

DOCUMENTS IN THIS PACKET INCLUDE:

LETTERS FROM CITIZENS TO THE
UTILITIES ADVISORY COMMISSION

2575 Bayshore Purchase

From Stephen Reller <sreller@randmproperties.com>

Date Fri 6/13/2025 8:57 AM

To UAC <UAC@PaloAlto.gov>; Council, City <city.council@PaloAlto.gov>

Cc Mark Moragne <mmoragne@randmproperties.com>

 1 attachment (5 MB)

1020 O'Brien Dr Flyer (1).pdf;

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This message needs your attention

- This is their first mail to some recipients.

Mark Safe

Report

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To Whom it may Concern:

Hello. I am a Palo Alto resident and am concerned about the property at 2575 E. Bayshore that the City Council will consider purchasing on Tuesday. \$8.5m for 14,640 sf equates to \$580 per sf. This is well above market.

Case in point, I have a property for sale at 1020 O'Brien in Menlo Park, just three miles from 2575 E. Bayshore (see attached.) The property is larger (1.1 acres,) with a 20,000 sf secured yard, and the building is much larger (20,000 sf.) If the city/utility can bear traveling a mere 3 miles (the distance from 2575 E. Bayshore to 1020 O'Brien) and would like to save \$1,500,000, with very flexible terms, please let me know.

Irrespective of 1020 O'Brien (and my biased opinion that it's a better option to be considered,) \$580 per sf for an industrial/warehouse building seems well above market. For \$7,000,000, 1020 O'Brien would be \$350/sf. Thank you for your consideration.

Steve Reller

FOR LEASE / FOR SALE

1020 O'BRIEN DR, MENLO PARK, CA

±20,000 SQ. FT. R&D BUILDING



**PREMIER
PROPERTIES**
COMMERCIAL
REAL ESTATE

JAMES MARZONI
Senior Vice President
dre license #01248525
| 650.787.0798
| james.marzoni@prprop.com

CBRE

SIMON CLARK
Executive Vice President
dre license #01318652
| 650.577.2938
| simon.clark@cbre.com

PROPERTY OVERVIEWS

Premier Properties and CBRE present a prime opportunity to lease or acquire a versatile industrial property in Menlo Park, CA. 1020 O'Brien Drive is suitable for industrial, lab, R&D, or office applications. The ±20,000 SF building is available immediately and features a 16.5-foot clear height, one roll-up door, and 400 amps of power. This is a great site for investors, developers, or owner-users seeking immediate occupancy or redevelopment opportunities. The property is positioned near Meta's planned Willow Village--a 59-acre mixed-use development featuring offices, homes, and retail spaces--and surrounded by approximately 534,000 square feet of planned office / R&D projects along O'Brien Drive, placing it at the heart of a thriving innovation hub.

1020 O'Brien Drive represents a great opportunity to purchase or lease an ideally situated warehouse available for immediate occupancy and with redevelopment potential.

Address: 1020 O'Brien Dr, Menlo Park, CA 94025

APN: 055-422-060

Building Size: ±20,000 Sq. Ft.

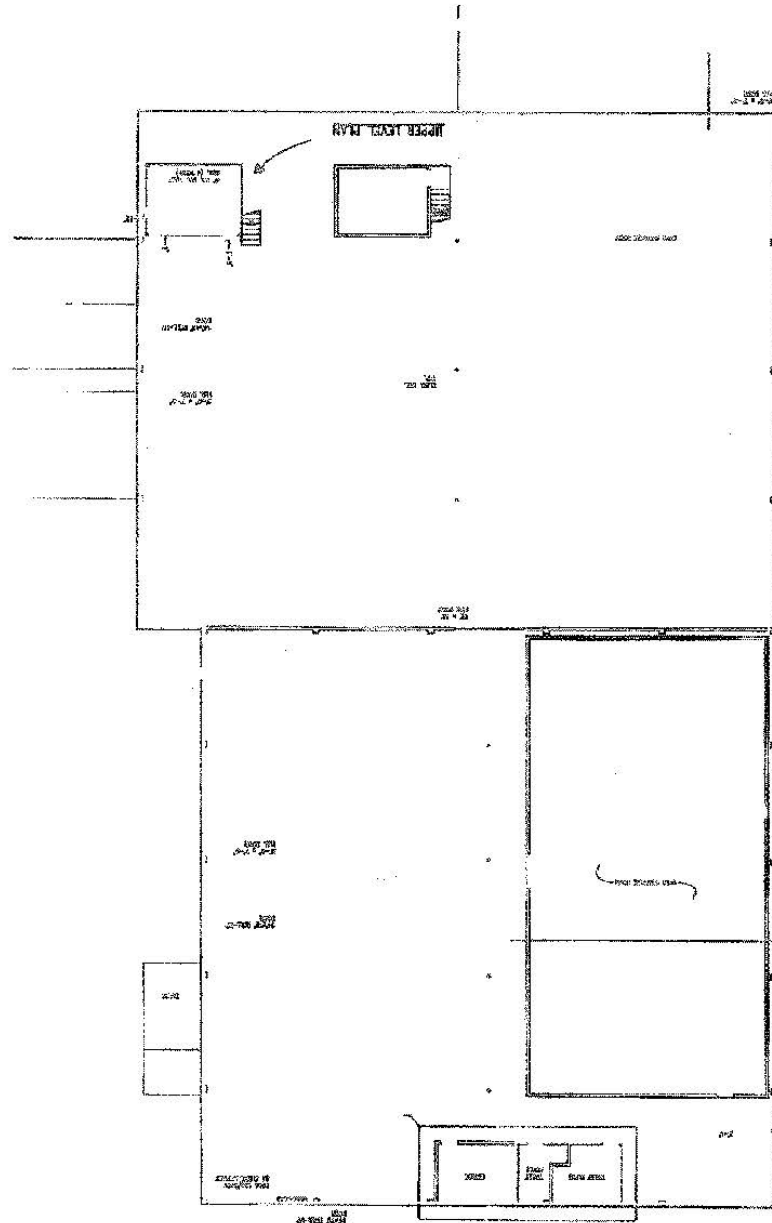
Parcel Size: ±48,003 Sq. Ft. / 1.10 Acre

Zoning: LS (Life Sciences)

Parking: ±60 spaces (3.00/1000)

1020 O'BRIEN FLOOR PLAN

1020 O'BRIEN DR, MENLO PARK, CA



INNOVATIVE NEIGHBORS MAP



1020 O'BRIEN DR,
MENLO PARK, CA

Meta

MENLO PARK LABS

teva AVINGER Bristol Myers Squibb
pulmonX AstraZeneca SYNTHEGO
ADVERUM Genomic Health CODEXIS
Mereo BioPharma BOLT EXACT SCIENCES
TECAN MapLight gynesONICS
IMPOSSIBLE GUARDANT REVOLUTION MEDICINE

Lucile Packard
Children's Hospital
Stanford
Abbott

DELFI gator
Stanford OPHTHALMOLOGY IMMUNE-ONC
BYERS EYE INSTITUTE OPHTHALMIC INNOVATION PROGRAM INSCOPIX
Rarebase

boost Antheia intersect ENT CS
Orchard AKOYA octave ReCode
therapeutics BIOSCIENCES THE SPATIAL BIOLOGY COMPANY
LEVITAS BIO Hexagon Bio Personalis
PACBIO GRAIL xCella INanoBio

KODIAK varian
ascendis pharma bridgebio
GUARDANT Jazz Pharmaceuticals

pH pharma Clariant
Exai Bio ALX ONCOLOGY

inceptivo mispro
D2G Oncology

STANFORD
RESEARCH
PARK

TRANSPORTATION MAP

1020 O'BRIEN DR, MENLO PARK, CA

Downtown
Redwood City

Downtown
San Carlos

Bair Island

Kaiser Permanente
Medical Center



1020 O'BRIEN DR,
MENLO PARK, CA



PLANES

OAK - 27 miles
SJC - 19 miles
SFO - 17.5 miles



TRAINS

San Francisco - 1 h 38 min
San Jose - 1 hr 21 min
Milbrae - 1 hr 17 min

AUTOMOBILES

Downtown Oakland - 32.3 miles
San Francisco - 29.1 miles
Downtown San Jose - 21.1 miles

82

(26,830 VPD)

(74,000 VPD)

84

101

Bayshore Fwy (168,000 VPD)

84

DEMOGRAPHICS



ONE-MILE POPULATION: 25,507

MEDIAN AGE

34.1

AVERAGE HOUSEHOLD SIZE



FAMILIES



FAMILIES

4,877



Average Household Income

\$173,921

Average Household Size: 3.81	Owner Occupied Housing Units: 3,079	Renter Occupied Housing Units: 3,577	Median Household Income: \$119,615	Average Household Income: \$173,921
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MAJOR EMPLOYERS:

Data for all businesses in area	1 mile	3 miles	5 miles
Total Businesses:	480	5,861	13,185
Total Employees:	7,399	85,759	181,926
Total Residential Population:	25,507	102,966	239,639
Average Household Size:	3.8	3.0	2.8

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FOR LEASE / FOR SALE

1020 O'BRIEN DR, MENLO PARK, CA

±20,000 SQ. FT. R&D BUILDING



**PREMIER
PROPERTIES**
COMMERCIAL
REAL ESTATE

JAMES MARZONI
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CBRE

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PAN and City Council Input to UAC on Gas COSA

From Rebecca Sanders <rebsanders@gmail.com>

Date Sun 6/22/2025 3:30 PM

To UAC <UAC@PaloAlto.gov>; Kurotori, Alan <Alan.Kurotori@paloalto.gov>

Cc Hamilton Hitchings <hitchingsh@yahoo.com>

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Report

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Dear Commissioners:

Palo Alto Neighborhoods (PAN) fully supports City Council's 5-1 vote that rejected and remanded back to the UAC the proposed gas Cost of Service Analysis (COSA) and rebate plan on June 16th. We urge the UAC to address the serious concerns raised by the City Council, including:

- **Unfair Residential Impacts:** The proposed changes would have raised Tier 1 residential distribution rates by nearly 49% in a single year, even though usage had declined. These hikes were driven not by demand, but by flawed reallocation of infrastructure costs within the COSA.

This would have disproportionately affected renters and low-income households, who already use the least gas. At the same time, Tier 2 heavy users would have received a 10% rate cut—the exact opposite of what equitable, climate-aligned pricing should do.

- **Unjustified Cost Shifts:** The same consulting firm that prepared the 2020 COSA made discretionary changes in its 2025 COSA proposal that shifted major costs from businesses to residents. Council members questioned why such shifts occurred with no stakeholder engagement or public input.
- **Lack of Transparency:** Council requested a side-by-side comparison of the 2020 and 2025 COSAs, including all asset reclassifications and methodological changes. They emphasized the need for full public review by the UAC before accepting any reallocations. PAN also suggests staff hold a public workshop.
- **Undermining Climate Goals:** The proposal would have penalized residents who electrified and reduced gas use, rewarded the heaviest residential users, and lowered business connection fees in ways that encourage continued fossil fuel dependence.

- **Misuse of Cap-and-Trade Funds:** Council rejected using Cap-and-Trade funds for rebates and reaffirmed that these climate-designated dollars—per two prior Council resolutions—should support electrification and permanent GHG reductions.
- **Lack of Rate Stability:** Council expressed concern over large single-year increases to residential rates and the volatility created by shifting methodologies.

PAN suggests retaining the 2020 COSA methodology rather than switching to the new average and excess methodology that inherently favors businesses.

PAN recommends annual gas rate increases be capped at 10% per customer class to avoid rate shocks.

Measure L requires the Net Plant method for General Fund Transfers. PAN urges its reinstatement in place of the proposed 2025 COSA's revenue-based shift.

Cities such as Davis, Fresno, Glendale and Oxnard all overturned their COSAs and restructured their rate plans that misaligned with voter priorities and community values. These precedents mean Palo Alto has no obligation to accept the 2025 COSA as proposed. The City should revise the 2025 COSA—or commission a new one—to address Council's detailed concerns.

Thank you.

Sheri Furman
Rebecca Sanders
Co-Chairs
Palo Alto Neighborhoods

Fire & prosecute the deplorable culprits & their enablers:"PALO ALTO CANARIES, VICTIMS OF UNREPORTED TOXIC SPILL" FOLLOWUP 6-15-25 7:35pm & update to staff 6-17-25 10:12am, to PAUD 6-17-25 12:251pm

From ReDoing 2020 <redoing2020@gmail.com>

Date Tue 6/17/2025 12:25 PM

To UAC <UAC@PaloAlto.gov>

Cc Kurotori, Alan <Alan.Kurotori@paloalto.gov>; Elvert, Catherine <Catherine.Elvert@PaloAlto.gov>; City Mgr <CityMgr@paloalto.gov>

CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.

To the Palo Alto Utilities leadership: The toxic event & cover-up described below happened on your watch. So it's expected that you'll have a role in officially apologizing to residents, & issuing a timely public report detailing what went wrong & what remedial steps are being taken to insure ethical transparency from now on, especially when resident safety & health is at risk.

Please don't deny responsibility, since that will only raise more questions from residents & outside agencies about what else is going on in the Utilities Department that is being withheld from public view.

