report

From: Alan Kurotori, Director of Utilities
Lead Department: Utilities

Meeting Date: June 4, 2025
Report #: 2501-4077

TITLE
City of Palo Alto Utilities Wildfire Mitigation Plan (WMP) 2025 Annual Update.

RECOMMENDATION
Staff recommends that the Utilities Advisory Commission (UAC) review and approve the updated City of Palo Alto Utilities (CPAU) 2025 Wildfire Mitigation Plan (WMP or Plan) in compliance with state requirements for Publicly Owned Electric Utilities (POUs).

EXECUTIVE SUMMARY
This report presents the updated CPAU 2025 WMP for the UAC'S consideration and approval. Each year, POUs are required by state law to update their WMPs, present those plans in a noticed public meeting, then submit the WMP annually on or before July 1 to the Office of Energy Infrastructure Safety,[1] which is advised by the California Wildfire Safety Advisory Board (WSAB).[2]

The updated Plan outlines CPAU's ongoing efforts to reduce wildfire risks associated with its electric infrastructure. It specifically targets the Foothills area, encompassing all parts of the City west of Highway 280, which is within the High Fire Threat District (HFTD) designated by the California Public Utilities Commission (CPUC). CPAU's main strategy is to underground approximately 49,200 feet of overhead electric distribution lines and fiber optic cables (approx. 45,000 feet of fiber) in the Foothills area. This effort, known as the multi-phase Foothill Fire Mitigation Project, includes the installation of underground substructures such as boxes and pad-mounted equipment, as well as the removal of City-owned overhead poles and associated infrastructure. The project is expected to be completed in 2025.

BACKGROUND
In response to increasing wildfire risks in California, Assembly Bill 1054, signed into law in July 2019, created the California Wildfire Safety Advisory Board (WSAB), and required all utilities, both investor-owned (IOUs) and publicly-owned (POUs), to submit annual WMPs by July 1 of each

[1] Public Utilities Code 8387 (2019)
[2] California Wildfire Safety Advisory Board Wildfire Safety Advisory Board | Office of Energy Infrastructure Safety (https://energysafety.ca.gov/what-we-do/wildfire-safety-advisory-board/)

calendar year starting in 2020. The WSAB is an independent body that advises the Office of Energy Infrastructure Safety. It reviews the WMPs submitted by POUs and provides independent feedback on their adequacy and effectiveness meeting wildfire safety standards under Public Utilities Code (PUC) Section 8387.[3] This state law requires every POU to prepare a WMP, update it annually, and conduct a "comprehensive revision of the plan" at least once every three years.[4] The WMP is required to address specific ways in which the utility will "construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of wildfire posed by those electrical lines and equipment" (PUC 8387(a)). This includes vegetation management, system inspection and maintenance, and deenergizing protocols, among other contents.

CPAU submitted its first WMP on January 21, 2020 (Staff Report ID 10670),[5] and staff has updated the plan in subsequent years in accordance with state law: 2021 (Staff Report ID 12190)[6], 2022 (Staff Report ID 14175)[7], a "comprehensive revision of the Plan" in 2023 (Staff Report ID 2301-0900)[8], and the last plan up update June 2024 (Staff Report ID 2404-2905).[9]

This 2025 WMP update builds upon these previous plans, incorporating continued progress in vegetation management, infrastructure inspections, system hardening, public outreach, and readiness for Public Safety Power Shutoffs (PSPS) as part of CPAU's wildfire risk response. The next three-year comprehensive revision of the Plan, including an assessment report by a qualified independent evaluator with expertise in electrical infrastructure safety, is required on or before July 1, 2026.

DISCUSSION

To further support the City's Wildfire Mitigation Plan and goals, new initiatives are being implemented to enhance community emergency preparedness. The City is currently updating two key plans that serve as the foundation for coordinating responses to major emergencies and disasters, as well as for fire control activities in the Palo Alto Foothills Area. These plans are integrated with the Community Wildfire Protection Plan. The two plans being updated are:

1. The OES Emergency Operations Plan (EOP)
2. The Foothills Fire Management Plan (FFMP), which is part of Annex 3 of the Santa Clara County Community Wildfire Protection Plan for the City of Palo Alto.

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[3] Public Utilities Code, Chapter 6. Wildfire Mitigation Section 8387 http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=8387&lawCode=PUC

[4] "Update" and "comprehensive revision" are undefined in statute. Palo Alto staff and other POUs take "update" to mean simply bringing the original plan up to date, with few meaningful changes and "comprehensive revision" to mean an in-depth review of each plan element, with significant changes made as needed to the original plan.

[5] Staff Report ID 10670 https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-10670-mini-packet-01212020.pdf?t=53268.17%20

[6] Staff Report ID 12190 https://www.cityofpaloalto.org/files/assets/public/v/2/utilities/id-12190-item-2.pdf

[7] Staff Report ID 14175 https://portal.laserfiche.com/Portal/DocView.aspx?id=64818&repo=r-704298fc

[8] Staff Report ID 2301-0900 https://portal.laserfiche.com/Portal/DocView.aspx?id=66871&repo=r-704298fc

[9] Staff Report ID 2404-2905 https://portal.laserfiche.com/Portal/DocView.aspx?id=72154&repo=r-704298fc

For the 2026 WMP update, CPAU staff are currently working to integrate the recently published 2025 CAL FIRE- Fire Hazard Severity Zone (FHSZ) map updates[10], which expands areas of potential fire risk further into Palo Alto's city limits. The expansion of the FHSZ may warrant additional placement of overhead power lines underground. Prior to adoption of next year's updated WMP, utilities staff will update existing City PSPS policies related to operating procedures and emergency outreach to residents within the HFTD and FHSZ. Updates for community outreach will focus on further defining processes to effectively communicate with all residents within the risk areas, including those with access and functional needs.

FISCAL/RESOURCE IMPACT

There is no immediate fiscal impact associated with approval of the updated Plan itself. The Plan primarily documents existing and planned wildfire mitigation activities. Staff time is required to monitor, review, and update the Plan. Any new or ongoing wildfire mitigation activities identified in the Plan such as vegetation management, equipment inspections, infrastructure upgrades, or emergency response planning are evaluated and funded through the City's standard Capital and Operating Budget processes. Approval of the Plan does not authorize or obligate funding for specific projects but serves as a planning and compliance framework to guide wildfire mitigation efforts.

STAKEHOLDER ENGAGEMENT

Each year, the updated WMP is presented at a publicly noticed UAC meeting, providing an opportunity for the public to comment and provide input. This annual presentation helps ensure transparency and community awareness around wildfire safety planning. In addition, all current and past versions of the WMP are made available to the public through the Utilities Department's dedicated Wildfire Mitigation section of the City of Palo Alto Utilities' website.[11]

ENVIRONMENTAL REVIEW

Approval of the updated 2025 WMP is not considered a project under the California Environmental Quality Act (CEQA), as defined in Section 15378 of the CEQA Guidelines. The WMP is an administrative activity focused on planning and compliance and does not, in itself, authorize or result in physical changes to the environment. Any specific projects or actions proposed in connection with the Plan will be reviewed separately for CEQA applicability as part of their individual approval processes.

ATTACHMENTS

Attachment A: Wildfire Mitigation Plan Update 2025

APPROVED BY:

Alan Kurotori, Director of Utilities

Staff: Terry Crowley, Assistant Director of Electric Engineering & Operations

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[10] CAL FIRE FHSZ LRA Map of City of Palo Alto – Santa Clara County
https://calfire.app.box.com/s/wahuw9ny7cgn89xpxh7092ur50r1pwvj/file/1785860001332

[11] City of Palo Alto Utilities Website for all versions of the WMP
https://www.paloalto.gov/Departments/Utilities/Utilities-Services-Safety/Safety/Utilities-Wildfire-Mitigation

CITY OF
PALO ALTO
UTILITIES

WILDFIRE MITIGATION PLAN
2025 UPDATE

Scheduled for Utilities Advisory Commission Meeting on June 4, 2025

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APPENDICES

Appendix A: Summary of Key Wildfire Mitigation Activities
Appendix B: PSPS Policy and Process for Public Safety Power Shutoff
Appendix C: Utilities Wildfire Mitigation Utilities Response and Communications Procedure for Public Safety Power Shutoff (PSPS)
Appendix D: Plan Revision Log of Key Changes

I. UTILITY OVERVIEW AND CONTEXT

A. Context table

City of Palo Alto Utilities	
Size in Square Miles	26 square miles
Assets	Distribution
Number of Customers Served	29,757
Customer Classes	Residential and Small/Medium Commercial Businesses
Location/Topography	Urban
Percent Territory in California Public Utilities Commission (CPUC) High Fire Threat District (HFTD)	Tier 3 - 0% Tier 2 - 40% 40% is based on visual interpretation of CPUC ArcGIS Map[1]
Existing Grid Hardening Measures	Undergrounding
Impacted by another utility's PSPS?	Yes, as a transmission dependent utility, Palo Alto could be impacted by a PG&E PSPS.
Mitigates impact of another utility's PSPS?	Yes
Expects to initiate its own PSPS?	Factors used to identify possible need for PSPS are based on weather forecast and field conditions. Refer to the PSPS Policy and Process, see **Appendix B**.
Prevailing wind directions & speeds by	Refer to CAL FIRE's Santa Clara Unit 2024 Strategic Fire Plan for information about wind regional wind conditions.[2]

[1] CPUC ArcGIS map https://www.arcgis.com/home/webmap/viewer.html

[2] CAL FIRE's Santa Clara Unit 2024 Strategic Fire Plan https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/pre-fire-planning

B. Statutory cross-reference table

Code section	Requirement	Page
8387(b)(2)(A)	Accounting of responsibilities	5
8387(b)(2)(B)	Plan objectives	3
8387(b)(2)(C)	Preventive strategies and programs to minimize risk	7
8387(b)(2)(D)	Metrics used to evaluate Plan's performance	10
8387(b)(2)(E)	Current Plan informed by previous Plan's metrics	11
8387(b)(2)(F)	Protocols related to deenergizing and public safety impacts	8
8387(b)(2)(G)	Customer notification around deenergizing	6
8387(b)(2)(H)	Vegetation management	7
8387(b)(2)(I)	Electrical infrastructure inspection plans	10
8387(b)(2)(J)	A list of wildfire risks and drivers	7
8387(b)(2)(K)	Area that is a particularly high wildfire threat	4
8387(b)(2)(L)	Wildfire and safety risk methodology	7
8387(b)(2)(M)	Restoring service after a wildfire	9
8387(b)(2)(N)	Process to monitor Plan, identify any execution deficiencies, and audit inspection effectiveness	10
8387(b)(3)	Present Plan in an appropriately noticed public meeting	2

C. Process for Wildfire Mitigation Plan adoption

Palo Alto is unique among Public Owned Utilities (POUs) because it has a Utilities Advisory Commission (UAC), an advisory Commission to the City Council. This commission is comprised of Council-appointed residents who meet monthly to provide advice to City Council and staff on utilities-related matters, including the City's Wildfire Mitigation Plan (Plan). A Brown Act body, the UAC publishes agendas in advance of each public meeting and provides opportunities for public comment at each meeting. Each year, Palo Alto staff presents the Plan at a UAC meeting where staff accept any public comments and receive feedback from Commissioners.[3] Minutes and videos of past meetings are available on the City's website.

D. Plan location on the website

Palo Alto's Plan is the first substantive item found on the Utilities Department safety webpage. Navigating to this page from the Department's main page takes only two clicks and is intuitive. Users click on "Utilities Services and Safety," then "Wildfire Mitigation." [4] Because the City also has a Fire Department and an Office of Emergency Services that respond to fires and other emergencies, this report briefly notes how this wildfire Plan differs from other City emergency response plans.

[3] PUC 8783(b)(3) requires a POU to "present its wildfire mitigation plan in an appropriately noticed public meeting…[and] accept comments on its wildfire mitigation plan from the public…." While not the governing board of the utility, the UAC review satisfies the legal requirement of presenting the Plan at a noticed public meeting where comments from the public are accepted.
http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=8387&lawCode=PUC

[4] Utilities Department safety webpage, www.paloalto.gov/safeutility

II. PLAN PURPOSE AND OBJECTIVES

A. Purpose

This Plan is written in compliance with Public Utilities Code section 8387[5] and describes how the City of Palo Alto Utilities Department (CPAU) maintains and operates its electrical lines and equipment in a manner that minimizes the risk of wildfire posed by those lines and equipment.

B. Scope

The scope of this Plan is limited to providing information about mitigating the risk of wildfires from electric lines and equipment. It distinguishes between mitigating risks of possible electric line-ignited wildfires versus wildfires or wildfire suppression generally. The latter topics are in the scope and under the purview of trained fire experts, such as the City's Fire Department, and not within the expertise of utility engineers and technicians. The former is within the scope of CPAU responsibilities and is the subject of the state code section mandating this Plan; therefore, it is the sole focus of this Plan.

Additionally, this Plan applies to the only area in the City of Palo Alto identified as a high fire threat area per the California Public Utilities Commission (CPUC) High Fire Threat District (HFTD) map. Currently, the high fire threat area in Palo Alto includes all areas with the City limits west of Highway 280, referred to as the Foothills Area, see below **Figure 1**. This area is about eight square miles, is sparsely populated, and consists primarily of open space.

Lastly and per the California Wildfire Safety Advisory Board (WSAB) request of all POUs, this updated Plan deliberately omits general information the Board already understands in favor of specific information about the City's territory, infrastructure, and mitigation projects. For example, the Board already knows that CPAU, and other POUs, meet all applicable CPUC General Order 95 (GO95) standards so it is not reiterated here.

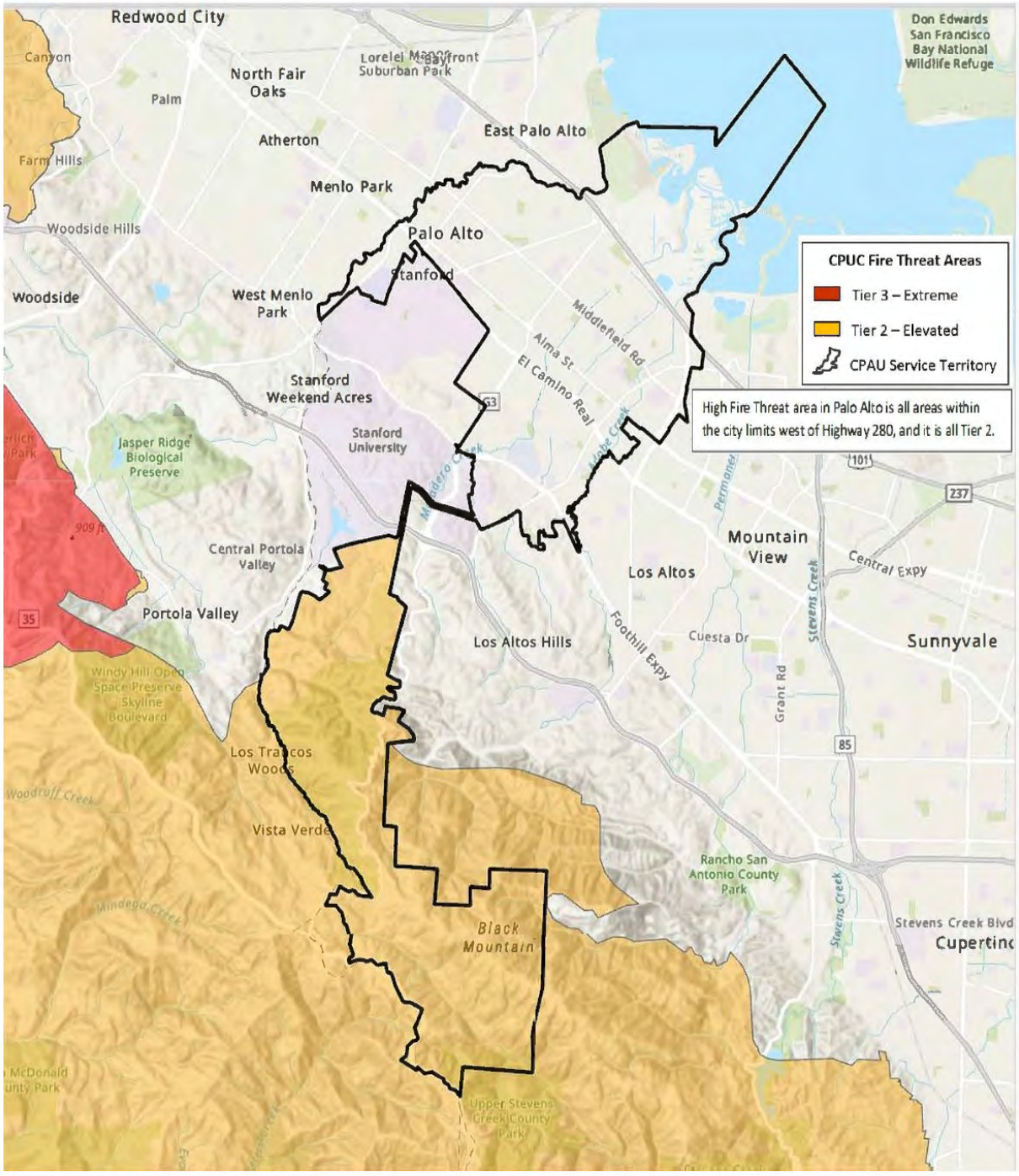
C. Plan objectives

The Plan's primary objective is to guide CPAU staff in minimizing the probability that the City's electric distribution system may be an original or contributing source for wildfire ignition. The City strives to ensure that its infrastructure is safe and resilient by taking proactive actions to maintain its equipment, refine the existing Public Safety Power Shutoff (PSPS) protocols as needed, and underground the electric lines in the high fire threat area.

A secondary objective is to improve the resiliency of the City's electric distribution system and to measure the efficacy of the wildfire mitigation strategies.

[5] Public Utilities Code section 8387
http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=8387&lawCode=PUC

Figure 1: Map of CPAU Electric Service Area - CPUC HFTD Tier 2-Elevated Fire Risk "Foothills Area"

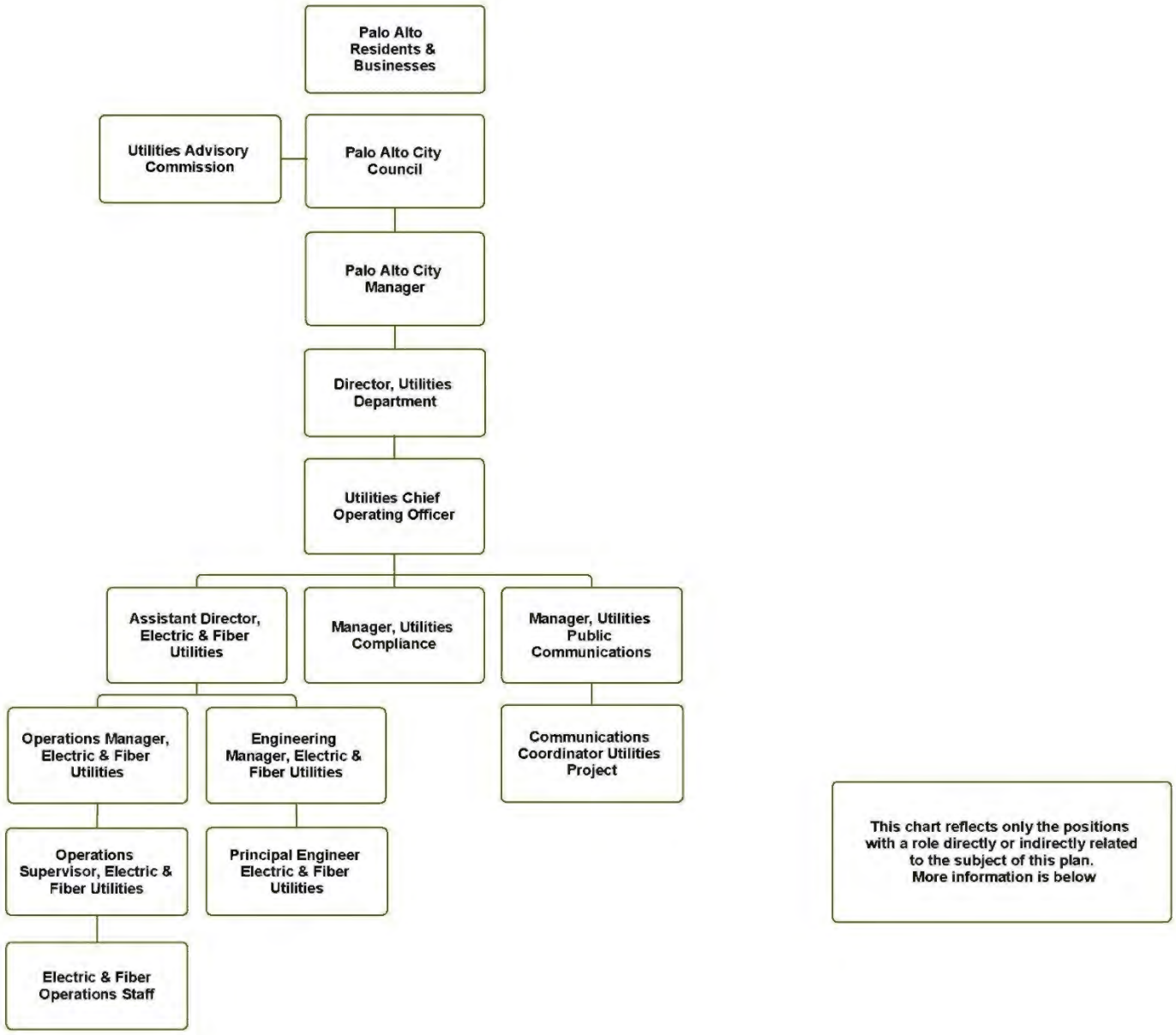


III. ROLES AND RESPONSIBILITIES

A. City of Palo Alto organizational structure

Figure 2 highlights staff and governing bodies with direct or indirect roles and responsibilities related to the Plan.

Figure 2: Organizational Structure of Roles & Responsibilities Supporting the Plan



In Palo Alto, the City Council is the governing body of all City functions including the City's utilities. As noted above, the UAC is a Brown Act body that provides advice on utilities-related matters. CPAU operates and maintains all the utilities in the City, including electric, water, gas, fiber, and wastewater. CPAU also employs communications staff to engage with the community and a Compliance Manager who, among other duties, ensures reports such as this Plan are completed timely and appropriately.

CPAU's electric and fiber staff noted above all play a key role in mitigating wildfire risk from electric lines and equipment. Specifically, CPAU engineering staff produce safe and resilient designs, and oversee wildfire mitigation projects such as undergrounding electric and fiber lines.[6]

B. Coordination with other departments

CPAU's Electric Engineering and Operations Divisions work closely with other divisions within the Utilities Department. Utilities collaborates with the Public Works Department (PWD) and its Urban Forestry and Environmental Compliance Division, the Fire Department, and the Office of Emergency Services (OES). Together, these departments and divisions proactively prepare for wildfires, act to mitigate climate and fire-related risks, maintain utilities infrastructure, develop plans for deenergization events, provide vegetation management, and lead Palo Alto's robust climate action efforts. As these divisions, departments, and teams are under the umbrella of one City, there is a strong history of working together closely.

C. Deenergization-related communication

CPAU's Communications staff is responsible for engaging the community about deenergization events. CPAU staff maintain and update as necessary a "Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff" (PSPS), see **Appendix C**. This procedure details the City's outreach to customers about Public Safety Power Shutoffs (PSPS). CPAU proactively communicates with potentially impacted customers when first alerted to weather conditions that may require a PSPS, provides updates while monitoring conditions, and if a PSPS is activated, communicates with customers during and after an event.

The City uses a variety of communication channels for public information outreach. Customers can be reached directly through the Outage Management System (OMS) using text notification, email, and phone calls. Information on PSPS in general and specific events as they occur is provided on the City's website (paloalto.gov/PSPS) and recordings on City hotlines such as the Electric Operations Dispatch phone line at the Utilities Control Center and Utilities Customer Service Call Center.

[6] To keep the public informed of CPAU's capital improvement projects (CIPs), CPAU places CIP-related information on its website, paloalto.gov/UtilityProjects. This information includes primary staff contact information for the projects.

IV. ELECTRIC-LINE IGNITED WILDFIRE RISK DRIVERS WITH PREVENTION AND MITIGATION EFFORTS

A. Primary risk drivers and specific mitigation efforts

Palo Alto recognizes that the WSAB is most interested in specific risks unique to each POU and its service territory, rather than general risks carried by all electric utilities. As such, and because Palo Alto is in the process of undergrounding the lines in its single high fire threat area, this Plan notes only the risk associated with electric equipment in the Foothills area. The more general risks (outside the Foothills area) Palo Alto regularly mitigates, but does not specifically address in this Plan, include:

- Electric distribution system operating, management, and construction practices
- Weather including high winds
- Extended drought

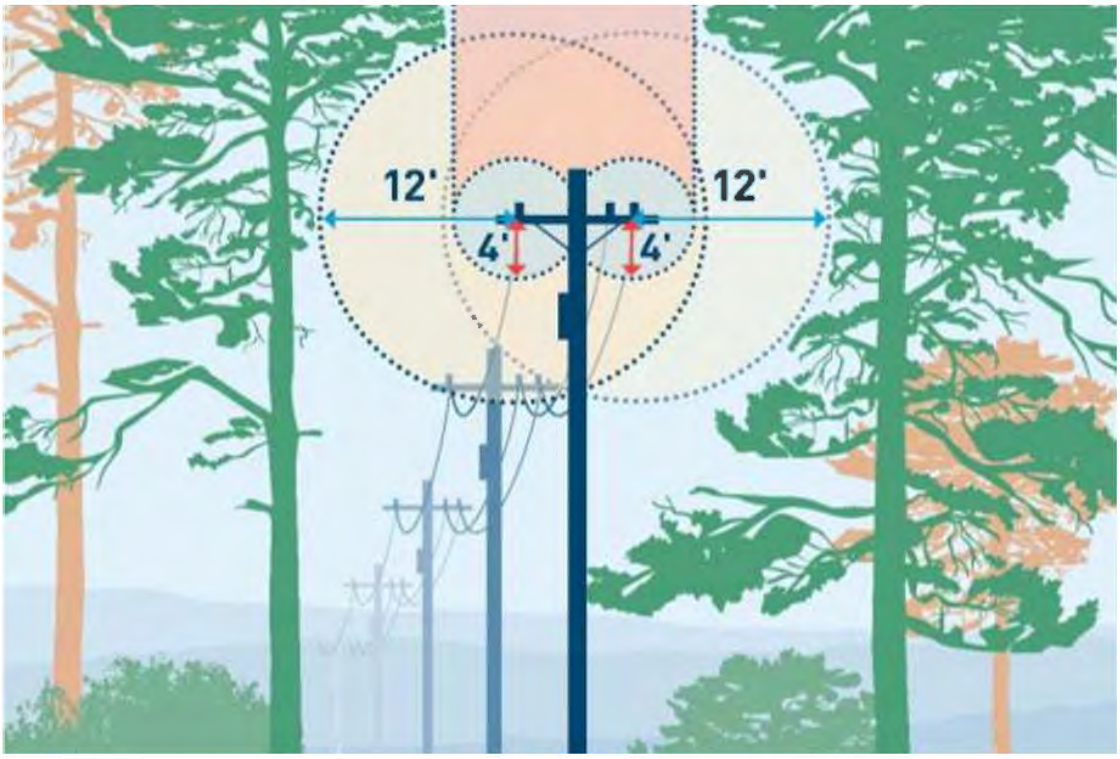
With regard to weather monitoring, Palo Alto installed a weather station in the Foothills area and a second weather station at the Utility Control Center to view localized weather data. CPAU staff also monitor regional conditions, such as red flag warnings (RFW), and communicate with first-responder departments on any actions needed due to weather conditions.

B. Primary risk drivers and specific mitigation efforts: Vegetation type, density, and management practices.

Wildfire risks from electric lines and equipment include vegetation intruding into power lines, falling onto lines, or roots damaging undergrounded equipment. Mitigation efforts include ongoing physical inspections, ensuring the proper type of vegetation is placed at the correct distance from equipment, and adherence to the City's Line Clearing Program and Tree Technical Manual for proper care of trees. Palo Alto's dedicated Urban Forestry Division, part of the Public Works Department and staffed by trained, experienced urban foresters, also oversees and coordinates the work of external contractors. Twice a year, these individuals evaluate vegetation in proximity to the spans in the high fire threat area to identify potential conflicts with CPAU electric lines.

Palo Alto utilizes a variety of vegetation treatment methods to reduce the risk of wildfire, including tree or branch removal, trimming, mowing, and brush cutting. The Urban Forestry Division is planning a program to help remove potential fall-ins from trees outside of Palo Alto's maintenance envelope of line-adjacent trees. In the future, to help staff track and manage flammable new growth, Palo Alto may utilize geographic information system (GIS) and growth modeling. Currently, this work is performed manually with physical inspections. In addition, for the Foothills area, Urban Forestry uses an enhanced vegetation management buffer as shown in **Figure 3**.

Figure 3: Vegetation Buffer Diagram



C. Other electric equipment-specific mitigation strategies

Disabling certain reclosures. In the Foothills area, CPAU has two reclosers on the distribution line that automatically open when they sense a large amount of current flowing due to a fault. After a preset delay, they both can automatically reclose; however, as a method to minimize fire risk, the reclosing function is permanently disabled on both reclosures and at the circuit breaker of the substation serving this area. Restoring service requires manual reclosing, which occurs only after staff have physically inspected the lines, performed any needed repairs, and ensured that the outage cause has been addressed. While this practice means potentially longer outage times, it is an important risk mitigation activity.

- *Utilizing specific fuses*. CPAU utilizes non-expulsion fuses in the high fire threat area. Specifically, CPAU utilizes Eaton's Cooper PowerE series ELFE fuse, a full range, current-limiting dropout fuse with a self-contained design that eliminates noise and expulsive showers. If these fuses explode, any hot metal is contained within the fuse holder, preventing contact with vegetation.

- *Deenergizing, then reenergizing when prudent*. CPAU considers deenergizing electric lines as a last resort, realizing that while the lack of power could be an inconvenience for some customers, it could cause significant health and safety concerns for others. However, CPAU will utilize this option when necessary to minimize the risk of an electric-line ignited wildfire in the high fire threat area. Factors CPAU considers when determining whether to deenergize include:

- The possible safety impacts to CPAU customers
- Any fire activity in the vicinity
- Any evacuation orders and other information from emergency personnel
- Information from local fire agencies, vegetation staff, and CPAU electric system operators
- Local and regional weather conditions including wind, humidity, precipitation and any red flag warnings
- The state of vegetation in the area (i.e. very dry)

- *Restoring power after a wildfire or deenergization event.* Lines will only be reenergized when (1) the risk has passed, (2) the lines are inspected, and (3) any needed repairs are complete. CPAU utilizes its Public Safety Power Shutoff (PSPS) policy and procedure, see **Appendix B**. when determining whether to deenergize lines because of a wildfire risk. The written protocol also includes customer notification procedures and reenergization information. In addition to customer notification from the Utilities Department, PSPS communication is also coordinated with Palo Alto's OES. The decision to institute a PSPS also includes working with CPAU's water utility staff to determine if the City should pump water up to the reservoirs located in the Foothills area in advance of shutting off power, to ensure there is sufficient water and water pressure for any firefighting activities.

- *Coordination with PG&E.* As a transmission-dependent utility, CPAU communicates with PG&E regarding their potential deenergization events that may impact the City's service territory.

- *Studying device coordination strategies*. Staff has engaged in protective device coordination studies to ensure that any fault is isolated quickly and any impact limited. Based on these studies, CPAU changed the fuse type and size, as noted above, on Foothills area distribution lines and changed relay settings for reclosers and a station circuit breaker.

D. Enterprise-wide Safety Risks

Palo Alto's protocol for identifying and addressing enterprise-wide safety risks is a collaborative effort with various City departments. Together the goal is to prevent, protect from, mitigate, respond to, and recover from a broad range of potential hazards and threats. The City's OES leads that coordination with the goal of developing, maintaining, and sustaining a citywide, comprehensive, all hazard, risk-based emergency management program that engages the whole community. This community driven hazard and risk process leads to a range of plans, programs, projects, and other preparations to reduce risks from the hazards of highest concern. The City maintains and updates the following assessment and plans that provide information regarding the risks in Palo Alto and the necessary actions to take.

- *Threat and Hazard Identification and Risk Assessment*[7] - The result of the THIRA process is an organized evaluation of vulnerability and implementation measures based on the necessary capabilities to deal with the natural and non- natural hazards and threats of most concern.

- *Santa Clara County Multi-jurisdictional Hazard Mitigation Plan*[8] - Identifies and prioritizes potential and existing hazards across jurisdictional borders, including hazards that may be further amplified by climate change, and provides mitigation objectives with prioritized actions.

- *Foothills Fire Management Plan*[9] - Addresses a broad range of integrated activities and planning documents to address and mitigate the impacts of fire hazards in the Palo Alto Foothills Area.

E. Current and prior activities

CPAU's earlier Plans note mitigation tasks the City has already completed, such as preparing a Foothills Fire Mitigation Plan and acting as "territory lead" for the CPUC's fire threat map. Additionally, prior Plans note ongoing efforts, which continue. These include regular vegetation management, inspection and maintenance of the electric distribution system, and electric infrastructure designs that consider fire safety. **Appendix A** shows the status of CPAU's mitigation-related activities.

V. MONITORING THE PLAN

A. Measuring Plan and inspection performance

In preparing annual Plans, CPAU takes the opportunity to evaluate the current Plan for any deficiencies, or if any best practices have changed. In doing so, CPAU considers what, if anything, related to wildfires occurred in the high fire threat area. Any events related to wildfires or City electric infrastructure in the Foothills area could inform future Plans and help understand the effectiveness of the current Plan.

With regard to inspections, CPAU examines its electric infrastructure in the high fire threat area more frequently than in other areas of the service territory. Staff strive to ensure that all inspections are completed by June, before the historic start of fire season, or earlier, depending on drought conditions. Inspections are completed manually. Staff analyze the results of the inspections for trends of any failures or maintenance needs, which can inform

[7] The current 2017 Threat and Hazard Identification and Risk Assessment can be found at https://www.cityofpaloalto.org/files/assets/public/v/1/oes/plans/unrestricted_palo_alto_thira_report_final_april-2017.pdf

[8] The current 2023 Santa Clara County Multi-jurisdictional Hazard Mitigation Plan, along with the local Palo Alto Annex, can be found at https://www.paloalto.gov/Departments/Emergency-Services/Plans-and-Information/Local-Hazard-Mitigation-Plan

[9] The current 2016 Foothills Fire Management Plan can be found at https://www.cityofpaloalto.org/files/assets/public/oes/plans/foothills-fire-management-plan-update-2016-final.pdf. A 2025 update is scheduled for Council consideration in June, 2025.

future design changes. Staff also monitors the performance of equipment during windy and severe weather conditions as described in the metrics below.

B. Performance and outcome metrics

CPAU audits the effectiveness of the Plan's mitigation and prevention efforts by using two broad metrics: performance and outcomes. Information specific to each are below:

i. Performance metrics

a. Vegetation management. This metric includes the amount of vegetation cleared or number of trees trimmed in the high fire threat area.

b. Infrastructure maintenance in high fire threat area. This metric includes the amount of equipment and number of lines inspected and repaired (if needed) in the high fire threat area.

c. Project status. This metric involves monitoring the progress of any projects related to mitigating wildfires from electric equipment or lines in the high fire threat area and ensuring that projects progress on the proper timeline.

ii. Outcome metrics

a. Electric-line ignited wildfire. This metric includes any fire started by CPAU's electric equipment in the high fire threat area that traveled greater than one linear meter from the ignition point. In at least the past 20 years, there have been zero such fires.

b. Downed lines in the high fire threat area. For purposes of this Plan, a wires-down event includes any instance where an electric line in the high fire threat area of the service territory falls to the ground or onto a foreign object. CPAU will not normalize this metric by excluding unusual events, such as severe storms. Instead, staff will supplement this metric with a qualitative description of any such unusual events.

C. Applying previous Plan metrics to this Plan

CPAU's initial Plan specified two metrics for evaluating performance, each discussed below, and noting how they have informed this revised Plan:

i. Outages to the overhead lines in the high fire threat area

In the initial 2020 Plan, staff described how CPAU would evaluate an outage in the high fire threat area. The 2020 Plan also noted a related project in rebuilding the overhead lines, the status of which is presented in **Appendix A.** CPAU's evaluation of any outages in the high fire threat area described in 2020 remains: Determine if CPAU's activities (a) should have prevented any outages, (b) were adequate to prevent an outage, (c) could be improved, and (d) could not have prevented an outage. Both the evaluation and metric remain for this Plan because they properly inform CPAU efforts in preventing outages. Since January 1, 2020, CPAU has had twelve (12) outages in the

Foothills area. None were a result of a PSPS event or weather-related. Most were caused by animal activity in this heavily wooded area or a car hitting a pole.

ii. Fire ignitions

An important metric, CPAU stated in the 2020 Plan that staff would provide the number of fires occurring in the high fire threat area that were less than ten (10) acres in size, specifically describing any fires larger than ten (10) acres. Since January 1, 2020, CPAU has had zero wildfires in the high fire threat area over ten (10) acres with no calls to 911 to report of a wildfire of any size.

If CPAU experiences any wildfires in this area, whether ignited by electric infrastructure or not, CPAU will work with the Fire Department, Office of Emergency Services, and any related local government agency to review the cause, how or if CPAU equipment related to the cause or was impacted and collaborate on any after-action activities.

iii. Wires down

This metric includes instances of any electric lines or conductors that fall to the ground or come into contact with a foreign object in the high fire threat area. For each wires-down event, CPAU will utilize an evaluation system similar to CPAU's outage evaluation: reviewing the cause, what actions may have prevented the event, and if there are areas for improvement.

Appendix A: Summary of Key Wildfire Mitigation Activities

The City's key mitigation activity is undergrounding overhead electric lines in the Foothills area. This multi-phase Foothill Fire Mitigation Project includes substructure construction, including the installation of boxes and pad-mounted equipment, cable pulling and line energization, and decommissioning of overhead city-owned poles and equipment. This project is expected to be complete in 2025.

Figure 4: High Level Map of the Foothill Fire Mitigation Project

Summary of Key Wildfire Mitigation Activities	
Grid Design, Operations and Maintenance	2024 Accomplishments (Prior Year Overview): • Foothill Fire Mitigation Project - Construction Phase 3 (of 5 phases): Completed 5,700 feet of undergrounding work out of 7,500 feet, including substructure and cable installation. 1,800 feet remain for both substructure and cable installation. • Foothill Fire Mitigation Project - Construction Phase 4 (of 5 phases): Completed 12,000 feet of undergrounding work out of 22,000 feet, including substructure and cable installation. 10,000 feet remain for both substructure and cable installation. • Foothill Fire Mitigation Project - Construction Phase 5 (of 5 phases): Completed 4,200 feet of undergrounding work, with all substructure installation finished. 4,200 feet remain for cable installation. • Fiber Optic Extension - To strengthen communication capabilities in the high fire threat area, the installation of underground conduit is progressing in phases, in coordination with ongoing electric substructure work, phase by phase. The City has installed 28,000 feet out of 45,000 feet new fiber optic cables for Phases 1, 2, 3, and 4. 2025 Goals (Current Year Objectives): • Complete the Foothill Fire Mitigation Project - undergrounding of approximately 49,200 feet of electric overhead distribution lines and fiber optic cable. • Energize the remaining Foothills Fire Mitigation Project Phases 3-5 • Decommission city-owned overhead poles, along with electric and fiber lines and equipment across Phases 1-5. Overall Foothill Fire Mitigation Project Summary: • Substructure Work: 37,400 feet Completed out of 49,200' • Cable Installation: 33,200' Wire pulled out of 49,200' • Energized: 15,500' out of 49,200' (Phases 1-2) • Fiber Installation: 28,000’ out of 45,000’ 2026 Planned Initiatives (Future Strategies): • When electric infrastructure replacements are necessary, incorporate fiberglass materials for poles and crossarms remaining in the high fire threat area to enhance resiliency. • The City’s multi-year Grid Modernization initiative is focused on strengthening the electric distribution system to support 100% electrification. This effort will improve grid resiliency and reliability through the replacement of poles, transformers, aerial wires, select cabinets, and underground infrastructure. It also

	includes upgrades to two substations, with completion targeted by 2032, aligning with both near- and long-term energy goals. • Strengthen the City's wildfire resilience by proactively integrating the updated 2025 CAL FIRE- Fire Hazard Severity Zone (FHSZ) designations into infrastructure planning, emergency outreach protocols, and long-term mitigation efforts within the Local Responsibility Area (LRA), with a focus on newly designated Moderate risk zones.
Vegetation Management and Inspections	2024 Accomplishments (Prior Year Overview): • Electric General Order 165 Inspections in the high fire threat area: o Completed 100% of annual inspections o Up to date with all intrusive pole inspections • Vegetation Management in the high fire threat area: o Completed 100% of vegetation inspections o 8,193 number of trees trimmed 2025 Goals (Current Year Objectives): • Continue to complete all required annual electric infrastructure inspections. • Complete annual vegetation maintenance, inspection and clearances from electrical lines to avoid vegetation contact with electrical infrastructure. • PWD staff is actively working to update the Draft Tree Landscape Technical Manual (TLTM) and also plan to establish a tree and landscape line clearing policy, similar to the current utility line clearing policy. 2026 Planned Initiatives (Future Strategies): • The City has previously evaluated the use of drones for vegetation management and electric infrastructure inspections. While privacy concerns, public feedback, and local regulations have posed challenges to implementation, the City remains interested in exploring this technology for potential future use. • PWD staff will continue to work on The Public Tree Management Plan by establishing a timeline for this work and will resume upon completion of the TLTM update.
Situational Awareness and Forecasting	2024 Accomplishments (Prior Year Overview): • Monitored weather conditions daily during Red Flag Warning (RFW) periods to assess wildfire risks and maintain situational awareness. Prepared staff for potential PSPS events by briefing them on response protocols and collaborating with the communications team for effective coordination. • The City partnered with Stanford and Town of Woodside to install fifty (50) N5 Sensors, advanced gas monitors for early wildfire detection. Of these, Stanford installed twenty-five (25), Palo Alto installed twelve

	(12), and Woodside installed thirteen (13). While coverage in the Foothills is not complete, these sensors have been strategically placed in the high fire threat area to enhance early warning capabilities. 2025 Goals (Current Year Objectives): • Continue to enhance our OMS and update our GIS data to help with locating outages and decrease response time. 2026 Planned Initiatives (Future Strategies): • As part of the Electric Grid Modernization effort, CPAU is in the early planning stages to implement an Advanced Distribution Management System (ADMS). The ADMS will integrate various functionalities such as the OMS, Distributed Energy Resource Management (DERM), and real-time monitoring to enhance grid reliability, efficiency, and resilience. The new system will help manage issues like severe weather, the growing use of renewable energy, and increasing electricity demand.
Emergency Preparedness	2024 Accomplishments (Prior Year Overview): • As part of the City's ongoing commitment to wildfire preparedness, the City engaged independent auditor BakerTilly to conduct the Emergency Preparedness Wildfire Audit in 2024. The audit evaluated current efforts and provided recommendations to strengthen evacuation planning and wildfire mitigation to enhance local wildfire resilience. 2025 Goals (Current Year Objectives): • A tabletop exercise for wildfire mitigation: Conduct a comprehensive tabletop exercise to assess and improve the City's response plans for wildfire events. This exercise will simulate wildfire scenarios, engage key stakeholders, and identify potential gaps in communication, coordination, and resource management to strengthen preparedness and response strategies. • City staff is in the process of updating two existing plans, the OES Emergency Operations Plan (EOP) and the Foothills Fire Management Plan (FFMP), part of Annex 3 of the Santa Clara County Community Wildfire Protection Plan, to improve coordination of emergency response and wildfire prevention efforts. 2026 Planned Initiatives (Future Strategy): • An annual tabletop exercise for wildfire mitigation. This exercise aims to improve internal awareness, validate updated plans mentioned above, build collaboration with our public safety staff, and practice response procedures in a simulated setting. It will assess capabilities in three areas: 1. Wildfire emergency preparedness 2. Notification and response 3. Recovery operations

Community Outreach and Engagement	2024 Accomplishments (Prior Year Overview): • Updated the "Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff (PSPS)," enhancing coordination with city departments and improving communication with the community, impacted customers, and media outlets. Enhanced customer communication functions through modifications to the OMS for recorded messages, outbound SMS text notifications, and phone calls. 2025 Goals (Current Year Objectives): • Continue to refine best practices to disseminate information across the City's website and other communication channels so customers can easily find information and updates on PSPS, specifically during and post event(s). 2026 Planned Initiatives (Future Strategy): • Continue to educate customers about PSPS, including increased risks of wildfire due to climate change. Inform customers about CPAU's efforts to mitigate risks such as through utilities undergrounding, system monitoring, and other improvements. Ensure all customers in high fire threat areas are well-informed about how to take steps to prevent wildfire (in coordination with the Fire Department), how to prepare for emergencies and what to do during PSPS, and what to expect from CPAU in terms of communication and response.

Appendix B: PSPS Policy and Process for Public Safety Power Shutoff

CITY OF PALO ALTO UTILITIES

Policy and Process for Public Safety Power Shutoff

PURPOSE

Devastating wildfires throughout the State of California have prompted electric utilities throughout the state to identify areas within their jurisdiction that are susceptible to power-line ignited wildfires and to take steps to prevent their occurrence. One of these steps is a proactive de-energization of electric lines, often called Public Safety Power Shutdown (PSPS), by the State and other California utilities.

The City of Palo Alto's Utilities Department (CPAU) has the authority to preemptively shut off power due to fire-threat conditions; however, this option will only be used as a last resort in extraordinary circumstances. This document outlines the policy and process to identify the fire threat conditions that will dictate PSPS of CPAU facilities by CPAU. CPAU, in conjunction with City Staff, will make a case-by-case decision to shut off power based on criteria listed in this document. The electric lines most likely to be considered for PSPS are lines in Palo Alto west of Highway 280 which are in a Tier 2 (elevated risk for wildfire) area on the CPUC Fire Threat Map. Palo Alto could also be impacted by PSPS activities initiated by PG&E on the transmission system.

CPAU typically deals with two types of outages, 1) Planned outages for construction maintenance, or 2) Unplanned outages due to circumstances beyond our control, e.g. car pole accidents, birds/tree contact with overhead lines, equipment failure, etc., (commonly referred to as a fault or short-circuit). The PSPS is a preemptive shutdown of power to prevent the occurrence of the faults that cause the unplanned outages from occurring when high fire threat conditions exist, as sparks from a fault or energized wires on the ground could result in wildfires.

POLICY

CPAU considers the safety of the community our top priority and will take the necessary steps to mitigate the threat of wildfires associated with overhead electric lines and associated equipment owned and operated by CPAU. In extreme conditions, this will require CPAU to deenergize power lines for the safety of life and property.

PROCESS

Below is a summary of tasks for proactive de-energization and restoration of the electric distribution system as part of the City's wildfire mitigation plan.

Task #	Description	Page
1.	Determination of possible need for PSPS based on weather forecast and field conditions	2
2.	Preapproval and Authorization to notify customers of possible PSPS based on weather forecasts	2
3.	Notification of affected customers of possible PSPS	2
4.	Monitoring of real time weather and field conditions	3
5.	Notification of customers of impending outage	3

6. Deenergization of power line 3
7. Inspection and patrol of line 3
8. Notification of customers of impending restoration 3
9. Reenergize power line 3

Factors used to identify possible need for PSPS based on weather forecast and field conditions

The following factors could result in CPAU, in conjunction with other City Staff, identifying that it may be necessary to shut off power:

- Red Flag Warnings issued by the National Weather Service (NWS) for the fire weather zone that includes the Foothills Area (Santa Cruz Mountains);
- City staff assessments of local conditions, including wind speed (sustained and gust), humidity and temperature, fuel moisture, fuel loading and data from weather stations;
- Real-time information from staff located in areas identified as at risk of being subject to extreme weather conditions;
- Input from City Fire and Urban Forestry staff;
- Input from local and state fire authorities regarding the potential consequences of wildfires in select locations;
- Awareness of mandatory or voluntary evacuation orders in place.

CPAU will consider the following when making a decision to shut off power:

- Expected impact of de-energizing circuits on essential services;
- Notifications to local governments and public officials; and
- Safety and potential impacts to communities and customers

Ideally, the decision will be made as soon as the information is available to facilitate an informed decision and allow for timely notification of customers. There may be instances where weather conditions rapidly change and advance notice to customers is not possible. It is anticipated that this will be infrequent, if at all.

Preapproval and Authorization to notify customers of possible PSPS based on weather forecasts

Once it is determined that a PSPS may be required, staff will present an assessment to the Utilities Director or his/her designee to review, assess, and approve the request.

Notification of affected customers of possible PSPS

If a PSPS is approved, staff will notify the City Manager's Office (CIO), OES, Police, Fire, 911 Dispatch, WGW Operations, Utilities Customer Service and Utilities Communications. They in turn will communicate with the community, customers impacted, and the media.

Monitoring of real time weather and field conditions

Staff will monitor real time and updated forecast information to determine if forecasts are accurate and the PSPS should occur as planned; if changes need to be made to the PSPS scheduling; or if the PSPS can be cancelled.

Notification of customers of impending outage

If a PSPS is to occur, staff will follow the "*Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff*" to notify city departments and communicate with the community, customers impacted, and the media.

Deenergization of power line

At the determined time, Utilities Electric Operations staff will deenergize all lines in areas identified for PSPS

Inspection and patrol of line

After the weather has passed and it is safe to do so, Electric Operations staff will perform a full visual inspection of the distribution system to ensure that there is no damage before reenergizing the line. Any damage will be assessed and repairs will need to be made before power can be restored to those sections or anything downstream.

Notification of customers of impending restoration

Staff will follow the "*Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff*" to notify city departments and communicate with the community, customers impacted, and the media.

Reenergize power line

The lines will be systematically reenergized as the lines are patrolled and inspected, and any damage is repaired.

Reviewed and Approved by:

DocuSigned by: Dean Batchelor 7C0097F94DAF492...	DocuSigned by: Tomm Marshall C6FCC656B7CA47E...	DocuSigned by: Debbie Lloyd 7F6C50A6A96F4F5...
Utilities Director	**AD of Utilities Operations**	**AD of Utilities Engineering**

Appendix C: Utilities Wildfire Mitigation Utilities Response and Communications Procedure for Public Safety Power Shutoff (PSPS)

CITY OF PALO ALTO UTILITIES	**Title:**	Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff (PSPS)
	Document Date:	April 2025

Policy
The City has established a Public Safety Power Shutoff (PSPS) Policy which defines the conditions for a Public Safety Power Shutoff (PSPS) and establishes general procedures.

Public Safety Power Shutoff (PSPS)
High winds can cause trees and debris to contact energized electric power lines, damage equipment, and potentially lead to wildfire ignition. Utilities may temporarily turn off power to specific areas to reduce the risk of fires caused by electric infrastructure. This temporary outage is called a Public Safety Power Shutoff (PSPS). The City of Palo Alto Utilities (CPAU) prepares for a PSPS when severe weather may create the risk for wildfire.

Criteria for PSPS
CPAU aligns PSPS criteria with Pacific Gas and Electric (PG&E), the primary electricity provider for the region where Palo Alto is located. Conditions for a PSPS are:

- Red Flag Warning issued by the National Weather Service;
- Low humidity levels less than 30%;
- Forecasted high winds above 19 miles per hour and gusts above 25-40 miles per hour.

High Fire Threat Areas
The California Public Utilities Commission (CPUC) has sorted regions according to their wildfire risk. Homes and businesses in Tiers 2 and 3 wildfire risk areas are more likely to experience a PSPS.

- Tier 2: An area where there is an elevated risk of wildfire.
- Tier 3: An area where there is an extreme risk of wildfire.

View the CPUC map and information on fire-threat areas[10].

The electric lines most likely to be considered for PSPS are lines in Palo Alto west of Highway 280 which are in a Tier 2 (elevated risk for wildfire) area on the CPUC Fire Threat Map. Palo Alto could also be impacted by PSPS activities initiated by PG&E on the transmission system.

Purpose and Scope of the Utilities Wildfire Response and Communications Procedure
This document provides details on responsibilities and instructions for the implementation of a PSPS.

[10] CPUC map and information on fire-threat areas https://www.cpuc.ca.gov/industries-and-topics/wildfires/fire-threat-maps-and-fire-safety-rulemaking

The purpose of this procedure is to establish a process, assign responsibilities, and define a communication plan for the discontinuation of electrical service to high fire threat areas in Palo Alto to prevent potential wildfires ignited by electrical power lines and equipment.
Pertinent documents including contact information for staff in critical responder roles and backup support, messaging templates, customer list, and more, are maintained by the CPAU.

Procedure

A. Monitoring for a PSPS

Utilities System Operators are responsible for monitoring the weather forecast for Red Flag Warnings issued by the National Weather Service (NWS) for the Santa Cruz Mountains. NWS will often forecast Red Flag Warnings up to five day forecast. The operator will note the date of the Red Flag Warning in the daily log and will inform their Supervisor (or designee) of the conditions.

The Supervisor of the Utilities System Operators (or designee) will become the Incident Commander for PSPS. The Incident Commander is responsible for managing the dissemination of information and executing the PSPS procedure upon approval from the Utilities Director.

In coordination with the Utilities Director, the Incident Commander will specify the anticipated timeframe for a potential PSPS and notify City staff listed in the Notification Section of PSPS conditions.

B. Declaring a PSPS

The Utilities Director (or designee) is responsible for declaring a PSPS event and directing the Incident Commander to initiate a PSPS event. The Incident Commander will notify City staff listed in the Notification Section of this PSPS protocol that a PSPS event has been initiated and provide the following information:

- State that a PSPS event has been declared.
- The approximate timeframe of the event.
- The affected areas.

CPAU has aligned the PSPS criteria with PG&E. The latest 2024 PSPS guide is as follows:

- Red Flag Warning issued by the National Weather Service;
- Low humidity levels, generally 30% and below;
- Forecasted high winds above 19 miles per hour and gusts above 25-40 miles per hour.

C. Preparation for a PSPS

The Incident Commander (or designee) will be responsible for the following:

- Instruct the Electric Operations Manager to prepare personnel for the power shutoff and restoration process.
- Instruct the Water-Gas-Wastewater (WGW) Manager to prepare personnel and Water and Wastewater facilities in the high-fire threat area for an electrical shutdown.
- Inform City staff enrolled in the outage communications chain (“top 20 list”) via text message thread.
- Instruct the Utilities Communications Manager and the Utilities Customer Service Manager to initiate notifications to affected customers, the Customer Service Call Center, Utility Program Services, as well as other City staff in public-facing customer roles.
- Provide updates about PSPS conditions at mutually agreeable regular intervals to the Utilities Communications Manager and the Utilities Customer Service Manager so staff in public-facing customer roles will be able to edit scripted messages and address customer inquiries across

communication platforms (website, email, text, call center recordings, social media).

The Utilities Customer Service Manager (or designee) is responsible for the following:

- Maintain and provide contact information for customers in the high-fire threat area. This list will be used to contact customers before, during, and after PSPS events. This list will be updated as follows:
  - In May or leading into fire weather season, and/or;
  - When the Utilities Customer Service Manager indicates changes to the customer list maintained on the PSPS/Outage internal SharePoint site.
- Prepare Customer Service Representatives for calls and customer inquiries related to PSPS.
- Activate recorded messages for the Customer Service Call Center Automatic Call Distribution (ACD) for customers to hear information about a PSPS when calling (650) 329-2161.
- Relay updates from Electrical Operations on PSPS conditions to the Customer Service call center staff and direct appropriate updates to Customer Service communication platforms to address customer inquiries.

The Utilities Communications Manager (or designee) is responsible for the following:

- Prepare and get approval from the Utilities Director (or designee) for scripts to be used for customer notifications.
- Maintain template messaging that will be used in notifications to customers about PSPS.
- Inform the Utility Program Services Manager about PSPS to inform key account and business customers in affected areas.
- Ensure that the appropriate staff, including Utilities Customer Service Representatives, Utilities Key Account Representatives, and Utilities System Operators have access to these protocols for PSPS communication and customer notifications.
- Initiate customer notifications before, during, and after a PSPS.
- Update status of PSPS conditions via website, social media, and other communication platforms.

D. *Monitoring Weather Condition Forecasts*

The Utilities Incident Commander is responsible for monitoring the weather forecasts and informing the Utilities Director of conditions, including establishing a recommended start time and duration for a PSPS event. Once the Utilities Director has declared a PSPS and established a timeframe in coordination with the Incident Commander, the Incident Commander will notify all City staff listed in the Notification Section of this PSPS protocol.

The Incident Commander will contact the Utilities Communications Manager and Utilities Customer Service Manager to initiate the approved *Second Tier Message*. That message will be sent to customers who will be impacted by the PSPS and provide an estimate of the time of the PSPS. (See example in the Messaging Section).

E. Power Shutoff

The Utilities System Operators will monitor wind conditions and the status of the Red Flag Warning after the PSPS event has been declared and provide updates to the Utilities Director and Incident Commander. Operators will record wind conditions in the Dispatch Log every 30 minutes.

The Utilities Director (or designee) is responsible for declaring a PSPS. Upon approval from the Utilities Director, the Utilities System Operators will initiate a power shutoff if the following conditions are met:

- Red Flag Warning issued by the National Weather Service;
- Low humidity levels less than 30%;
- Forecasted high winds above 19 miles per hour and gusts above 25-40 miles per hour.

The Utilities System Operators will inform the Incident Commander that the power shutoff is being initiated. The Incident Commander will notify City staff in the Notification Section of this PSPS protocol that the power is being shutoff.

The Utilities System Operators are responsible for the following:

- Notify the Incident Commander when conditions meet PSPS criteria.
- Initiate PSPS following direction from the Incident Commander and inform the Incident Commander when power is shutoff.
- Document the time the PSPS occurs and confirm the area of impact and number of customers affected.
- Open the switch that terminates power to the affected areas.
- Update the Outage Management System (OMS) outage map, customer SMS text notification, voicemail recording for the Utilities Control Center, and email and/or phone call notifications – if the latter is determined by the Incident Commander to be required - with PSPS information.

F. Ending PSPS Event

The Utilities System Operators will continue to monitor weather conditions and will inform the Incident Commander when the wind speeds have decreased, or the Red Flag Warning has been called off. The Incident Commander will inform the Utilities Director of the conditions. The Utilities Director will make the determination that the PSPS event has ended and inform the Incident Commander. The Incident Commander will inform City staff in the Notification Section that the PSPS declaration is over and when restoration is complete.

G. *Restoration of Power*

The Incident Commander will direct the Utilities System Operators to begin the process of restoration. The Utilities System Operators will call out line personnel for line patrol inspections. All line patrol inspections will be conducted during daylight hours to ensure the lines are in working order. Any damage will be assessed, and any necessary repairs must be complete before power can be restored to those sections or anything downstream. Overhead lines will be restored after line patrol inspections are complete.

Power restoration will occur in phases starting at the open switch near Junipero Serra Boulevard. Line configuration at the time of reclosing will determine the sequence of restoration. Utilities System Operators will coordinate the sequence of power restoration under guidance of the Incident Commander.

The Incident Commander will inform the Utilities Communications Manager and Customer Service Manager that power has been restored.

The Utilities Communications Manager and Customer Service Manager (or designees) will notify affected customers that their power has been restored.

H. Coordination with Departments Outside of Utilities

The Utilities Director (or designee) will be responsible for communicating activities outside of the Utilities Department and is the main channel of communication for the Incident Commander.

The Office of Emergency Services will be responsible for the following:

- Assist the inter-departmental coordination efforts resulting from a PSPS incident.
- Assist with external communications as needed.
- Assist with the coordination of external entities and agencies required by the incident.

City Staff Notification List

Those on the CPA Top 20 Internal Emergency Alerts Text Group include:
City Manager
Assistant City Manager
Utilities Director
Utilities Chief Operating Officer
Utilities Communications Manager
Utilities Customer Service Manager
Assistant Director of Electric & Fiber Utilities
Utilities Electric Operations Manager
Utilities Electric Operations Supervisors
Chief Communications Officer
Office of Emergency Services Director
Office of Emergency Services Coordinator
Fire Chief
Police Captain
Information Technology Director
Utilities Strategic Business Manager
Utilities Communication Projects Coordinator

Also inform:
Public Works Director
Assistant Director of Customer Services
Assistant Director of Water-Gas-Wastewater Utilities
Manager of Water-Gas-Wastewater Operations
Urban Forester

I. Utilities Communication Plan

The Utilities Communications Manager (or designee) will send out First Tier messages warning customers that a PSPS is possible, Second Tier messages informing customers that power will be shut off for PSPS, and eventually messaging about power restoration following the end to a PSPS event:

- **First Tier Message** - CPAU is monitoring conditions for a potential PSPS.
- **Second Tier Message –** CPAU expects a PSPS.
- **Third Tier Message** – PSPS initiated.

Customer Notification Steps:

1) The Utilities Communications Manager will coordinate with the Utilities Director (or designee) on status of potential PSPS and customer notifications.
2) The Utilities Communications Manager will coordinate with staff in Electric Operations to update and activate OMS voicemail recording on the Utilities Control Center phone line and OMS SMS text messaging for customers in the affected areas.

3) The Utilities Communications Manager will coordinate with the Customer Service Manager to call customers without mobile phones in the affected areas and update outgoing messages in the Utilities Customer Service Call Center to alert customers about a PSPS event.

The following communication platforms will have coordinated messages:

- OMS - Outage Management System voicemail recording and SMS text
- Website
- Emails to affected customers
- ACD – Automatic Call Distribution recording on Utilities Customer Service Call Center line at (650) 329-2161
- Social media – X (formerly Twitter) and Facebook – if deemed appropriate by the Utilities Director and Utilities Communications Manager.

Template Messaging

First Tier (*Monitoring for a potential PSPS)*

1) OMS Text (SMS)

Red Flag Warning in effect from Date and Time through Date and Time. CPAU is monitoring conditions in the Foothills for possible power shutoffs. More info at paloalto.gov/utilities

2) Outlook Email

a. (Use either Utilities Customer Service or Utilities Communications email address)

Subject Line: Potential Public Safety Power Shutoff (PSPS) for the Palo Alto Foothills

The National Weather Service issued a Red Flag Warning for parts of the Bay Area due to dry and windy conditions from Date and Time through Date and Time. The City of Palo Alto Utilities is monitoring conditions to determine if a Public Safety Power Shutoff (PSPS) will be required to reduce the potential for wildfire in the Foothills area of Palo Alto. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff. Do not call 9-1-1 if your power is out unless there is a threat to life safety. View the power outage map at www.paloalto.gov/outagemap

3) Website

Potential Public Safety Power Shutoff (PSPS)

Red Flag Warning: Date

The National Weather Service (NWS) issued a Red Flag Warning for parts of the Bay Area due to dry and windy conditions that pose a risk of wildfires spreading quickly. The Red Flag Warning is in effect Date(s) and time.