Thanks for your cooperation.

----- Forwarded message

From: **ReDoing 2020** <redoing2020@gmail.com>

Date: Tue, Jun 17, 2025, 10:13 AM

Subject: Fire & prosecute the deplorable culprits & their enablers:"PALO ALTO CANARIES, VICTIMS OF UNREPORTED TOXIC SPILL" FOLLOWUP 6-15-25 7:35pm & update to staff 6-17-25 10:12am

To: <City.manager@cityofpaloalto.org>

Cc: <City.council@paloalto.gov>, <Sandra.blanch@paloalto.gov>

The shameful water utilities employee actions described below are an example of "sleeper" policies assumed by Palo Alto's self protectionist administration that acts **against the public interest**. (This is one of a series to illustrate the persistent anti-public posture that elected officials seem unwilling or impotent to correct.)

Note: As a public service, egregious municipal practices will be exposed indefinitely to a widening circle till a sign of corrective reform is introduced.

Below: See **communications sent to the Council** that have not yet been acknowledged. It will help readers to understand the facts & issues involved.

----- Forwarded message

From: **ReDoing 2020** <redoing2020@gmail.com>

Date: Sun, Jun 15, 2025, 7:35 PM

Subject: "PALO ALTO CANARIES, VICTIMS OF UNREPORTED TOXIC SPILL" FOLLOWUP 6-15-25 7:35pm

To: <City.council@palocalto.gov>

"PALO ALTO CANARIES, VICTIMS OF UNREPORTED TOXIC SPILL"

FOLLOWUP 6-15-25 7:35pm (Original to Council sent 4-15-25 see attached)

One year ago, toxic chemical levels dangerous to humans and the environment, were distributed through the water system by the Palo Alto utilities department.

Even after the staff became aware of the contamination, they chose to keep the toxic spill a secret from the residents who unknowingly used the water from their taps for a variety of purposes.

The City Council was sent a report of this discovery on April 15, 2025. (See enclosed below) but no response was received, only silence. This failure to take the toxic event seriously has triggered steps to escalate the examination of the municipal failure and its cover up.

It is unacceptable to permit EPA violations to go unnoticed, especially in safety and health matters related to critical public utilities. Since the local staff employees made the bad decision to not alert water users to the potential harm they faced, it is critical that the administration along with elected officials thoroughly investigate the toxic event to ensure confidence that public information will not be withheld in the future.

For those people who are tempted to say that the high chemical disinfectant levels were not dangerous enough to require a public alert, take note that water employees confirmed that they planned to add a neutralizing ingredient to the polluted water that was being flushed from the pipes to the Bay, in order to protect the environment. (Surely humans are as important as local waters, and deserved to be given equal protection.)

The failure to inform the public has sullied the reputation of the City of Palo Alto, and brought into question the policies and judgments of the City administration, along with that of the municipal Utilities department. (We'll leave determinations of negligence or criminal intent to others.)

To wit: City Utility officials are often accused of using captive resident customers as commodities for increased cash production, rather than serving a human population that depends on the department for essential services in a time of escalating domestic energy bills.

No wonder the line staff in the water department may have taken their cue from the higher ups, when they disrespected customer needs in favor of shielding their department's errors and reputation.

Certainly, the time is now for Palo Alto leadership to undertake a serious effort to refocus its governance in favor of true public service as a priority, rather than continue the long standing genuflection to insiders and favored private business interests.

What follows is the original report sent to all Council members that was ignored, reflecting a lack of accountability or perhaps confirming a structural weakness - their inability to control the department heads, employees, and consultants that actually operate the government.

Please know that the questions will continue indefinitely since there is no statute of limitations for

actions as reported here that were stupid or crooked or something in between.

----- Forwarded message - original report

From: ReDoing 2020 <redoing2020@gmail.com>

Date: Tue, Apr 15, 2025, 3:08 PM

Subject: "PALO ALTO CANARIES," VICTIMS OF
UNREPORTED TOXIC SPILL

To: <City.council@palocalto.gov>

WHAT ELSE ARE THEY NOT TELLING US? #1

"PALO ALTO CANARIES," VICTIMS OF UNREPORTED TOXIC SPILL

Report to the Palo Alto City Council, April 15, 2025, pm. Northern
California, USA

Silicon Valley's Palo Alto residents were faced with an unreported toxic spill in the municipal tap water, caused by lax unprepared utility managers operating an antiquated system that failed to protect residents from the risk of harm by undetected chemicals...who then covered up their bad behavior.

We suggest that the California State Attorney General and the Santa Clara County District Attorney look into this "canaries in the coal mine event," as the D.A. had announced he would do regarding the Tesla spill in Palo Alto that was also kept from the public till the reclusive City Manager was forced to apologize for secrecy.

Here's what happened, and why it's important:

On June 14, 2024, about 8:30am in the morning, a call came in to the utility department (from a patriotic water user inspired by Flag Day) reporting that their kitchen sink smelled like a swimming pool, a possible hint that a toxic level of a dangerous chemical might be in the tap water pipes in the City of Palo Alto.

Unbeknownst to the water utility staff (that said initially,) an illegal overdose of a disinfectant chemical was later blamed by them as a malfunction of the equipment of the City's wholesale supplier, the City of San Francisco water department (with an outpost on Arastradero Rd.)

It's not clear whether San Francisco was aware of the intrusion or understood that the product they were selling was poisoned. But what is known is that its customer, the Palo Alto water utility, was uninformed and in the dark, while city residents were blindly using a harmful resource to drink, wash, prepare food, make ice cubes, mix baby formula, dress wounds, brush teeth. etc.

Incidentally, the version of chlorine used in the City is "CHLORAMINE" a mix of chlorine and ammonia,

whose chemical components don't boil off or dissipate into the air easily as chlorine alone does. (Read more about drawbacks to this disinfection alternate that lacks long-term safety tests.)

Think of it this way: the same horrific chemical weapon, chlorine, at higher strengths was used as far back as World War 1 to kill enemy soldiers, while modern Russia is said to be using Chlorine in its current battle with Ukraine.

In the United States, currently a weaker Chlorine version is approved as a water disinfectant as long as it conforms to *very strict concentration limits. But on the day when the water tap smelled bad, the toxic chemical load was later deemed to be a violation of the safety limits, and was tragically being passed off by hapless Palo Alto employees as a safe product when in fact it was not.

Anyone familiar with the habits of bureaucracy knows that there was no way that these public servants were going to admit such an error.

Desperate to cover up a mistake, they said that they contacted the California State bureaucrats, presumably hopeful of securing advice that would protect the City from having to publicly reveal what had happened.

Bingo! It turns out that the rules regarding disclosure of dangerous levels of chemicals in the water supply are modified in the statute to protect water operators who are too poor or too dumb to regularly conform to safe standards.

In fact, as the Palo Alto utilities staff pointed out, they would have had to contaminate the water supply many days for a year to be compelled to disclose their failures.

That's the bureaucrat's dream scheme known as "rolling averages." All the good and bad performance indicators are rolled into one in the annual report.

Impossible to deny at this point, but during the crisis, Palo Alto staff knowingly chose moral cowardice--they refused to tell its residents about the tap water contamination--the City spokesperson even lied to reporters:

"There was no problem," she said.

The municipality hid behind a bureaucratic procedural smokescreen that they interpreted as allowing dangerous levels of toxins to pass without alert into homes, businesses, schools, parks, and municipal facilities. And consequently into humans, pets and through any lead pipes on the premises, where chlorine increases the danger of ingesting horrific leached lead due to its corrosive effect on the piping system.

The City policy is not to report the exact data that reveals the daily water quality. Instead, it approves adding together all the measures over

a year's time, and issues the results in a single number as if it was in effect for the full year.

For example, in the summertime when cancer-causing trihalomethanes levels rise above the federal maximum, the City leadership decided that there's no legal need to warn the public to take precautionary measures, as long as the lower carcinogen levels in the cooler months are averaged into the annual municipal report to the community.

Rolling averages policies, as a politically contrived convenience, are keeping the public from knowing when, how, and to what extent they should be protecting themselves from harmful consequences. (i.e. get faucet filters, water treatment pitchers, bottled water, whole house systems, lab tests, etc.)

The despicable performance of the bureaucrats at the time of the spill was based on the choice they made between decades-old Federal rules promulgated in the 1970's that facilitates business practices of water suppliers, and otherwise the absolute obligation of public employees to protect residents from unsafe and unhealthy conditions.

There should have been no doubt about which path to take on Flag Day, especially when there was still time to warn the possible victims so they could take steps to lessen their risk (not use nor store the water.) But the Palo Alto representatives elected to hide the truth from the public in favor of hoping to save their jobs and reputation or employing whatever twisted motive was on their minds at the time.

Returning to the water contamination event: The City employees were unprepared for such a calamity, despite the fact that pipe intrusions are possible. They had no workable emergency plan or equipment to be able to detect that residents were being put in harm's way.

Only an alert resident who phoned in to say that their sink water stinks, saved the day. The damage caused by the lax utility controls was limited at that point, after rushed water lab tests confirmed the EPA violation committed by Palo Alto.

Some emergency procedures were partially instituted--the noxious liquid was flushed from the piping system at the building location of the original report, but not at other affected properties.

Oddly, no other sites that were fed by the same polluted wholesale water source were contacted, including schools, private homes, businesses and multifamily residences, according to the City's utility officials who made excuses for neglecting to alert all the other vulnerable water users.

Sorry to say, anyone present in those other locations at the time no longer merited the protection of their government, decided the staff. As a result, most of the dangerous water was permitted to remain in place, to be used by the unprotected community, despite the fact that the insiders, (City officials and staff,) knew that the contaminated water was prohibited for

human or environmental use.

Needless to say, the polluted water that was sent to customers, and the gallons wasted in the flushing of the pipes, was also billed for by the municipal revenue department, trained to never let a drop go to waste in their zeal for soaking residents.

Some Federal EPA water rules history:

It's interesting to note that when the original drinking water standards were first drafted, the scientists called for more stringent requirements. But strong lobbying efforts from municipalities and water companies throughout the country succeeded in watering down the levels that must be met. Ignoring health protections. Acting on behalf of the water systems, it allows them to violate safety standards as long as as their cumulative annual records conform to the requirements for averaging (described above).

Therefore, the water customer will not know the actual health risks they face because of this bureaucratic and political escape hatch. Since the water quality records offered to the public are only issued once a year, usually as a marketing piece, a local water company can boast of winning results that in fact are only averages; despite the truth that may be different.

As a result, residents, as water customers are not getting an actual picture of the consequences of their daily water intake and use. To compound the sorry lack of the public's information, the Palo Alto utility department won't even come to homes anymore as they once did, to test repulsive or funny looking water from the tap. The modern response is for callers to be told that they should hire a lab at their own expense. Moreover, the City doesn't even bother to automatically mail the slick annual report to all residents. You need to call or go online.

And in the case of a potential water accident Palo Alto hadn't incorporated the capability to use real time equipment to monitor or measure chemical pollution before it entered buildings and customer faucets. Poorly trained yet highly paid City employees were satisfied to rely on calls that might come from customers when the tap water looked bad, smelled funny, or tasted awful...already too late to protect users.

The cost savings for not purchasing available monitoring technology was measured against the inevitable risk to human health when older water systems stumble or fail...as happened on Flag Day.

By the time the public reads of the event described in this report, the City will have allegedly already purchased the monitoring equipment after the fact, to install the technology at a few locations. But by December 2024, six months after the intrusion catastrophe, staff said it was not yet activated, still casually displaying their lack of urgency in their mandate to protect resident health and safety.

We hope that disclosure of the secretive operating practices of the Palo Alto Utility department and the skewed focus of the Utilities Advisory Commission, coupled with irresponsible City administrators, is a wake-up call for urgent action necessary to strengthen public service to the community, especially in light of the current reported authoritarian chaos of the Federal government that aims to dismantle service protections without concern for individual rights, safety, or well being.

Telimtu Gedidun, Editor

Note: The comments in this report are first hand observations made at the time of the toxic spill event, and from contemporaneous notes made during conversations with government staff. The City representatives may have additional information to clarify their actions that a followup hearing can reveal.

Corrections or updates to:
Redoing2020@gmail.com (please first read notes below)

NOTE TO READERS: If you are a working reporter or government investigator, or not-for-profit organization, that wants to followup on this reported incident, please send your professional credentials, contact information, and an idea of your interests, and we will contact you. Ditto for City or State or County officials that have jurisdiction.

ABOUT US: We are a volunteer source for original important civic and consumer facts designed to help combat a variety of fraudsters that unjustly profit from taking advantage of the public's naivety and/or lack of knowledge.

TRANSCRIPT & COMMENTS -- 06-03-25 Finance Committee meeting -- FTTP item

From Jeff Hoel <jeff_hoel@yahoo.com>

Date Fri 6/20/2025 3:46 PM

To Council, City <city.council@PaloAlto.gov>

Cc Hoel, Jeff (external) <jeff_hoel@yahoo.com>; UAC <UAC@PaloAlto.gov>

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Council members,

Here's a TRANSCRIPT & COMMENTS of the 06-03-25 Finance Committee meeting, Item 2, which was about FTTP. (My comments are paragraphs in red beginning with "### " Presentation slide titles are paragraphs in orange beginning with "###. ".)

06-02-25 agenda:

<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=16128>

06-02-25 video:

<https://midpenmedia.org/finance-committee-632025/>

KEY POINTS

* I was horrified to hear that that staff is still talking about fixed wireless (and specifically Tarana fixed wireless) as substitute for FTTP, or even as a pre-FTTP stopgap.

* Staff said that currently, we're patching the existing dark fiber network rather than building out two brand-new dark fiber networks, although staff wants to build the two brand-new dark fiber networks eventually. I would like Council to rethink whether the City should ever build out the two brand-new dark fiber networks. Why isn't patching the existing dark fiber network good enough? We could save a major fraction of \$25 million, making it available for FTTP.

* I'd like to know more about the infrastructure needed to provide the two "dedicated internet access" (DIA) products mentioned on page 9 of the presentation slides. Apparently the electronics will be point-to-point. How many fiber strands will be provided in the infrastructure to support customers of these products?

Thanks.

Jeff

Jeff Hoel
731 Colorado Avenue
Palo Alto, CA 94303

=====

TRANSCRIPT

Item 2:

0:45:11:

Chair Burt: Our next item is a Recommendation to the Council to Approve the New FY '26 Palo Alto Fiber Rates and Packages as Recommended by the UAC. Good evening.

0:45:28:

Kiely Nose: All right. So, we have Dave Yuan, from our Utilities Department, as well as Darren Numoto, from the IT Department, to help navigate this. I'm not sure who's going to give it off. Dave?

0:45:40:

Slide 1 -- Palo Alto Fiber Rates and Financials

Dave Yuan: Sure. Good evening, Council members. I'm glad to be here. Sorry it's taking us a little bit longer than we had wanted to come to present the fiber-to-the-premise rates.

The preferred term is fiber-to-the-premises (with an "s"). In this TRANSCRIPT, there are 9 occurrences of "premises" and 5 occurrences of "premise," not counting my comments.

The good news is, we're about to launch. And tonight we're hoping to get your approval to start offering this internet service from the City. And with me is Darren Numoto. He's been a key ** on this project as well. He is, as you probably know, the Chief Technology Officer -- the CIO. He can speak a little about his background. How it relates back to this project. If you want to.

0:46:13:

Darren Numoto: Sure. Thank you. And, you know, as well as being the CIO -- IT Director for the City -- in previous, I have worked for ISP providers in the past, and have done other stints. But this was a little back in the day when technology wasn't as advanced as it is today. But the process is still the same. And the requirements are -- have increased. But, overall, just the understanding of what it takes to provide a service like this. And the understanding of the infrastructure required to provide the internet services. So -- and that's where my role is, is really helping with the operations, and getting the infrastructure that serves the internet to our customers in play. And we're working in partnership with the Utilities Department to lay that foundation of the utility infrastructure and the fiber infrastructure. So --

0:47:00:

Dave Yuan: I also want to add that this is not just Utilities and IT. This is a whole citywide project, with help from ASD, HR, Public Works, Planning, Legal. So I want to thank everyone who's been involved in getting this business up and running. So, all right. So, let's get to this.

0:47:18:

Slide 2 -- Agenda

So, tonight, we will be presenting the fiber rates and the proposed. And also some financial updates of FTTP, or fiber to the premises. Oh, there is someone speak -- raising their hand? Is there a public comment? Or is that later?

0:47:32:

Chair Burt: Go right ahead.

0:47:32:

Dave Yuan: OK. Sorry. So, for the agenda tonight, we'll try to provide a brief overview of Council-approved priorities or projects. We'll share the results of a competitive scan of the pilot area, performed by a consultant. Then we'll go

over some of the financials of FTTP, the rate structure, and the proposed product offerings. Then we'll wrap it up with some key measures of success, for both the pilot and phase 1. And some upcoming milestones. Next slide, please.

0:47:59:

Slide 3 -- Council Approved Projects

So, in December of 2022, I think Chair Burt was one of the Council members there. ** Council Member Stone -- or I think the other one -- I haven't looked at the roster back then, to see who was still around, and how this all came about.

See a TRANSCRIPT of the 12-19-22 Council meeting here (pages 23-43):

<https://www.cityofpaloalto.org/files/assets/public/v/3/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2023/02-feb-2023/public-letters-to-uac-february-2023.pdf>

Mayor Burt, Vice Mayor Kou, and Council Members Cormack, DuBois, Filseth, and Stone voted in favor. Council Member Tanaka voted against.

So, they did approve of a fiber expansion plan, utilizing the \$34 million of fiber reserves we had accumulated over the 20 years.

In 1996, Council voted to build a dark fiber network. By 1998, it had customers.

https://www.paloaltoonline.com/morgue/cover/1998_Feb_4.COVER04.html

So in 2022, the dark fiber network had been accumulating revenues for more like 24 years.

The first one is the Fiber Backbone Rebuild. The plan is -- The existing backbone is about about 30 years old.

The City's dark fiber network has been added to over the years, but the oldest parts are about 29 years old.

and has served the City well. And has built up over \$30 million in reserves from dark fiber licensing. It's now -- It's time to reinvest in this new fiber backbone, and also create a second fiber backbone for the Electric Utility. And this will provide additional capacity and security for our future and current needs. The dark fiber business is gradually making a comeback since the pandemic, including a new connection in the Foothills, to serve about 20 customers who didn't have any options to reliable internet service. So, we partner with Adobe Creek Networks,

Adobe Creek Networks.

<https://adobecreek.net/>

and we provided them the dark fiber licensing.

What is the nature of this "partnership"? Why isn't Adobe Creek Networks just another dark fiber customer? Are they paying standard dark fiber rates?

And they're going to be the ISP provider for that area. So, they've been working for that, I think, for several years. So we finally found a plan that worked for both of us, as we were doing the fiber rebuild in the Foothills.

0:49:15:

The second project Council approved was to spend up to maybe \$20 million from the Fiber Reserves for a phased build-out of fiber to the premises. The pilot is a subset of the phase 1,

In 2022, Council didn't say anything about a "pilot" as a subset of phase 1. More recently, staff invented the concept of the pilot.

consisting of about 1,000 customers in the pilot.

The pilot proposes to "pass" about 1,000 premises. Not all passed premises will become customers.

And the goal is to get about 7,000 customers in the full phase 1.

Again, the goal of phase 1 is to "pass" about 7,000 premises. Not all passed premises will become customers.

We will be returning back to the UAC and the Council after the pilot with data points, financials, and metrics of success, to determine the financial sustainability of this new business. And finally, we're also aligning the fiber to the premise construction with Grid Mod, to increase efficiency, reduce construction costs, and minimize disruption in

neighborhoods. And so far, that has been going well so far. We've had minimal complaints. Knock on wood. For the first 1,000 customers in that pilot area.

Again, passings, not customers.

So, we're trying to go in there once, do all the pole make-ready for the Grid Mod. And then, we'll come back maybe in the summer and do the fiber lashing, which should be quick.

This sounds like going in there twice. (Once for pole make-ready and deploying the messenger wire, and again for lashing fiber to the messenger wire.)

Next slide.

0:50:14:

Slide 4 -- Coverage/Pricing Xfinity and AT&T -- FTTP Pilot

This is kind of coverage map of our competitive landscape. So, here, let me orient you. Those red dots here are -- represent Xfinity, where they offer 2-gig services.

Xfinity has two kinds of internet infrastructure in Palo Alto: one is capable of offering speeds up to 2000/300 Mbps (that is, 2000 Mbps down and 300 Mbps up) and the other is capable of offering speeds up to 1200/35 Mbps (that is, 1200 Mbps down and 35 Mbps up). In both cases, the upload speed is way too slow to be called "gigabit."

The FCC has a Broadband Map that shows data reported by ISPs about what broadband services they offer. (This version is dated 12-31-24.)

https://broadbandmap.fcc.gov/location-summary/selected?version=dec2024&location_id=b0e6a23d-437d-47fd-ab98-88be6326d99b&addr1=731+COLORADO+AVE&addr2=PALO+ALTO%2C+CA+94303&zoom=15.00&vlon=-122.130504&vlat=37.438609&br=r&speed=1000_100&tech=2

You can select what technology and speed you want to view. (I have selected cable technology and 1000/100 Mbps speed.) Premises that have access to the specified technology and speed are shown as green dots, and other premises are shown as red dots.

By the way, the 06-30-23 version of the map shows Xfinity's faster infrastructure as 2000/200 Mbps. I'm guessing that the increase in upload speed from 200 Mbps to 300 Mbps is NOT based on actual infrastructure improvements.

So, it's about 50 percent of the pilot area they have 2-gig service available to customers. And the blue balloons are the AT&T where they offer fiber to the home service. So there are a lot of blues underneath the red. Just so you know.

A better graphic would not have allowed the red dots to hide the blue balloons.

I think Comcast -- about 50 percent has 2-gig service or more.

NOT "or more."

Or, 2-gig service. Whereas AT&T probably has like 98 percent fiber to the home service.

The FCC Broadband Map (selecting fiber technology and 1000/100 Mbps speed) seems to agree.

https://broadbandmap.fcc.gov/location-summary/selected?version=dec2024&location_id=4d694084-01e2-472f-b64c-a299aa3d85a0&addr1=2850+W+BAYSHORE+RD&addr2=PALO+ALTO%2C+CA+94303&zoom=15.12&vlon=-122.123300&vlat=37.434723&br=r&speed=1000_100&tech=3

Why did staff chose a pilot area where the City would be competing with AT&T FTTP 98 percent of the time? At 1:25:05, Commissioner Gupta says that AT&T Fiber's coverage of Palo Alto citywide is less than 45 percent.

The difference between -- I guess -- Comcast and us is that they offer non-symmetrical speed. So, their upload speed and download speed vary quite a bit. So, even though they may offer 2-gig of download speed, their upload speed is probably like 300 megabytes.

NO. 300 megaBITS per second (Mbps).

So, one seventh of the time. Whereas, with fiber, it's a symmetrical speed. So we will upload and download at the same amount of speed. Any question on this slide before I move on?

0:51:20:

Chair Burt: The red boxes that you have highlighted, and the yellow ones.

0:51:24:

Dave Yuan: Oh, sure. So, yes, the yellow boxes are the ones, again -- I think for the pilot we are going to be offering either the 1-gig and the 5-gig. And I think the yellow boxes are showing where they are offering more than 1-gigabit service. So, that's the red balloons, again, for Xfinity and the blue balloons for AT&T. That's who we're really competing with, in regards to technology and speed. And then, the red boxes. Those are the -- kind of the two offerings we want to offer in the beginning, just to keep it simple, and make it easier for us also to learn from it. The 1-gigabit service and the 5-gigabit service. So, as you can see, Xfinity doesn't have a 5-gig. They only have a 1-gig and a 2-gig.

Again, failing to mention Xfinity's sub-gig upload speeds is misleading.

Whereas, AT&T has both.

0:52:06:

Chair Burt: We said 2-gig, but it says 1.2.

0:52:10:

Dave Yuan: Yes. They have a 2.0 -- the one in the green box. Sorry, in the yellow box.

0:52:15:

Chair Burt: Oh, I see it. OK. I get it. Thank you.

0:52:16:

Dave Yuan: Yeah. So, the 1.2-gigs -- They have that in download. But their upload speed, I think, is like 35 [Mbps] or something. So, it's really very slow. To upload anything.

0:52:25:

Chair Burt: So, can you just explain the two different Xfinity \$80, one that has 1.2-gigs and the other that's the 2[.0-gigs]?

0:52:36:

Dave Yuan: So, only certain areas have the 2-gigs available. They're pricing them the same. But the areas of the 1.2, I don't think they're planning on upgrading it. So, those customers are kind of -- That's what they're limited to. At least from Xfinity. But AT&T is there. If they choose.

0:52:52:

Council Member Lythcott-Haims: Can I ask -- So, we've chosen an area -- And I realize this is the area -- I just, pardon me, to understand why -- where there already is fiber coverage --

0:53:01:

Dave Yuan: Um hum.

0:53:01:

Council Member Lythcott-Haims: -- offered by one or both competitors.

AT&T offers FTTP, but Xfinity does not.

0:53:04:

Dave Yuan: Um hum.

0:53:04:

Council Member Lythcott-Haims: And we're choosing to go in there and compete there. Instead of doing our pilot fiber in a place where people don't yet have any fiber.

0:53:14:

Dave Yuan: It's a good question. So, two reasons for that, I guess. One is because we were trying to coordinate with Grid Mod. So, this is where they were starting to build, for the 4-kV [to] 12-kV conversion. And we're trying to learn from the pilot. So, that was one of the reasons. And the second reason is for where -- I think AT&T is probably at 75 percent of the City.

At 1:25:05, UAC Commissioner Utsav Gupta says it's less than 45 percent.

And the areas that they're not at is probably the underground areas.

AT&T has deployed FTTP to some underground areas.

And the cost to build in the underground is a lot more expensive than the overhead. So -- And I think it's almost like - I want to say 10X expense to build in the underground areas.