Status: Monitoring Conditions
Due to current weather conditions, the City is monitoring winds to determine if a Public Safety Power Shutoff (PSPS) will be required to reduce wildfire potential. Electric lines most likely to be considered for a PSPS event are those in the Palo Alto Foothills west of Highway 280. We do not expect that the

remainder of the City's businesses and residences will be impacted by a power shutoff.
Do not call 9-1-1 if your power is out unless there is a threat to life safety. View the power outage map at www.paloalto.gov/outagemap
This page will be updated as conditions evolve and new information becomes available.

Learn more about preparing for power outages at www.paloalto.gov/PSPS

Information for Palo Alto PG&E Customers
There are a few Palo Alto residents in the Palo Alto Foothill served by PG&E who may be impacted by a shutoff from PG&E. If you are a Palo Alto resident served by PG&E, visit their website for information on their Public Safety Power Shutoff plans.

Second Tier *(CPAU expects a PSPS)*

1) OMS SMS Text

Red Flag Warning in effect from Date and Time through Date and Time. CPAU is monitoring conditions in the Foothills for possible power shutoffs. View power outage map at www.paloalto.gov/outagemap

2) Outlook Email
   a. (Use either Utilities Customer Service or Utilities Communications email address)

Subject Line: Public Safety Power Shutoff (PSPS) May Occur

The National Weather Service (NWS) issued a Red Flag Warning for parts of the Bay Area due to dry and windy conditions that pose a risk of wildfires spreading quickly. The Red Flag Warning is in effect from Date and Time through Date and Time.

Due to current weather conditions, the City of Palo Alto Utilities is monitoring conditions to determine if a Public Safety Power Shutoff (PSPS) will be required to reduce the potential for wildfire in the Foothills. Our records show that you are in an area that may require a power shut off for safety precautions. We will do our best to inform you as conditions evolve and new information becomes available.

View Palo Alto PSPS updates at www.paloalto.gov/utilities *(insert link to specific news item if available).*

View the power outage map at www.paloalto.gov/outagemap

Read more about PSPS at www.paloalto.gov/psps

Additional Resources

Ensure we have your current mobile number to be notified of outages and updates through the City's Outage Management System. Log in to MyCPAU at www.paloalto.gov/mycpau or contact Utilities Customer Service at (650) 329-2161 to update your contact information.

Do not call 9-1-1 unless you are experiencing a life-threatening emergency. For non-emergency public safety issues, call (650) 329-2413.
Information for PG&E Customers

In response to the current forecast, PG&E is also monitoring conditions for their electric utility customers. There are a few Palo Alto residents in the Palo Alto area west of highway 280 served by PG&E who may be impacted by a shutoff from PG&E. These customers should contact PG&E for information on their Public Safety Power Shutoff plans. Visit https://pgealerts.alerts.pge.com/psps-updates/

Outage Preparations

You may want to consider the following steps to be prepared for a power outage:

- Utilize an emergency supply kit with enough water, food, medicine, batteries and flashlights to last several days.
- Consult with your medical professional regarding medical treatment, backup generators, or other power supplies for medical or other needs.
- Have your vehicle gas tank filled or electric battery charged and cash on hand (as electronic transaction devices and ATM machines may be without power).

3) ACD Recording on Customer Service Call Center Phone Line

The National Weather Service issued a Red Flag Warning for parts of the Bay Area due to dry and windy conditions from Date and Time through Date and Time. The City of Palo Alto Utilities is monitoring wind conditions to determine if a Public Safety Power Shutoff (PSPS) will be required to reduce the potential for wildfire in the Foothills area of Palo Alto. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff. Please do not call 9-1-1 if your power is out unless there is also a threat to life safety. View the power outage map at www.paloalto.gov/outagemap

4) Website

Potential Public Safety Power Shutoff (PSPS)

Red Flag Warning: Date

The National Weather Service (NWS) issued a Red Flag Warning for parts of the Bay Area due to dry and windy conditions that pose a risk of wildfires spreading quickly. The Red Flag Warning is in effect Date(s) and time.

Status: Monitoring Conditions
Due to current weather conditions, the City is monitoring winds to determine if a Public Safety Power Shutoff (PSPS) will be required to reduce wildfire potential. Electric lines most likely to be considered for a PSPS event are those in the Palo Alto Foothills west of Highway 280. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff.

Do not call 9-1-1 if your power is out unless there is a threat to life safety. View the power outage map at www.paloalto.gov/outagemap

This page will be updated as conditions evolve and new information becomes available.

Learn more about preparing for power outages at www.paloalto.gov/PSPS

Information for Palo Alto PG&E Customers
There are a few Palo Alto residents in the Palo Alto Foothill served by PG&E who may be impacted by a shutoff from PG&E. If you are a Palo Alto resident served by PG&E, visit their website for information on their Public Safety Power Shutoff plans.

Messaging – Third Tier *(PSPS initiated)*

1) OMS Text (SMS)

Public Safety Power Shutoff necessary. View power outage map at www.paloalto.gov/outagemap

2) OMS Voice Recording for incoming calls to UCC

Public Safety Power Shutoff for customers in the Foothills. Due to anticipated fire weather conditions, the City of Palo Alto Utilities shut off power to reduce the potential for a wildfire. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff. View the power outage map at www.paloalto.gov/outagemap

3) ACD Recording on Customer Service Call Center Phone Line

Due to Red Flag Warning conditions from the National Weather Service, the City of Palo Alto Utilities shut off electricity to customers in the Foothills to prevent the risk for a potential wildfire. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff. Do not call 9-1-1 if your power is out unless there is a threat to life safety. View the power outage map at www.paloalto.gov/outagemap

4) Outlook Email
    a. *(Use either Utilities Customer Service or Utilities Communications email address)*

Subject Line: Public Safety Power Shutoff (PSPS) for Palo Alto Utilities Customers in the Foothills

Due to anticipated fire weather conditions, the City of Palo Alto Utilities shut off power in the Foothills to reduce the potential for wildfire. Our records show that you are in this area and may be impacted by a power shutoff for safety precautions. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff.

The City will continue to monitor conditions and do our best to keep you informed as conditions evolve and new information becomes available.

View Palo Alto PSPS updates at www.paloalto.gov/utilities *(insert link to specific news item if available).*

View the power outage map at www.paloalto.gov/outagemap

Read more about PSPS at www.paloalto.gov/psps

The State's Office of Health & Human Services has set up a non-emergency hotline at 1 (833) 284-3473 to help those who are medically vulnerable.

Dial 9-1-1 in the event of a life-threatening emergency. For non-emergency public safety issues, call (650) 329-2413. For Public Safety Power Shutoff updates, call Utilities Customer Service at (650) 329-2161.

The City of Palo Alto also uses AlertSCC to communicate during emergency events such as natural disasters, crime bulletins, power outages, and more. You can sign up to receive Alert SCC notifications at https://emergencymanagement.sccgov.org/AlertSCC and follow our Emergency Preparedness page at www.paloalto.gov/preparedness

5) Website

Due to a Red Flag Warning from the National Weather Service, electricity has been shut off for customers in high fire threat areas in the Foothills to avoid potential risk of wildfire. We do not expect that the remainder of the City's businesses and residences will be impacted by a power shutoff.

View Palo Alto PSPS updates at www.paloalto.gov/utilities *(insert link to specific news item if available).*

View the power outage map at www.paloalto.gov/outagemap

Read more about PSPS at www.paloalto.gov/psps

At this time, we do not know when power will be restored. Restoration will begin as soon as possible after conditions clear. Prior to energizing power again, Utilities must patrol the lines during daylight hours for safety precautions. This may take multiple hours or days depending upon the conditions.

The State's Office of Health & Human Services has set up a non-emergency hotline at 1 (833) 284-3473 to help those who are medically vulnerable.

Dial 9-1-1 in the event of a life-threatening emergency. For non-emergency public safety issues, call (650) 329-2413. For Public Safety Power Shutoff updates, call Utilities Customer Service at (650) 329-2161.

6) Social media *(Upload image if possible and tag @cityofpaloalto and @paloaltopolice in social media posts)*

Power has been shut off for customers in the Foothills to prevent risk of wildfire. CPAU must patrol lines during daylight hours for safety before reenergizing. This could take hours to days, depending upon the conditions. View the power outage map at www.paloalto.gov/outagemap
or call 650-496-6914 for other electrical emergencies.

Messaging - Restoration

1) ACD Message, Email, and Website

The City of Palo Alto Utilities has restored power to customers in the Foothills following a Public Safety

Power Shutoff to prevent the risk of wildfire. If your power was shut off during this period and you still do not have power, please contact us at (650) 496-6914 to report a continuing outage.

2) Social Media (only if deemed necessary by the Utilities Director and Utilities Communications Manager)

POWER OUTAGE UPDATE: CPAU restored power to the Foothills as the Red Flag Warning has been lifted. Call 650-496-6914 to report a continuing outage and/or power issue. Thank you for your patience as we work to ensure the safety of all in our community. www.paloalto.gov/utilities

Appendix D: Plan Revision Log of Key Changes

Plan Revision Log of Key Changes		
Date	**Plan Section/Location**	**Description**
6/4/25	Section III Roles and Responsibilities - Sections A. City of Palo Alto Utilities Department C. Deenergization-related communication (including revised Appendix C) Section IV Monitoring the Plan C. Applying previous Plan metrics to this Plan Appendix A – Wildfire Mitigation Activities Added Appendix D – Plan Revision Log of Key Changes	Annual Update, Plan will be dated June 4, 2024 upon UAC adoption. • Updated organizational chart to reflect current structure. • Updated outage metric since 2020 from ten (10) to twelve (12). • Revised Appendix A using a hybrid format based on the recommended WSAB template to summarize mitigation activities such as project progress. • Added Appendix D: Plan Revision Log of Key Changes to formally track Plan changes, included high level of past updates/changes. • Updated sections related to deenergization to align with the latest PSPS communication protocols. • General editorial improvements for clarity and consistency and including listing out Appendices and Table of Figures.
6/3/24	Figure 1 – CPUC High Fire-Threat District (HFTD) Map Appendix A – Wildfire Mitigation Activities	Annual Update, Plan is dated June 2024, (Staff Report ID 2404-2905[11]). • Updated Appendix A, minor changes were made to reflect current status of wildfire mitigation activities and project status. • Initiated a review and update of the Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff (PSPS) to enhance community readiness. This included incorporating Outage Management System (OMS) features to support outbound communications during potential PSPS events. • General editorial improvements for clarity and consistency.
6/7/23	Entire Plan – Comprehensive Review	• Annual Update, Plan dated 6/7/2023 (Staff Report ID 2301-0900[12]). • Comprehensive revision of the Plan was completed to determine its efficacy, legal compliance, and provide suggestions for improvement. The comprehensive review was completed by an Independent Evaluator (IE) Dudek. • The Plan was revised to incorporate recommended improvements.

[11] Staff Report ID 2404-2905 https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=15094
[12] Staff Report ID 2301-0900 https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=11331

Date	Plan Section/Location	Description
6/8/22	Overall Plan Context Table Cross Reference Table Appendix G - Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff (PSPS) Appendix E- Status of Proposed Activities to Reduce Risk of Wildfire	Annual update, Plan is dated 6/8/22 (Staff Report ID 14175[13]). • Submitted redlined Plan document as part of the WSAB's request and; ○ Updated Plan placement on the Utilities website for easier navigation. ○ Included the WSAB's Context Table. ○ Included Dates of past years' public presentations. ○ Added more context to community outreach efforts during a fire ○ Added Appendix G Utilities Wildfire Mitigation Response and Communications Procedure for Public Safety Power Shutoff (PSPS). ○ Updates made to the status of reported projects, including: the installation of a weather station, progress on undergrounding lines, assessments for emergency back-up generators, etc. (Appendix E). ○ General wordsmithing for clarity.
4/27/21	Appendix F – Status of Proposed Activities to Reduce Risk of Wildfire or Improve Response	Annual update, Plan is dated 4/27/2021 (Staff Report ID 12190[14]). • The primary revision focused on updating the status of proposed wildfire mitigation activities detailed in Appendix F.
12/16/19	New Plan	Original WMP was adopted by Council on January 21, 2020, the Plan is dated December 16, 2019 (Staff Report ID 10670[15]).

[13] Staff Report ID 14175 https://www.cityofpaloalto.org/files/assets/public/v/2/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2022/06-08-2022/06-08-2022-id-14175-item-3-wildfire.pdf

[14] Staff Report ID 12190 https://www.cityofpaloalto.org/files/assets/public/v/2/utilities/id-12190-item-2.pdf

[15] Staff Report ID 10670 https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020/id-10670-mini-packet-01212020.pdf?t=53268.17%20

Utilities Advisory Commission
Staff Report

From: Alan Kurotori, Director of Utilities
Lead Department: Utilities

Meeting Date: June 4, 2025
Report #: 2504-4525

TITLE
Resolutions Amending the Amended and Restated Water Supply Agreement Between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County and Approving the Updated Tier 2 Drought Response Implementation Plan; CEQA Status: Not a Project

RECOMMENDATION
Staff recommends the Utilities Advisory Commission recommend City Council approval of two resolutions (1) amending the Amended and Restated Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (Attachment A) and (2) approving the updated the Tier 2 Drought Response Implementation Plan (Attachment B).

EXECUTIVE SUMMARY
Staff recommends the Utilities Advisory Commission (UAC) recommend City Council (Council) approve two Resolutions:

1. Amending the Amended and Restated Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (WSA)(Attachment A). This amendment addresses 3 key areas:
    a. Minimum Purchase Requirements: Modifies Minimum Purchase requirements to align with evolving water supply conditions.
    b. Tier 1 Water Shortage Allocation Plan (Tier 1 Plan): Establishes a new method for considering collective Wholesale Customer San Francisco Public Utility Commission (SFPUC) purchases when determining how excess use charges will be applied.
    c. Updates: Revisions to address discrete issues that arose over the course of implementing the WSA.

2. Approving an updated Tier 2 Drought Response Implementation Plan (Tier 2 Plan) (Attachment B). The Tier 2 Plan provides the method for allocating water from the San Francisco Regional Water System (RWS) among the Wholesale Customers during periods of shortage caused by drought.

The proposed amendments to the Water Supply Agreement (WSA) include changes to minimum purchase requirements, drought response plans, and administrative updates, with limited financial and operational impacts on the City of Palo Alto. Overall, the amendments are minor in cost and operational impact, with some potential benefits to Palo Alto in drought scenarios.

- **Minimum Purchase Quantities (MPQs):** Adjustments to MPQs for four wholesale customers will result in a modest increase in water rates—estimated at $0.007 to $0.04 per ccf (0.13%–0.72%)—shared across all wholesale and SFPUC retail customers. This change addresses excess costs currently borne by some agencies, notably Mountain View.
- **Tier 1 Water Shortage Allocation Plan:** The updated Tier 1 plan poses no risk to Palo Alto and may provide benefits. If Palo Alto exceeds its drought allocation but overall wholesale usage remains below limits, it will avoid excess use fees.
- **General WSA Updates:** Administrative in nature, these changes have no financial or resource impact.

While the revised Tier 2 plan slightly increases water cutbacks for Palo Alto during droughts (e.g., from 16% to 18% for a 20% system-wide reduction), it aligns with the City's existing Water Shortage Contingency Plan and will not alter customer restrictions.

Resolution Amending the Amended WSA

The proposed amendments to the WSA aim to adjust the minimum purchase requirements and improve the Tier 1 Water Shortage Allocation Plan for the Wholesale Customers of the RWS, in response to evolving water use patterns and regional needs.

The amendments revise the existing Minimum Purchase Quantities (MPQs) for the four Original Minimum Purchase Customers (Alameda County Water District, and the Cities of Milpitas, Mountain View, and Sunnyvale). The MPQs, initially based on 1980s water usage, will now be recalculated to 80% of each customer's average water use over the past four non-drought years. Additionally, a 10-year review cycle will be established for ongoing adjustments. To further account for fluctuations during drought periods, a temporary, one-year reduction in MPQs will be applied during drought rebound years, based on the demand reduction observed. Furthermore, collective water purchases from these customers will be considered together when determining whether individual customers meet their MPRs, helping to avoid penalties for minor shortfalls when the collective group meets its overall commitment.

The Tier 1 Water Shortage Allocation Plan has been updated to include a new "Tier 1 Family Plan." This ensures that during water shortages, if the Wholesale Customers collectively use

less than the allocation, no Wholesale Customer will be penalized. If the Wholesale Customers, collectively, use more than the allocation, excess use charges will be applied proportionally to those agencies exceeding their individual allocations, as is the case now.

Various sections of the WSA have been revised to reflect current cross-references, dates, and corrections for clarity and accuracy. All amendments are shown in redline in Attachment C and in a clean format in Attachment D.

Resolution Approving Updated the Tier 2 Drought Response Implementation Plan
The updated Tier 2 Plan refines how water from the RWS is allocated among Wholesale Customers during droughts, maintaining key features of the existing plan while introducing important updates to improve equity, resilience, and flexibility.

The updated plan is grounded in four core guiding principles:

1. Ensure basic health and safety water needs are met;
2. Minimize economic and social impacts of shortages;
3. Provide predictable and flexible allocation rules and
4. Encourage water use efficiency and alternative supply development.

The new Tier 2 formula uses a structured, sequential approach to distribute available water taking into account minimum and maximum cutback percentages, residential indoor use, non-residential indoor use, and seasonal demand. Any remaining water is allocated to move each customer toward a “Target Allocation” that reflects both historical use and their Individual Supply Guarantee (ISG), while staying within the cutback bounds.

BACKGROUND

Water Supply Agreement History

In June 2009, the City of Palo Alto entered into a Water Supply Agreement with the City and County of San Francisco (San Francisco) and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County (2009 WSA). The 2009 WSA establishes the terms by which the twenty-six Wholesale Customers purchase water from the RWS, including how water is allocated between SFPUC’s retail customers and the Wholesale Customers (Tier 1 Plan). The 2009 WSA builds upon the 1984 "Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and Certain Suburban Purchasers in San Mateo County, Santa Clara County and Alameda County."

In September 2017, the Bay Area Water Supply and Conservation Agency (BAWSCA) and the Water Management Representatives (WMR) of the BAWSCA member agencies began reviewing the issue of minimum purchase requirements, as described in Section 3.07.C of the WSA, and discussing the creation of a process to transfer minimum annual purchase quantities among the Wholesale Customers. Section 3.07 of the WSA provides that four Wholesale Customers (Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale, collectively, the “Original Minimum Purchase Customers”) may purchase water from sources other than from San Francisco, but they are each obligated to purchase a specific minimum

annual quantity of water from the San Francisco, referred to as a “Minimum Purchase Requirement." Throughout 2017 and 2018, the WMR held multiple meetings during which the agencies currently subject to Minimum Purchase Requirements (Original Minimum Purchase Customers) and the other Wholesale Customers shared their interests and concerns regarding changes to the Minimum Purchase Requirements and allowing transfers of minimum annual purchase quantities.

In 2019, the City of Palo Alto approved the 2018 Amended and Restated WSA (2018 WSA), at which time the Wholesale Customers expressed a collective interest in working together to develop a process for the expedited and permanent transfer of minimum annual purchase quantities. The Wholesale Customers directed BAWSCA to facilitate negotiation of a new WSA amendment to provide a procedure for expedited and permanent transfers of minimum annual purchase quantities in a manner that safeguards the financial and water supply interests of Wholesale Customers not participating in such transfers. This amendment was memorialized in the 2021 Amended and Restated WSA (2021 WSA).

Tier 2 Plan History and Negotiations and Development of Minimum Purchase Quantity Reset Proposal

The WSA authorizes the Wholesale Customers to adopt a methodology for allocating the water collectively available from the RWS among the twenty-six Wholesale Customers during system-wide shortages caused by drought (the Tier 2 Plan). San Francisco is not a party to the Tier 2 Plan. The existing Tier 2 Plan was adopted in 2011 and was originally set to expire in 2018. In 2018, the California State Legislature passed two bills to implement a long-term framework for water use efficiency, commonly referred to as, “Making Water Conservation a California Way of Life.” These bills were anticipated to impact urban water use, and the extent of those impacts to the Wholesale Customers was unknown at the time. As such, the WMR instructed BAWSCA to hold off on initiating an update to the existing Tier 2 Plan. In 2018, and every year since, the BAWSCA Board of Directors (BAWSCA Board) has extended the term of the exiting Tier 2 Plan by one year. In 2024, the BAWSCA Board extended the term of the existing Tier 2 Plan through the end of 2025 and specified that the existing Tier 2 Plan will be superseded by an updated Tier 2 Plan once unanimously adopted by the twenty-six Wholesale Customers.

Since the existing Tier 2 Plan was adopted in 2011, conditions impacting water use have changed (e.g., water supply sources, water use trends, land use, and customer base). During the 2021 to 2023 drought, the Tier 1 and Tier 2 Plans were implemented for the first time. At that time, it became clear that the existing Tier 2 Plan no longer operated as originally intended and that an update was necessary.

In January 2021, BAWSCA began facilitating an update to the Tier 2 Plan, the method for allocating water from the RWS among the Wholesale Customers during shortages caused by drought. The Tier 2 Plan is an agreement among the twenty-six Wholesale Customers, and must be unanimously adopted by them. Each Wholesale Customer appointed a lead negotiator to represent the interests of its agency in the negotiations. Between January 2022 and June 2024, BAWSCA and the lead negotiators, supported by a consulting firm providing technical and

modeling expertise, met at least 62 times, most often for half-day, in-person meetings and smaller virtual sub-group sessions, to negotiate the terms of the updated Tier 2 Plan.

In November 2021, San Francisco declared a water shortage emergency in response to the Governor's executive action declaring a drought state of emergency across most of California. This action triggered implementation of the Tier 1 and Tier 2 Plans by BAWSCA and San Francisco for the first time.

Throughout the two and a half years of Tier 2 Plan negotiations, the Wholesale Customers gained insight into unique characteristics of each agency and specific challenges related to water supplies and droughts. During these discussions, Wholesale Customers subject to the Minimum Purchase requirements (Minimum Purchase Customers) articulated the unique challenges that the Minimum Purchase Requirements present.

In June 2023, following several years of discussions regarding the Minimum Purchase Requirements, the SFPUC proposed amending the 2021 WSA to reset the existing minimum annual purchase quantities to align with current water consumption trends, while protecting investment in the RWS. For the remainder of 2023, the SFPUC, the Original Minimum Purchase Customers, and BAWSCA held multiple meetings to identify amendments that would address challenges related to the Minimum Purchase Requirements. Once the SFPUC and the Original Minimum Purchase Customers finalized their recommended amendments to the Minimum Purchase Requirements, the Original Minimum Purchase Customers presented the proposals to the broader Wholesale Customers' group to secure their support. Negotiations among the Wholesale Customers were concluded in Fall 2024.

In June 2024, the lead negotiators concluded negotiations on the updated Tier 2 Plan. The agency representatives collectively agreed that they were ready to recommend the Tier 2 Plan to their governing boards for adoption.
The Tier 1 and Tier 2 Plans are illustrated in the figure below.

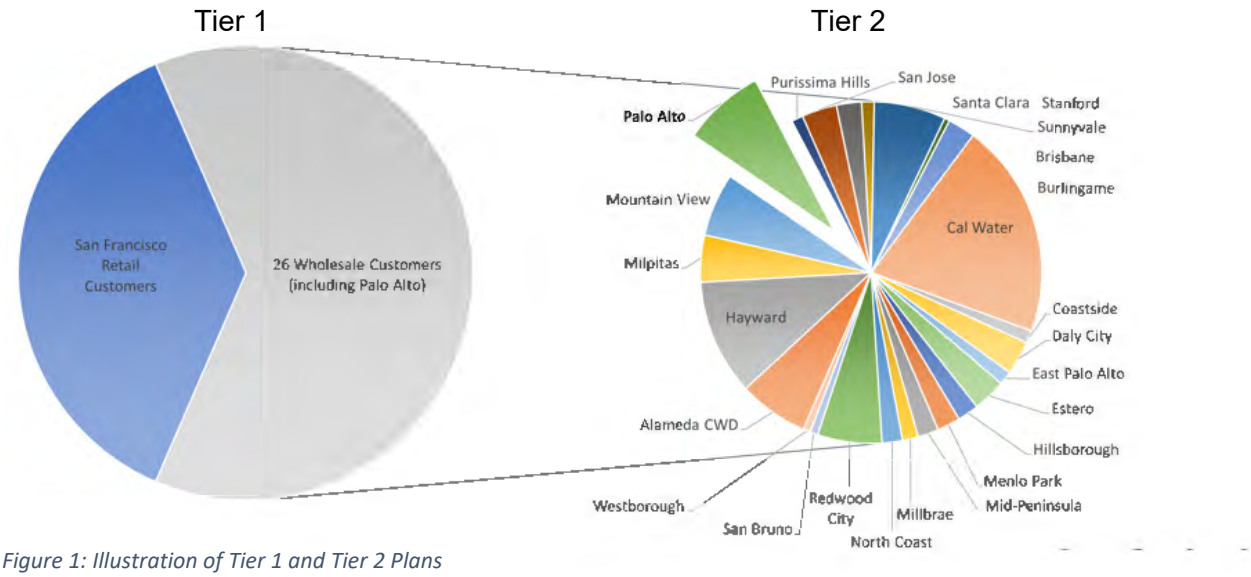


Figure 1: Illustration of Tier 1 and Tier 2 Plans

ANALYSIS

Amendments to the Water Supply Agreement

Minimum Purchase Requirements

If a Minimum Purchase Customer does not meet its Minimum Purchase Requirement in a particular fiscal year, it must pay San Francisco for the difference between its metered water purchases during the fiscal year and its minimum annual purchase quantity set forth in Attachment E of the 2021 WSA.

It is assumed that the Minimum Purchase Requirements were originally designed to prevent four specific multi-source agencies from shifting from the RWS to other imported water sources. However, changed conditions, including recurring droughts, improved water use efficiency, and investments in local supplies have reduced demand on the RWS. Despite these improvements, the RWS remains vulnerable to severe droughts, prompting the SFPUC to invest in alternative water supplies. The Minimum Purchase Customers are well-positioned to develop their own local, drought-resilient supplies, which would reduce the regional dry-year supply gap, improving reliability of the RWS for all users. These amendments may reduce a perceived existing disincentive to improve efficiency and develop alternative supplies.

1.1. Reduction of Minimum Annual Purchase Quantities (MPQ)

MPQs set in the 1984 Settlement Agreement and Master Water Sales Contract (1984 Contract) were calculated based on 80% of each of the four Original Minimum Purchase Customer's purchases from the RWS in the 1980s. The MPQs were later reduced by 5% as part of the 2009 WSA. Upon adoption of this amendment, the minimum annual purchase quantities of the Original Minimum Purchase Customers will be reset to 80% of each of the Minimum Purchase Customer's average purchases from the most recent four non-drought years and the amendment will establish a continuing, periodic review of the minimum annual purchase quantities on a 10-year schedule.

1.2. Rebound Year Minimum Annual Purchase Quantity

Existing Section 3.07.C of the 2021 WSA provides that Minimum Purchase Requirements will be waived during drought, other period of water shortage on the RWS, or if the Governor declares a state of emergency that impacts water supply use or deliveries from the RWS. Minimum Purchase Requirements are reinstated in the first year immediately following a drought. However, water use does not rebound to pre-drought levels for several years, depending on the level of conservation achieved.

The amendment provides a temporary, one-year reduction in the minimum annual purchase quantities equal to half of the demand reduction from pre-drought levels to allow for drought rebound. For example, if a Minimum Purchase Customer's pre-drought use and minimum annual purchase quantity are 10 million gallons per day

(MGD) and drought RWS purchases are 8 MGD, the Rebound Year minimum annual purchase quantity will be set at 9 MGD.

1.3. Collective Minimum Annual Purchase Quantities Considered Before Application of Imputed Sales

Existing Section 3.07 of the 2021 WSA provides that if a Minimum Purchase Customer does not meet its Minimum Purchase Requirement in a particular fiscal year, it must pay the SFPUC for the difference between its metered water purchases during the fiscal year and its minimum annual purchase quantity. This amendment provides that the collective purchases from Original Minimum Purchase Customers will be considered together before an individual Original Minimum Purchase Customer is required to pay the difference between its metered water purchases and its Minimum Purchase Requirement. If collective purchases are less than the sum of minimum annual purchase quantities, payments to the SFPUC for an Original Minimum Purchase Customer(s) who did not meet its Minimum Purchase Requirement will not be required. If collective purchases are more than the sum of minimum annual purchase quantities, payments to the SFPUC for an Original Minimum Purchase Customer(s) who did not meet its Minimum Purchase Requirement will be proportionate to its share of total under usage.

Tier 1 Water Shortage Allocation Plan

The Tier 1 Water Shortage Allocation Plan ("Tier 1 Plan" included as Attachment H of the WSA) is the method and process for allocating water from the RWS between San Francisco retail customers and the Wholesale Customers collectively during system-wide shortages caused by drought of 20% or less. Section 3.11.C.3 of the WSA provides that the SFPUC will honor allocations of water among the Wholesale Customers ("Tier 2 Allocations") provided by BAWSCA or if unanimously agreed to by all Wholesale Customers.

The Tier 1 and Tier 2 Plans were implemented for the first time during the 2021 to 2023 drought. During the 2014 to 2017 drought, the Tier 1 and Tier 2 Plans were superseded by state-wide mandates from the Governor. During Tier 2 Plan negotiations, BAWSCA, the SFPUC, and the Wholesale Customers agreed to update the Tier 1 Plan to add a new "Tier 1 Family Plan."

When the SFPUC declares a shortage emergency, it determines whether voluntary or mandatory rationing is required. At the end of the 12-month drought period, each Wholesale Customer's purchases from the RWS are compared to their annual drought allocation. Excess use charges are only applied during mandatory rationing periods.

The new Tier 1 Family Plan ensures that excess use charges are only applied when the collective Wholesale Customer usage exceeds the Tier 1 allocation. If this occurs, excess use charges will be proportionally applied to agencies that exceeded their individual Tier 2 Allocations. For example, if the twenty-six Wholesale Customers collectively exceed the Tier 1 allocation by 2

MGD, and only two agencies exceed their Tier 2 Allocations by 3 MGD each, then these two agencies will share the excess use charges proportionally.

General Updates to the WSA

Sections 2.03, 3.09, 9.07, and Attachment A, Definitions of "Imputed Sales" and "Level of Service Goals and Objectives" have been updated with current cross references, dates and corrections.

Updated Tier 2 Drought Response Implementation Plan

The updated Tier 2 Plan maintains many of the key elements of the existing Tier 2 Plan, such as a rolling base period that captures service area growth over time and inclusion of Individual Supply Guarantee (ISG), but it also provides necessary updates to ensure a minimum supply of RWS water for base/indoor use for the portion of each service area where RWS is delivered.

Tier 2 Plan Update Process

Between January 2022 and June 2024, BAWSCA facilitated negotiations between the Wholesale Customers through a series of meetings, workshops, and workgroups to update the Tier 2 Plan. The Wholesale Customers began by reviewing the prior Plan and other shortage allocation plans throughout the state, then discussed and agreed upon policy principles for a revised Tier 2 Plan. BAWSCA, with support from a technical consultant team, introduced potential elements of a formula to align with the agreed upon policy principles. In monthly workshops, the Wholesale Customers discussed these options and provided feedback on which elements should be included, along with suggested refinements. These workshops, and the discussions, suggestions, and comments expressed by the Wholesale Customers during this process, provided the primary forum through which the updated Tier 2 Plan was developed.

Tier 2 Plan Policy Principles

The Wholesale Customers collectively developed four policy principles to guide the development and performance of the updated Tier 2 Plan. These policy principles are outlined below.

- **Policy Principle #1** - Provide sufficient water for the basic health and safety needs of customers.
- **Policy Principle #2** - Minimize economic and other adverse impacts of water shortages on customers and the BAWSCA region.
- **Policy Principle #3** - Provide predictability of drought allocations through consistent and predetermined rules for calculation, while allowing for flexibility to respond to unforeseen circumstances.
- **Policy Principle #4** - Recognize benefits of, and avoid disincentives for, water use efficiency and development of alternative water supply projects.

Tier 2 Plan Allocation Formula

The updated Tier 2 Plan establishes a sequential allocation formula to determine how the available water from the RWS will be allocated among the individual Wholesale Customers. The allocation formula can generally be described as follows:

- The Minimum and Maximum Cutback establish the upper and lower bounds for each Wholesale Customer's final allocation. The Minimum Cutback is equal to 1/3 of the Overall Average Wholesale Customer Reduction, but no less than 5%. The Maximum Cutback is equal to 1.5 times the Overall Average Wholesale Customer Reduction.

- Each Wholesale Customer is allocated water on a residential per capita basis based on the State Indoor Water Use Efficiency Standard[1] and the portion of each Wholesale Customer's water demand met by the RWS.

- Each Wholesale Customer is allocated water based on its estimated non-residential indoor use by applying a cutback factor equal to half of the Overall Average Wholesale Customer Reduction to each Wholesale Customer's estimated non-residential indoor demand, also known as Base Period purchase, from the RWS.

- Each Wholesale Customer is allocated water based on its estimated seasonal purchases from the RWS.

- Remaining water is allocated to bring each Wholesale Customer's final allocation as close to its "Target Allocation" as possible, while ensuring that each Wholesale Customer's final allocation is between the Minimum and Maximum Cutback bounds. The Target Allocation is based on a weighted share of (1) the Wholesale Customer's Base Period purchases from the RWS and (2) its ISG.

Tier 2 Plan Term

The term of the updated Tier 2 Plan is coordinated with the term of the WSA to avoid simultaneous renegotiation of these related agreements.

FISCAL/RESOURCE IMPACT

Amendments to the Water Supply Agreement

Minimum Purchase Requirements

The amendments to the WSA regarding the MPQs will have a small impact on the cost of water for all Wholesale Customers and SFPUC's retail customers. Some of the four MPQ agencies are currently paying for water they are unable to use due to decreased demands and investments

[1] SB 1157 (Hertzberg), signed into law in September 2022, established the standard for efficient indoor residential water use be 47 gallons per capita per day, lowering to 42 GPCD in 2030.

in alternative supplies. This is particularly true for Palo Alto's neighbor, Mountain View, which has paid more than $11 million in penalties over the past several years.

Because the RWS revenue requirement must be recovered through water rates, reducing the MPRs for the four customers is estimated to cost all Wholesale Customers and SFPUC's retail customers an additional $0.007-$0.04 per ccf (hundred cubic feet). This is approximately a 0.13%-0.72% water rate increase.

Tier 1 Water Shortage Allocation Plan

The amendments to the WSA regarding the Tier 1 Plan modification will have no adverse impact on Palo Alto. However, the amendments do have potential benefits. If Palo Alto were to exceed its water allocation during a drought, but the Wholesale Customers collectively use less than the total wholesale allocation, Palo Alto will not be charged excess use fees.

General Updates to the WSA

These amendments are administrative and have no fiscal or resource impact.

Updated Tier 2 Drought Response Implementation Plan

The negotiated Tier 2 Plan does not result in a fiscal or resource impact but does yield slightly higher water cutbacks for Palo Alto during droughts. This is mainly due to the large amount of outdoor water use in the City which is of relatively lower importance in times of shortage compared to indoor uses.

During times of water shortages, Palo Alto implements a Water Shortage Contingency Plan which lays out increasingly strict water use restrictions depending on the "stage" of shortage. The differences between the current Tier 1 Plan and the new negotiated Tier 2 Plan are small enough such that the actions Palo Alto customers will be asked to take will not change.

For example, for a 20% Wholesale Customer cutback, the current Tier 1 Plan results in a 16% cutback for Palo Alto whereas the new Tier 2 Plan results in an 18% cutback for Palo Alto. Stage 2 of Palo Alto's Water Shortage Contingency Plan covers cutbacks from 11%-20% and institutes water use restrictions such as the application of potable driveways and sidewalks.

STAKEHOLDER ENGAGEMENT

The San Francisco Public Utilities Commission voted unanimously to approved the WSA amendments at its May 13, 2025 Commission meeting.

Subsequent to the discussion with the UAC, these resolutions will be presented to the Finance Committee followed by the full City Council for recommended approval.

ENVIRONMENTAL REVIEW

Approval of two resolutions (1) amending the Amended and Restated Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County and (2) approving the updated the Tier 2 Drought

Response Implementation Plan is not a "project" for the purposes of CEQA as it involves an administrative activity that does not result in a direct change to the environment (see 14 CCR Section 15378(b)(5)), and would not result in a direct or reasonably foreseeable indirect physical change in the environment (see 14 CCR Section 15060(c)(2)).

ALTERNATIVE ACTIONS

The three components addressed in the two proposed resolutions are the result of several years of negotiations and cannot be disentangled from one another.

Amendments to the WSA must be and were approved by the SFPUC on May 13, 2025. All 26 BAWSCA agencies must also approve the amendments to enact these changes.

The negotiated Tier 2 Plan must be approved by all 26 BAWSCA agencies. If Palo Alto or any other Wholesale Customer fails to approve the Tier 2 Plan, the BAWSCA Board of Directors may determine a new methodology. If the BAWSCA Board takes no action or cannot come to an agreement, the SFPUC will determine a Tier 2 formula and decide how water will be allocated among the Wholesale Customers in a water supply shortage.

ATTACHMENTS

Attachment A: Resolution Amending the Amended and Restated Water Supply Agreement
Attachment B: Resolution Approving the Updated Tier 2 Drought Allocation Implementation Plan
Attachment C: Redlines of the Water Supply Agreement Amendments
Attachment D: Attachment D: CLEAN Water Supply Agreement Amendments
Attachment E: Presentation

AUTHOR/TITLE:

Alan Kurotori, Director of Utilities
Staff: Karla Dailey, Assistant Director of Utilities, Resource Management Division

NOT YET APPROVED

RESOLUTION NO. _____

Resolution of the Council of the City of Palo Alto Approving an Amendment to the Amended and Restated Water Supply Agreement Between the City and County Of San Francisco And Wholesale Customers in Alameda County, San Mateo County, And Santa Clara County

R E C I T A L S

A. Water supply agencies in Alameda, San Mateo, and Santa Clara Counties have purchased water from the City and County of San Francisco (San Francisco) for many years; and

B. The San Francisco Public Utilities Commission (SFPUC) operates the Regional Water System, which delivers water to communities in Alameda, San Mateo, and Santa Clara Counties, as well as to customers within San Francisco (collectively, "the Parties"); and

C. The Parties entered into the "Settlement Agreement and Master Water Sales Contract between the City and County of San Francisco and Certain Suburban Purchasers in San Mateo County, Santa Clara County and Alameda County" in 1984 (1984 Settlement Agreement and Master Water Sales Contract); and

D. In April 2003, water supply agencies in Alameda, San Mateo and Santa Clara Counties (collectively referred to as the Wholesale Customers) established the Bay Area Water Supply and Conservation Agency (BAWSCA), as authorized by Water Code Sections 81300 *et seq*.; and

E. Upon expiration of the 1984 Settlement Agreement and Master Water Sales Contract, the Parties entered into the "Water Supply Agreement between San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County" (Water Supply Agreement or WSA) on July 1, 2009, authorized by SFPUC Resolution No. 09-0069, dated April 28, 2009; and

F. In 2017, the Wholesale Customers directed BAWSCA to act as its authorized representative in discussions and negotiations with San Francisco to amend the Water Supply

Agreement to address a number of substantive issues and these negotiations resulted in the Parties' adoption of the Amended and Restated Water Supply Agreement in 2018 authorized by SFPUC Resolution No. 18-0212, dated December 11, 2018; and

G. On March 4, 2019 this Council, by Resolution No. 9821 approved the Amended and Restated Water Supply Agreement (2018 WSA); and

H. Pursuant to WSA Section 3.07, four Wholesale Customers (Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale, collectively, the "Original Minimum Purchase Customers") may purchase water from sources other than the SFPUC, but they are each obligated to purchase a specific minimum annual quantity of water from the SFPUC, referred to as a "Minimum Purchase Requirement;" and

I. Historically, if a Minimum Purchase Customer does not meet its Minimum Purchase Requirement in a particular fiscal year, it must pay the SFPUC for the difference between its metered water purchases during the fiscal year and its minimum annual purchase quantity set forth in WSA Attachment E; and

J. Some Original Minimum Purchase Customers pay the SFPUC for water that is not delivered due to either insufficient potable demand within their service area or conservation efforts during drought rationing; and

K. As part of the 2018 negotiations, the Wholesale Customers and the SFPUC resolved to work promptly to identify a resolution to this as part of a future contract amendment; and

L. In 2019, the Wholesale Customers directed BAWSCA to draft a proposed amendment to the 2018 WSA to provide a procedure for expedited and permanent transfers of minimum annual purchase quantities that safeguards the financial and water supply interests of Wholesale Customers not participating in such transfers and these negotiations resulted in the Parties' adoption of the Amended and Restated Water Supply Agreement in 2021, authorized by SFPUC Resolution No. 21-009, dated January 26, 2021; and

M. On April 4, 2022 this Council by Resolution No. 10024 approved the Amended and Restated Water Supply Agreement (2021 WSA); and

N. The 2021 WSA provided a significant, but incomplete solution to address the Original Minimum Purchase Customer's concerns with the minimum purchase quantities through a transfer process; and

O. 2021 WSA Section 3.11.C. provides that the SFPUC may reduce the amount of water available to the Wholesale Customers in response to a drought; and

P. 2021 WSA Section 3.11.C. provides that the Tier 1 Shortage Plan (Attachment H to the WSA) will be used, during system-wide shortages of 20% or less, to allocate water from the Regional Water System between Retail and Wholesale Customers; and

Q. 2021 WSA Section 3.11.C. further provides that the SFPUC will honor allocations of water among the Wholesale Customers (Tier 2 Allocations) unanimously agreed to by all Wholesale Customers or provided by BAWSCA; and

R. In 2021, the SFPUC and BAWSCA implemented the Tier 1 and Tier 2 Plans for the first time; and

S. Throughout 2022 and 2024, the Wholesale Customers convened at least once per month, most often for half-day in-person workshops, to negotiate an update to the method for sharing water made available from the SFPUC during shortages caused by drought (Tier 2 Plan); and

T. Each Wholesale Customer appointed a lead negotiator to represent the interests of its agency in the negotiations; and

U. During the Tier 2 Plan negotiations, the Original Minimum Purchase Customers renewed discussions among the Wholesale Customers to identify a comprehensive and final solution to concerns about the minimum purchase quantities; and

V. During the Tier 2 Plan negotiations, the Wholesale Customers identified, and the SFPUC agreed to, changes to the Tier 1 Plan that would facilitate agreement on the updated Tier 2 Plan; and

W. In June 2023, following several years of discussions regarding the Minimum Purchase Requirements, the SFPUC proposed amending the 2021 WSA to reset the existing minimum annual purchase quantities to align with current water consumption trends, while protecting investment in the RWS; and

X. In 2024, the SFPUC, the Original Minimum Purchase Customers, and BAWSCA held multiple meetings to identify amendments that would address challenges related to the Minimum Purchase Requirements; and

Y. Once the SFPUC and the Original Minimum Purchase Customers discussed amendments to the Minimum Purchase Requirements, the Original Minimum Purchase Customers presented proposals to the broader Wholesale Customer group to secure their support; and

Z. In 2024, the Wholesale Customers came to a final agreement on a package that includes an updated Tier 2 Plan, amendments to the minimum purchase quantity requirements, and amendments to the Tier 1 Plan; and

AA. With its Alternative Water Supply Program, the SFPUC is in the early stages of planning for projects to support the Wholesale and Retail Customers' ability to respond to climate change and address future water supply challenges and vulnerabilities, such as regulatory changes, earthquakes, disasters, emergencies, and increases in population and employment; and

BB. The Original Minimum Purchase Customers are particularly well-suited to develop local, drought resilient supplies, which improve the reliability of the San Francisco Regional Water System (RWS) for all users; and

CC. Under 2021 WSA Section 3.06.D, the Parties agree that they will diligently apply their best efforts to use both surface water and groundwater sources located within their respective service areas and available recycled water to the maximum feasible extent, taking into account the environmental impacts, the public health effects, and the effects on supply reliability of such use, as well as the cost of developing such sources; and

DD. Each Wholesale Customer recognizes the importance of local water supplies in improving regional water supply reliability and commits to develop and use available local water supplies within their service areas, consistent with Section 3.06.D of the WSA; and

EE. The City of Mountain View approved a Recycled Water Feasibility Study Update Draft Report on March 22, 2022 with seven staff recommendations, including: (1) working with the City of Palo Alto and the Santa Clara Valley Water District on the first phase of an advanced water purification system to improve recycled water quality, (2) planning and siting a recycled water storage reservoir in the City of Mountain View's North Bayshore Area to improve system performance and reliability, and (3) building-out the recycled water distribution system to serve all of North Bayshore and a portion of NASA Ames; and

FF. The City of Sunnyvale approved an updated Recycled Water Master Plan on September 24, 2024 and directed staff to look into expanding the recycled water system, which currently includes 22 miles of recycled water pipelines, two recycled water pump stations, and a recycled water storage tank with a 2.5-million-gallon capacity; and

GG. The City of Milpitas continues to promote the use of recycled water to existing and new customers along the recycled water pipeline within the city, and has committed to developing local groundwater supplies to help meet projected long term water demand; and

HH. Since 1995, the Alameda County Water District has invested over $300 million in water supply reliability initiatives to enhance local water supplies and reduce its dependence on imported supplies, including water conservation, conjunctive use groundwater management, brackish groundwater desalination, and groundwater banking; and

II. As of January 2025, the SFPUC has budgeted $298.3 million over the next ten years to fund water supply projects; and

JJ. The Parties now desire to approve an amendment to the 2021 WSA to reduce the minimum annual purchase quantities to 80% of average purchases from the most recent four (4) non-drought years and establish a continuing, periodic review of the minimum annual purchase quantities on a 10-year schedule; and

KK. The amendment will also establish a Rebound Year minimum annual purchase quantity calculation for the first year following a waiver of the Minimum Purchase Requirements; and

LL. The amendment further provides that Imputed Sales will not apply to an Original Minimum Purchase Customer that does not meet its individual Minimum Purchase Requirements if the collective SFPUC purchases from all Original Minimum Purchase Customers are equal to or greater than the total collective minimum annual purchase quantity; and

MM. The Parties also desire to adopt an amendment to the Tier 1 Plan to provide that excess use charges will not apply to Wholesale Customers that exceed their individual annual shortage allocation if the Wholesale Customers' collective SFPUC purchases are less than the total Tier 1 allocation; and

NN. The amendment further provides that if the collective Wholesale Customers' SFPUC purchases exceed total Tier 1 allocation, excess use charges will be applied to each Wholesale Customer that exceeded its individual annual allocation, proportional to the collective Wholesale Customer's overuse of the total Tier 1 allocation; and

OO. The Parties also desire to adopt an amendment to the 2021 WSA to include the following substantive modifications:

a) update references in Section 2.03.C regarding BAWSCA's authority to amend attachments;

b) extend the timing of the completion of the WSIP to reflect the currently adopted program completion date (Section 3.09);

c) correct a reference to a SFPUC resolution number in Section 9.07;

d) update “Imputed Sales” definition in Attachment A to reference Attachment E;

e) update “Level of Service Goals and Objectives” definition in Attachment A to reflect updated and expanded Level of Service Goals and Objectives adopted by the SFPUC in November 2023; and

PP. The SFPUC approved these amendments and authorized the execution of a 2025 Amended and Restated Water Supply Agreement incorporating these amendments on May 13, 2025 pursuant to SFPUC Resolution No. 25-####; and

QQ. The amendment considered now is not a "project" for the purposes of CEQA as it involves an administrative activity that does not result in a direct change to the environment (see 14 CCR Section 15378(b)(5)), and would not result in a direct or reasonably foreseeable indirect physical change in the environment (see 14 CCR Section 15060(c)(2)); and

The Council of the City of Palo Alto does hereby RESOLVE as follows:

Section 1. The Council approves the revisions included in the attached Exhibit A, approves those revisions to be incorporated into a revised WSA titled the "2025 Amended and Restated Water Supply Agreement Between the City and County of San Francisco Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County" dated as of 2025 (2025 Amended and Restated Water Supply Agreement).

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Section 2. The City Manager is authorized and directed to execute the 2025 Amended and Restated Water Supply Agreement, when final execution copies are prepared and distributed by BAWSCA.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

_____
Assistant City Attorney

APPROVED:

_____
City Manager

_____
Director of Utilities

_____
Director of Administrative Services

Attachment:
Exhibit A: Redline and clean excerpts showing changes to Sections 2.03, 3.07, 3.09, 9.07, Attachment A, Attachment E and Attachment H of the Amended and Restated Water Supply Agreement.

RESOLUTION NO. _____

Resolution of the Council of the City of Palo Alto Approving Tier 2 Drought Response Implementation Plan Pursuant to Section 3.11.C of the Amended and Restated Water Supply Agreement

R E C I T A L S

A. The City of Palo Alto is one of twenty-six (26) agencies in San Mateo, Santa Clara and Alameda Counties (Wholesale Customers) which purchase water from the City and County of San Francisco (San Francisco) pursuant to a Water Supply Agreement entered into in 2009, and recently amended in 2018, 2021 and 2025 (the Agreement or WSA). Collectively these 26 agencies are referred to in the Agreement as Wholesale Customers; and

B. Section 3.11 of the Agreement addresses situations when insufficient water is available in the San Francisco Regional Water System (RWS) to meet the full demands of all users. Section 3.11.C provides that during periods of water shortage caused by drought, the San Francisco Public Utilities Commission (SFPUC) will allocate available water between its retail customers and the Wholesale Customers collectively, in accordance with a schedule contained in the Water Shortage Allocation Plan set forth in Attachment H to the Agreement (Tier 1 Plan); and

C. Section 3.11.C authorizes the Wholesale Customers to adopt a Drought Allocation Plan, including a methodology for allocating the available water among the individual Wholesale Customers (Tier 2 Plan). The WSA also commits the SFPUC to honor allocations of water unanimously agreed to by all Wholesale Customers or, if unanimous agreement cannot be achieved, water allocations that have been adopted by the Board of Directors of the Bay Area Water Supply and Conservation Agency (BAWSCA). The Agreement also provides that the SFPUC can allocate water supplies as necessary during a water shortage emergency if no agreed upon plan for water allocation has been adopted by the 26 Wholesale Customers or the BAWSCA Board of Directors; and

D. Commencing in January 2022, representatives appointed by the managers of each of the Wholesale Customers began meeting monthly to develop a set of principles to serve as guidelines for an equitable allocation methodology, and to develop formulas and procedures, in order to implement those principles. These discussions, and supporting technical analyses, have been conducted with the assistance of BAWSCA; and

E. The Tier 2 Plan, attached to this resolution as Exhibit A, has been endorsed by all of the Wholesale Customer representatives who participated in the formulation process and they have each recommended that it be formally adopted by the governing body of their respective agencies; and

F. The Tier 2 Plan allocates the collective Wholesale Customer share of RWS supply made available by the SFPUC among each of the 26 Wholesale Customers through December 31, 2034 and is coordinated with the term of the Agreement, and extension and renewal terms.

The Council of the City of Palo Alto does hereby RESOLVE as follows:

Section 1. The Tier 2 Drought Response Implementation Plan, as attached as Exhibit A (Tier 2 Plan), is approved.

Section 2. This approval is conditioned upon all of the other twenty-five Wholesale Customers approving the Tier 2 Plan, such approvals being evidenced through adoption of similar resolutions or, in the case of private-sector organizations, by other equivalently binding written commitments signed by an executive officer acting within the scope of delegated authority, and all such approvals occurring on or before December 31, 2025.

Section 3. If such resolutions or binding commitments are not adopted by that date, this resolution will automatically expire and be of no further effect after December 31, 2025, unless it has been extended prior thereto by further action of this *[Council, Board, etc.]*.

Section 4. The Council finds that adoption of this resolution is categorically exempt from the California Environmental Quality Act as an action taken by a regulatory agency for the protection of natural resources (CEQA Guidelines Section 15307), and an as action taken by a regulatory agency for protection of the environment (CEQA Guidelines Section 15308).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

_____
Assistant City Attorney

APPROVED:

_____
City Manager

_____
Director of Utilities

_____
Director of Administrative Services

Attachment: Exhibit A. Tier 2 Drought Response Plan and Example Tier 2 Plan Excel-Based Model

3.07. Restrictions on Purchases of Water from Others; Minimum Annual Purchases

A. Each Wholesale Customer (except for Alameda County Water District and the cities of Milpitas, Mountain View and Sunnyvale) agrees that it will not contract for, purchase or receive, with or without compensation, directly or indirectly, from any person, corporation, governmental agency or other entity, any water for delivery or use within its service area without the prior written consent of San Francisco.

B. The prohibition in subsection A does not apply to:

1. recycled water;

2. water necessary on an emergency and temporary basis, provided that the Wholesale Customer promptly gives San Francisco notice of the nature of the emergency, the amount of water that has been or is to be purchased, and the expected duration of the emergency; or

3. water in excess of a Wholesale Customer's Individual Supply Guarantee.

C. Minimum Annual Purchase Quantities. Alameda County Water District and the cities of Milpitas, Mountain View and Sunnyvale may purchase water from sources other than San Francisco, provided that San Francisco shall require that each purchase a minimum annual quantity of water from San Francisco. ~~-~~These Minimum Annual Purchase Quantities are set out in Attachment E and shall also be included in the Individual Water Sales Contracts between San Francisco and each of these four Wholesale Customers (collectively referred to as the Original Minimum Purchase Customers). Pursuant to Section 3.04, certain Wholesale Customers may also be required to purchase Temporary Modified Minimum Annual Purchase Quantities, set out in Attachment E-1, from San Francisco. Attachment E will be updated pursuant to Section 3.04 to reflect any reduction in existing Minimum Annual Purchase Quantities and any addition of new Minimum Annual Purchase Quantities when Temporary Modified Minimum Annual Purchase Quantities expire and are removed from Attachment E-1; Individual Water Sales Contracts between San Francisco and any Wholesale Customers who are participants in a transfer under Section 3.04 will similarly be amended, as necessary.

1. Annual Notice. After the end of each fiscal year, the SFPUC will send a written notice to each Wholesale Customer ~~that is subject to the minimum annual purchase requirements of this section~~ with a Minimum Annual Purchase Quantity, or a Temporary Modified Minimum Annual Purchase Quantity with a copy to BAWSCA. ~~-~~The notice will include: ~~(1~~

(a) the quantity of water delivered to ~~the~~each of those Wholesale ~~Customer~~Customers individually and all of the Original Minimum Purchase Customers collectively during the previous fiscal year; ~~(~~

~~2~~

(b) each Wholesale Customer's individual Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity (as adjusted for a Rebound Year, if applicable, under Section 3.07.C.2);

~~) whether or not the Wholesale Customer met its minimum annual purchase requirement under this section; (3~~

(c) whether or not each Wholesale Customer met its individual Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity (as adjusted for a Rebound Year, if applicable);

(d) whether or not the Original Minimum Purchase Customers collectively purchased a volume of water from San Francisco that is equal to or greater than the sum of their four Minimum Annual Purchase Quantities (as adjusted for a Rebound Year, if applicable);

(e) any Imputed Sales charged to the Wholesale ~~Customer;~~Customers; and ~~(4~~

(f) the status of any Temporary Modified Minimum Annual Purchase ~~Quantity~~Quantities of the Wholesale ~~Customer, if applicable.~~ Customers.

~~C.~~2. Waiver and Rebound Year. The minimum annual purchase requirements set out in Attachments E and E-1 will be waived during a Drought or other period of water shortage if the water San Francisco makes available to these Wholesale Customers is less than ~~its~~their Minimum Annual Purchase ~~Quantity~~Quantities or Temporary Modified Minimum Annual Purchase Quantities, and may be waived during a state of emergency declared by the Governor of California that impacts water supply use or deliveries from the Regional Water System. Once the waiver is no longer in effect, each of the minimum annual purchase requirements set out in Attachments E and E-1 shall be temporarily set, for one full fiscal year (referred to as the Rebound Year), to the midpoint between (1) the Wholesale Customer's actual San Francisco purchases for the final year in which the waiver was in effect, up to a maximum of the Customer's Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity, and (2) the Wholesale Customer's Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity set out in Attachment E or Attachment E-1, as applicable. Any fiscal year in which a Wholesale Customer meets its Rebound Year-adjusted Temporary Modified Minimum

Annual Purchase Quantity, but not its standard Temporary Modified Minimum Annual Purchase Quantity, will not count as a fiscal year in which the Wholesale Customer has met or exceeded its Temporary Modified Minimum Purchase Quantity for the purposes of Section 3.04.C(4)(a).

D. Minimum Annual Purchase Quantity Reset. As shown on Attachment E, in Fiscal Year 2025-26, the Parties reset the then-existing Minimum Annual Purchase Quantities of the Original Minimum Purchase Customers to 80% of the average San Francisco purchases of each Customer over the four most recent non-drought years preceding Fiscal Year 2024-25, effective for Fiscal Year 2024-25. If the Parties extend the Term of this Agreement beyond June 30, 2034 pursuant to Section 2.02, the Parties will review the Minimum Annual Purchase Quantities of the Original Minimum Purchase Customers again ten years after the Fiscal Year 2025-26 reset. If the Original Minimum Purchase Customers, or San Francisco, want to propose a reset of the Minimum Annual Purchase Quantities for Fiscal Year 2035-36, they will provide written notice on or before June 30, 2034. The Parties will meet and confer promptly to evaluate written reset proposals. By November 30, 2035, if the Parties have come to an agreement, the SFPUC will calculate the revised Minimum Annual Purchase Quantities based on the agreed upon methodology and provide written notice to the Original Minimum Purchase Customers and BAWSCA. The Original Minimum Purchase Customers will have at least 15 business days to review and meet and confer with the SFPUC with any questions or concerns before the revised quantities are finalized. If the Parties are unable to come to an agreement, the then-existing Minimum Annual Purchase Quantities will remain unchanged. Any changes to the Minimum Annual Purchase Quantities under this Section 3.07.D will be reflected in a revised Attachment E approved with the written concurrence of San Francisco and BAWSCA in accordance with Section 2.03.C. The Parties intend to include a continuing, periodic review of the Minimum Annual Purchase Quantities on a ten-year schedule in the successor to this Agreement.

E. Collective Minimum Annual Purchase Quantities Considered Before Application of Imputed Sales. Imputed Sales will not apply to any of the individual Original Minimum Purchase Customers in a particular fiscal year if those Customers have collectively purchased a volume of water from San Francisco that is equal to or greater than the sum of their four Minimum Annual Purchase Quantities shown in Attachment E (or adjusted for a Rebound Year pursuant to Section 3.07.C.2, if applicable). If the Original Minimum Purchase Customers do not collectively purchase that sum, any Original Minimum Purchase Customer that has not met its standard or Rebound Year-adjusted Minimum Annual Purchase Quantity will be responsible for Imputed Sales proportional to its share of the difference between that sum and the Original Minimum Purchase Customers' total purchases from San Francisco. Examples of this calculation are contained in

Attachment E-3.

Redline Comparing 2021 Amended and Restated Water Supply Agreement and 2025 Proposed Amendments: Sections 2.03, 3.09, and 9.07, and Attachment A Definitions

2.03. Amendments.

C. Amendments to Attachments. The following attachments may be amended with the written concurrence of San Francisco and BAWSCA on behalf of the Wholesale Customers:

Attachment	Name
C	Individual Supply Guarantees (amendments reflecting Section 3.04 transfers only)
E	Minimum Annual Purchase Quantities (amendments reflecting Section 3.04 transfers and Section 3.07 resets only)
E-1	Temporary Modified Minimum Annual Purchase Quantities
G	Water Quality Notification and Communications Plan (as may be amended)
J	Water Use Measurement and Tabulation
L-1	Identification of WSIP Projects as Regional/Retail
N-1	Balancing Account/Rate Setting Calculation Table
N-2	Wholesale Revenue Requirement Schedules
N-3	Schedule of Projected Water Sales, Wholesale Revenue Requirement and Wholesale Rates
P	Management Representation Letter
R	Classification of Existing System Assets (subject to Section 5.11)

Amendments to these attachments shall be approved on behalf of San Francisco by the Commission and on behalf of BAWSCA by its Board of Directors, unless the Commission by resolution delegates such authority to the General Manager of the SFPUC or the Board of Directors by resolution delegates such authority to the General Manager/CEO of BAWSCA.

3.09. Completion of WSIP

San Francisco will complete construction of the physical facilities in the WSIP by ~~December~~June 30, ~~2021~~2032. The SFPUC agrees to provide for full public review and comment by local and state interests of any proposed changes that delay previously adopted project completion dates or that delete projects. The SFPUC shall meet and consult with BAWSCA before proposing to the Commission any changes in the scope of WSIP projects which reduce their capacity or ability to achieve adopted Level of Service Goals and Objectives. The SFPUC retains discretion to determine whether to approve the physical facilities in the WSIP until after it completes the CEQA process as set forth in Section 4.07.

9.07. City of Brisbane, Guadalupe Valley Municipal Improvement District, Town of Hillsborough

A. The parties acknowledge that San Francisco has heretofore provided certain quantities of water to the City of Brisbane ("Brisbane"), Guadalupe Valley Municipal Improvement District ("Guadalupe") and the Town of Hillsborough ("Hillsborough") at specified rates or without charge pursuant to obligations arising out of agreements between the predecessors of San Francisco and these parties, which agreements are referred to in judicial orders, resolutions of the SFPUC and/or the 1960 contracts between San Francisco and Brisbane, Guadalupe and Hillsborough. The parties intend to continue those arrangements and accordingly agree as follows:

1. Nothing in this Agreement is intended to alter, amend or modify the terms of SFPUC Resolution No. 74-~~0653~~0053 or the indenture of July 18, 1908 between the Guadalupe Development Company and the Spring Valley Water Company.

2. Nothing in this Agreement is intended to alter, amend or modify the Findings of Fact and Conclusions of Law and Judgment dated May 25, 1961 in that certain action entitled City and County of San Francisco v. Town of Hillsborough in the Superior Court of the State of California in and for the County of Marin, No. 23282, as modified by the Satisfaction of Judgment filed October 23, 1961 and the Compromise and Release between Hillsborough and San Francisco dated August 22, 1961. The rights and obligations of Hillsborough under these documents shall continue as therein set forth.

3. Nothing in this Agreement is intended to affect or prejudice any claims, rights or remedies of Guadalupe or of Crocker Estate Company, a corporation, or of Crocker

Land Company, a corporation, or of San Francisco, or of their successors and assigns, respectively, with respect to or arising out of that certain deed dated May 22, 1884, from Charles Crocker to Spring Valley Water Works, a corporation, recorded on May 24, 1884, in Book 37 of Deeds at page 356, Records of San Mateo County, California, as amended by that certain Deed of Exchange of Easements in Real Property and Agreement for Trade in Connection Therewith, dated July 29, 1954, recorded on August 4, 1954, in Book 2628, at page 298, Official Records of said San Mateo County, or with respect to or arising out of that certain action involving the validity or enforceability of certain provisions of said deed entitled City and County of San Francisco v. Crocker Estate Company, in the Superior Court of the State of California in and for the County of Marin, No. 23281.