0:53:47:

Chair Burt: And is there another reason, if I recall correctly? Which is that this pilot -- we really want to understand the uptake and the pricing.

0:53:56:

Dave Yuan: Um hum.

0:53:56

Chair Burt: And if we put it where there wasn't fiber, we wouldn't get that comparison.

0:54:00:

Dave Yuan: Right.

0:54:01

Chair Burt: Our competitive --

0:54:02:

Council Member Lythcott-Haims: I confess. I live in a part of the City where I have to have both AT&T AND Xfinity broadband --

0:54:08:

Dave Yuan: Um hum.

0:54:08:

Council Member Lythcott-Haims: -- because neither has a great speed. And we're just waiting for like a better technology to arrive --

0:54:15:

Dave Yuan: Hopefully we'll get that soon.

0:54:15:

Council Member Lythcott-Haims: That's just where I happen to live. All right. Thank you.

0:54:18:

Dave Yuan: Sure. Next slide, please.

0:54:20:

Slide 5 -- Coverage/Pricing Xfinity and AT&T -- FTTP Pilot (cont.)

OK. So, this is kind of how Xfinity and AT&T get new customers. Or how customers churn. They do offer these promotional rates. And also, now, they're enticing customers with gift cards, that you can see here. So, they'll start off -- like, the 1-gig service will have a \$55 promotion rate. But after a year or two, they'll raise it to \$95. Or \$114, depending on which service provider. So, for Palo Alto Fiber, we're going to offer one rate, and we're going to stick with that rate. So, we're not going to have any of these hidden fees or any of these ballooning rates, unlike our competitors. We also don't have the deep pockets to compete with them in pricing -- underpricing -- and offering gift cards. So, the way we're going to differentiate ourselves is really through our service, the quality of the speed of the product, and our responsiveness. And also, their trust in the City. Just -- Same as all of our utility services, and all the other City services we provide. We're going to differentiate by that, versus trying to beat them on price or technology.

Palo Alto Fiber's FTTP technology IS superior to Xfinity's hybrid fiber coax (HFC) technology, both now and in the future. It's both faster and more reliable.

0:55:21:

Chair Burt: Let me jump in on this. Because I think this is one of the most important questions. We're -- when -- All of our other utilities, we are a monopoly, for the most part.

0:55:30:

Dave Yuan: Um hum.

0:55:30:

Chair Burt: This, we're competing.

0:55:32:

Dave Yuan: Yes.

0:55:33:

Chair Burt: And so, when we say, well, this is how do it, when we're a monopoly, that doesn't necessarily apply to when we're not a monopoly. And I don't know the answer to how we -- What we really want is to get the uptake -- of - hit our minimum threshold on subscribers. Has there been any consideration that we try two different models in the pilot area, and see which works best?

That might have the potential disadvantage of annoying one set of potential customers.

0:56:01:

Dave Yuan: Yeah. We have considered that. That's why the way we're proposing the rate tonight, to give us that flexibility. We're just proposing an "up to" rate. But we can have flexibility to offer promotional rates in between.

0:56:14:

Chair Burt: Oh. Because I thought you said we are NOT using promotional rates.

0:56:19:

Dave Yuan: We're not going to be able to undercut them. We'll have lower rates, but we can't keep going under them, whenever they lower their rates.

0:56:25:

Chair Burt: Oh. So, we may have promotional rates, but not necessarily lower promotional rates than them.

0:56:29:

Dave Yuan: Right.

0:56:31:

Chair Burt: Got it.

0:56:31:

Dave Yuan: Sorry about that.

0:56:31:

Chair Burt: OK. Thanks.

0:56:34:

Darren Numoto: And if I could just comment on the difference between the utilities -- Right? -- and the competing. It's really, we're here in the community. We're local. And that's really the message that we have to send. Right? When you have a problem, just like Utilities, we're going to be there to respond. We have local presence, so if you're having troubles at your home, we can get people over there quickly. Right? And that's really our only key differentiation we have. We're not going to compete on technology, price, or marketing with the big guys. Right? So, really, our primary goal is to invest in the community and offer reliable, affordable internet for the entire community. And that's really our messaging.

0:57:13:

Chair Burt: Well, I would add that our -- we're not going to do bait-and-switch. And the private sector may. So, that trust -- that we are going to charge according to our costs and other transparent factors -- I think, for a lot of residents, who have gone through this unreliability, both the product unreliability, or the pricing unreliability -- I think both of those are things that may appeal. But we don't know how appealing that is going to be to the customer base. So, I just -- I want to make sure that we're keeping open that ability to adapt. And not just sequentially adapt --

0:58:15:

Dave Yuan: Um hum.

0:58:15:

Chair Burt: -- but maybe we start out trying two different models. And any of us can take a good educated guess on which of those would be best. But the proof's in the pudding.

0:58:29:

Dave Yuan: Right. We're definitely going in with our eyes wide open. And we're going to try different things during this pilot. To try and make it as successful as possible.

0:58:35:

Chair Burt: OK. Thanks.

0:58:36:

Dave Yuan: Um hum. OK. Next slide. Sorry.

0:58:39:

Slide 6 -- Estimated Capital Expenses

And then, here are some expenses. So, for the pilot, this is kind of what we're estimating the costs for the first 1,000 customers.

Is this costs for the first 1,000 passings?

It's about \$4.5 million. About half of that is one-time costs. So, the ongoing cost is about half of that. The labor for hanging the messengers on the poles, the construction, which will probably begin in the September/October timeframe. Actually, it should begin in the July timeframe. My bad. For the fiber construction. And then purchasing the materials. And then the hut. That is, we're trying to get the permit for that right now. Once that gets approved, we can begin the padmount and the paving of that area. And putting in the substructure work.

What substructure work? Does this mean that the fiber and electric cables going to the hut will be undergrounded?

And the hut is already built. But it's just waiting for delivery now.

0:59:22:

Chair Burt: Well, we've been waiting for the hut for some time.

0:59:25:

Dave Yuan: Right.

0:59:25:

Chair Burt: Why is there a permitting hold now?

0:59:28:

Dave Yuan: So, we do have to go through the proper permitting channel, like everyone else. And then, when they looked at the flood zone, or the flood plain, and the FEMA, I think they required a certain level. And it was like 12 feet. It had to be above a certain level. And I think our current --

0:59:44:

Chair Burt: 12 FEET above?

Good question. 12 feet above what? Sea level?

0:59:44:

Dave Yuan: Yeah. To be above for -- 'Cause it's near the floodplain area, I think.

0:59:48:

Chair Burt: Yeah.

0:59:49:

Dave Yuan: So, I think our engineers have built at 10 or 11 feet. So I think we have to go back and add another feet

foot

right now. Is what we're working on. To get the permit approved.

0:59:59:

Chair Burt: OK. But I -- It kind of goes to one of these questions on a lot of work that we do as a City -- is, what things should we be doing in PARALLEL more, rather than sequenced.

For example, do we already have a plan and a design and drawings for installing the padmount, so that the plan could be executed immediately after getting the permit?

The Colorado substation already has a hut, which is used for other things. How much higher than this hut must the FTTP hut be? One foot?

1:00:11:

Dave Yuan: Um hum.

1:00:11:

Chair Burt: And we've been anti- The hut's quite a bit delayed. Right?

1:00:17:

Dave Yuan: Um hum.

1:00:18:

Chair Burt: So, it's kind of baffling that once the hut's finally arriving,

I assume that the hut is still in storage at the manufacturer's premises in South Dakota and won't start being shipped until staff thinks that by the time it arrives, the padmount will be ready to receive it.

we're still waiting on the permit. I don't know -- understand why the permitting wouldn't have been done upstream.

1:00:32:

Dave Yuan: Yeah. We didn't have the final engineering design until the hut was fully built out, and all the weight structures were all calculated. So, --

Seriously? Was the point to make sure the padmount would be strong enough? What was the weight of the hut before it was modified?

1:00:39:

Chair Burt: Oh, is that customized? We didn't know some of the key data?

1:00:42:

Dave Yuan: Right.

1:00:43:

Chair Burt: OK.

1:00:43:

Dave Yuan: That part is sequential. Yeah.

1:00:43:

Chair Burt: OK. Thank you.

1:00:46:

Dave Yuan: Um hum. And the -- what else? -- Oh. Then, I also want to highlight the overhead to underground construction costs. As you can see, like, the overhead costs are substantially a lot less. I think the underground's almost like more than 10 times as much as the overhead costs. Roughly. Based on footage. And right now, the cost per passing -- includes a one-time cost -- is about \$5,500 per customer passed.

Per premises passed. Not all premises become customers.

But with excluding the one-time costs, it's about \$2,100, \$2,200. And our goal is to get down to like \$1,500, as we build out in the phase 1, as we learn from these -- this pilot. As we have more volume to bid out.

1:01:26:

Chair Burt: So, the undergrounding is really fascinating, in that, you know, we've had all this debate over time. Do we underground electric utilities or not. And, in this case -- as well as, I think, in the Grid Mod -- we're seeing that undergrounded utilities are more expensive to operate. Or, to upgrade, I guess, is what the truth is. And I think that's

something that we want to make sure that the community and the Council understands, when -- in the context of every time we have that discussion of undergrounding.

1:02:03:

Dave Yuan: Um hum. Yeah. This is another reason why we want to align with the Grid Mod project, so when we do the undergrounding, we do together. make sure ** --

1:02:10:

Council Member Reckdahl: The concept of undergrounding is very advantageous. Right? People like -- I want to get rid of those wires. But it is expensive. Yes.

1:02:20:

Dave Yuan: And it's also harder to troubleshoot when there is an outage. So, you can't visually see. Inspect. So, then you go from box to box to find out where the outage is.

1:02:30:

Chair Burt: So, is that difficulty in troubleshooting something that we can translate to explain to the public that reliability, or resiliency, is reduced with undergrounded utilities.

I'd like to see the actual data. See comment at 1:03:00.

1:02:44:

Dave Yuan: I think in the past, it was like true. But now, with AMI and other automation -- distributed energy stuff -- we can probably detect faster than before. So, before it was a very manual process.

1:02:56:

Chair Burt: I see.

1:02:56:

Dave Yuan: And now, I think we have more technology.

1:02:57:

Chair Burt: So that difference is narrowed.

1:03:00:

Dave Yuan: Yes.

1:03:00:

Chair Burt: OK. Thanks.

Staff used to report annually, in a Utilities Quarterly Update (for example, PDF page 47 here), https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/reports/uac-informational-reports/2015-informational-reports/10-07-15-meeting/info-item_utilities-quarterly-update-4th-q-fy-2015.pdf data about outages by month -- number of customers affected, time to repair, and whether the infrastructure was underground or overhead. That data could be studied to figure out whether overhead or undergrounded was more reliable. But then staff stopped doing that. I think staff should resume this kind of reporting. Preferably in even more detail. Like data per outage rather than data per month.

1:03:03:

Dave Yuan: Next slide, please.

1:03:04:

Slide 7 -- Operating Expense Assumptions

Now, this is the operating expense that we built into the model. So the annual working capital it's about \$1.6 million. This includes a very thin, lean team. I think there's like 2 FTEs. So, I think Council authorized 4 FTEs to help with this fiber to the premise deployment. Thus far, we've only hired 1 full-time person. So, it's been everyone else pitching in and helping out. Like Darren himself. And so, we're just kind of working as a team to get this up and running. At least for the pilot. So, it is a kind of a skeleton crew. But we believe we can still do it successfully. And so, in the ** model, there are variable costs. Such as help to support installations. And also sales/marketing. And the router -- the home devices. So, as we get more subscribers, some of those costs will go up as well. But that's kind of the operating expense we're estimating per year right now. Next slide, please.

1:04:03:

Slide 8 -- Proposed Palo Alto Fiber Offerings

And then, here is the proposed rates and product offerings. So, for a 500-meg service, we're asking to price up to \$30 for those who are on the rate assistance program, and up to \$75 for those who are not. But the ones we're going to really focus on in the pilot is the 1-gig and the 5-gig. So, the 1-gig is up to \$95. And the 5-gig is up to \$265.

At 0:57:13, Chair Burt suggested that in order to earn the trust of customers, actual and potential, the City might want to "charge according to our costs." I think most of the City's costs are going to be in providing the infrastructure, and relatively little cost will be in providing bandwidth over that infrastructure. (Are the infrastructure costs for 1-gig and 5-gig different? If so, how?) So, could the price for 5-gig be substantially lower than \$265?

Both of these rates are very competitive with the incumbents. But our plan is not to, of course, charge at the highest rate. But at least it will give us the flexibility to offer promotional rates, and also not disclose how much we're charging, I guess, to the incumbents as well.

The FCC requires that ISPs provide a broadband facts label for each product, which includes price. this information is available to the public (presumably including competitors).

So, we're trying to -- with this "up to" structure, we believe we'll have that flexibility to offer those promotional rates that you referred to earlier, Chair Burt.

1:04:54:

Council Member Reckdahl: Why do the faster rates there not include the router?

1:04:58:

Dave Yuan: I think the consultant recommended 'cause it costs more. And so, I think they said we should probably pass some of the cost back to the customers, if they really want the higher speed. And that was the reason.