Attachment A - Definitions

"Imputed Sales" apply when a Wholesale Customer does not meet the minimum annual purchase requirements of Section 3.07.C, as shown on Attachment E and Attachment E-1, except in fiscal years in which a waiver of these requirements is in effect. Imputed Sales are calculated as the difference between (1) a Wholesale Customer's metered water purchases during a fiscal year, from July 1 to June 30, and (2) the larger of (a) or (b) as follows: (a) the Wholesale Customer's Minimum Annual Purchase Quantity, as specified in Attachment E and may be adjusted pursuant to Section 3.07.C.2, or (b) the Wholesale Customer's Temporary Modified Minimum Annual Purchase Quantity, as specified in Attachment E-1 and may be adjusted pursuant to Section 3.07.C.2. If a Wholesale Customer has more than one Temporary Modified Minimum Annual Purchase Quantity, the largest quantity is used for calculating Imputed Sales. Imputed Sales are considered wholesale water usage for the purposes of calculating the Proportional Annual Use, and any fees charged for Imputed Sales are considered wholesale revenues.

"Level of Service Goals and Objectives" refers to the "Phased WSIP Goals and Objectives" adopted by the Commission in Resolution No. 08-0200 dated October 30, 2008 as part of the approval of the WSIP, as updated and expanded by the "2023 Amended and Updated Water Enterprise Level of Service Goals and Objectives," adopted by the Commission in Resolution No. 23-0210 dated November 28, 2023, and any amendments that may be adopted by the Commission.

ATTACHMENT E

MINIMUM ANNUAL PURCHASE QUANTITIES

(Section 3.07.C)

AGENCY	MINIMUM ANNUAL PURCHASE QUANTITY (IN MGD)[1]
Alameda County Water District	~~7.648~~6.682
City of Milpitas	~~5.341~~4.371
City of Mountain View	~~8.930~~6.047
City of Sunnyvale	~~8.930~~7.412

[1] In Fiscal Year (FY) 2025-26, the then-existing Minimum Annual Purchase Quantities for Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale were reset to 80% of each of those four customers' average San Francisco purchases over the four non-drought years preceding FY 2024-25 (FY 2017-18, FY 2018-19, FY 2019-20, and FY 2020-21), effective FY 2024-25. Prior to this reset, from the effective date of this Agreement (July 1, 2009) through FY 2023-24, those four customers had the following Minimum Annual Purchase Quantities:

1. Alameda County Water District: 7.648 MGD
2. City of Milpitas: 5.341 MGD
3. City of Mountain View: 8.930 MGD
4. City of Sunnyvale: 8.930 MGD

Redline Comparing 2021 Amended and Restated Water Supply Agreement and 2025 Proposed Amendments

ATTACHMENT H

WATER SHORTAGE ALLOCATION PLAN

This ~~Interim~~ Water Shortage Allocation Plan ("Plan"), also known as the Tier 1 Shortage Plan, describes the method for allocating water between the San Francisco Public Utilities Commission ("SFPUC"), on the one hand, and the Wholesale Customers collectively, on the other, during shortages caused by drought. The Plan also implements a method for allocating water among the individual Wholesale Customers, known as the Tier 2 Drought Response Implementation Plan ("Tier 2 Plan"), which has separately been adopted by the Wholesale Customers and does not include the SFPUC. The Plan includes provisions for transfers, banking, and excess use charges. The Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to "shortages" and "water shortages" are to be so understood. This Plan was initially adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract and has been incorporated and updated to correspond to the terminology used in the ~~June~~ 2009 Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County ("Agreement"), as amended and restated from time to time.

SECTION 1. SHORTAGE CONDITIONS

1.1. Projected Available SFPUC Water Supply. The SFPUC shall make an annual determination as to whether or not a shortage condition exists. The determination of projected available water supply shall consider, among other things, stored water, projected runoff, water acquired by the SFPUC from non-SFPUC sources, inactive storage, reservoir losses, allowance for carryover storage, and water bank balances, if any, described in Section 3.

1.2 Projected SFPUC Customer Purchases. The SFPUC will utilize purchase data, including volumes of water purchased by the Wholesale Customers and by Retail Customers (as those terms are used in the Agreement) in the year immediately prior to the drought, along with other available relevant information, as a basis for determining projected system-wide water purchases from the SFPUC for the upcoming ~~year.~~Supply Year (defined as the period from July 1 through June 30).

1.3. Shortage Conditions. The SFPUC will compare the projected available water supply (Section 1.1) with projected system-wide water purchases (Section 1.2). A shortage condition exists if the SFPUC determines that the projected available water supply is less than projected system-wide water purchases in the upcoming Supply Year ~~(defined as the period from July 1 through June 30).~~. When a shortage condition exists, SFPUC will determine whether voluntary or mandatory actions will be required to reduce purchases of SFPUC water to required levels.

1.3.1 Voluntary Response. If the SFPUC determines that voluntary actions will be sufficient to accomplish the necessary reduction in water use throughout its service area, the SFPUC and the Wholesale Customers will make good faith efforts to reduce their water purchases to stay within their annual ~~shortage~~Tier 1 and Tier 2 allocations as applicable (see Section 2 of this Attachment H) and associated monthly water use budgets. The SFPUC will not impose excess use charges during periods of voluntary rationing, but may suspend the prospective accumulation of water bank credits, or impose a ceiling on further accumulation of bank credits, consistent with Section 3.2.1 of this Plan.

1.3.2 Mandatory Response. If the SFPUC determines that mandatory actions will be required to accomplish the necessary reduction in water use in the SFPUC service area, the SFPUC may implement excess use charges as set forth in Section 4 of this Plan.

1.4. Period of Shortage. A shortage period commences when the SFPUC determines that a water shortage exists, as set forth in a declaration of water shortage emergency issued by the SFPUC pursuant to California Water Code Sections 350 et seq. Termination of the water shortage emergency will be declared by resolution of the SFPUC.

SECTION 2. SHORTAGE ALLOCATIONS

2.1. Annual Tier 1 Allocations between the SFPUC and the Wholesale Customers. The annual water supply available during shortages will be allocated between the SFPUC and the collective Wholesale Customers as follows:

Level of System Wide Reduction in Water Use Required	Share of Available Water	
	SFPUC Share	Wholesale Customers Share
5% or less	35.5%	64.5%
6% through 10%	36.0%	64.0%
11% through 15%	37.0%	63.0%
16% through 20%	37.5%	62.5%

This Plan refers to the SFPUC's and Wholesale Customers' respective shares of available water so established as the SFPUC's and Wholesale Customers' Tier 1 allocations. The water allocated to the SFPUC shall correspond to the total allocation for all Retail Customers. In the event that the SFPUC share of the available water supply in the above table results in Retail Customers having a positive allocation (i.e., a supply of additional water rather than a required percentage reduction in water use), the SFPUC's percentage share of the available water supply in the table shall be reduced to eliminate any positive allocation to Retail Customers, with a corresponding increase in the percentage share of the available water supply allocated to the Wholesale Customers. For any level of required reduction in system-wide water use during shortages, the SFPUC shall require Retail Customers to conserve a minimum of 5%, with any resulting reallocated supply credited to storage for inclusion in calculation of projected available water SFPUC water supply in a subsequent year (Section 1.1).

The parties agree to reevaluate the percentages of the available water supply allocated to Retail and Wholesale Customers by May 1, 2028.

2.2 Annual Tier 2 Allocations among the Wholesale Customers. The annual water supply allocated to the Wholesale Customers collectively during system wide shortages of 20 percent or less (i.e., the Wholesale Customers' Tier 1 allocation) will be apportioned among them based on a methodology, known as the Tier 2 Plan, that has been separately adopted by all of the Wholesale Customers, and not the SFPUC, as described in Section 3.11(C) of the Agreement. In any year for which the methodology must be applied, the Bay Area Water Supply and Conservation Agency ("BAWSCA") will calculate each Wholesale Customer's individual percentage share of the amount of water allocated to the Wholesale Customers collectively pursuant to Section 2.1. Following the declaration or reconfirmation of a water shortage emergency by the SFPUC, BAWSCA will deliver to the SFPUC General Manager a list, signed by the President of BAWSCA's Board of Directors and its General Manager, showing each Wholesale Customer together with its percentage share and stating that the list has been prepared in accordance with the methodology adopted by the Wholesale Customers. The SFPUC shall allocate water to each Wholesale Customer, as specified in the list. The shortage allocations so established (known as Tier 2

allocations) may be transferred as provided in Section 2.5 of this Plan. If BAWSCA or all Wholesale Customers do not provide the SFPUC with individual allocations, the SFPUC may make a final allocation decision after first meeting and discussing allocations with BAWSCA and the Wholesale Customers.

The Tier 2 Plan methodology adopted by the Wholesale Customers utilizes the rolling average of each individual Wholesale Customer's purchases from the SFPUC during the three immediately preceding Supply Years. The SFPUC agrees to provide BAWSCA by November 1 of each year a list showing the amount of water purchased by each Wholesale Customer during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report MGT440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be transmitted by the SFPUC General Manager or his designee.

2.3. Limited Applicability of Plan to System Wide Shortages Greater Than Twenty Percent. The Tier 1 allocations of water between the SFPUC and the Wholesale Customers collectively, provided for in Section 2.1, apply only to shortages of 20 percent or less. The SFPUC and Wholesale Customers recognize the possibility of a drought occurring which could create system-wide shortages greater than 20 percent despite actions taken by the SFPUC aimed at reducing the probability and severity of water shortages in the SFPUC service area. If the SFPUC determines that a system wide water shortage greater than 20 percent exists, the SFPUC and the Wholesale Customers agree to meet within 10 days and discuss whether a change is required to the allocation set forth in Section 2.1 in order to mitigate undue hardships that might otherwise be experienced by individual Wholesale Customers or Retail Customers. Following these discussions, the Tier 1 ~~water~~ allocations set forth in Section 2.1 of this Plan, or a modified version thereof, may be adopted by mutual written consent of the SFPUC and the Wholesale Customers. If the SFPUC and Wholesale Customers meet and cannot agree on an appropriate Tier 1 allocation within 30 days of the SFPUC's determination of water shortage greater than 20 percent, then (1) the provisions of Section 3.11(C) of the Agreement will apply, unless (2) all of the Wholesale Customers direct in writing that a Tier 2 allocation methodology agreed to by them be used to apportion the water to be made available to the Wholesale Customers collectively, in lieu of the provisions of Section 3.11(C).

The provisions of this Plan relating to transfers (in Section 2.5), banking (in Section 3), and excess use charges (in Section 4) shall continue to apply during system-wide shortages greater than 20 percent.

2.4. Monthly Water Budgets. Within 10 days after adopting a declaration of water shortage emergency, the SFPUC will determine the amount of Tier 1 water allocated to the Wholesale Customers collectively pursuant to Section 2.1. The SFPUC General Manager, using the Tier 2 allocation percentages shown on the list delivered by BAWSCA pursuant to Section 2.2, will calculate each Wholesale Customer's individual annual Tier 2 allocation. The SFPUC General Manager, or his designee, will then provide each Wholesale Customer with a proposed schedule of monthly water budgets based on the pattern of monthly water purchases during the Supply Year immediately preceding the declaration of shortage (the "Default Schedule"). Each Wholesale Customer may, within two weeks of receiving its Default Schedule, provide the SFPUC with an alternative monthly water budget that reschedules its annual Tier 2 ~~shortage~~ allocation over the course of the succeeding Supply Year. If a Wholesale Customer does not deliver an alternative monthly water budget to the SFPUC within two weeks of its receipt of the Default Schedule, then its monthly budget for the ensuing Supply Year shall be the Default Schedule proposed by the SFPUC.

Monthly Wholesale Customer water budgets will be derived from annual Tier 2 allocations for purposes of accounting for excess use. Monthly Wholesale Customer water budgets shall be adjusted during the year to account for transfers of shortage allocation under Section 2.5 and transfers of banked water under Section 3.4.

2.5. Transfers of Shortage Allocations. Voluntary transfers of shortage allocations between the SFPUC and any Wholesale Customers, and between any Wholesale Customers, will be permitted using the same procedure as that for transfers of banked water set forth in Section 3.4. The SFPUC and BAWSCA shall be notified of each transfer. Transfers of shortage allocations shall be deemed to be an emergency transfer and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. Transfers of shortage allocations shall be in compliance with Section 3.05 of the Agreement. The transferring parties will meet with the SFPUC, if requested, to discuss any effect the transfer may have on its operations.

SECTION 3. SHORTAGE WATER BANKING

3.1. Water Bank Accounts. The SFPUC shall create a water bank account for itself and each Wholesale Customer during shortages in conjunction with its resale customer billing process. Bank accounts will account for amounts of water that are either saved or used in excess of the shortage -allocation for each agency; the accounts are not used for tracking billings and payments. When a shortage period is in effect (as defined in Section 1.4), -the following provisions for bank credits, debits, and transfers shall be in force. A statement of bank balance for each Wholesale Customer will be included with the SFPUC's monthly water bills.

3.2. Bank Account Credits. Each month, monthly purchases will be compared to the monthly budget for that month. Any unused shortage allocation by an agency will be credited to that agency's water bank account. Credits will accumulate during the entire -shortage period, subject to potential restrictions imposed pursuant to Section 3.2.1. Credits remaining at the end of the shortage period will be zeroed out; no financial or other credit shall be granted for banked water.

3.2.1. Maximum Balances. The SFPUC may suspend the prospective accumulation of credits in all accounts. Alternatively, the SFPUC may impose a ceiling on further accumulation of credits in water bank balances based on a uniform ratio of the bank balance to the annual water allocation. In making a decision to suspend the prospective accumulation of water bank credits, the SFPUC shall consider the available water supply as set forth in Section 1.1 of this Plan and other reasonable, relevant factors.

3.3. Account Debits. Each month, monthly purchases will be compared to the budget for that month. Purchases in excess of monthly budgets will be debited against an agency's water bank account. Bank debits remaining at the end of the fiscal year will be subject to excess use charges (see Section 4)**.**

3.4. Transfers of Banked Water. In addition to the transfers of shortage allocations provided for in Section 2.5, voluntary transfers of banked water will also be permitted between the SFPUC and any Wholesale Customer, and among the Wholesale Customers. The volume of transferred water will be credited to the transferee's water bank account and debited against the transferor's water bank account. The transferring parties must notify the SFPUC and BAWSCA of each transfer in writing (so that adjustments can be made to bank accounts), and will meet with the SFPUC, if requested, to discuss any affect the transfer may have on SFPUC operations. Transfers of banked water shall be deemed to be an emergency transfer and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. If the SFPUC incurs extraordinary costs in implementing transfers, it will give written notice to the transferring parties within ten (10) business days after receipt of notice of the transfer. Extraordinary costs means additional costs directly attributable to accommodating transfers and which are not incurred in non-drought years nor simply as a result of the shortage condition itself. Extraordinary costs shall be calculated in accordance with the procedures in the Agreement and shall be subject to the disclosure and auditing requirements in the Agreement. In the case of transfers between Wholesale Customers, such extraordinary costs- shall be considered to be expenses chargeable solely to individual Wholesale Customers and shall be borne equally by the parties to the transfer. In the case of

transfers between the SFPUC and a Wholesale Customer, the SFPUC's share of any extraordinary transfer costs shall not be added to the Wholesale Revenue Requirement.

3.4.1. Transfer Limitations. The agency transferring banked water will be allowed to transfer no more than the accumulated balance in its bank. Transfers of estimated prospective banked credits and the "overdrafting" of accounts shall not be permitted. The price of transfer water originally derived from the SFPUC system is to be determined by the transferring parties and is not specified herein. Transfers of banked water shall be in compliance with Section 3.05 of the Agreement.

SECTION 4. WHOLESALE EXCESS USE CHARGES

4.1. Amount of Excess Use Charges. Monthly excess use charges shall be determined by the SFPUC at the time of the declared water shortage consistent with the calendar in Section 6 and in accordance with Section 6.03 of the Agreement. The excess use charges will be in the form of multipliers applied to the rate in effect at the time the excess use occurs. The same excess use charge multipliers shall apply to the Wholesale Customers and all Retail Customers. The excess use charge multipliers apply only to the charges for water delivered at the rate in effect at the time the excess use occurred.

4.2 Monitoring Suburban Water Use. During periods of voluntary rationing, water usage greater than a customer's allocation (as determined in Section 2) -will be indicated on each SFPUC monthly water bill. During periods of mandatory rationing, monthly and cumulative water usage greater than a Wholesale Customer's shortage allocation and the associated excess use charges will be indicated on each SFPUC monthly water bill.

4.3. Suburban Excess Use Charge Payments. An annual reconciliation will be made of monthly excess use charges according to the calendar in Section 6. Annual excess use charges will be calculated by comparing total annual purchases for each Wholesale Customer with its annual shortage allocation (as adjusted for transfers of shortage allocations and banked water, if any). Excess use charge payments by those Wholesale Customers with net excess use will be paid according to the calendar in Section 6. The SFPUC may dedicate excess use charges paid by Wholesale Customers toward the purchase of water from the State Drought Water Bank or other willing sellers in order to provide additional water to the Wholesale Customers. Excess use charges paid by the Wholesale Customers constitute Wholesale Customer revenue and shall be included within the SFPUC's annual Wholesale Revenue Requirement calculation.

4.4. Tier 1 Family Plan. During periods of mandatory rationing, the SFPUC will not assess excess use charges on any of the Wholesale Customers if the Wholesale Customers' collective cumulative purchases over the course of the Supply Year are less than the Wholesale Customers' Tier 1 allocation, as set forth in Section 2.1. If the Wholesale Customers' collective cumulative purchases exceed the Wholesale Customers' Tier 1 allocation, the SFPUC shall assess excess use charges on each individual Wholesale Customer that exceeded its individual Tier 2 allocation (established in accordance with Section 2.2) over the course of the Supply Year in proportion to each individual Wholesale Customer's share of the collective Wholesale Customers' purchases that exceeded the Wholesale Customers' Tier 1 allocation.

SECTION 5. GENERAL PROVISIONS GOVERNING WATER SHORTAGE ALLOCATION PLAN

5.1. Construction of Terms. This Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

5.2. Governing Law. This Plan is made under and shall be governed by the laws of the State of California.

5.3. Effect on Agreement. This Plan describes the method for allocating water between the SFPUC and the collective Wholesale Customers during system-wide water shortages of 20 percent or less. This Plan also provides for the SFPUC to allocate water among the Wholesale Customers in accordance with directions provided by the Wholesale Customers through BAWSCA under Section 2.2, and to implement a program by which such allocations may be voluntarily transferred among the Wholesale Customers. The provisions of this Plan are intended to implement Section 3.11(C) of the Agreement and do not affect, change or modify any other section, term or condition of the Agreement.

5.4. Inapplicability of Plan to Allocation of SFPUC System Water During Non-Shortage Periods. The SFPUC's agreement in this Plan to a respective share of SFPUC system water during years of shortage shall not be construed to provide a basis for the allocation of water between the SFPUC and the Wholesale Customers when no water shortage emergency exists.

5.5. Termination. This Plan shall expire at the end of the Term of the Agreement~~..~~. The SFPUC and the Wholesale Customers can mutually agree to revise or terminate this Plan prior to that date due to changes in the water delivery capability of the SFPUC system, the acquisition of new water supplies, and other factors affecting the availability of water from the SFPUC system during times of shortage.

SECTION 5. ALLOCATION CALENDAR

6.1. Annual Schedule. The annual schedule for the shortage allocation process is shown below. This schedule may be changed by the SFPUC to facilitate implementation.

6.1.1

	In All Years	Target Dates
1.	SFPUC delivers list of annual purchases by each Wholesale Customer during the immediately preceding Supply Year	November 1
2.	SFPUC meets with the Wholesale Customers and presents water supply forecast for the following Supply Year	February
3.	SFPUC issues initial estimate of available water supply	February 1
4.	SFPUC announces potential first year of drought (if applicable)	February 1
5.	SFPUC and Wholesale Customers meet upon request to exchange information concerning water availability and projected system-wide purchases	February 1-May 31
6.	SFPUC issues revised estimate of available water supply, and confirms continued potential shortage conditions, if applicable	March 1
7.	SFPUC issues final estimate of available water supply	April 15th or sooner if adequate snow course measurement data is available to form a robust estimate on available water supply for the coming year.
8.	SFPUC determines amount of water available to Wholesale Customers collectively	April 15th or sooner if adequate snow course measurement data is available to form a robust estimate on available water

supply for the coming year.

In Drought Years	Target Dates
9. SFPUC formally declares the existence of water shortage emergency (or end of water shortage emergency, if applicable) under Water Code Sections 350 et. seq.	April 15-30
10. SFPUC declares the need for a voluntary or mandatory response	April 15-30
11. BAWSCA submits calculation to SFPUC of individual Wholesale Customers' percentage shares of water allocated to Wholesale Customers collectively	April 15- 30
12. SFPUC determines individual shortage allocations, based on BAWSCA's submittal of individual agency percentage shares to SFPUC, and monthly water budgets (Default Schedule)	April 25—May 10
13. Wholesale Customers submit alternative monthly water budgets (optional)	May 8-May 24
14. Final drought shortage allocations are issued for the Supply Year beginning July 1 through June 30	June 1
15. Monthly water budgets become effective	July 1
16. Excess use charges indicated on monthly Suburban bills	August 1 (of the beginning year) through June 30 (of the succeeding year)
17. Excess use charges paid by Wholesale Customers for prior year	August of the succeeding year

3.07. Restrictions on Purchases of Water from Others; Minimum Annual Purchases

A. Each Wholesale Customer (except for Alameda County Water District and the cities of Milpitas, Mountain View and Sunnyvale) agrees that it will not contract for, purchase or receive, with or without compensation, directly or indirectly, from any person, corporation, governmental agency or other entity, any water for delivery or use within its service area without the prior written consent of San Francisco.

B. The prohibition in subsection A does not apply to:

1. recycled water;

2. water necessary on an emergency and temporary basis, provided that the Wholesale Customer promptly gives San Francisco notice of the nature of the emergency, the amount of water that has been or is to be purchased, and the expected duration of the emergency; or

3. water in excess of a Wholesale Customer's Individual Supply Guarantee.

C. Minimum Annual Purchase Quantities. Alameda County Water District and the cities of Milpitas, Mountain View and Sunnyvale may purchase water from sources other than San Francisco, provided that San Francisco shall require that each purchase a minimum annual quantity of water from San Francisco. These Minimum Annual Purchase Quantities are set out in Attachment E and shall also be included in the Individual Water Sales Contracts between San Francisco and each of these four Wholesale Customers (collectively referred to as the Original Minimum Purchase Customers). Pursuant to Section 3.04, certain Wholesale Customers may also be required to purchase Temporary Modified Minimum Annual Purchase Quantities, set out in Attachment E-1, from San Francisco. Attachment E will be updated pursuant to Section 3.04 to reflect any reduction in existing Minimum Annual Purchase Quantities and any additionof new Minimum Annual Purchase Quantities when Temporary Modified Minimum Annual Purchase Quantities expire and are removed from Attachment E-1; Individual Water Sales Contracts between San Francisco and any Wholesale Customers who are participants in a transfer under Section 3.04 will similarly be amended, as necessary.

1. Annual Notice. After the end of each fiscal year, the SFPUC will send a written notice to each Wholesale Customer with a Minimum Annual Purchase Quantity, or a Temporary Modified Minimum Annual Purchase Quantity with a copy to BAWSCA. The notice will include:

(a) the quantity of water delivered to each of those Wholesale Customers individually and all of the Original Minimum Purchase Customers collectively during the previous fiscal year;

(b) each Wholesale Customer's individual Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity (as adjusted for a Rebound Year, if applicable, under Section 3.07.C.2);

(c) whether or not each Wholesale Customer met its individual Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity (as adjusted for a Rebound Year, if applicable);

(d) whether or not the Original Minimum Purchase Customers collectively purchased a volume of water from San Francisco that is equal to or greater than the sum of their four Minimum Annual Purchase Quantities (as adjusted for a Rebound Year, if applicable);

(e) any Imputed Sales charged to the Wholesale Customers; and

(f) the status of any Temporary Modified Minimum Annual Purchase Quantities of the Wholesale Customers.

2. Waiver and Rebound Year. The minimum annual purchase requirements set out in Attachments E and E-1 will be waived during a Drought or other period of water shortage if the water San Francisco makes available to these Wholesale Customers is less than their Minimum Annual Purchase Quantities or Temporary Modified Minimum Annual Purchase Quantities, and may be waived during a state of emergency declared by the Governor of California that impacts water supply use or deliveries from the Regional Water System. Once the waiver is no longer in effect, each of the minimum annual purchase requirements set out in Attachments E and E-1 shall be temporarily set, for one full fiscal year (referred to as the Rebound Year), to the midpoint between (1) the Wholesale Customer's actual San Francisco purchases for the final year in which the waiver was in effect, up to a maximum of the Customer's Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity, and (2) the Wholesale Customer's Minimum Annual Purchase Quantity or Temporary Modified Minimum Annual Purchase Quantity set out in Attachment E or Attachment E-1, as applicable. Any fiscal year in which a Wholesale Customer meets its Rebound Year-adjusted Temporary Modified Minimum Annual Purchase Quantity, but not its standard Temporary Modified Minimum Annual Purchase Quantity, will not count as a fiscal year in which the Wholesale Customer has met or exceeded its Temporary Modified Minimum Purchase Quantity for the purposes of Section 3.04.C(4)(a).

D. Minimum Annual Purchase Quantity Reset. As shown on Attachment E, in Fiscal

Year 2025-26, the Parties reset the then-existing Minimum Annual Purchase Quantities of the Original Minimum Purchase Customers to 80% of the average San Francisco purchases of each Customer over the four most recent non-drought years preceding Fiscal Year 2024-25, effective for Fiscal Year 2024-25. If the Parties extend the Term of this Agreement beyond June 30, 2034 pursuant to Section 2.02, the Parties will review the Minimum Annual Purchase Quantities of the Original Minimum Purchase Customers again ten years after the Fiscal Year 2025-26 reset. If the Original Minimum Purchase Customers, or San Francisco, want to propose a reset of the Minimum Annual Purchase Quantities for Fiscal Year 2035-36, they will provide written notice on or before June 30, 2034. The Parties will meet and confer promptly to evaluate written reset proposals. By November 30, 2035, if the Parties have come to an agreement, the SFPUC will calculate the revised Minimum Annual Purchase Quantities based on the agreed upon methodology and provide written notice to the Original Minimum Purchase Customers and BAWSCA. The Original Minimum Purchase Customers will have at least 15 business days to review and meet and confer with the SFPUC with any questions or concerns before the revised quantities are finalized. If the Parties are unable to come to an agreement, the then-existing Minimum Annual Purchase Quantities will remain unchanged. Any changes to the Minimum Annual Purchase Quantities under this Section 3.07.D will be reflected in a revised Attachment E approved with the written concurrence of San Francisco and BAWSCA in accordance with Section 2.03.C. The Parties intend to include a continuing, periodic review of the Minimum Annual Purchase Quantities on a ten-year schedule in the successor to this Agreement.

E. Collective Minimum Annual Purchase Quantities Considered Before Application of Imputed Sales. Imputed Sales will not apply to any of the individual Original Minimum Purchase Customers in a particular fiscal year if those Customers have collectively purchased a volume of water from San Francisco that is equal to or greater than the sum of their four Minimum Annual Purchase Quantities shown in Attachment E (or adjusted for a Rebound Year pursuant to Section 3.07.C.2, if applicable). If the Original Minimum Purchase Customers do not collectively purchase that sum, any Original Minimum Purchase Customer that has not met its standard or Rebound Year-adjusted Minimum Annual Purchase Quantity will be responsible for Imputed Sales proportional to its share of the difference between that sum and the Original Minimum Purchase Customers' total purchases from San Francisco. Examples of this calculation are contained in Attachment E-3.

Proposed 2025 Amended and Restated Water Supply Agreement: Sections 2.03, 3.09, and 9.07, and Attachment A Definitions.

2.03. Amendments.

C. Amendments to Attachments. The following attachments may be amended with the written concurrence of San Francisco and BAWSCA on behalf of the Wholesale Customers:

Attachment	Name
C	Individual Supply Guarantees (amendments reflecting Section 3.04 transfers only)
E	Minimum Annual Purchase Quantities (amendments reflecting Section 3.04 transfers and Section 3.07 resets only)
E-1	Temporary Modified Minimum Annual Purchase Quantities
G	Water Quality Notification and Communications Plan (as may be amended)
J	Water Use Measurement and Tabulation
L-1	Identification of WSIP Projects as Regional/Retail
N-1	Balancing Account/Rate Setting Calculation Table
N-2	Wholesale Revenue Requirement Schedules
N-3	Schedule of Projected Water Sales, Wholesale Revenue Requirement and Wholesale Rates
P	Management Representation Letter
R	Classification of Existing System Assets (subject to Section 5.11)

Amendments to these attachments shall be approved on behalf of San Francisco by the Commission and on behalf of BAWSCA by its Board of Directors, unless the Commission by resolution delegates such authority to the General Manager of the SFPUC or the Board of Directors by resolution delegates such authority to the General Manager/CEO of BAWSCA.

3.09. Completion of WSIP

San Francisco will complete construction of the physical facilities in the WSIP by June 30, 2032. The SFPUC agrees to provide for full public review and comment by local and state interests of any proposed changes that delay previously adopted project completion dates or that delete projects. The SFPUC shall meet and consult with BAWSCA before proposing to the Commission any changes in the scope of WSIP projects which reduce their capacity or ability to achieve adopted Level of Service Goals and Objectives. The SFPUC retains discretion to determine whether to approve the physical facilities in the WSIP until after it completes the CEQA process as set forth in Section 4.07.

9.07. City of Brisbane, Guadalupe Valley Municipal Improvement District, Town of Hillsborough

A. The parties acknowledge that San Francisco has heretofore provided certain quantities of water to the City of Brisbane ("Brisbane"), Guadalupe Valley Municipal Improvement District ("Guadalupe") and the Town of Hillsborough ("Hillsborough") at specified rates or without charge pursuant to obligations arising out of agreements between the predecessors of San Francisco and these parties, which agreements are referred to in judicial orders, resolutions of the SFPUC and/or the 1960 contracts between San Francisco and Brisbane, Guadalupe and Hillsborough. The parties intend to continue those arrangements and accordingly agree as follows:

1. Nothing in this Agreement is intended to alter, amend or modify the terms of SFPUC Resolution No. 74-0053 or the indenture of July 18, 1908 between the Guadalupe Development Company and the Spring Valley Water Company.

2. Nothing in this Agreement is intended to alter, amend or modify the Findings of Fact and Conclusions of Law and Judgment dated May 25, 1961 in that certain action entitled City and County of San Francisco v. Town of Hillsborough in the Superior Court of the State of California in and for the County of Marin, No. 23282, as modified by the Satisfaction of Judgment filed October 23, 1961 and the Compromise and Release between Hillsborough and San Francisco dated August 22, 1961. The rights and obligations of Hillsborough under these documents shall continue as therein set forth.

3. Nothing in this Agreement is intended to affect or prejudice any claims, rights or remedies of Guadalupe or of Crocker Estate Company, a corporation, or of Crocker

Land Company, a corporation, or of San Francisco, or of their successors and assigns, respectively, with respect to or arising out of that certain deed dated May 22, 1884, from Charles Crocker to Spring Valley Water Works, a corporation, recorded on May 24, 1884, in Book 37 of Deeds at page 356, Records of San Mateo County, California, as amended by that certain Deed of Exchange of Easements in Real Property and Agreement for Trade in Connection Therewith, dated July 29, 1954, recorded on August 4, 1954, in Book 2628, at page 298, Official Records of said San Mateo County, or with respect to or arising out of that certain action involving the validity or enforceability of certain provisions of said deed entitled City and County of San Francisco v. Crocker Estate Company, in the Superior Court of the State of California in and for the County of Marin, No. 23281.