1:05:08:

Council Member Reckdahl: Would it be less price-sensitive if they really wanted the performance?

1:05:11:

Dave Yuan: Right.

1:05:11:

Council Member Reckdahl: OK.

1:05:14:

Dave Yuan: And then, next slide, please.

1:05:15:

Slide 9 -- Proposed Palo Alto Fiber Offerings (cont.)

And we're also offering some other services. [unamplified] Maybe you can speak these with **.

1:05:22:

Darren Numoto: Um hum. Sure. A lot of these services, as Chair Burt mentioned, give us some flexibility to add on ancillary services to our offerings. To help entice people to move over. And ** fixed wireless, we are investigating some fixed wireless opportunities ** We were a part of Tarana wireless demo many years ago. Right?

This promotional video (3:21) from Tarana about the demo is dated 11-22-23.

<https://www.youtube.com/watch?v=CW73BCIJbSw>

(So, no, not many years ago.)

So [laughs] ** further potentially some other offerings that we can add as well. Which includes, you know -- which will help reduce costs of deployments, 'cause you don't have to worry about fiber. But the speeds are reduced as well. So, you know, in a lot of these -- Protect IQ and Experience IQ -- is a part of the offering that our provider offers through their service. So, it means that -- Like, Protect IQ is security. And Experience IQ helps with the home Wi-Fi and managing those devices, and so forth. So, again, these are ancillary services -- are included with our subscription to our hardware provider.

I infer that the intended hardware provider is Calix,

<https://www.calix.com/products/smartlife/smarthome/protectiq.html>

although a Google search of the City's website doesn't find the staff report that says so.

1:06:19:

Dave Yuan: And it's probably the promotion. It might be a while -- ** with them as well. Depending on the level of interest. So that's something we'll consider.

1:06:28:

Chair Burt: I hadn't appreciated that it's not an either-or. So, can you explain that a little more? On how that might work? Say, if we had the moderately-high-speed wireless capability. How does that integrate with this program?

1:06:46:

Darren Numoto: [unamplified] So, we are looking at **ing that in the future. Right? And -- [amplified] Oops. I'm sorry.

Apparently for not speaking into the mike.

So, basically, it could be offered as a service where -- as Dave mentioned -- areas where it's very expensive for fiber. And to give them an intermediate option for higher speed and more reliable internet, as well as potentially for businesses, as a backup route, or some other ancillary service. So there's a lot of different potentials for it, if it's proved out properly.

1:07:20:

Chair Burt: And we -- I recall a discussion about, you know, our nodes.

What discussion was that?

Is that higher speed wireless dependent on the node? Or does it have such a greater travel distance that we don't need all those nodes to be able to offer that?

1:07:38:

Darren Numoto: I would say we'll still need nodes out there. Depending on the canopy coverage and the interference, to offer better -- higher speeds and more reliable service. But it does help ex- -- with the technology we're investigating, it does help with the amount of nodes that we need. So, estimate, we might need, you know, four nodes to cover the entire City, versus some others. Right?

How did Numoto come up with this number?

At one time, staff thought that four nodes might be enough to provide AMI coverage for the entire City. But that's an entirely different application and infrastructure.

1:08:01:

Chair Burt: Yeah. We had a lot more nodes that we were thinking as the network. Right? For the -- And I haven't been keeping track, but, for instance, Tarana, by example, because that's the one we did the demo with. My understanding is, they've come out with a couple generations of products since then. How fast are they now?

Tarana's fastest remote node (RN) (at the premises) can do up to 1.6 Gbps (shared between download and upload)

<https://www.taranawireless.com/rnv/>

Tarana's most recent remote node product (RNv) (available Q1 '25) can do only up to 0.8 Gbps (shared between download and upload), but it's less expensive.

Tarana's base nodes (BNs) can be up to 1.6 Gbps per link (to a single remote node), up to 3.2 Gbps per sector (90 degrees), and up to 12.8 Gbps per "cell" (360 degrees)

https://resourcesapi.taranawireless.com/storage/resource_files/data-sheets/1738033493_Tarana-G1-3-5-6-GHz-Data-Sheet-ext-2502-19.pdf

A base node can have up to 250 clients per sector, or 1,000 clients per cell.

These "up to" speeds assume line-of-sight (LoS) connections. When connections are non-line-of-sight (NLoS), speeds can be significantly less.

https://resourcesapi.taranawireless.com/storage/resource_files/case-studies/1709528545_Tarana-Case-Study-WISP-Services-2402-01.pdf

This 02-14-25 article provides further commentary.

<https://preseem.com/2025/02/from-plans-to-performance-analyzing-tarana-link-rate-success/>

Returning to the topic of how many base nodes would be enough "to cover the entire city" (see near 1:08:01), Tarana says a single base node can serve up to 1,000 remote nodes (homes), but only up to 250 RNs per 90-degree sector. A base node can support up to 3.2 Gbps (shared between download and upload) per sector. So if a base node served 250 RNs per sector and each RN required symmetry, then each RN's share would be only 6.4/6.4 Mbps. (Multiply this by whatever oversubscription factor you think is appropriate.) Anyhow, four base stations could serve at most 4,000 customers, and Palo Alto has more like 30,000 premises.

1:08:23:

Darren Numoto: A lot of it depends on coverage and distance, but they can achieve -- We've seen -- can be able to achieve up to 700 [Mbps] download, and maybe half of that upload.

As far as I know, what can be achieved is limited by the sum of the download and upload, not by either one separately.

So, it is still not as equivalent to fiber. But it offers an option for others.

1:08:40:

Chair Burt: And is it a whole lot cheaper? Or just moderately?

1:08:49:

Darren Numoto: In terms of the initial build, a whole lot, because you're not building fiber all the way to the premise, or building a backhaul to serve that.

My understanding is that Tarana's base stations DO require fiber backhaul.

So it -- And the equipment is -- not as expensive.

It's hard to get "real" prices without an RFP.

For what it's worth, Tarana estimates the equipment cost to add a Tarana remote node to its wireless network is \$600, but the equipment cost to add a FTTP node to a FTTP network is only \$300.

<https://www.taranawireless.com/ngfwa-vs-fiber-tco-analysis/>

Also, this document estimates the cost per household passed for FTTP to be \$10,000, but staff has a goal of \$1,500 for phase 1 (see near 1:01:26).

So, yes. It's a substantial difference.

If a premises connected by Tarana now should also be connected by FTTP later, then the total cost (per premises) will be higher.

1:09:04:

Chair Burt: I was just thinking about that pricing structure. And I just don't know how that would compare. If they're -- When we look at Xfinity's offerings, they're not that fast. And so, that sounds moderately close to their offerings.

Tarana's fastest remote node is up to 1.6 Gbps (upload + download). So, for example, Tarana's 1400/200 Mbps option would be slower than Xfinity's 2000/300 Mbps option, but faster than Xfinity's 1200/35 Mbps option. But a base node could support only TWO such RNs per sector (multiplied by whatever overprovisioning ratio you think is appropriate).

1:09:26:

Darren Numoto: Yeah.

1:09:26:

Chair Burt: OK. Interesting.

Nobody asked about the two Dedicated Internet Access (DIA) products mentioned on Slide 9. What infrastructure is required for these products. What (point-to-point) premises electronics? What (point-to-point) hut electronics? How many dedicated (point-to-point) fiber strands?

1:09:31:

Slide 10 -- Operational Financial Scenarios for Different Take Rates

Dave Yuan: And then, we did some sensitivity analysis here, and some modeling. So, this first one is about take rate. So, the take rate is a key metric to find out if this will be financially sustainable. And based on our modeling, I think we need about a 27 to 30 percent take rate. Of subscribers from AT&T and Xfinity

We need a take rate of 27-30 percent. The customers don't all have to come from AT&T and/or Xfinity.

to at least break even for operational costs. I think based on the survey that Magellan did back in 2022, they were projecting that they were 35 to 40 percent. So -- But to get to 27-30 percent, I think we would be OK. And then, this shows kind of the -- how long it will take to break even, I guess, operationally. I think by the fourth year, in most of these models, you would probably break -- Oh, sorry, that's the next slide. Under take rate, anywhere below 25 [percent], it probably won't break even. It would probably need some sort of funding from the dark fiber fund or somewhere else to keep it going. But once we hit the 30 percent mark, then we should be able to break even, we believe. After the fourth year.

1:10:34:

Council Member Reckdahl: So, the numbers that are in the 2029 column, --

1:10:37:

Dave Yuan: Um hum.

1:10:37:

Council Member Reckdahl: -- those are just -- Basically, you're just operating expenses at that point?

1:10:41:

Dave Yuan: Yes.

1:10:43:

Council Member Reckdahl: OK. So, we're --

1:10:45:

Dave Yuan: And one important thing to know, also, besides take rate, is the speed to the market. So, even though we have a high take rate, if we don't have enough subscribers, we won't ever cover our base expenses. So, I think we need about -- I think, in this model, about 2,200 customers, at minimum, to start -- Or it's about 2,000 customers or so, to at least start breaking even.

If the pilot got, say, a 30 percent take rate, that would be 300 customers. How would that be evaluated? After a year? After 4 years?

1:11:07:

Council Member Reckdahl: How much of your fixed costs are just fixed, and how much of them are per customer?

1:11:11:

Dave Yuan: If we can go back a few slides earlier, we can look at that. This one, yeah.

Slide 7 -- Operating Expense Assumptions

So, the one says variable, that's a sub -- to the right. And those are the variable costs. So, I would probably say, if I could guesstimate here, probably 85 percent would be fixed. If I had to guess.

1:11:32:

Council Member Reckdahl: OK.

1:11:33:

Dave Yuan: Yeah.

1:11:33:

Council Member Reckdahl: So, that's a big lever arm there. If you don't get the people, you're not going to break even.

1:11:39:

Dave Yuan: Right. So, for the pilot, we're going to try and knock on every door. Do everything we can to promote it. [laughs]

1:11:50:

Chair Burt: On that, Slide 10,

Slide 10 -- Operational Financial Scenarios for Different Take Rates

that -- um -- It's a percentage, but is that for the pilot area? Or citywide?

1:12:02:

Dave Yuan: This is for phase 1. I used.

1:12:04:

Chair Burt: Phase 1. Yeah.

1:12:04:

Dave Yuan: Up to 7,500 passings. I think the pilot's 1,000 [passings]. So for FY '26, as far as just the pilot. And, beginning in '27

FY '27

on is when we start building out phase 1, is the assumption. Slow ramp up until 2029

FY 2029

when it's fully built out, for phase 1. And the next slide, please.

1:12:26:

Council Member Reckdahl: And one question about that. So, the net income, that includes construction costs.

1:12:31:

Dave Yuan: It does NOT. This is operational.

1:12:33:

Council Member Reckdahl: Really? So, we're losing -- like, in the top-left there, we're losing \$1.7 million in the first year just for operational costs.

1:12:42:

Dave Yuan: Right. 'Cause all that is for fixed costs for staff, for getting the data center stood up, and for the materials -- well, I don't know about materials, but the data center, and staff, and equipment.

1:12:53:

Council Member Reckdahl: OK. And we only have 186 subscribers.

1:12:56:

Dave Yuan: 'Cause we're only -- 'cause we're assuming a slow ramp up, as we learn.

1:13:02:

Darren Numoto: It might be helpful to describe the phases, and how many homes were passing during each phase.

1:13:04:

Dave Yuan: Sure. So, the pilot phase is about 1,000 customers.

Passings.

Which is already identified. And for phase 1, I think, depending on the cost per passing, we're hoping to add another 6,500 customers.

Passings.

So, a total of 7,500 customers.

Passings.

And passings. Oh, sorry. Um. So, yeah, for phase 1, I think we're assuming a 2-year to 3-year build-out. We also have levers to slow down our speed depending on the take rate, too. So, it will depend on our strategic partners.

I think "partner" is a bad description of the companies we'd hire to outsource.

We'll have to hire installers and what not. And also people to help, as we get more subscription. Right now, we're just putting down the infrastructure. Putting down our systems, and building those up. But we will have the ability to scale up as needed.

1:13:54:

Council Member Reckdahl: So, if I look at the top box, between the -- let's see -- the 2027 and 2028,

That is, FY 2027 and FY 2028.

you have about the same number of subscribers but a lot more revenue. What's going on there?

1:14:07:

Dave Yuan: Subscribers -- 2027, 2028 -- 300 --

1:14:11:

Council Member Reckdahl: Yeah.

1:14:11:

Dave Yuan: So, I think it would depend on the ramp up. So, maybe a lot of them ramped up in the beginning of '28, whereas the 1,191 mostly ramped up at the end --

1:14:21:

Council Member Reckdahl: It's not -- OK -- Gotcha.

1:14:24:

Dave Yuan: Um hum.

1:14:25:

Chair Burt: That revenue -- Is that just the incremental revenue for those additional customers? It's not the cumulative revenue. Right?

1:14:31:

Dave Yuan: It's the revenue for that year for those customers.

1:14:35:

Chair Burt: The incremental INCREASE in revenue.

1:14:38:

Dave Yuan: Yes. Per year.

1:14:39:

Council Member Reckdahl: [unamplified] No.