Attachment A - Definitions

"Imputed Sales" apply when a Wholesale Customer does not meet the minimum annual purchase requirements of Section 3.07.C, as shown on Attachment E and Attachment E-1, except in fiscal years in which a waiver of these requirements is in effect. Imputed Sales are calculated as the difference between (1) a Wholesale Customer's metered water purchases during a fiscal year, from July 1 to June 30, and (2) the larger of (a) or (b) as follows: (a) the Wholesale Customer's Minimum Annual Purchase Quantity, as specified in Attachment E and may be adjusted pursuant to Section 3.07.C.2, or (b) the Wholesale Customer's Temporary Modified Minimum Annual Purchase Quantity, as specified in Attachment E-1 and may be adjusted pursuant to Section 3.07.C.2. If a Wholesale Customer has more than one Temporary Modified Minimum Annual Purchase Quantity, the largest quantity is used for calculating Imputed Sales. Imputed Sales are considered wholesale water usage for the purposes of calculating the Proportional Annual Use, and any fees charged for Imputed Sales are considered wholesale revenues.

"Level of Service Goals and Objectives" refers to the "Phased WSIP Goals and Objectives" adopted by the Commission in Resolution No. 08-0200 dated October 30, 2008 as part of the approval of the WSIP, as updated and expanded by the "2023 Amended and Updated Water Enterprise Level of Service Goals and Objectives," adopted by the Commission in Resolution No. 23-0210 dated November 28, 2023, and any amendments that may be adopted by the Commission.

ATTACHMENT E

MINIMUM ANNUAL PURCHASE QUANTITIES

(Section 3.07.C)

AGENCY	MINIMUM ANNUAL PURCHASE QUANTITY (IN MGD)[1]
Alameda County Water District	6.682
City of Milpitas	4.371
City of Mountain View	6.047
City of Sunnyvale	7.412

[1] In Fiscal Year (FY) 2025-26, the then-existing Minimum Annual Purchase Quantities for Alameda County Water District and the Cities of Milpitas, Mountain View, and Sunnyvale were reset to 80% of each of those four customers' average San Francisco purchases over the four non-drought years preceding FY 2024-25 (FY 2017-18, FY 2018-19, FY 2019-20, and FY 2020-21), effective FY 2024-25. Prior to this reset, from the effective date of this Agreement (July 1, 2009) through FY 2023-24, those four customers had the following Minimum Annual Purchase Quantities:

1. Alameda County Water District: 7.648 MGD
2. City of Milpitas: 5.341 MGD
3. City of Mountain View: 8.930 MGD
4. City of Sunnyvale: 8.930 MGD

ATTACHMENT E-3

ATTACHMENT E-3

Illustrations of Imputed Sales Considering Collective Regional Water System Use by Original Minimum Purchase Customers Compared to Sum of Minimum Annual Purchase Quantities Pursuant to Section 3.07.E

Scenario 1: Collective Purchases Equal to or Greater Than Sum of MAPQs[1] (No Imputed Sales)[2]

Line #	Wholesale Customer	A MAPQ	B RWS[3] Use (mgd)	C RWS Over MAPQ (mgd)	D RWS Under MAPQ (mgd)	E = (D[LINE #] / D5) × (B5 - A5) Proportion of Use Under Total MAPQ (mgd)
1	Alameda County Water District	6.682	7.682	1.00		N/A
2	City of Milpitas	4.371	3.871		-0.50	N/A
3	City of Mountain View	6.047	5.047		-1.00	N/A
4	City of Sunnyvale	7.412	7.912	0.50		N/A
5	**Total**	**24.512**	**24.512**	**1.50**	**-1.50**	**N/A**

Scenario 2: Collective Purchases Less Than Sum of MAPQs (by 1.0 mgd) (Imputed Sales)[4]

Line #	Wholesale Customer	A MAPQ	B RWS Use (mgd)	C RWS Over MAPQ (mgd)	D RWS Under MAPQ (mgd)	E = (D[LINE #] / D5) × (B5 - A5) Proportion of Use Under Total MAPQ (mgd)
1	Alameda County Water District	6.682	7.182	0.50		N/A
2	City of Milpitas	4.371	3.871		-0.50	-0.25
3	City of Mountain View	6.047	4.547		-1.50	-0.75
4	City of Sunnyvale	7.412	7.912	0.50		N/A
5	**Total**	**24.512**	**23.512**	**1.00**	**-2.00**	**-1.0**

[1] Minimum Annual Purchase Quantity (MAPQ)

[2] In Scenario 1, the Original Minimum Purchase Customers' collective purchases from San Francisco in a particular fiscal year (Line 5B) are equal to the sum of their Minimum Annual Purchase Quantities (Line 5A). Therefore, no Imputed Sales are applied to individual Original Minimum Purchase Customers that purchased less than their individual Minimum Annual Purchase Quantities (in this scenario, Milpitas and Mountain View).

[3] Regional Water System (RWS)

[4] In Scenario 2, the Original Minimum Purchase Customers' collective purchases from San Francisco in a particular fiscal year (Line 5B) are 1.0 mgd less than the sum of their Minimum Annual Purchase Quantities (Line 5A). Therefore, Imputed Sales are applied proportionally to any individual Original Minimum Purchase Customer that purchased less than its individual Minimum Annual Purchase Quantity (in this scenario, Milpitas and Mountain View), so that customer is responsible for its share of the difference between the sum of all Minimum Annual Purchase Quantities (Line 5A) and the collective amount of RWS use (Line 5B). In this scenario, Mountain View is responsible for 75% and Milpitas is responsible for 25% of the 1.0 mgd difference between Line 5A and Line 5B.

Scenario 3: Collective Purchases Equal to or Greater Than Sum of MAPQs – with Rebound Year-Adjusted MAPQs (No Imputed Sales)[5]

Line #	Wholesale Customer	A MAPQ	B RWS Use in Waiver's Final Year	C = A - ((A[LINE #] - B[LINE #]) / 2) Rebound Year-Adjusted MAPQ	D RWS Use (mgd)	E RWS Over Rebound Year-Adjusted MAPQ (mgd)	F RWS Under Rebound Year-Adjusted MAPQ (mgd)	G = (F[LINE #] / F5) × (D5 - C5) Proportion of Use Under Total Rebound Year-Adjusted MAPQ (mgd)
1	Alameda County Water District	6.682	5.682	6.182	7.512	1.33		N/A
2	City of Milpitas	4.371	3.371	3.871	3.591		-0.28	N/A
3	City of Mountain View	6.047	5.047	5.547	4.847		-0.70	N/A
4	City of Sunnyvale	7.412	6.412	6.912	7.782	0.87		N/A
5	**Total**	**24.512**	**20.512**	**22.512**	**23.732**	**2.20**	**-0.98**	**N/A**

[5] In Scenario 3, the Original Minimum Purchase Customers' collective purchases from San Francisco in a particular fiscal year (Line 5D) are greater than the sum of their Rebound Year-adjusted Minimum Annual Purchase Quantities that are currently in effect pursuant to Section 3.07.C.2 (Line 5C). Therefore, no Imputed Sales are applied to individual Original Minimum Purchase Customers that purchased less than their individual Rebound Year-adjusted Minimum Annual Purchase Quantities (in this scenario, Milpitas and Mountain View).

ATTACHMENT H

WATER SHORTAGE ALLOCATION PLAN

This Water Shortage Allocation Plan ("Plan"), also known as the Tier 1 Shortage Plan, describes the method for allocating water between the San Francisco Public Utilities Commission ("SFPUC"), on the one hand, and the Wholesale Customers collectively, on the other, during shortages caused by drought. The Plan also implements a method for allocating water among the individual Wholesale Customers, known as the Tier 2 Drought Response Implementation Plan ("Tier 2 Plan"), which has separately been adopted by the Wholesale Customers and does not include the SFPUC. The Plan includes provisions for transfers, banking, and excess use charges. The Plan applies only when the SFPUC determines that a system-wide water shortage due to drought exists, and all references to "shortages" and "water shortages" are to be so understood. This Plan was initially adopted pursuant to Section 7.03(a) of the 1984 Settlement Agreement and Master Water Sales Contract and has been incorporated and updated to correspond to the terminology used in the 2009 Water Supply Agreement between the City and County of San Francisco and Wholesale Customers in Alameda County, San Mateo County and Santa Clara County ("Agreement"), as amended and restated from time to time.

SECTION 1. SHORTAGE CONDITIONS

1.1. Projected Available SFPUC Water Supply. The SFPUC shall make an annual determination as to whether or not a shortage condition exists. The determination of projected available water supply shall consider, among other things, stored water, projected runoff, water acquired by the SFPUC from non-SFPUC sources, inactive storage, reservoir losses, allowance for carryover storage, and water bank balances, if any, described in Section 3.

1.2 Projected SFPUC Customer Purchases. The SFPUC will utilize purchase data, including volumes of water purchased by the Wholesale Customers and by Retail Customers (as those terms are used in the Agreement) in the year immediately prior to the drought, along with other available relevant information, as a basis for determining projected system-wide water purchases from the SFPUC for the upcoming Supply Year (defined as the period from July 1 through June 30).

1.3. Shortage Conditions. The SFPUC will compare the projected available water supply (Section 1.1) with projected system-wide water purchases (Section 1.2). A shortage condition exists if the SFPUC determines that the projected available water supply is less than projected system-wide water purchases in the upcoming Supply Year. When a shortage condition exists, SFPUC will determine whether voluntary or mandatory actions will be required to reduce purchases of SFPUC water to required levels.

1.3.1 Voluntary Response. If the SFPUC determines that voluntary actions will be sufficient to accomplish the necessary reduction in water use throughout its service area, the SFPUC and the Wholesale Customers will make good faith efforts to reduce their water purchases to stay within their annual Tier 1 and Tier 2 allocations as applicable (see Section 2 of this Attachment H) and associated monthly water use budgets. The SFPUC will not impose excess use charges during periods of voluntary rationing, but may suspend the prospective accumulation of water bank credits, or impose a ceiling on further accumulation of bank credits, consistent with Section 3.2.1 of this Plan.

1.3.2 Mandatory Response. If the SFPUC determines that mandatory actions will be required to accomplish the necessary reduction in water use in the SFPUC service area, the SFPUC may implement excess use charges as set forth in Section 4 of this Plan.

1.4. Period of Shortage. A shortage period commences when the SFPUC determines that a water shortage exists, as set forth in a declaration of water shortage emergency issued by the SFPUC pursuant to

California Water Code Sections 350 et seq. Termination of the water shortage emergency will be declared by resolution of the SFPUC.

SECTION 2. SHORTAGE ALLOCATIONS

2.1. Annual Tier 1 Allocations between the SFPUC and the Wholesale Customers. The annual water supply available during shortages will be allocated between the SFPUC and the collective Wholesale Customers as follows:

Level of System Wide Reduction in Water Use Required	Share of Available Water	
	SFPUC Share	Wholesale Customers Share
5% or less	35.5%	64.5%
6% through 10%	36.0%	64.0%
11% through 15%	37.0%	63.0%
16% through 20%	37.5%	62.5%

This Plan refers to the SFPUC's and Wholesale Customers' respective shares of available water so established as the SFPUC's and Wholesale Customers' Tier 1 allocations. The water allocated to the SFPUC shall correspond to the total allocation for all Retail Customers. In the event that the SFPUC share of the available water supply in the above table results in Retail Customers having a positive allocation (i.e., a supply of additional water rather than a required percentage reduction in water use), the SFPUC's percentage share of the available water supply in the table shall be reduced to eliminate any positive allocation to Retail Customers, with a corresponding increase in the percentage share of the available water supply allocated to the Wholesale Customers. For any level of required reduction in system-wide water use during shortages, the SFPUC shall require Retail Customers to conserve a minimum of 5%, with any resulting reallocated supply credited to storage for inclusion in calculation of projected available water SFPUC water supply in a subsequent year (Section 1.1).

The parties agree to reevaluate the percentages of the available water supply allocated to Retail and Wholesale Customers by May 1, 2028.

2.2 Annual Tier 2 Allocations among the Wholesale Customers. The annual water supply allocated to the Wholesale Customers collectively during system wide shortages of 20 percent or less (i.e., the Wholesale Customers' Tier 1 allocation) will be apportioned among them based on a methodology, known as the Tier 2 Plan, that has been separately adopted by all of the Wholesale Customers, and not the SFPUC, as described in Section 3.11(C) of the Agreement. In any year for which the methodology must be applied, the Bay Area Water Supply and Conservation Agency ("BAWSCA") will calculate each Wholesale Customer's individual percentage share of the amount of water allocated to the Wholesale Customers collectively pursuant to Section 2.1. Following the declaration or reconfirmation of a water shortage emergency by the SFPUC, BAWSCA will deliver to the SFPUC General Manager a list, signed by the President of BAWSCA's Board of Directors and its General Manager, showing each Wholesale Customer together with its percentage share and stating that the list has been prepared in accordance with the methodology adopted by the Wholesale Customers. The SFPUC shall allocate water to each Wholesale Customer, as specified in the list. The shortage allocations so established (known as Tier 2 allocations) may be transferred as provided in Section 2.5 of this Plan. If BAWSCA or all Wholesale Customers do not provide the SFPUC with individual allocations, the SFPUC may make a final allocation decision after first meeting and discussing allocations with BAWSCA and the Wholesale Customers.

The Tier 2 Plan methodology adopted by the Wholesale Customers utilizes the rolling average of each individual Wholesale Customer's purchases from the SFPUC during the three immediately preceding Supply Years. The SFPUC agrees to provide BAWSCA by November 1 of each year a list showing the amount of water purchased by each Wholesale Customer during the immediately preceding Supply Year. The list will be prepared using Customer Service Bureau report MGT440 (or comparable official record in use at the time), adjusted as required for any reporting errors or omissions, and will be transmitted by the SFPUC General Manager or his designee.

2.3. Limited Applicability of Plan to System Wide Shortages Greater Than Twenty Percent. The Tier 1 allocations of water between the SFPUC and the Wholesale Customers collectively, provided for in Section 2.1, apply only to shortages of 20 percent or less. The SFPUC and Wholesale Customers recognize the possibility of a drought occurring which could create system-wide shortages greater than 20 percent despite actions taken by the SFPUC aimed at reducing the probability and severity of water shortages in the SFPUC service area. If the SFPUC determines that a system wide water shortage greater than 20 percent exists, the SFPUC and the Wholesale Customers agree to meet within 10 days and discuss whether a change is required to the allocation set forth in Section 2.1 in order to mitigate undue hardships that might otherwise be experienced by individual Wholesale Customers or Retail Customers. Following these discussions, the Tier 1 allocations set forth in Section 2.1 of this Plan, or a modified version thereof, may be adopted by mutual written consent of the SFPUC and the Wholesale Customers. If the SFPUC and Wholesale Customers meet and cannot agree on an appropriate Tier 1 allocation within 30 days of the SFPUC's determination of water shortage greater than 20 percent, then (1) the provisions of Section 3.11(C) of the Agreement will apply, unless (2) all of the Wholesale Customers direct in writing that a Tier 2 allocation methodology agreed to by them be used to apportion the water to be made available to the Wholesale Customers collectively, in lieu of the provisions of Section 3.11(C).

The provisions of this Plan relating to transfers (in Section 2.5), banking (in Section 3), and excess use charges (in Section 4) shall continue to apply during system-wide shortages greater than 20 percent.

2.4. Monthly Water Budgets. Within 10 days after adopting a declaration of water shortage emergency, the SFPUC will determine the amount of Tier 1 water allocated to the Wholesale Customers collectively pursuant to Section 2.1. The SFPUC General Manager, using the Tier 2 allocation percentages shown on the list delivered by BAWSCA pursuant to Section 2.2, will calculate each Wholesale Customer's individual annual Tier 2 allocation. The SFPUC General Manager, or his designee, will then provide each Wholesale Customer with a proposed schedule of monthly water budgets based on the pattern of monthly water purchases during the Supply Year immediately preceding the declaration of shortage (the "Default Schedule"). Each Wholesale Customer may, within two weeks of receiving its Default Schedule, provide the SFPUC with an alternative monthly water budget that reschedules its annual Tier 2 allocation over the course of the succeeding Supply Year. If a Wholesale Customer does not deliver an alternative monthly water budget to the SFPUC within two weeks of its receipt of the Default Schedule, then its monthly budget for the ensuing Supply Year shall be the Default Schedule proposed by the SFPUC.

Monthly Wholesale Customer water budgets will be derived from annual Tier 2 allocations for purposes of accounting for excess use. Monthly Wholesale Customer water budgets shall be adjusted during the year to account for transfers of shortage allocation under Section 2.5 and transfers of banked water under Section 3.4.

2.5. Transfers of Shortage Allocations. Voluntary transfers of shortage allocations between the SFPUC and any Wholesale Customers, and between any Wholesale Customers, will be permitted using the same procedure as that for transfers of banked water set forth in Section 3.4. The SFPUC and BAWSCA shall be notified of each transfer. Transfers of shortage allocations shall be deemed to be an emergency transfer and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. Transfers of shortage allocations shall be in compliance with Section 3.05 of the

Agreement. The transferring parties will meet with the SFPUC, if requested, to discuss any effect the transfer may have on its operations.

SECTION 3. SHORTAGE WATER BANKING

3.1. Water Bank Accounts. The SFPUC shall create a water bank account for itself and each Wholesale Customer during shortages in conjunction with its resale customer billing process. Bank accounts will account for amounts of water that are either saved or used in excess of the shortage allocation for each agency; the accounts are not used for tracking billings and payments. When a shortage period is in effect (as defined in Section 1.4), the following provisions for bank credits, debits, and transfers shall be in force. A statement of bank balance for each Wholesale Customer will be included with the SFPUC's monthly water bills.

3.2. Bank Account Credits. Each month, monthly purchases will be compared to the monthly budget for that month. Any unused shortage allocation by an agency will be credited to that agency's water bank account. Credits will accumulate during the entire shortage period, subject to potential restrictions imposed pursuant to Section 3.2.1. Credits remaining at the end of the shortage period will be zeroed out; no financial or other credit shall be granted for banked water.

3.2.1. Maximum Balances. The SFPUC may suspend the prospective accumulation of credits in all accounts. Alternatively, the SFPUC may impose a ceiling on further accumulation of credits in water bank balances based on a uniform ratio of the bank balance to the annual water allocation. In making a decision to suspend the prospective accumulation of water bank credits, the SFPUC shall consider the available water supply as set forth in Section 1.1 of this Plan and other reasonable, relevant factors.

3.3. Account Debits. Each month, monthly purchases will be compared to the budget for that month. Purchases in excess of monthly budgets will be debited against an agency's water bank account. Bank debits remaining at the end of the fiscal year will be subject to excess use charges (see Section 4)**.**

3.4. Transfers of Banked Water. In addition to the transfers of shortage allocations provided for in Section 2.5, voluntary transfers of banked water will also be permitted between the SFPUC and any Wholesale Customer, and among the Wholesale Customers. The volume of transferred water will be credited to the transferee's water bank account and debited against the transferor's water bank account. The transferring parties must notify the SFPUC and BAWSCA of each transfer in writing (so that adjustments can be made to bank accounts), and will meet with the SFPUC, if requested, to discuss any affect the transfer may have on SFPUC operations. Transfers of banked water shall be deemed to be an emergency transfer and shall become effective on the third business day after notice of the transfer has been delivered to the SFPUC. If the SFPUC incurs extraordinary costs in implementing transfers, it will give written notice to the transferring parties within ten (10) business days after receipt of notice of the transfer. Extraordinary costs means additional costs directly attributable to accommodating transfers and which are not incurred in non-drought years nor simply as a result of the shortage condition itself. Extraordinary costs shall be calculated in accordance with the procedures in the Agreement and shall be subject to the disclosure and auditing requirements in the Agreement. In the case of transfers between Wholesale Customers, such extraordinary costs shall be considered to be expenses chargeable solely to individual Wholesale Customers and shall be borne equally by the parties to the transfer. In the case of transfers between the SFPUC and a Wholesale Customer, the SFPUC's share of any extraordinary transfer costs shall not be added to the Wholesale Revenue Requirement.

3.4.1. Transfer Limitations. The agency transferring banked water will be allowed to transfer no more than the accumulated balance in its bank. Transfers of estimated prospective banked credits and the "overdrafting" of accounts shall not be permitted. The price of transfer water originally derived from the SFPUC system is to be determined by the transferring parties and is not specified herein. Transfers of banked water shall be in compliance with Section 3.05 of the Agreement.

SECTION 4. WHOLESALE EXCESS USE CHARGES

4.1. Amount of Excess Use Charges. Monthly excess use charges shall be determined by the SFPUC at the time of the declared water shortage consistent with the calendar in Section 6 and in accordance with Section 6.03 of the Agreement. The excess use charges will be in the form of multipliers applied to the rate in effect at the time the excess use occurs. The same excess use charge multipliers shall apply to the Wholesale Customers and all Retail Customers. The excess use charge multipliers apply only to the charges for water delivered at the rate in effect at the time the excess use occurred.

4.2 Monitoring Suburban Water Use. During periods of voluntary rationing, water usage greater than a customer's allocation (as determined in Section 2) will be indicated on each SFPUC monthly water bill. During periods of mandatory rationing, monthly and cumulative water usage greater than a Wholesale Customer's shortage allocation and the associated excess use charges will be indicated on each SFPUC monthly water bill.

4.3. Suburban Excess Use Charge Payments. An annual reconciliation will be made of monthly excess use charges according to the calendar in Section 6. Annual excess use charges will be calculated by comparing total annual purchases for each Wholesale Customer with its annual shortage allocation (as adjusted for transfers of shortage allocations and banked water, if any). Excess use charge payments by those Wholesale Customers with net excess use will be paid according to the calendar in Section 6. The SFPUC may dedicate excess use charges paid by Wholesale Customers toward the purchase of water from the State Drought Water Bank or other willing sellers in order to provide additional water to the Wholesale Customers. Excess use charges paid by the Wholesale Customers constitute Wholesale Customer revenue and shall be included within the SFPUC's annual Wholesale Revenue Requirement calculation.

4.4. Tier 1 Family Plan. During periods of mandatory rationing, the SFPUC will not assess excess use charges on any of the Wholesale Customers if the Wholesale Customers' collective cumulative purchases over the course of the Supply Year are less than the Wholesale Customers' Tier 1 allocation, as set forth in Section 2.1. If the Wholesale Customers' collective cumulative purchases exceed the Wholesale Customers' Tier 1 allocation, the SFPUC shall assess excess use charges on each individual Wholesale Customer that exceeded its individual Tier 2 allocation (established in accordance with Section 2.2) over the course of the Supply Year in proportion to each individual Wholesale Customer's share of the collective Wholesale Customers' purchases that exceeded the Wholesale Customers' Tier 1 allocation.

SECTION 5. GENERAL PROVISIONS GOVERNING WATER SHORTAGE ALLOCATION PLAN

5.1. Construction of Terms. This Plan is for the sole benefit of the parties and shall not be construed as granting rights to any person other than the parties or imposing obligations on a party to any person other than another party.

5.2. Governing Law. This Plan is made under and shall be governed by the laws of the State of California.

5.3. Effect on Agreement. This Plan describes the method for allocating water between the SFPUC and the collective Wholesale Customers during system-wide water shortages of 20 percent or less. This Plan also provides for the SFPUC to allocate water among the Wholesale Customers in accordance with directions provided by the Wholesale Customers through BAWSCA under Section 2.2, and to implement a program by which such allocations may be voluntarily transferred among the Wholesale Customers. The provisions of this Plan are intended to implement Section 3.11(C) of the Agreement and do not affect, change or modify any other section, term or condition of the Agreement.

5.4. Inapplicability of Plan to Allocation of SFPUC System Water During Non-Shortage Periods. The SFPUC's agreement in this Plan to a respective share of SFPUC system water during years of shortage shall not be construed to provide a basis for the allocation of water between the SFPUC and the Wholesale Customers when no water shortage emergency exists.

5.5. Termination. This Plan shall expire at the end of the Term of the Agreement. The SFPUC and the Wholesale Customers can mutually agree to revise or terminate this Plan prior to that date due to changes in the water delivery capability of the SFPUC system, the acquisition of new water supplies, and other factors affecting the availability of water from the SFPUC system during times of shortage.

SECTION 6. ALLOCATION CALENDAR

6.1. Annual Schedule. The annual schedule for the shortage allocation process is shown below. This schedule may be changed by the SFPUC to facilitate implementation.

6.1.1

In All Years	Target Dates
1. SFPUC delivers list of annual purchases by each Wholesale Customer during the immediately preceding Supply Year	November 1
2. SFPUC meets with the Wholesale Customers and presents water supply forecast for the following Supply Year	February
3. SFPUC issues initial estimate of available water supply	February 1
4. SFPUC announces potential first year of drought (if applicable)	February 1
5. SFPUC and Wholesale Customers meet upon request to exchange information concerning water availability and projected system-wide purchases	February 1-May 31
6. SFPUC issues revised estimate of available water supply, and confirms continued potential shortage conditions, if applicable	March 1
7. SFPUC issues final estimate of available water supply	April 15th or sooner if adequate snow course measurement data is available to form a robust estimate on available water supply for the coming year.
8. SFPUC determines amount of water available to Wholesale Customers collectively	April 15th or sooner if adequate snow course measurement data is available to form a robust estimate on available water supply for the coming year.
In Drought Years	**Target Dates**
9. SFPUC formally declares the existence of water shortage emergency (or end of water shortage emergency, if applicable) under Water Code Sections 350 et. seq.	April 15-30
10. SFPUC declares the need for a voluntary or mandatory response	April 15-30
11. BAWSCA submits calculation to SFPUC of individual Wholesale Customers' percentage shares of water allocated to Wholesale Customers collectively	April 15- 30

12. SFPUC determines individual shortage allocations, based on BAWSCA's submittal of individual agency percentage shares to SFPUC, and monthly water budgets (Default Schedule)	April 25—May 10
13. Wholesale Customers submit alternative monthly water budgets (optional)	May 8-May 24
14. Final drought shortage allocations are issued for the Supply Year beginning July 1 through June 30	June 1
15. Monthly water budgets become effective	July 1
16. Excess use charges indicated on monthly Suburban bills	August 1 (of the beginning year) through June 30 (of the succeeding year)
17. Excess use charges paid by Wholesale Customers for prior year	August of the succeeding year

CITY OF PALO ALTO

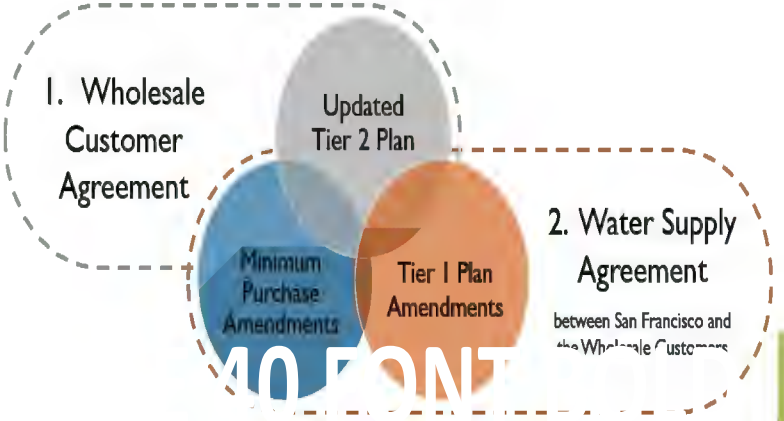
Recommendation to Approve Resolutions Amending the Water Supply Agreement and Approving the Updated Tier 2 Drought Allocation Implementation Plan

June 4, 2025

CITY OF PALO ALTO

Agenda

- Overview of the Water Supply Agreement between San Francisco and the Wholesale Customers (WSA)
- Proposed Amendments to the WSA
  - Minimum Purchase Requirement Modifications
  - Tier 1 Water Shortage Allocation Plan Modification *(How water is allocated between San Francisco and the Wholesale Customers)*
- Proposed Tier 2 Drought Allocation Implementation Plan *(How water is allocated among the Wholesale Customers)*



CITY OF PALO ALTO

Key Elements of the Water Supply Agreement Between San Francisco and the Wholesale Customers (WSA)

- Governs water supply from the San Francisco Regional Water System (RWS) to the Wholesale Customers

- Defines allocation of costs between San Francisco and the Wholesale Customers for water purchased from the RWS
- **Includes Minimum Purchase Requirements for four Wholesale Customers with access to imported supplies**

- **Provides method for allocating RWS supply between SF Retail and Wholesale Customers collectively during drought (Tier 1 Plan)**
- **Wholesale Customers may adopt method for allocating water amongst themselves (Tier 2 Plan)**

* BAWSCA has administrative duties and delegated authority but is not a party to the contract

CITY OF PALO ALTO

Proposed Amendment to the Water Supply Agreement (WSA)

Modifies Minimum Purchase Requirement (Section 3.07c)

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Minimum Purchase Requirement

- Intended to ensure Wholesale Customers with access to other purchased water do not shift purchases away from the Regional Water System causing rates to increase
- Applies to cities of Mountain View, Milpitas, Sunnyvale and Alameda County Water Agency
- Minimum purchase quantities (MPQs) assigned in 1984 Settlement Agreement based on actual water purchase volumes
- MPQs last adjusted as part of 2009 WSA
- MPQ does not apply during droughts

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Minimum Purchase Amendment has Three Simple Elements

MPQ = Minimum Purchase Quantity

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Minimum Purchase Requirement Amendment Impacts

$0.007 to $0.040 per ccf cost increase (0.13% to 0.72% rate increase) shared by All BAWSCA Agencies and SFPUC Retail Customers

Considerations

- Removes disincentive for RWQCP partner Mountain View to expand recycled water distribution which helps meet discharge requirements
- May delay regional alternative water supply projects (partially paid for by Palo Alto)
- Ensuring our neighbors aren't charged for unused water exhibits good regional citizenship

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Proposed Amendment to the Water Supply Agreement (WSA)

Modifies Tier 1 Water Shortage Allocation Plan (Attachment H in the WSA)

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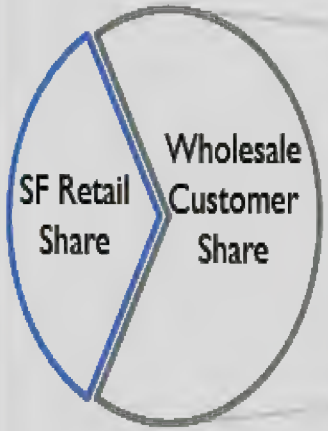
Shortages on the Regional Water System (RWS) are Governed by Two Plans

Shortages on the RWS

Tier 1 Plan

Method of allocating water from the RWS between:



Tier 2 Plan*

Method of allocating water from the RWS among the Wholesale Customers

*Agreement among Wholesale Customers, San Francisco not included

Application of the Tier 1 and 2 Plans

- Apply during system-wide shortages due to dr[illegible] % or [illegible]
- Excess use charges on [illegible] during mandatory shortage emergencies
- Wholesale Customers may transfer shortage allocations and banked water amongst themselves and with San Francisco

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Tier 1 Family Plan

- New element agreed to by SFPUC
- In mandatory cutback conditions, excess use charges will not be applied if the Wholesale Customers collectively are below the Tier 1 allocation
- If not collectively below Tier 1 allocation, excess use charges will be applied proportional to each agency's share of over-usage (no change from current)

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Proposed Updated Tier 2 Drought Allocation Implementation Plan

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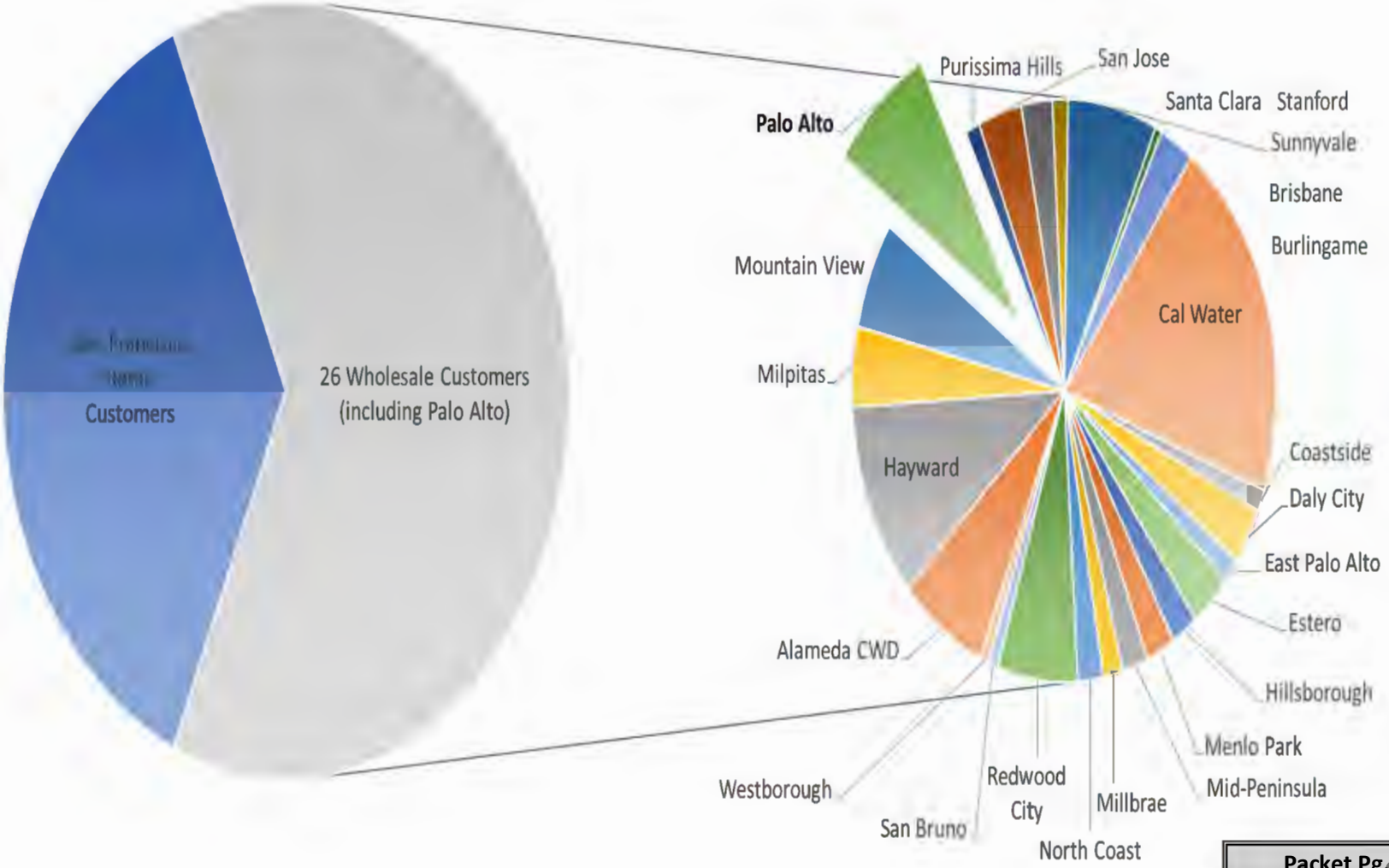
Tier 2

- Applies during water supply shortages
- Current formula expired in 2019
- Series of 1-year extensions
- Negotiated among the agencies
- BAWSCA Board is default decision maker



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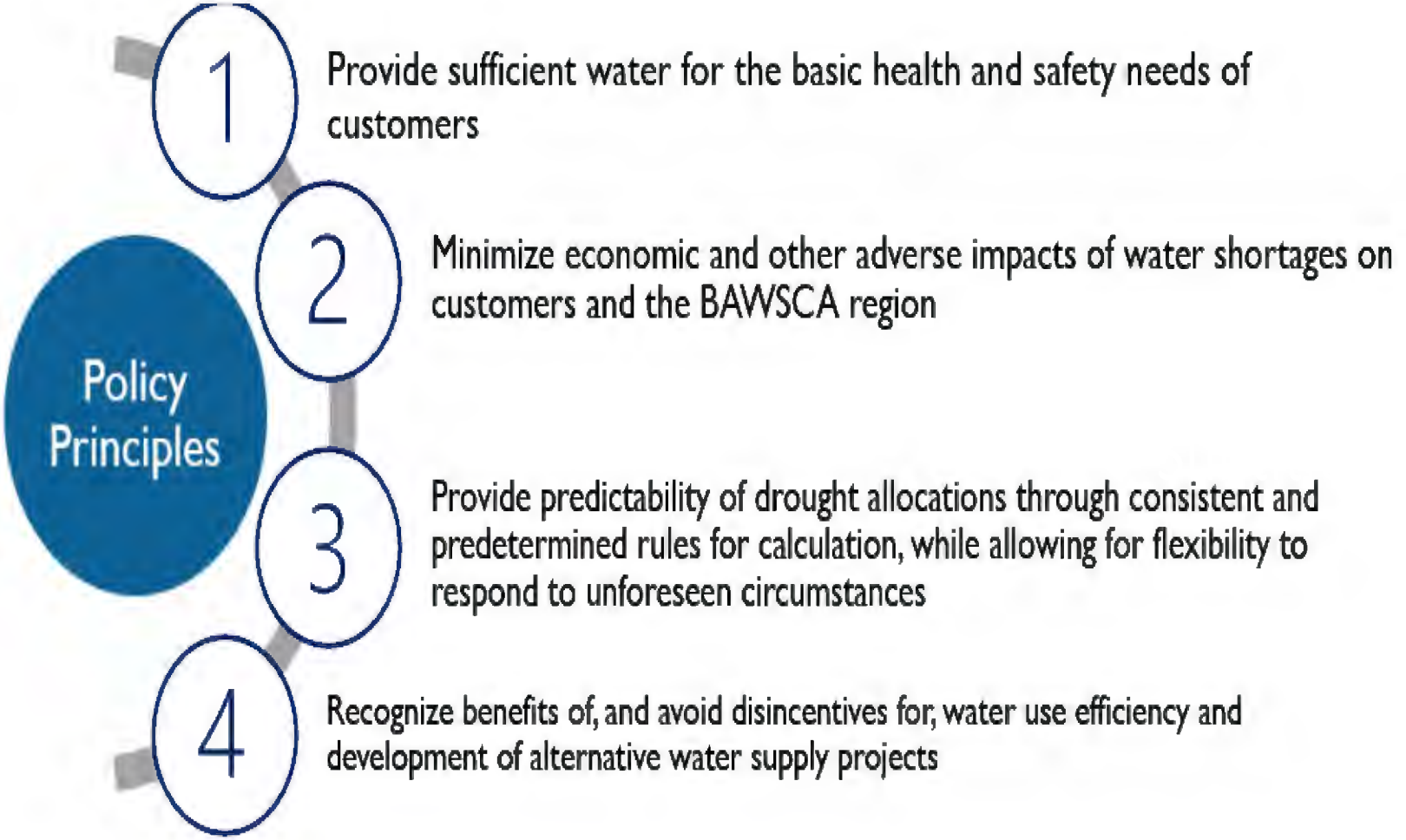
Tier 2 Policy Principles



CITY OF PALO ALTO

Palo Alto Customer Will Experience Same Water Use Restrictions with New Tier 2 Plan

Wholesale Customer Cutback	Palo Alto Cutback and Water Shortage Stage
20%	Old Formula: 16% New Formula: 18% Stage II – moderate shortage (e.g., application of potable water to driveways and sidewalks prohibited)
25%	Old Formula: 22% New Formula: 28% Stage III – severe shortage (e.g., restricts watering days of the week)

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Subtitle 32 fo

Notes: Actual Cutbacks May Vary ≈ +/- 2%;

Water Shortage Stage II: 11% - 20%, Stage III: 21% - 30%

CITY OF PALO ALTO

Recommended Motion

The Utilities Advisory Commission recommends Council approve two resolutions amending the Amended and Restated Water Supply Agreement Between the City of County of San Francisco and Wholesale Customers in Alameda County, San Mateo County, and Santa Clara County and Approving an updated Tier 2 Drought Response Implementation Plan

Alternatives re Tier 2:

- *If Palo Alto (or any BAWSCA member agency) does not approve the proposed plan, BAWSCA Board could approve a new Tier 2 formula*
- *If BAWSCA Board takes no action or cannot agree, SFPUC will determine a Tier 2 formula*

Utilities Advisory Commission
Staff Report

From: Alan Kurotori, Director of Utilities
Lead Department: Utilities

Meeting Date: June 4, 2025
Report #: 2503-4361

TITLE
Residential Electric Service Time-of-Use Rates (E-1 TOU)

RECOMMENDATION
Staff recommends the Utilities Advisory Commission (UAC) recommend that the City Council adopt a resolution (Attachment A: Draft Resolution):

- Adding voluntary Rate Schedule E-1 TOU applicable to separately metered single-family residential dwellings receiving electric service effective January 1, 2026 (Attachment B: Rate Schedule E-1 TOU).

EXECUTIVE SUMMARY
Staff recommends introducing a residential time-of-use rate plan on January 1, 2026 (E-1 TOU Rate Schedule). Separately metered single-family residential dwellings receiving electric service from the City of Palo Alto with Advanced Metering Infrastructure (AMI) meters may opt-in to this new E-1 TOU rate plan.

The proposed E-1 TOU rates align with the cost of electricity at the time of use, which reflects an accurate price signal to customers. Moreover, it provides customers the opportunity to take advantage of lower-cost and lower carbon intensity time periods for electric vehicle charging or other electric use.

The TOU periods for this rate plan are designed with consideration of several factors including:

1. Marginal cost of energy
2. Distribution system capacity and peak demand
3. Greenhouse gas intensity of market energy
4. Best practices in ratemaking.

BACKGROUND

At the December 4, 2024 UAC meeting, Staff presented preliminary rate proposals for FY 2026 and provided an update on TOU rates as an informational item for discussion purposes.[1]

The Electric Utility's FY 2026 rates to be effective on July 1, 2025 do not include the E-1 TOU rates. Staff recommends a January 1, 2026 implementation date for E-1 TOU to allow sufficient time to prepare for its implementation. Staff estimates that all residential customers will have AMI meters installed by the end of December 2025.

ANALYSIS

The Electric Utility's rates are evaluated and implemented in compliance with cost-of-service requirements set forth in the California Constitution and applicable statutory law. This E-1 TOU recommendation reflects the proposed FY 2026 costs and revenues for the Electric Utility that are reflected in the financial forecast that will be considered by the Council on June 16, 2025, and the "*City of Palo Alto Electric Cost of Service and Rate Study*" by EES Consulting, Inc. in 2023/2024 (FY 2024 COS Study), supplemented by EES's April 1, 2025 memo on "*Electric Time of Use Rate Design for E-1: Residential Customer Class*" (Attachment C: COSA Study's E-1 TOU Supplement).

The new E-1 TOU rates are designed to produce the same FY 2026 revenue as the standard E-1 rates, assuming customers do not change their electric usage patterns. Because the number of customers opting in to E1-TOU will grow over time, the revenue risk to the Electric Utility will be minimal as adjustments to the rate will be implemented over time as more data is available regarding changes in customers' electric usage patterns.

These residential TOU rates align with the cost of electricity at the time of use which reflects an accurate price signal to customers. Moreover, this rate plan provides residential customers who opt-in to this rate with the opportunity to take advantage of lower-cost time periods for electric vehicle charging. Other appliances with flexible loads can also take advantage of this rate.

As presented in the COSA Study's E-1 TOU Supplement, the TOU periods are designed with consideration of several factors including marginal cost of energy, distribution system capacity and peak demand, greenhouse gas intensity of market energy, and best practices in ratemaking.

1. Marginal cost of energy

The TOU periods are structured to reflect the marginal cost of energy, which refers to the cost of producing or purchasing one additional unit of electricity. This cost fluctuates throughout the day based on overall demand, fuel availability, and market dynamics. By aligning TOU pricing periods with periods of higher or lower marginal cost, utilities can send price signals that encourage consumers to shift their energy usage to times when electricity is cheaper to purchase. This not only reduces strain on the grid but also improves overall economic efficiency in the energy market. Because of the large penetration of solar resources in California, the lowest priced

[1] The transcript from the meeting is available on the City's website: https://cityofpaloalto.primegov.com/Public/CompiledDocument?meetingTemplateId=15106&compileOutputType=1.

periods typically occur in the sunny mid-day hours, while the highest priced periods typically occur in the evening hours just after sunset.

2. Distribution system capacity and peak demand
TOU periods are also influenced by the capacity of the distribution system and the timing of peak demand. Electricity systems must be built to meet the highest expected load, even if those peaks occur infrequently. By identifying and pricing peak hours higher, TOU rates encourage customers to shift consumption away from peak periods, which enhances grid reliability and optimizes use of existing infrastructure, delaying or reducing the need for costly infrastructure upgrades. This also reduces the utility's need to purchase additional local and system resource adequacy capacity, as these procurement requirements are set based on the utility's actual peak demand levels.

3. Greenhouse gas intensity of market energy
Another important consideration in TOU design is the greenhouse gas (GHG) intensity of the energy supply during different times of the day. Energy generated during peak hours often comes from fossil-fuel-based plants that produce higher emissions compared to cleaner sources like solar, which are more prevalent during mid-day hours. TOU rates can incentivize customers to use electricity when the grid is powered by cleaner energy, thereby supporting emissions reductions and climate goals. (Note that although CPAU has a carbon neutral electricity supply, the utility is still responsible for countering the effects of the marginal emissions that occur as a result of its electricity consumption through the purchase of additional renewable energy; therefore, it lowers the utility's costs to have customers use electricity primarily in lower emissions periods.)

4. Best practices in ratemaking
TOU rate plans also reflect established best practices in utility ratemaking, which aim to balance fairness, efficiency, and transparency. This involves designing rates that are cost-reflective, encourage customer responsiveness, and promote long-term sustainability of the electric system. Best practices ensure that TOU pricing is not only effective in achieving grid and environmental objectives, but also understandable and equitable for customers, including protections for vulnerable populations.

It has been shown that consumers are more able to shift energy use to lower-priced periods when the high-priced period is shorter in duration. The recommended peak period is from 4 pm to 9 pm. This 5-hour period captures the highest marginal energy costs, the highest average GHG intensities, and the timing of both the distribution system peak and residential class peak demand.

The Residential TOU program will enable CPAU to gauge customer interest in electric TOU rates and assess the behavioral changes of customers who opt into these TOU rates. In the absence of any E-1 TOU customer data, the TOU rate design assumed the E-1 customer class load profile and the TOU rates were designed to recover the same revenue requirement.

Table 1 shows the proposed E-1 TOU rates, compared to the proposed E-1 rates for FY 2026.

Table 1: FY 2026 Rates for E-1 and E-1 TOU

	Commodity	Distribution	Public Benefits	Total
E-1 TOU Rate Schedule – Proposed in this Staff Report, effective date January 1, 2026				
E-1 TOU Volumetric Rate, $/kWh (No Baseline)				
Summer: June 1 – September 30				
Peak: 4pm to 9pm	0.23354	0.09351	0.00604	0.33309
Off-Peak: 9pm to 4pm, 3pm to 4pm	0.08249	0.09351	0.00604	0.18204
Super Off-Peak: 9am to 3pm	0.06690	0.09351	0.00604	0.16645
Winter: October 1 – May 31				
Peak: 4pm to 9pm	0.16705	0.09351	0.00604	0.26660
Off-Peak: 9pm to 4pm, 3pm to 4pm	0.11033	0.09351	0.00604	0.20988
Super Off-Peak: 9am to 3pm	0.07835	0.09351	0.00604	0.17790
E-1 TOU Customer Charge				
Customer Charge, $/month	5.15			
E-1 Rate Schedule – Proposed effective date July 1, 2025				
E-1 Volumetric Rate, $/kWh (Baseline at 450 kWh)				
E-1 Tier 1 (up to 450 kWh)	0.10373	0.09593	0.00604	0.20570
E-1 Tier 2 (over 450 kWh)	0.13372	0.08968	0.00604	0.22944
E-1 TOU and E-1 Customer Charge				
Customer Charge, $/month	5.15			

Figures 1 and 2 below show the E-1 and E-1 TOU volumetric rates for summer and winter for FY 2026.

Figure 1: E-1 (Tier 1 and Tier 2) and Summer E-1 TOU Volumetric Rates for FY 2026

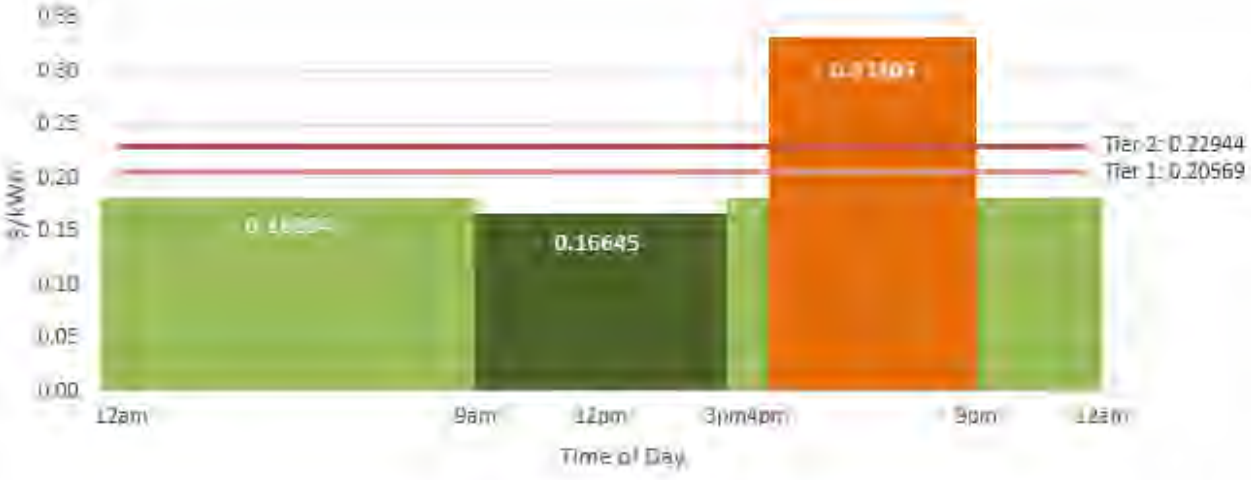
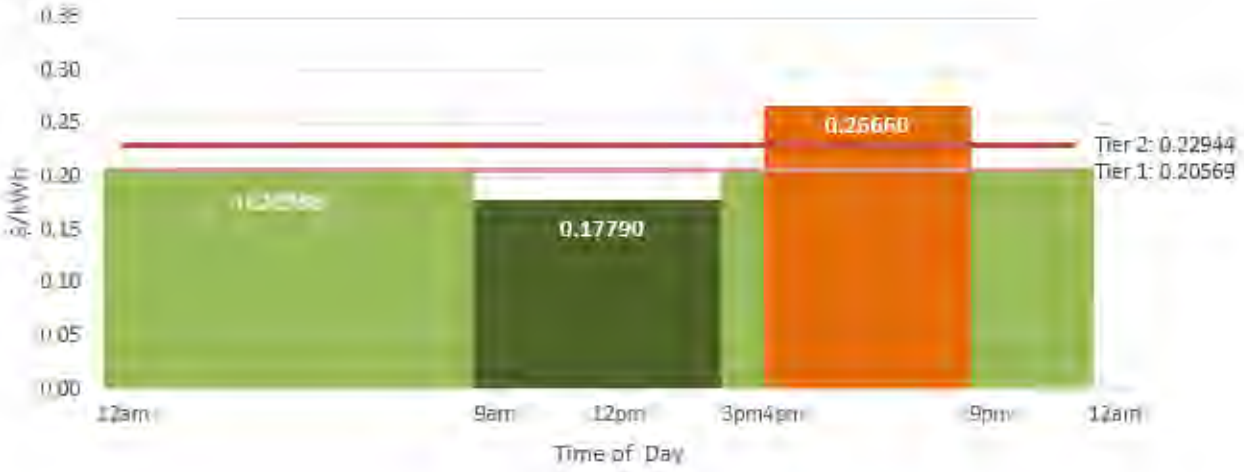


Figure 2: E-1 (Tier 1 and Tier 2) and Winter E-1 TOU Volumetric Rates for FY 2026



Customers electing the E-1 TOU rate plan must remain on the plan for a minimum of six months. After six months, E-1 TOU customers may request a change to any applicable rate schedule; however, once a customer switches to a rate schedule other than E-1 TOU, they cannot re-elect E-TOU for the next 12 billing cycles. Other utilities have similar restrictions regarding customers switching between rate plans[2]. For Palo Alto, six months is a reasonable balance between offering flexibility to customers and protecting the utility from customers switching rate plans frequently based upon which season the rate plan benefits the customer thereby generating additional administration for the utility.

Net Energy Metering (NEM) customers[3] will not be eligible to opt-in to the Residential TOU rate plan due to existing constraints in the billing system. Staff is working to address these constraints.

Implementation Plan

Staff has begun the process of updating the billing system to accept energy consumption data from the AMI system to compute TOU customer bills. Planning and implementation activities include modifying the billing system and developing logistics related to customer enrollment, customer informational tools and communication plan. To ensure a smooth roll-out of this new rate, staff anticipates an initial testing period with a small group of customers beginning in January 2026 followed by a modulated increase in customer enrollments. Staff plans to present marketing and communication and customer-centric details of this new rate implementation to the UAC in Fall 2025.

[2] This proposed rule is slightly different from that implemented by California's three largest electric utilities. For PG&E, customers may request a rate plan change up to two times in a rolling 12-month period; however, once a customer makes the 2nd rate change, they will have to remain on that plan for the next 12 billing cycles. For Southern California Edison and San Diego Gas & Electric Company, customers switching to TOU rate will not be able to make another switch for a full 12 months.

[3] NEM customers are those who receive compensation for the energy generated by photovoltaic systems installed at their residences.

FISCAL/RESOURCE IMPACT

The rate level of E-1 TOU is based on the FY 2026 cost estimates and is therefore designed to produce the same revenue increase percentage as that expected from the standard E-1 rates proposed to take effect on July 1, 2025.

STAKEHOLDER ENGAGEMENT

Staff provided an update on the development of E-1 TOU rates at the December 4, 2024 UAC meeting and plans to present the E-1 TOU rates to the Finance Committee in August 2025. Staff plans to present to the UAC in Fall 2025 a more detailed implementation plan. Staff met with the UAC Budget Subcommittee twice and the Subcommittee will be bringing a recommendation to the UAC.

ENVIRONMENTAL REVIEW

The UAC's review and recommendation to the Finance Committee on the E-1 TOU Rate Plan does not meet the California Environmental Quality Act's definition of a project, pursuant to Public Resources Code Section 21065. Thus, no environmental review is required.

ATTACHMENTS

Attachment A: Draft Resolution
Attachment B: Rate Schedule E-1 TOU
Attachment C: COSA Study's E-1 TOU Supplement
Attachment D: Presentation

AUTHOR/TITLE:

Alan Kurotori, Director of Utilities
Staff: Lisa Bilir, Senior Resource Planner

* NOT YET APPROVED *

Resolution No. _____

Resolution of the Council of the City of Palo Alto Approving
Utility Rate Schedule E-1 TOU (Residential Electric Time of Use Service)

R E C I T A L S

A. On June 16, 2025, the City Council heard and approved the fiscal year (FY) 2026 Electric Utility Financial Forecast, updating residential electric service rates at a noticed public hearing, and an additional voluntary Time of Use electric service rate is now proposed for residential customers consistent with that Financial Forecast.

B. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

C. On Month Day, 2025, the City Council heard and approved the proposed rates for the voluntary Residential Time of Use (TOU) electric service at a noticed public hearing.

The Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-1 TOU (Residential Electric Time of Use Service) shall become effective January 1, 2026;

SECTION 2. The Council finds that the revenue derived from the adoption of this resolution shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

SECTION 3. The Council finds that the fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

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* NOT YET APPROVED *

SECTION 4. The Council finds that approving the Residential Electric Time of Use rate does not meet the California Environmental Quality Act's (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental assessment is required. The Council finds that changing electric rates to introduce an optional Residential Time of Use rate is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and CEQA Guidelines Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, 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.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

APPROVED:

_____
Assistant City Attorney

_____
City Manager

_____
Director of Utilities

_____
Director of Administrative Services

RESIDENTIAL ELECTRIC TIME OF USE SERVICE

UTILITY RATE SCHEDULE E-1 TOU

A. APPLICABILITY:

This voluntary Rate Schedule applies to separately metered single-family residential dwellings receiving Electric Service from the City of Palo Alto Utilities (CPAU). This Rate Schedule is not available to Net Energy Metered (NEM) customers and is provided at the sole discretion of CPAU.

B. TERRITORY:

This rate schedule applies everywhere the City of Palo Alto provides Electric Service.

C. UNBUNDLED RATES:

Per kilowatt-hour (per kWh)	Commodity	Distribution	Public Benefits	Total
Summer Period				
Energy Charge				
Peak	$ 0.23354	$ 0.09351	$ 0.00604	$ 0.33309
Off-Peak	0.08249	0.09351	0.00604	0.18204
Super Off-Peak	0.06690	0.09351	0.00604	0.16645
Winter Period				
Energy Charge				
Peak	$ 0.16705	$ 0.09351	$ 0.00604	$ 0.26660
Off-Peak	0.11033	0.09351	0.00604	0.20988
Super Off-Peak	0.07835	0.09351	0.00604	0.17790
Customer Charge ($/month)				5.15

D. SPECIAL NOTES:

1. Calculation of Charges

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

2. Definition of Seasonal Periods

Summer Period:	Service from June 1 to September 30
Winter Period:	Service from October 1 to May 31

SEASONAL RATE CHANGES: When the Billing Period includes use in both Summer and Winter periods, usage will be prorated based on the number of days in each seasonal period, and the Charges based on the applicable rates therein. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

3. Definition of Time Periods

Peak:	4:00 p.m. to 9:00 p.m.	Every day
Off-Peak:	9:00 p.m. to 9:00 a.m. 3:00 p.m. to 4:00 p.m.	Every day
Super Off-Peak:	9:00 a.m. to 3:00 p.m.	Every day

4. Changing Rate Schedules

Customers electing to be served under E-1 TOU must remain on said Rate Schedule for a minimum of 6 months. Should the Customer so wish, at the end of 6 months, the Customer may request a Rate Schedule change to any applicable City of Palo Alto full-service Rate Schedule as is suitable to their kilowatt-hour usage. However, once a customer elects a rate other than E-1 TOU, they cannot re-elect E-TOU for the next 12 billing cycles.

{End}

EES Consulting
a GDS Associates Company

MEMORANDUM

TO Lisa Bilir

FROM Amber Gschwend

DATE April 1, 2025

RE Electric Time-of-Use Rate Design for E-1: Residential Customer Class

As part of the electric cost of service study, a rate design analysis is prepared to support the implementation of time of use (TOU) rates for the E-1 class. It is estimated that over 90% of residential customers will have Advanced Metering Infrastructure (AMI) installed by July 1, 2025, and optional TOU rates could be offered at that time. The proposed rate developed in this memo would be implemented on a voluntary basis. The bill impacts provided at the end of the analysis show that consumers with higher use could benefit from the program. Bills at any usage level can be reduced with changes in behavior.

TOU RATE DESIGN BACKGROUND

Time-of-use rate design has many benefits including appropriate price signaling to customers and the potential for customers to modify electric use to fall in periods of lower overall system costs, to reduce bills and utility power costs. Investor-owned utilities (IOUs) in California have defaulted residential customers to TOU rates, with the exception of low-income program customers.[1]

As a voluntary program, it is expected that customers who opt into the TOU rate would be those customers who can modify electric consumption timing, and these customers may be more aware of their energy use profiles in general. Customers with electric vehicles (EV) can benefit by choosing to charge vehicles during lower energy cost periods. Under the current tiered rate, electric vehicle charging would likely fall under the higher Tier 2 electric rate, based on higher household consumption. Therefore, the TOU rate offers the opportunity for EV owners to reduce electric bills without increasing costs for other customers. Additionally, when combined with demand response programs, TOU rates could also incentivize customers to purchase programmable appliance controls (e.g., battery energy storage systems, water heaters) further allowing customers to reduce electric usage during high-priced periods.

TOU program participation in the United States, when voluntary, typically ranges from 1% to 10% of the total number of eligible households.[2] As of 2023, approximately one in three residential customers in Palo Alto own EVs, therefore, the adoption rate in Palo Alto is likely to be higher. If Palo Alto decides to implement TOU as the default option, while allowing customers to opt back to a tiered rate option, TOU program participation would likely increase to 75-90%. Alternatively, the City may require TOU rate design for all customers in the class, resulting in 100% participation.

[1] Pirro, Michael. The Evolution and Challenges of Time-of-Use Rate Designs. GridX. August 29, 2024. The Evolution and Challenges of Time-of-Use Rate Designs.

[2] Eligible households are those with appropriate meeting infrastructure or some other factor as determined by the utility.

RECOMMENDED PALO ALTO RESIDENTIAL TOU PROGRAM

A voluntary E-1 TOU program will provide useful information to the City. Peak demand reduction estimates can be made by comparing E-1 TOU participant demands to standard E-1 class demands over the same period. This information will help the City plan for future program roll-out design as well as reduce its future power costs. Based on PG&E's program, it is expected that peak demand reduction on the order of 3-6% could be achieved through TOU rate design.[3] Note: The residential customer share of Palo Alto's overall peak demand is estimated at 12%, therefore, a reduction in residential class peak of 3-6% results in an overall system peak reduction of 0.4 to 0.7%.

A voluntary program will also help the City determine with greater certainty the impact of TOU rate design on utility revenues and expenses. As customers modify their behavior, it is expected that the revenue collected will decrease and that power supply expenses will also decrease. It is recommended that the TOU program revenues be analyzed annually, and retail rates updated so that the utility remains financially stable. This initial rate design proposal considers the recovery of fixed and variable costs by including fixed cost recovery in rate components that do not vary depending on the time of day energy is used. This design mitigates potential impacts to revenue collection resulting from changed behavior from TOU rate implementation.

Table 1 below summarizes the recommended TOU rate design methodology. The balance of the memo describes the data and results of the analysis.

TABLE 1: RECOMMENDED TOU RATE DESIGN METHODOLOGY

Rate Schedule	Current Rate Design	Recommended Rate Methodology
Residential Electric Service	• E-1: Not Time of Use • Inclining Rate with Two Tiers • Baseline Use (Tier 1) is 450 kWh/month • Higher Use (Tier 2) is over 450 kWh/month	• E-1 TOU: Billing Periods Based on Differential in Marginal Cost, Distribution System Capacity and Peak Demand, Greenhouse Gas Intensity, and Best Practices in Rate Design • Commodity Rate Based on Marginal Cost • Optional Rate Plan

TOU RATES FOR NET ENERGY METERED (NEM) CUSTOMERS

Due to technical hurdles associated with the electric billing system, CPAU is currently unable to implement TOU rates for Net Energy Metered (NEM1 and NEM2)customers, who have energy generation and/or storage capacity from solar panels and batteries. When CPAU overcomes NEM2 billing system hurdles, TOU NEM2 will be developed.