1:14:39:

Dave Yuan: The annual revenue, I guess I would call it. Total revenue for --

1:14:44:

Council Member Reckdahl: Total revenue for all --

1:14:45:

Chair Burt. Oh. It IS the total. Per year. [pause] I see. So, it's -- FY '28 -- we've fully subscribed. You're just then projecting --

1:15:01:

Dave Yuan: Um hum.

1:15:01:

Chair Burt: -- the revenue. I got it. Sorry. OK.

1:15:07:

Slide 11 -- Operational Financial Scenarios for Different Price Levels

Dave Yuan: And then, the next slide shows the pricing, depending on if we use a lower-end, middle-end, or higher-end pricing. Based on those different rates we talked about earlier. With the lower-end, it's going to take a little longer to break even. As you, of course, increase the prices, then the sooner you'll break even. But there is a little flaw in this model. We don't have price elasticity as a variable. So, we're assuming a fixed number of customers in each of the pricings. So, we do want to disclose that. So -- [laughs] But I think -- Yeah. So -- But regardless, I think all three does show profitability. Or break-even. I won't say profitability. At least break-even for the net operating costs by the 4th year. I think when Magellan did the model, it was closer to like 10 years. So, I think we have scaled back a lot of the expenses. We haven't hired the FTEs that they had originally suggested. Just to try to keep it lean. Any questions on this slide? OK.

1:16:09:

Slide 12 -- Fiber Fund Cashflow Projection

And then, here's the cashflow projection. So, we were authorized to spend up to \$20 million from the Fiber Reserves. So, again, we had \$34 million originally. I think we still have about \$31 million, as of today, even though we spent a few already on construction.

1:16:23:

Chair Burt: And we had \$34 [million]. But we've added to that. Right?

1:16:27:

Dave Yuan: Yes.

1:16:28:

Chair Burt: So, what has it -- would it have grown to, absent what we've spent?

1:16:34:

Dave Yuan: We've probably spent about \$2.5 million -- um -- more than that, probably -- on this project so far. So, probably \$3 million at least. So, then, well, \$34 [million] still, I guess, because of staffing, I guess, in a way. 'Cause our dark fiber revenue hasn't gone up as fast as it was before.

1:16:49:

Chair Burt: I guess another way to put it is, what is the income from the dark fiber, the last 3 years, I guess?

1:16:54:

Dave Yuan: Well, last year, I think, it was \$1.5 million. And this year, I think we're projecting about the same.

1:16:59:

Chair Burt: OK. Thanks.

1:17:00:

Dave Yuan: Some of that revenue is also from interest return from the Reserves.

1:17:04:

Chair Burt: Got it.

1:17:05:

Dave Yuan: So --

1:17:06

Chair Burt: OK.

1:17:07:

Dave Yuan: So, even if we have -- Assuming we have \$20 million to start with, and then here we've walked down this table. The capital expenses will take out \$4.5 million. The first year working capital costs of operations brings us down to \$13 million. And then, if we do invest \$10 million in phase 1 construction, we still have enough to cover the next couple years before we break even. It's the way it's shown here. And this is assuming, I think, a mid-lev- -- or, low-level pricing even. So, kind of the more conservative model. So, even by year 3 -- end of year 3 -- we still should have some money remaining from the \$20 million seed money. And the bottom line, it just shows some additional funding sources that we have in fiber. So, we only used \$20 [million] of the reserves. We also set aside \$13 million for the new fiber backbone. And then, we're also getting -- I'm being conservative here as well -- on the \$300,000 annual net income. Depending on how much interest we are going to receive in the future. So, I would say, anywhere from \$300,000 to \$500,000 would be conservative.

1:18:12:

Chair Burt: Yeah. Given that we're \$1.5 million now, including interest.

1:18:17:

Dave Yuan: Um hum.

1:18:17:

Chair Burt: And the interest is what portion of that? About?

1:18:21:

Dave Yuan: Of the net income? I think we got like \$700,000 last year, I want to say.

1:18:24:

Chair Burt: \$700,000. Oh! So, almost half of our revenue was from the interest.

1:18:29:

Dave Yuan: Right.

1:18:35:

Chair Burt: So, we're going to have a third the interest. Up until we spend it on the new backbone.

1:18:43:

Dave Yuan: Um hum.

1:18:43:

Chair Burt: Um. So, based on CURRENT rates, we get about a million a year.

1:18:50:

Dave Yuan: Um hum.

1:18:50:

Chair Burt: And -- yeah. So, yours if very conservative. And I guess that difference -- and maybe we should put it as a range, because, really, you're being real conservative. You've got some unknowns on uptake and things like that. So, there's an importance to having a fudge in there.

1:19:11:

Dave Yuan: Um hum.

1:19:12:

Chair Burt: But we also want to know, what is our projected -- our best estimate of projected income from the existing dark fiber.

1:19:21:

Dave Yuan: Um hum. OK. I can do that. Thanks.

I keep asking for an update of the document staff brought to UAC on 04-03-13, https://www.paloalto.gov/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2013/04-03-2013-meeting/item-3_fiber-financial-projections-fy-2014-fy-2018.pdf

This staff report shows actual data from FY 2012 plus estimated data from FY 2013 to FY 2018.

Next slide.

1:19:25:

Slide 13 -- Measures of Success

And then, some measures of success. At least for the pilot, it's more of an operational success. Customer service. Customer feedback. Of course, reliability and speed that we're going to be offering. Making sure we're hitting those marks -- of achieve above. And then, I think, we're just -- be conservative on the take rate of 20 percent. We don't have a big marketing team built into the first pilot. And marketing is expensive. I think the most effective marketing campaign will be door-to-door. So, we have gotten some pricing on that. And I think that's more for phase 1 than for the pilot area.

1:19:59:

And then, for the phase 1, measures would be reducing the construction cost, from that \$2,200 per passing down to \$1,500. Find some strategic partners with the installations and customer service maybe. And then make sure it's financially sustainable, really, at the end of the day. And customers are happy.

1:20:19:

Chair Burt: Can you talk a little more about the potential on the strategic partnerships?

1:20:23:

Dave Yuan: Yeah. So, we are looking for -- instead of adding more FTEs, like what the original models had said -- I think it was projected up to 22 FTEs we could hire -- I think we would want to outsource some of that in the beginning. So -- And then, based -- depending on the contract terms, based on maybe subscribers -- a set of fixed costs. And then, make sure they had the bench available to help us scale up. So, we are issuing RFPs right now, to see how many vendors we can get. And we're trying to get more than one vendor for each of the services, just so that we have a backup ready. And then, test out different things.

1:21:00:

Chair Burt: [unamplified] And these vendors -- Who are they working for now?

1:21:03:

Dave Yuan: Um. They probably work for AT&T, Xfinity as well.

1:21:06:

Chair Burt: [unamplified] So, THEY use vendors as well.

1:21:08:

Dave Yuan: Yeah.

1:21:09:

Chair Burt: OK.

1:21:13:

Slide 14 -- Upcoming Key Milestones

Dave Yuan: And I think -- last slide -- These are some of the upcoming milestones still. I think the Grid Mod pilot's already done, I want to say. Or if not done, it's going to be soon done. We are ordering materials in June. Like I said, the fiber hut is delayed by the permit, but it is built and ready. Um. And then, we are putting up a system, and starting a marketing -- we're starting to develop that marketing strategy. And hopefully we'll start publicizing some of that as we get closer. And then, there are some compliance and regulatory things we have to abide by as well. Which we're creating right now. At the agreements and policies. And making sure all these disclosures are available to the customers when they sign up.

The slide mentions the need for developing a "broadband consumer label." (Also known as a "broadband facts label.") Each product should have its own broadband facts label.

<https://www.dwt.com/blogs/broadband-advisor/2022/11/fcc-isp-broadband-nutrition-labels-format>

The broadband facts label should be available to potential customers even before they sign up, so they can comparison shop.

And I think that is it.

1:21:59:

Kiely Nose: And, Dave, might you just, before we turn it back to the committee and public comment, perhaps summarize, in a few sentences, what UAC's feedback was on this, since, ultimately, this is a recommendation from the Utilities Commission. I think it might be helpful for the Committee to understand their dialog.

1:22:17:

Dave Yuan: Sure thing. Definitely. So, the UAC did approve of the rate structure and fact that we have the flexibility to offer promotional rates to attract customers. The one thing they did ask us to do is come back to them during the pilot -- both the metrics and datas -- data points -- to see how it's doing, before we build -- before we start phase 1 construction. So, that was their biggest ask, is, don't continue phase 1 until you guys find out how you're doing [on] the pilot, and get some of those data. So, I think we're able to do that, if that's part of Council's and UAC's request, we can definitely do that.

Note that this potentially risks violating Chair Burt's principle of doing things in PARALLEL rather than sequentially.

Is UAC asking to delay the start of phase1 construction until after the pilot is constructed and staff reports on how that went, but NOT to delay the start of phase 1 construction until after the pilot is constructed, and marketed, and customers are hooked up, and take rate is evaluated?

1:22:57:

Chair Burt: [unamplified] OK. Should we go to the public?

1:23:02:

Kaylee Burton: We have one public comment, from Utsav G. Give me one moment. Utsav, go ahead.

1:23:20:

Utsav Gupta: Oh. Hi. Members of the Finance Committee, my name is Utsav Gupta. While I currently serve as a commissioner on the Utilities Advisory Commission, the views expressed here are my personal comments, and do not reflect the position or opinions of the Commission. I am here today to speak in support of the proposed fiber rates. Residential fiber is a sound strategy that invests our dedicated Fiber Fund directly back into Palo Alto residents. Internet service is the utility of our day. It's as essential as power or water. And despite being the birthplace of Silicon Valley, Palo Alto has lagged in providing modern internet service. This expansion before you today strategically aligns with Grid Modernization and crucial fiber backbone upgrades, making it both a prudent use of our Fiber Fund and a logical step forward.

1:24:10:

This is an excellent and the legally certain way to return the surplus fiber funds, which -- as you had discussed -- had reached \$34 million by 2022. And it puts the funds directly back to our residents. This also addresses the need to invest in our fiber backbone, which has reached capacity and composes a large amount of the cost. Beyond the infrastructure, this project is projected to save our community \$15 million in internet spending in just 10 years,

Reference?

with all fees staying local. And remember, this is a utility. And the fiber plant payback is measured in decades. Even if it takes as long as 20 years to pay back, the fiber plant lifespan is 40 years.

It's hard to estimate the lifespan of the fiber cables, because most fiber networks haven't been around long enough to observe when the fiber cables reach end-of-life. This 11-23-15 article says, <https://potsandpansbyccg.com/2015/11/23/how-long-does-fiber-last/> "This means that fiber ought to easily last forty years and far beyond. Nobody will yet say how much further beyond, but I talked once to a few engineers from Corning and they told me that as long as it's treated well that their best guess is at least 75 years."

If Palo Alto wants to keep offering state-of-the-art speeds over time, the electronics might have to be upgraded every 7 years or so for its most demanding customers.

And I don't think it's going to take 20 years to pay it back.

1:25:05:

The need is clear. The only legally accountable data from the FCC estimates that AT MOST 45 percent of Palo Alto residents currently have access to fiber. And even this number is likely inflated. I'm not sure where the 72 [percent] or 75 percent data comes from. But, again, the only legally accountable data is that only 45 percent of Palo Alto residents have access to fiber.

1:25:30:

Financially, this project is structured for sustainability. As you saw on the slides, we're expecting a take rate of 37-42 percent, well above the roughly 30 percent needed for the network to recover its costs. And, again, the proposed rates are maximums, designed to provide our staff flexibility to test different pricing strategies and ensure Palo Alto Fiber is competitively priced.

1:25:55:

So, in sum, expanding Palo Alto's fiber services to homes is a smart, legally sound way to invest existing funds back into our residents and businesses, and it saves them millions of dollars in service costs, while providing superior modern internet. And that's a rare win-win-win. Thank you again for your service to our community.

1:26:20:

Kaylee Burton: That concludes public comments.

1:26:22:

Chair Burt: Great. And so, additional comments? Or questions? Julie? Keith?

1:26:30:

Council Member Reckdahl: Jump in you have questions, or you want to follow up. Um. You mentioned about -- we're offering symmetric speeds, whereas Xfinity is quite often doing the non-symmetric. What's the demand for symmetric? Would people be willing to pay a premium for symmetric speed?

Magellan's 2022 survey (PDF page 42 here) <https://www.cityofpaloalto.org/files/assets/public/v/9/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220919/20220919pccsm-amended-linked.pdf> found that "higher upload speeds" was the 4th-most popular reason to switch -- well behind lower price (1st), faster speed (2nd), and higher reliability (3rd).

CableLabs has developed a DOCSIS 4.0 technology (HFC). It's main advantage over DOCSIS 3.1 is that it's symmetric. Comcast has deployed it in a few places.

1:26:52:

Dave Yuan: I think that's one of the big differentiators with fiber. I think a lot of people can't upload things when they want to, with asymmetrical speed. They use hybrid -- hybrid fiber coax -- I think that's what Comcast uses. So, it is a much inferior product than fiber. So, I think with the streaming nowadays, and all the other activities people are using their internet for, there is more demand for faster upload speed, I guess.