[3] Rate design and season impacts the peak demand reduction estimates. Pacific Gas and Electric (PG&E) study authors note that peak demand impacts may diminish over time. Reference: Christensen Associates. 2023 Load Impact Evaluation of Pacific Gas and Electric Company's Residential Time-of-Use Rates Ex Post and Ex-Ante Report. CALMAC Study ID PGE0496. April 1, 2024.
https://www.calmac.org/publications/2._PGE_2023_Res_TOU_Rpt_PUBLIC.pdf

REVENUE REQUIREMENT

The rate level for E-1 TOU is based on the FY2026 budget. The FY2026 budget is the FY2025 budget plus a 1% increase to power supply expenses, and an 11% increase for distribution expenses for an average adjustment of 5% overall. Therefore, the proposed rates are equal to the FY2025 cost of service analysis plus 5%. For E-1, the total revenue target for FY2026 is $29.4 million compared with $27.9 million for FY2025. This is equivalent to 17% of the total electric utility retail revenue target of $172.9 million.

TOU COST JUSTIFICATION

TOU rate design is recommended to promote the efficient use of electricity by providing more accurate cost-based pricing.

1. TOU rates are based on the marginal cost of electrical energy and electrical capacity at the time of usage, reflecting accurate market price signals.
2. TOU rate design may lower the impact of increased EV charging on distribution feeder and transformer loadings, by providing customer incentives to reduce or shift energy use away from higher-priced periods.
3. TOU rates will provide customers with the opportunity to take advantage of lower-cost time periods for EV charging or other electric use.
4. TOU rates support electrification by not penalizing high energy use if it occurs during lower market priced periods.

Typically, the goal of TOU rate design is to provide more accurate cost-based pricing to retail customers. In addition to this goal, TOU may also be used as a program to reduce overall power supply costs to the utility and, to the extent possible, lower the peak load on the distribution system infrastructure. These lowered costs are then passed to consumers through updated rate studies. A reduction in power costs may be realized if customers conserve energy during high-priced periods, or if customers shift their energy use to lower-priced periods. Similarly, reducing the peak loading of the distribution system will lower the need for system upgrades and will also result in lower system energy losses.

DETERMINATION OF APPROPRIATE TOU PERIODS

As noted in Table 1, TOU periods are designed with consideration of several factors including:

1. Marginal cost of energy
2. Distribution system capacity and peak demand
3. Greenhouse gas intensity of market energy
4. Best practices in ratemaking.

Each of these considerations is described below.

Marginal Cost of Energy

The primary goal of the rate design is to accurately reflect the cost of service depending on the time of day energy is used. Typically, higher-priced energy results from the combination of high electricity demands and constrained resource output, which occurs after the sun sets when lower-cost solar resources are no longer producing energy. The marginal cost of energy for the City is considered to be the hourly market prices at the NP15 (North of Path 15) trading hub, adjusted for the Palo Alto service area location. Hourly prices are commonly referred to as Default Load Aggregation Point (DLAP). The NP15 trading hub is the closest wholesale market transacting location. This pricing data is utilized in other areas

of the City's utility planning and ratemaking and is the appropriate marginal cost metric for electric TOU rate design.

Because of the large penetration of solar resources in the California markets, the highest priced periods typically occur in the evening. This is demonstrated in the average hourly market pricing data shown in Figure 1.[4] These market prices are the marginal cost of electricity. In case of resource production surpluses or shortages, the City would sell or purchase energy at these prices.

Figure 1 illustrates the average hourly market pricing for the 3-year period August 2021-July 2024. This period is the most relevant to the analysis since it is the most recent data available. While the natural gas shortage in winter 2023 inflated pricing in that period, removing that data from the analysis did not result in significant differences. This is because the shape of the pricing curves is more important than the pricing levels.

Figure 1 shows three periods for pricing. The red shaded period (peak) is the highest priced period between 4 pm and 9 pm, averaging $95/MWh annually. The lowest priced period is between 9 am and 3 pm daily at $49/MWh on average (super off-peak). The average price for the remaining hours (off-peak) is $65/MWh. The relative prices in these three periods are used to determine commodity rates.

FIGURE 1: AVERAGE HOURLY MARKET PRICES: 8/2021-7/2024

The recommended rate design has the same pricing periods for winter and summer seasons. Keeping the time of day pricing periods the same year-round is simpler from the customer perspective and follows Bonbright's criteria of desirable rate structure where he emphasizes simplicity and understandability of

[4] Average hourly prices for NP15 (DLAP Palo Alto), August 2021-July 2024.

rate design.[5] A more complicated rate design with multiple TOU periods would more precisely reflect marginal costs, but it would also be more difficult for customer understanding and implementation. For this reason, a simpler rate design is recommended.

Distribution System Capacity and Peak Demand

The second consideration for the TOU periods is the peak at the distribution system level. This peak is the maximum peak achieved when combining customer electric demands. A peak can be analyzed in various ways such as system total (all City loads) or a subset of customers such as those being served from a particular asset (substation, feeder, transformer). The peak on the distribution system drives distribution system investments. Therefore, managing peak demands on the system can defer or avoid investments in system expansion.

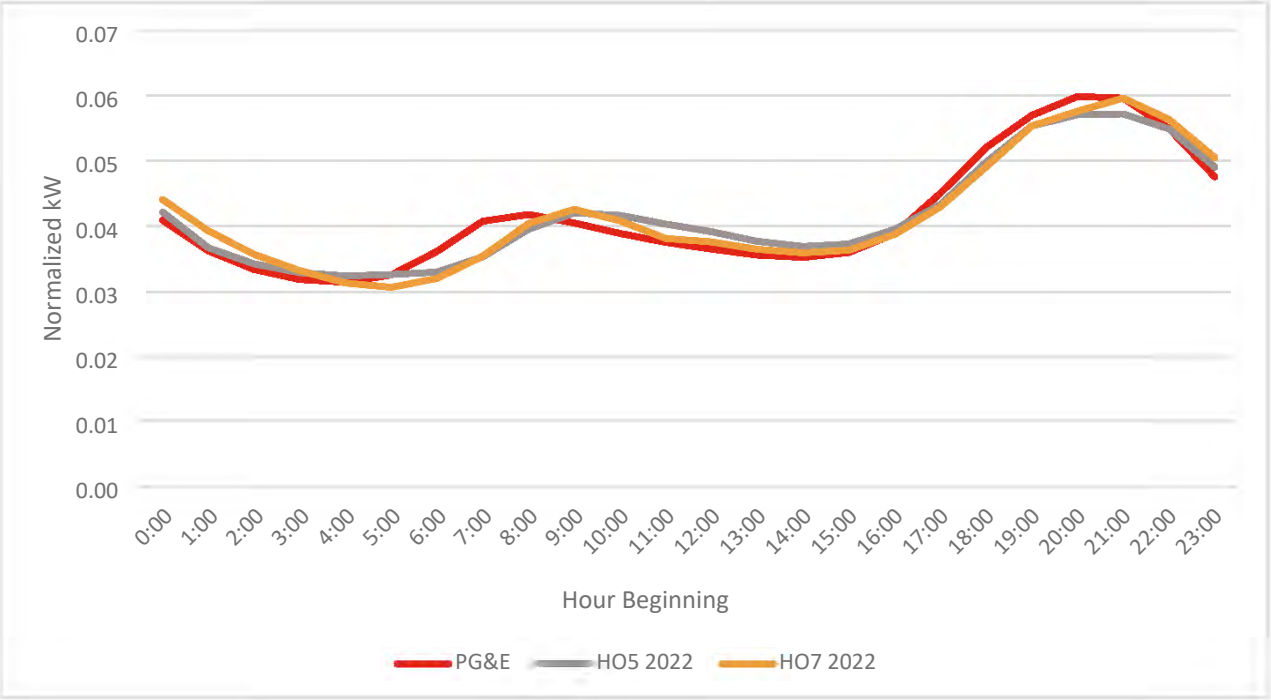
Typically, the distribution system peak coincides with the timing of higher-priced electricity. To test this, the 12 monthly peaks (maximum demand) for the City's entire system were analyzed. The three highest monthly peaks on the system occur within the 4 pm to 9 pm time period. While the system peaks during this time period, each class of customer contributes to that peak differently. Class system peaks help define the capacity requirements across the distribution system. If the residential class peak were to occur during a low marginal cost period for energy, the recommended TOU rate design could result in increased distribution system costs. Shifting loads toward the residential class peak could result in an increase to the distribution system capacity needs. To ensure that the recommended TOU rate periods do not place undue upgrade costs on the distribution system, EES analyzed residential class load profile data.

At the time of this analysis, the City does not have hourly load profile data available for its residential class. The City is currently installing AMI, which will provide usage data for future cost analysis and rate making. Because hourly meter data is unavailable, EES evaluated hourly usage data for substation feeders: Hopkins feeder 5 (HO5) and Hopkins feeder 7 (HO7). These feeders serve a total of 1,208 customers. Of these, 1,200 customers are residential. Based on the customer count data, the hourly data from these feeders should be a good approximation for residential load profiles for the City of Palo Alto. To further test this theory, the hourly data from these feeders was compared with PG&E residential load profiles for PG&E's baseline territory "T." This territory is adjacent to the City of Palo Alto and similar in climate. The comparison further validates that the hourly Palo Alto feeder data is appropriate Palo Alto residential TOU rate design.

Figure 2 compares the average hourly load shape for the 12 months beginning September 2022 for both Hopkins feeders, and a similar-climate load shape from PG&E dynamic load profile data. The average is calculated by averaging electric demand over the entire year for each hour ending (1-24). Figure 2 shows normalized kW which is equal to kW in each hour divided by the average. Normalizing each curve makes the curves comparable even if the data sets have different means.

[5] Bonbright, James C. Principles of Public Utility Rates. Columbia University Press, 1961 (Reprinted 2005). Page 291. powellgoldstein-bonbright-principlesofpublicutilityrates-1960-10-10.pdf

FIGURE 2: RESIDENTIAL HOURLY LOAD PROFILE AVERAGE: 9/2022-8/2023



Using the feeder data, an analysis of monthly peaks indicated that the 4 pm to 9 pm period captures the two maximum feeder peaks (August and September for HO5 and December and September for HO7). This is also supported in Figure 2 where the average daily peak occurs in the same window. Therefore, both the system and feeder peak analyses support an on-peak period in the later afternoon/evening.

Palo Alto's overall system peak, across all customer classes also occurs between 4 pm and 9 pm in the highest 9 monthly peaks. This also supports setting the peak period between 4 pm and 9 pm.

Greenhouse Gas (GHG) Content

The third consideration for TOU periods is the carbon content of market purchases during lower-cost periods. While not perfectly correlated, marginal cost, system peak demands, and high GHG content are all highest during the same evening period. Figure 3, on the next page, shows the average hourly emission intensity by month for energy transactions located within the management area of the California Independent System Operator (CAISO). Emissions data are represented as metric tons (MT) of carbon dioxide equivalent (CO_2e) per megawatt hour (MWh) of electricity. The highest emission intensities are between 7 pm and 7 am, when solar resources are not generating. The emission intensity data supports a third TOU period during the day that represents the lower costs associated with both the low GHG intensity and low marginal cost.

FIGURE 3: AVERAGE CAISO EMISSION INTENSITY 2023, MT CO_2 PER MWH

	Hour Beginning																							
	0:00	1:00	2:00	3:00	4:00	5:00	6:00	7:00	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00
1	0.31	0.31	0.32	0.32	0.31	0.29	0.29	0.28	0.24	0.21	0.2	0.2	0.2	0.2	0.2	0.22	0.26	0.29	0.29	0.29	0.3	0.3	0.31	0.31
2	0.31	0.32	0.31	0.31	0.3	0.29	0.28	0.27	0.21	0.17	0.17	0.17	0.17	0.17	0.17	0.18	0.23	0.28	0.29	0.29	0.29	0.3	0.31	0.31
3	0.28	0.28	0.28	0.28	0.27	0.26	0.26	0.24	0.19	0.17	0.16	0.16	0.17	0.16	0.16	0.16	0.17	0.21	0.24	0.26	0.26	0.27	0.28	0.28
4	0.25	0.25	0.25	0.25	0.25	0.24	0.24	0.2	0.12	0.1	0.09	0.08	0.08	0.07	0.07	0.06	0.07	0.1	0.18	0.23	0.25	0.24	0.25	0.25
5	0.26	0.26	0.26	0.26	0.26	0.26	0.24	0.18	0.14	0.12	0.12	0.11	0.1	0.08	0.07	0.07	0.08	0.12	0.17	0.23	0.25	0.25	0.26	0.26
6	0.24	0.24	0.24	0.24	0.24	0.24	0.22	0.16	0.13	0.11	0.1	0.09	0.08	0.06	0.05	0.05	0.07	0.1	0.14	0.19	0.22	0.23	0.24	0.24
7	0.28	0.28	0.28	0.28	0.28	0.28	0.25	0.21	0.19	0.17	0.15	0.14	0.13	0.13	0.13	0.14	0.16	0.18	0.21	0.26	0.28	0.29	0.29	0.29
8	0.31	0.31	0.31	0.31	0.3	0.3	0.29	0.26	0.23	0.21	0.19	0.17	0.16	0.16	0.17	0.18	0.2	0.22	0.25	0.29	0.3	0.3	0.31	0.31
9	0.29	0.29	0.29	0.29	0.29	0.29	0.28	0.25	0.2	0.18	0.16	0.15	0.14	0.12	0.12	0.13	0.15	0.19	0.24	0.26	0.27	0.27	0.28	0.29
10	0.34	0.34	0.34	0.35	0.34	0.33	0.32	0.3	0.24	0.21	0.19	0.18	0.17	0.16	0.15	0.16	0.19	0.26	0.3	0.31	0.31	0.32	0.33	0.34
11	0.33	0.34	0.34	0.34	0.33	0.32	0.3	0.27	0.22	0.2	0.2	0.2	0.19	0.19	0.18	0.21	0.26	0.28	0.29	0.29	0.3	0.31	0.32	0.32
12	0.32	0.33	0.33	0.33	0.32	0.31	0.3	0.28	0.23	0.2	0.19	0.19	0.19	0.19	0.2	0.24	0.28	0.28	0.29	0.29	0.29	0.3	0.31	0.32

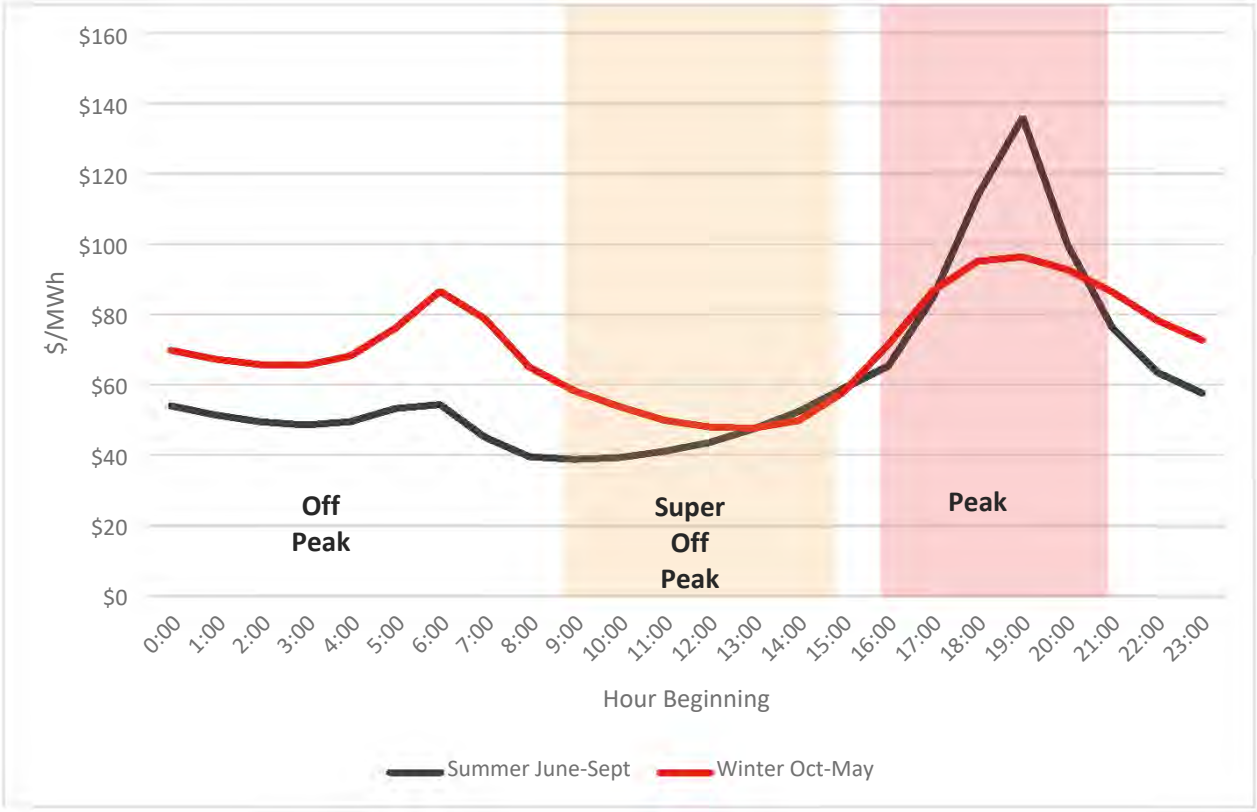
Best Practices

The last consideration for TOU periods is based on ratemaking best practices. First, it has been shown that consumers are more able to shift energy use to lower priced periods when the high-priced period is shorter in duration. As such, there is a trade-off in cost-based rates between peak usage pricing that is significantly higher than off peak but for a shorter period versus smaller price differentials over a longer period. The recommended peak period is from 4 pm to 9 pm. This 5-hour period captures high marginal energy costs, high average GHG intensity, and the timing of both the distribution system peak and residential class peak demand.

TOU RATE RECOMMENDATIONS

It is recommended that TOU rates be calculated for two seasons: summer and winter. The recommended summer season is from June 1 through September 30. This choice of season is based on the annual system peak typically in August or September and the local capacity requirement (determined by the annual peak). Additionally, the seasonal rate design is necessary to pass through the differences in marginal costs between seasons. In particular, the months of June through September are the peak cooling months where the impact of solar on marginal costs is slightly less compared to winter. The recommended seasonal definition results in a larger difference in pricing during summer hours as demonstrated by the higher peak and lower troughs in Figure 4. Winter hours are priced closer together.

FIGURE 4: AVERAGE HOURLY MARKET PRICES BY SEASON: 8/2021-7/2024



Based on the above analysis, the following TOU periods are recommended:

TABLE 2: RECOMMENDED TOU RATE PERIODS

	Time of Day
Summer: June 1 – September 30 and Winter: October 1 – May 31	
Peak	**4 pm to 9 pm**
Off-Peak	**9 pm to 9 am and 3 pm to 4 pm**
Super Off-Peak	**9 am to 3 pm**

Based on these TOU periods, marginal cost data, and the seasonal rate period, the recommended rate differentials are developed. During the summer season, peak period prices average 85% higher than off-peak prices. In winter, October 1 through May 31, the peak period prices average 23% higher than off-peak prices. Super off-peak prices coincide with the time of day with the lowest marginal cost and lowest greenhouse gas emission intensity. Prices during super off-peak periods during the summer are 19% lower than off-peak summer prices and prices during super off-peak periods during the winter are 29% lower than winter off-peak prices.

Table 3 summarizes the marginal cost data for the 3-year period analyzed, August 2021-July 2024. This data was also analyzed by excluding the high winter prices in 2023 caused by natural gas shortages. This event was unusual; however, the resulting price differentials between the recommended TOU periods were not significantly different when the event is excluded.

Note that the marginal cost is not used directly for rate-setting. The marginal cost levels are adjusted to reflect the utility's actual all-in power costs; however, the ratio of peak, off-peak, and super off-peak prices is maintained.[6] By maintaining the relative cost of power, the resulting rates reflect the marginal cost attributes while collecting the power supply costs allocated to residential customers in the cost of service study.

[6] This methodology differs from the Export Electricity Compensation rate (EEC) used to credit excess generation value to Net Energy Metering (NEM) customers. The EEC rate considers the marginal cost of energy plus other costs avoided when customers generate electricity locally.

TABLE 3: TOU MARGINAL COST: COMMODITY

	Average DLAP[1] Price $/MWh	Difference from Seasonal Off Peak Price
Summer: June 1 – September 30		
Peak: 4 pm to 9 pm	$99.98	+ 85%
Off-Peak: 9 pm to 9 am and 3 pm to 4 pm	$53.96	0%
Super Off-Peak: 9 am to 3 pm	$43.76	-19%
Winter: October 1 - May 31		
Peak: 4 pm to 9 pm	$88.49	+23%
Off-Peak: 9 pm to 9 am and 3 pm to 4 pm	$72.17	0%
Super Off-Peak: 9 am to 3 pm	$51.25	-29%

1. DLAP or Default Load Aggregation Point is the industry name for hourly wholesale electricity prices for the relevant trading point. In this case, the PG&E delivery point is the appropriate trading node.

The commodity rates for E-1 TOU are developed such that the pricing differentials in Table 3 are maintained for the energy-related portion of the rate. The commodity costs that are demand-related are added to the peak commodity rates. Demand-related commodity costs are spread evenly across summer and winter seasons and applied only to peak commodity rates. Finally, because local capacity costs are based on peak demand, 72% of these costs occur in summer, while 28% occur in the winter and these costs are correspondingly included in the summer and winter volumetric rates. Table 4 summarizes the cost components in each TOU commodity rate.

TABLE 4: TOU RATE DESIGN COST COMPONENTS

Commodity Cost Component	Energy Related	Demand Related
Summer Peak	187% of Off Peak Price	72% of Local Capacity Costs Summer Demand Costs
Summer Off-Peak	Marginal Cost Scaled Based on Embedded Power Costs (Calculated in COSA)	None
Summer Super-Off Peak	84% of Off Peak Price	None
Winter Peak	121% of Off Peak Price	28% of Local Capacity Costs Winter Demand Costs
Winter Off-Peak	Marginal Cost Scaled Based on Embedded Power Costs (Calculated in COSA)	None
Winter Super Off-Peak	73% of Off Peak Price	None

LOAD CHARACTERISTICS

The billing determinants for each TOU pricing period are estimated from the load profile data obtained from the HO5 and HO7 feeders. Table 5 summarizes the estimated share of annual energy within each TOU period. For the average customer using 450 kWh per month (5,400 kWh/year), 31.6% or 1,706 kWh are consumed in the winter off peak period.

TABLE 5: RESIDENTIAL LOAD SHARE BY TOU PERIOD

	Share of Annual Energy
Summer: June 1 – September 30	
Peak: 4 pm to 9 pm	8.0%
Off-Peak: 9 pm to 9 am and 3 pm to 4 pm	9.2%
Super Off-Peak: 9 am to 3 pm	14.2%
Winter: October 1 - May 31	
Peak: 4 pm to 9 pm	15.7%
Off-Peak: 9 pm to 9 am and 3 pm to 4 pm	31.6%
Super Off-Peak: 9 am to 3 pm	21.3%

Table 6 compares the recommended E-1 TOU rate with the standard E-1 rate adjusted for FY2026. The commodity rates are developed by scaling the marginal costs for the TOU periods (Table 3) so that when combined with the billing determinants resulting from Table 5, the revenue collected equals the commodity revenue requirement. The fixed customer charge is the same as the recommended fixed customer charge for the E-1 class. The distribution costs for FY2026 are estimated at $14.1 million (11% increase from FY2025 distribution costs). After an 11% increase in the customer charge, the remaining distribution costs are $12.4 million. This translates to $0.09351/kWh. This distribution rate is the same between E-1 and E-1-TOU.[7] The Public Benefits Charge (PBC) is also the same across time periods and across the Tiered E-1 rate compared to the E-1-TOU rate.

TABLE 6: RECOMMENDED RESIDENTIAL TOU RATE FY2026
(PRICES PER KWH UNLESS OTHERWISE STATED)

	Commodity	Distribution	PBC	Total
E-1				
Customer Charge, $/month				$5.15
Tier 1 (up to 450 kWh)	$0.10373	$0.09593	$0.00604	$0.20569
Tier 2 (> 450 kWh)	$0.13372	$0.08968	$0.00604	$0.22944
E-1-TOU				
Customer Charge, $/month				$5.15
Summer (June 1 to Sept 30)				
Peak: 4 pm to 9 pm	$0.23354	$0.09351	$0.00604	$0.33309
Off Peak: 9 pm to 9 am and 3 pm to 4 pm	$0.08249	$0.09351	$0.00604	$0.18204
Super Off Peak: 9 am to 3 pm	$0.06690	$0.09351	$0.00604	$0.16645
Winter (Oct 1 to May 31)				
Peak: 4 pm to 9 pm	$0.16705	$0.09351	$0.00604	$0.26660
Off Peak: 9 pm to 9 am and 3 pm to 4 pm	$0.11033	$0.09351	$0.00604	$0.20988
Super Off Peak: 9 am to 3 pm	$0.07835	$0.09351	$0.00604	$0.17790

[7] The average distribution rate of $0.09351/kWh is required to recover the $12.4 million in residential class distribution system costs. The Standard E-1 Rate is based on a tiered rate design which results in the same collection of $12.4 million in revenues.

The FY2026 average annual volumetric rate for both for E-1 and E-1 TOU is $0.21486/kWh. If all residential customers select the E-1 TOU rate plan, and did not modify behavior, the revenue collected would total $29.4 million.

BILL IMPACTS

The bill impacts from switching from E-1 to E-1-TOU will depend on the monthly electric use. Higher usage in any month will make the TOU rate more attractive to customers. Average monthly use is estimated at 450 kWh, the Tier 1 baseline. Table 7 compares residential monthly bills under two rate plans at the same average monthly use. In every month, the E-1 rate results in a lower bill. The annual difference is $37.96. This suggests that customers near the average use, and with a usage profile consistent with the feeder data, should prefer to stay on the E-1 rate unless they plan to change their usage patterns.

TABLE 7: BILL IMPACTS: AVERAGE USE

Month	Average Use kWh	Bill: E-1-TOU	Bill: E-1	Difference (E-1 TOU bill – E-1 bill)
1	408	$92.05	$89.07	$2.98
2	440	$98.38	$95.66	$2.72
3	385	$86.90	$84.34	$2.56
4	388	$87.81	$84.96	$2.85
5	436	$98.16	$94.83	$3.33
6	438	$98.59	$95.24	$3.35
7	619	$138.83	$136.49	$2.34
8	523	$119.46	$114.46	$5.00
9	523	$117.50	$114.23	$3.27
10	418	$94.52	$91.13	$3.39
11	407	$91.80	$88.87	$2.93
12	417	$93.96	$90.72	$3.24
Total		**$1,217.96**	**$1,180.00**	**$37.96**

Table 8 shows the same analysis for the case where 200 kWh per month is added to the 450 kWh/month usage. It is assumed that this use is due to electrification (such as electric vehicle charging). We assume a 50/50 split between off-peak and super off-peak period usage for the additional kWh. Table 8 demonstrates that for EV charging timed to avoid the peak cost period, the E-1-TOU rate is beneficial, saving customers approximately $55 per year.

TABLE 8: BILL IMPACTS: AVERAGE USE PLUS 200 KWH EV CHARGING

Month	Average Use kWh	Bill: E-1-TOU	Bill: E-1	Difference
1	653	$130.83	$133.96	-$3.14
2	689	$137.16	$141.31	-$4.14
3	627	$125.68	$128.69	-$3.01
4	631	$126.59	$129.37	-$2.78
5	684	$136.94	$140.39	-$3.45
6	687	$133.44	$140.85	-$7.41
7	888	$173.68	$182.38	-$8.69
8	781	$154.31	$160.35	-$6.04
9	781	$152.35	$160.12	-$7.77
10	664	$133.30	$136.26	-$2.96
11	652	$130.58	$133.73	-$3.15
12	663	$132.74	$135.80	-$3.06
Total		**$1,667.59**	**$1,723.20**	**-$55.61**

Finally, Table 9 shows a range of potential bill impacts for low, average, and high levels of monthly kWh use. Even with no changes in behavior to avoid peak cost periods, residential customers with higher use could potentially reduce their bills by switching to the TOU rate option. The analysis assumes that customer usage profiles are consistent with the feeder data. Refer back to Table 5 for the share of annual energy consumption in each seasonal TOU period. This profile is used to calculate monthly bills at different levels of consumption ranging from 200 kWh/month to 1,600 kWh/month.

TABLE 9: BILL IMPACTS: LOW, AVERAGE, AND HIGH USAGE LEVELS

	Bill: E-1 TOU	Bill: E-1	Difference
200 kWh	$47.96	$46.29	$1.68
450 kWh (Tier 1 Baseline)	$101.48	$97.71	$3.77
600 kWh	$133.59	$132.13	$1.46
800 kWh	$176.41	$178.02	-$1.61
1,600 kWh	$347.66	$361.57	-$13.91

Date: June 4, 2025

FORECAST
12-MONTH ROLLING CALENDAR

	Utilities Advisory Commission	City Council
June 2025	• Wildfire Mitigation Plan / CPAU Emergency Preparedness • Electric Residential Time of Use (TOU) Rates • Tier 2 Water Allocation During Drought	• Rates and Financial Forecasts (CCM) • Fiber Rates/Packages (FCM) • Fiber Rate/Packages (CCM) • On Call Traffic Safety and Signage Services (CCM) • Professional Consulting Services for Electric Utility Engineering, Grid Mod (CCM) • *FY 2026 Utilities CIP and Operating Budget (CCM)* • 10 Year Energy Efficiency Goals (CCM) • Water Supply & Demand Assessment (CCM) • Sanitary Sewer Management Plan SSMP (CCM)
July 2025	• Aypa Energy Storage Services Agreement • Reliability and Resilience Strategic Plan Update	**COUNCIL SUMMER BREAK**
August 2025	**UAC SUMMER BREAK**	• Water System Leak Detection Survey (CCM) • Gas Main Replacement 25 Project (CCM) • Aypa Energy Storage Services Agreement (FCM) • Tier 2 Water Allocation During Drought (FCM) • Utility Trench & Substructure Installation Contract (CCM) • MTC Grant (CCM) • Overhead Fiber Optic Service Drops to Customers Premises (FTTP) Contract (CCM) • Professional Engineering/Design Services for Electric Substations & Distribution System (CCM) • Grid Mod Bond Financing and Project Update (FCM) • Rules and Regs Update (CCM) • Connection Fee Update (FCM) • Connection Fee Updated (CCM)
September 2025	• Second Transmission Corridor Update • Grid Modernization Bond Financing and Project Update • Preliminary Analysis of the Infrastructure Impacts Associated with Gas Decommissioning • FY25-Q3 Quarterly Informational Report	• Tier 2 Water Allocation During Drought (CCM) • Aypa Energy Storage Services Agreement (CCM) • Updated Standard Form Master Agreements for Electric and Gas
October 2025	• FY25-Q4 Annual Report • Electric Time of Use Rates Implementation Check-in	• Grid Modernization Bond Financing and Project Update (CCM)
November 2025	• Preliminary FY 2027 Rates	
December 2025		• Preliminary FY 2027 Rates (FCM)
January 2026	• FY26-Q1 Quarterly Report • Q1 Fiber Pilot Report Out	• Q1 Fiber Pilot Report Out (FCM)
February 2026	• FY 2027 Utility Rates & 5 Year Forecasts	• FY 2027 Utility Rates & 5 Year Forecasts (FCM)
March 2026	• Water Quality Update – Regional sampling of microplastics (depending on release of information)	

April 2026	• Urban Water Management Plan	• Sanitary Sewer 5-year CCTV (CCM)
May 2026	•	•
June 2026	•	•

Reoccurring Items

- Educational Update on any Type of New Technology or Terminology
- Projects with a Resiliency Component
- Quarterly Reports (Q1-3 Info Rpts)(*Q4 Discussion Summary of the year*)
    - Financial Report
    - Utilities Programs Update
        - Informational EV Charger Installation Updates
        - Informational Bucket 1 REC Sales Updates
        - Informational Fiber Updates

Items to Be Scheduled

- Data Center Competitiveness
- Credit Card Fees
- Legislative Session
- Grid Mod Strategy