1:27:22;

Council Member Reckdahl: What kind of user would need the faster upload? Is it gamers? Or, what would be the --

Here are some uses:

- * Backing up data to the cloud. (You might not do this very often, but when you do, you want it to be fast.)

- * Uploading photos.

- * Video conferencing.

- * Ethernet's TCP protocol requires that each (download) data packet be acknowledged by an (upload) acknowledge packet. If the acknowledge packet is delayed, that can slow down downloading. If the acknowledge packet is lost (as can happen when the upload channel is too congested), the data packet must be retransmitted, which slows down downloading. (Ethernet's UDP protocol doesn't require acknowledge packets, but it also doesn't guarantee delivery of data packets.)

1:27:28:

Darren Numoto: The target audience is -- Of course, a lot of people have transitioned to streaming. Right? And, again, if you have kids, you know that every device, they're streaming multiple things on, or gaming. So, the need for bandwidth is definitely there. But also --

1:27:41:

Council Member Reckdahl: But wouldn't that just be download, mostly?

1:27:43:

Darren Numoto: Sometimes. Gaming and other things, you know, do require -- like if they're uploading a lot of videos or something. You know, those require upload speeds as well. But overall, Comcast, in terms of technology as well, fiber provides a more consistent experience. Versus cable, which is a shared medium. Right?

PON FTTP networks also have a shared medium. I think staff has said that up to 32 premises will share a PON net. For most HFC systems, the number of premises sharing the coax cable is a lot more than 32.

So, people who come home after work, they experience a little slower in that shared medium. Right? So, again -- And reliability is another area. Because of -- As we all know, the copper infrastructures in our environments are aging as well. So --

1:28:19:

Council Member Reckdahl: And so, the ability of us to do symmetric is purely the fact that we have fiber.

Not exactly.

If we didn't want to offer symmetric, does that buy us anything? Could we --

1:28:28:

Darren Numoto: No.

1:28:28:

Council Member Reckdahl: We don't get extra bandwidth or anything?

Right. For most FTTP transceivers, one laser is used for downloading and one laser is used for uploading, so the bandwidth available for downloading is completely separate from the bandwidth available for uploading.

Not all FTTP transceivers are symmetric. For example, the most popular GPON variant is 2.5/1.25 Gbps. (But ISPs using GPON often offer symmetric products anyway.)

1:28:31:

Darren Numoto: We'd still have to install a new infrastructure. Whatever. And fiber is the most --

1:28:36:

Council Member Reckdahl: It's just a benefit that we get with no extra cost. Or no --

1:28:40:

Darren Numoto: And it also futureproofs us for future expansion for other services. As we know technology is advancing at, you know, enormous speeds. So, again, it sets us up for future needs as well. Offering fiber.

1:28:52:

Dave Yuan: And our latency in Palo Alto will be much lower than AT&T or Xfinity, just because PAIX -- or the Equinix - our data center -- is right next to us. So we don't have to transfer our wires, or our data, from state to state, or county to county. It just goes here and out to the internet. So, that's another advantage of building in Palo Alto.

Equinix does indeed give Palo Alto Fiber low-latency access to the internet. AT&T and Xfinity also use Equinix.

Latency can also be reduced by caching and by limiting buffer bloat (but that's getting into the weeds).

1:29:10:

Council Member Reckdahl: And I'm quickly becoming a dinosaur, because I have both a landline and cable TV. Yes. And my kids don't have either one of those. But -- [laughs] But there will be some old folks like me that want both a landline and/or cable TV. In the past, you talked about having some partner that -- you wouldn't be providing that, but some third party you'd arrange with. So, if someone comes and says I want cable TV and internet, you'd be able to refer them. And one-stop shop still.

Some municipal FTTP systems outsource landline phone services.

1:29:45:

Dave Yuan: We have seen some of those models. We haven't explored it yet. But if there's enough interest, we would definitely look at doing it. But, yes. it's potential.

Does the City's chosen ONT have a phone port?

1:29:54:

Council Member Reckdahl: OK. And it wouldn't be so much a revenue source, but just -- You know, that's one reason people may not sign up, is, they say, oh, I still want to have cable TV. So, I think that's something we should at least be keeping our ears open during this trial

pilot

and -- Because, you know, when you're trying to get takeup -- when you're trying to displace incumbents -- any little excuse is a big hurdle for us. And I really want to be able to get the good takeup. Which also means that -- takeup -- Well, one of the biggest things is going to be cost. And the costs that you showed -- tables that you showed -- showed takeup percentage. But that takeup percentage is going to be a function of cost. It's kind of circular. Right?

1:30:33:

Dave Yuan: Right?

1:30:33:

Council Member Reckdahl: And so, how did we figure out this cost that you have in the staff report?

1:30:42:

Dave Yuan: Well, the cost was based on those assumptions we made. That table of those expenses. And the ramp-up was based on kind of what Magellan -- our previous consultant -- was modeling for us.

Why is Magellan not still our consultant?

We kind of used our revenue stream model. And then used our revised expenses to build out those models.

1:30:58:

Council Member Reckdahl: But most of those expenses are fixed. Like, staffing and things like that. And so, if you cut your cut your costs in half and double the number of subscribers, you still have the same -- roughly the same feasibility. Right?

See the Longmont story (at 1:49:24).

1:31:14:

Dave Yuan: ** be the opposite. Right? Double -- cut our costs and --

1:31:17:

Council Member Reckdahl: If you cut your charges --

1:31:20:

Dave Yuan. Oh. That -- Yes.

1:31:21:

Council Member Reckdahl: And it would be different if we were paying a big residual to cable companies, or something like that.

1:31:28:

Dave Yuan: Um hum.

1:31:28:

Council Member Reckdahl: And at that point, then, you can't cut your costs in half, because you now are losing money on each customer. But if most of our costs are system-wide, as opposed to per-customer cost, --

1:31:39:

Dave Yuan: Um hum.

1:31:39:

Council Member Reckdahl: -- then if -- you know, then cutting the costs in half -- if that more than doubled your subscriber base, you've won. Right?

1:31:50:

Dave Yuan: Right. I think that -- Um hum.

1:31:52:

Council Member Reckdahl: It all comes down to elasticity, as you mentioned.

1:31:53:

Dave Yuan: Right. Right.

1:31:53:

Council Member Reckdahl: And that -- So, this pricing is tricky. And I think it's being critical to success.

1:32:04:

Dave Yuan: Um hum.

1:32:05:

Council Member Reckdahl: What -- Like, Robert Phillips does a lot of this on UAC. Did he have any wisdom to share about the pricing strategy?

1:32:13:

Dave Yuan: No. Sorry. [laughs]

1:32:14:

Council Member Reckdahl: OK. I'll just talk to him.

1:32:17:

Dave Yuan: [laughs]

1:32:18:

Council Member Reckdahl: I mean, he's the -- a big expert on pricing. But, OK. So, I would want to err on charging not enough.

1:32:27:

Dave Yuan: Um hum.

1:32:27:

Council Member Reckdahl: I would rather go out of business with a whole bunch of customers than go out of business with just a few customers. 'Cause then, I -- if -- then, we would second-guess ourselves. But if we had -- If we can get the people to come over, and they're just not paying enough, I can live with that more than the fact that we did all this work and no one signed up. That would be more depressing, in my mind. So, I want to really get the people. And also, Magellan did some predictions about system profitability.

1:32:56:

Dave Yuan: Um hum

1:32:56:

Council Member Reckdahl: How credible are those? If you look at their predictions they made for other cities, have they come true? Are they --

1:33:02:

Dave Yuan: I don't know that I could speak to that. I haven't done the research. Sorry. I could get back to you.

1:33:06:

Council Member Reckdahl: OK. I think that would be good data, because if Magellan has a good track record, that bolsters the fact that this is a good program.

1:33:13:

Dave Yuan: OK.

1:33:14:

Council Member Reckdahl: And if they have a bad track record, then you start saying, well, are we making the right assumptions? Or did -- Maybe the issue was is that -- um -- the cities that worked with Magellan didn't have the right

pricing model. What did they do wrong? And not the fact that we're doomed. But what can we do different, so we don't go to the same path that these other companies

municipalities?

go down? So, I think that's important to understand, that Magellan predicted, and what other -- in other cities.

The track record of a municipality-consultant pair depends on both the municipality and the consultant.

1:33:43:

Kiely Nose: Council Member, just a couple things to answer, I think, a few of your questions. One, in terms of the UAC, you actually kind of hit where I think UAC generally landed, although there wasn't -- I would say -- full consensus, in terms of -- You know, they really debated the intention of the pilot, and what is the goal of the pilot. And I think the majority of them generally landed into the sentiment, that you just articulated, of let's see how many customers we can get, and acknowledge that there may be, obviously, operating losses, as a result of the lower revenue estimates. But we're really testing whether or not we could feasibly turn this pilot into a more sustained citywide, obviously, operation. So, just to provide that context. That's, you know, a long debate, frankly. But I think generally where they landed. Knowing that, as Dave alluded to, that we have that check-in. [laughs] In terms of, we're not going to go too far on the limb of investment without kind of proof of concept. So, I think that duality was ultimately where they landed, in terms of the kind of checks and balances of that. So, hopefully, that's a piece of -- as helpful information.

1:35:07:

In terms of Magellan, I think -- and perhaps just intentional through -- or implied through your comments, but just to put it on the record -- I don't think it's necessarily just Magellan. I think what you're looking at is just kind of generally just fiber programs. And how successful they have been. One of the notes I will call attention to is, it does vary by state as well. And so, you know, when we look at, say, what Magellan and/or other -- um -- that's interesting [laughs] - - ah -- what other agencies have done, I think that the state regulations and the state success is the other kind of key characteristic to kind of clue in on. Because I do think some of those are impactful in terms of --

1:36:02:

Council Member Reckdahl: [unamplified] States?

1:36:02:

Kiely Nose: -- the locations. So, whether it's in California or out of California, in terms of other municipalities taking on these kinds of projects. And the success of them. The laws are obviously different, state by state. So, that DOES impact the success of the programs.

This 11-01-24 article lists 16 states that currently have laws that significantly limit municipal broadband. <https://communitynetworks.org/content/state-state-preemption-stalled-moving-more-competitive-direction> California is not one of them. (The list does not include states that limit municipal broadband only in minor ways.)

1:36:17:

Council Member Reckdahl: That's useful. Am I back on? Oh, I'm back on. Good. Very good. Yeah. Crystal balls are hard to come by. Right? And pricing is one that's the ultimate crystal ball. It's like, well, it's like **. We don't know until you know it. Yeah. You don't -- Experience is something that you don't learn until right after you need it. Right? Um. OK.

1:36:39:

And then, you talked about marketing. You know, peer-to-peer marketing. I'm going to put up a lawn sign in my front yard. I just have Palo Alto Fiber. Right? That kind of thing. Social media. That's all basically free. So, the City posts -- Regularly, we have them post a lot, saying sign up for fiber.

1:37:00:

And then, finally, the Foothills ISP. So, we're running dark fiber up there. Is that eventually going to be part of this trial? Or is that going to -- we keep that separate forever?

1:37:11:

Dave Yuan: It's going to be separate for now. It's going to take us a lot more money to build all the way up there, to offer ISP service. Right? Now, we're just doing the dark fiber. 'Cause I'm sure ---

1:37:19:

Council Member Reckdahl: Oh.

1:37:22:

Dave Yuan: It's really more for our electrical poles. And our facilities up in the Foothills. It's not really meant to serve customers. So, Adobe Creek Networks has taken that dark fiber backbone and building it out themselves. And they're investing in it on their own --

At one time, Adobe Creek Networks

<https://adobecreek.net/services/>

was talking about charging homes \$1,000 to join the co-op, plus \$2,000 to connect the home. I'm a little unclear about what speeds are available for what monthly rates.

Adobe Creek Networks was talking about using active Ethernet (AE) (point-to-point) electronics rather than PON.

1:37:35:

Council Member Reckdahl: OK.

1:37:35:

Dave Yuan: -- to help serve those customers.

1:37:37:

Council Member Reckdahl: OK. Now, there's a fiber through Foothills Park. What is that for?

1:37:43:

Dave Yuan: We have some water reservoirs up there. We also have a ** base station up there as well. And then there's a fire station. So, for any kind of communication. ** fiber.

1:37:52:

Council Member Reckdahl: Oh. OK. That's all. Thank you.

1:38:00:

Chair Burt: Um. As we were talking about all these different scenarios, and how do you really try to predict a lot of this, both in the construction costs, and in the uptake, and the pricing. I just want to plug a book that actually the City Manager is also reading right now that has become a real hot item. It's "How Big Things Get Done,"

"How Big Things Get Done" -- Bend Flyvbjerg and Dan Gardener

<https://www.amazon.com/How-Big-Things-Get-Done/dp/0593239512>

Here's a teaser: 02-12-23: "Think Slow, Act Fast" -- Dan Gardener

<https://dgardner.substack.com/p/think-slow-act-fast>

And it is -- Certainly in the transportation project field, it -- it's a must-read now. But it's actually gone beyond transportation. It's the global expert on transportation megaprojects. But he's really now the global expert on project economics, and how to control them, and why, the vast majority of the time, they're over budget, behind schedule, and don't have either ridership or uptake that was projected. And by "the vast majority of the time," that's 98 percent. Which is scary. But we see it. Time and again. I mean, we're facing it on the BART extension to Silicon Valley. We had it on the Caltrain extension. It is -- But there are ways to anticipate and mitigate risks more effectively than we typically do. And a lot of his -- really looking at comps, and then plan the heck out of it, and then build rapidly, are among the guiding principles among them. And have a right team. So, I encourage that. And, in fact, he gets brought in -- all too often not at the beginning, to prevent these things, but when they've gone a long ways, and things are going haywire, and to try to get it righted again. But some -- And it struck me that some of what we're struggling

through right now is very applicable. And really, it's all big projects. Actually, he's taken the model down to kitchen remodels. And we do the same stuff on that. It goes the whole spectrum.

1:40:19:

OK. I did want to ask about the cable TV. Do we have any sense of what portion of the folks that we're hoping to bring on board really want to keep cable TV? And until we have that offering, we may not be able to get them as subscribers.

1:40:40:

Dave Yuan: I think when Magellan did the survey, in '22, I think it was like 50 percent had already cut the cord. Which was surprising to me myself. And then, it was another 25 percent who said they were willing to cut the cord. So, there is a market out there that don't want cable TV anymore. And we hear that in the industry now. Just the costs.

1:40:56:

Chair Burt: OK. How many of our customers that we want to get DO want cable TV? If we're -- out of this uptake percentage, are we saying, oh, it's all the folks who are willing to cut the cord. So, we're only finding as our really obtainable customers 75 percent of the households? And then, we get X percent of THOSE? And then, we give up, right at the outset, a quarter of the households as potential customers? Is that how we've factored it?

1:41:33:

Darren Numoto: When Magellan initially did their survey -- We'll have to go back and look if they targeted this particular area. But they did it citywide. And I can't remember the response rates. We can look that up.

According to the survey (PDF page 41):

<https://www.cityofpaloalto.org/files/assets/public/v/9/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220919/20220919pccsm-amended-linked.pdf>

* 53 percent said "I already subscribe to internet streaming and I don't have cable television."

* 19 percent said "Yes, I would cancel cable television and use just internet streaming."

* 15 percent said, "I'm not sure, I need more information about internet streaming."

* 12 percent said "No, I would keep cable television and add internet streaming."

* 03 percent said, "No, I would keep cable television, I'm not interested in internet streaming."

Of the 3 + 12 = 15 percent who wanted to keep cable TV, how many would consider switching to Palo Alto Fiber for internet anyway? Of the 15 percent who weren't sure, how many could be persuaded to switch?

But, overall, the percentages of people who either already have cut the cord or are willing to cut the cord were higher than I expected. And it's becoming more and more apparent, because of the higher costs with Comcast and their programming. Right? And, also, it gives you the flexibility. Because, as you see, most of the programming IS through streaming services nowadays. So -- Especially for the shows that are coming up. But, in any case, we don't have that specific data on the pilot area. The fact that AT&T has a wide offering in that area and they don't offer streaming services directly, it's through a third party, that tells you that more and more people are willing .

1:42:24:

Chair Burt: But I'm just wondering whether we want to move more aggressively on that third party. On cable. As a partnership.

1:42:30:

Darren Numoto: Something we have discussed internally. As a City, we just have to be careful of referral to different companies. And so, that strategic partnership evaluation is going to be key over time. We can definitely point them in the direction of research, and you know, options out there. But for us to recommend something, it becomes a challenge, of course. So --

1:42:49:

Chair Burt: Well, I thought it was really a question of who WE would partner with.

1:42:52:

Darren Numoto: Potentially. Right? But that's another engagement that we'd have to walk through.

1:42:55:

Chair Burt: Yeah. Well, that's what I'm worried -- is that we're -- Is that something we should be doing in parallel? Right now. As opposed to wait and see.

1:43:05:

Dave Yuan: As we talk to the pilot area, we will survey the customers, to see what the reason would be if they didn't subscribe, or so. **

1:43:17:

Chair Burt: And Mr. Gupta made a reference to a \$15 million savings to the community. Is that -- Do we think he's referring to what we had seen from Magellan -- well, from whoever we had first, in 2016

For the 09-28-15 staff report on FTTP (347 pages), the consultant was CTC Technology & Energy.
<https://www.paloalto.gov/files/assets/public/v/1/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2015/id-6104-ftp.pdf>

and then 2022 doing it, where they looked at -- nationally, when you have one provider, pricing's up here. When you have two, it comes down modestly. And, in 2016, it showed -- When you had 3, it dropped a whole bunch.

November 2016: "Broadband Competition Helps to Drive Lower Prices and Faster Speeds for U.S. Residential Customers"
https://www.analysisgroup.com/globalassets/content/insights/publishing/broadband_competition_report_november_2016.pdf

But my recollection is, the 2022 showed that third provider didn't have that same impact that they thought in 2016. But back in -- I think it was 2016 -- that was one of the most compelling things to me, was that, oh, so, aside from however we do on our own business, by entering the market, we save our residents, perhaps, a lot of money. And I think that's important to not lose sight of. When our residents judge how valuable this is, those who don't come on board say it did nothing for me. But if we can show then that, no, no, it saved you money, then that's a whole nother story. And even back then, when we looked at in 2016, that was kind of -- well, that's an aside. And I'm going, no, that exceeds, by -- it was like -- exceeded our potential projected profit by maybe it was 10X. And I said that's the real number to our residents that matters -- should matter the most. But we have to explain it to them. 'Cause they won't get it on their own. And even though the 2022 model -- if I remember correctly -- showed that it wasn't that -- as great of a value, it still showed a value. And I think that needs to be part of -- It's not the marketing to get people to sign up. It's the marketing to tell the community what they, as a whole, are getting out of this.

1:45:21:

Dave Yuan: That's great feedback. We can also track that during the pilot as well.

1:45:24:

Chair Burt: OK. Great. Um. The replacement of the current backbone. When do we think we need to do that? How old is it getting? I don't know what the lifespan expectancy is.

1:45:44:

Dave Yuan: [laughs] I think we built it in 1998 or something. Late '90s.

Council voted to build a dark fiber network on 08-05-96. It was initially said to be a 15-mile network. Over the years, it's grown to over 40 miles. (See page 5 here.)
<https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/utilities-advisory-commission/archived-agenda-and-minutes/agendas-and-minutes-2016/11-02-16-meeting/letters-to-the-uac.pdf>

I think most of it's OK. Just parts have congestion, just 'cause there's so much demand.

Dark fiber segments near Equinix are in demand, because most dark fiber customers want to connect to Equinix.

Those are the parts we are patching. Fixing. So, we are just doing targeted --

1:45:55:

Chair Burt: So, it's not it's not a full replacement. It's certain --

1:45:59:

Dave Yuan: Right now, that's how we're doing it. But eventually we do want to build a whole new backbone. Or two of them, actually. So, that's the end goal.

I'd be in favor of Council's reassessing whether a whole new backbone -- or two -- is really necessary ever.

But right now, with Grid Mod and the Fiber to the Premise project, we just don't have the resources to do a third large project.

1:46:11:

Chair Burt: OK.

1:46:11:

Dave Yuan: But we are addressing those areas where it's needed.

1:46:14:

Chair Burt: OK. And then, I think lastly -- So, we were talking about these areas of the City that are undergrounded and don't have good coverage right now. Is that -- Would we want to consider the medium-high-speed wireless as a pilot in one of THOSE areas? To benefit the community in a -- They're maybe going to be the last and most expensive to provide this to. And, instead, they could get a benefit right away at a fairly low cost. And not as valuable as what we're providing with the fiber, but we'd learn how valuable it is.

Fixed wireless -- Tarana or other -- is a dead end. Citywide FTTP is what we need.

And I would add to it, I'm also interested in that Wi-Fi for public Wi-Fi -- and expanding where we offer public Wi-Fi in public spaces.

I think this is a distraction.

1:46:11:

Darren Numoto: Yeah. Those are all considerations, of course. With that pilot phase is just getting us operational. Whether we can offer the internet services as a whole, and also operate it successfully. And then, we can add on these other services as well. So, that -- the plan is just to get the operational aspects through this pilot. And then, we can look at expanding other types of services from there.

1:47:31:

Chair Burt: But if it's -- if it's -- These Wi-Fi nodes -- I mean, we have that pilot that was done 2-3 years ago. And that was hooked up in a short period of time. On top here, Stanford Shopping Center parking lot, and, I think, the City Manager's house.

I think Chair Burt is referring to the Tarana demo (11-22-23).

<https://www.youtube.com/watch?v=CW73BCIJbSw>

Tarana doesn't do Wi-Fi.

1:47:47:

Darren Numoto: Yeah.

1:47:47:

Chair Burt: As three -- And it was -- It's not very cumbersome to do that.

1:47:53:

Darren Numoto: And it -- The last mile, per se, is not. It's the infrastructure and the data center that we're building to offer the services. So, that's the core piece set -- is needed in order to do this. Currently, we're leveraging our own IT

infrastructure to provide that service, as a beta. But the goal is to get the data center up and operational for the ISP portion of the business.

1:48:14:

Chair Burt: OK. I didn't appreciate that.

1:48:15:

Darren Numoto: Yeah.

1:48:16:

Chair Burt: All right. And, I guess, just lastly, I want to really encourage us again to consider in this pilot area offering one offering with a promotion rate, for a subset of that geography, and another one without, so that we really get to see what works and what doesn't. Instead of kind of doing things in sequence and not being able to do a side-by-side comparison if we do it in sequence.

1:48:52:

Council Member Reckdahl: Yeah. There's a reason the other ISPs use promotion rates. Because they get the customers and then people don't like to switch -- Yeah.

1:48:59:

Chair Burt: Yeah. That's right. If it works for them, why wouldn't it work for us?

1:49:03:

Darren Numoto: And that's the reason we wanted a -- um -- a range in that pricing to be flexible. Because, you know, the market changes DAILY. Right?

I don't think Palo Alto Fiber should be thinking about changing its prices DAILY.

You see an advertisement from Comcast saying, hey, we're not going to change our rate for 5 years now.

This is a special offer. If you don't take the special offer, your rates will (probably) increase every year.

And so, they're reacting to this kind of rhetoric as well. So, again, that's why we need flexibility with the pricing.

1:49:21:

Chair Burt: Yeah. OK. All good?

1:49:24:

Council Member Reckdahl: Yeah. I would just encourage you to REALLY look at other cities that have done this, and try make sure -- Which ones ended badly? And how can we prevent that? And which ones ended well? And how can we get that? So, really study what other people have done. So --

How much would such a study cost? How long would it take? Who would do it? (A consultant??)

Longmont's Nextlight is a good example of a successful municipal FTTP network.

<https://mynextlight.com/>

Speeds up to 10/10 Gbps. Low prices.

<https://mynextlight.com/residential/>

(For example, \$49.95/mo "for life" for 1/1-Gbps for "charter members".)

<https://mynextlight.com/terms-conditions/>

High take rate (64 percent, as of 04-03-24).

<https://communitynetworks.org/content/nextlight-longmont-colorado-expands-beyond-city-borders>

Nearly citywide (90+ percent),

<https://communitynetworks.org/content/longmont-colorados-nextlight-network-hits-28000-subscriber-milestone>

with plans to expand beyond the city limits. Discounted price for low-income folks (e.g., \$14.95/mo for 100/100 Mbps.)

<https://mynextlight.com/residential/>

Longmont was one of the first municipalities to realize that a municipal FTTP network didn't have to have a cable TV service to be viable. Today, they help customers access streaming services provided by others.

<https://mynextlight.com/tv-streaming/>

Longmont's 2013 feasibility study found that the network was feasible. If they charged \$100/month for 1/1-Gbps service, they could get a 26 percent take rate. Then they decided to offer a special rate -- \$49.95/month "for life" to "charter members" who would sign up within three months of the network's being available in their area, and they found that the actual take rate was 56 percent.

<https://www.timescall.com/2016/09/13/longmont-council-gives-first-ok-to-7m-nextlight-budget-boost/>

I have been calling attention to Longmont for some time. Google "site:cityofpaloalto.org hoel longmont" 47 hits.

1:49:41:

Chair Burt: So, we need a motion. Right?

1:49:47:

** : Yes.

1:49:51:

Chair Burt: -- copy in front of me, with ** --

1:49:53:

Council Member Reckdahl: Well, the hardcopy was late.

1:49:56:

Council Member Lythcott-Haims: I MOVE to recommend to the City Council that we approve the new fiscal '26 Palo Alto Fiber rates and packages, as recommended by the UAC.

1:50:07:

Council Member Reckdahl: Second.

1:50:08:

Chair Burt: OK. All in favor. Aye. That passes unanimously. Thank you. Thank you for a really informative presentation. You really -- We had a lot of questions. And you had a lot of answers.

1:50:23:

Council Member Lythcott-Haims: Also wonderful to see Utilities and IT coming together -- It's always wonderful to see any cross-fertilization of departments. And to appreciate how closely you work together.

Cross-fertilization? Darren Numoto is both IT Director and acting Director of the Fiber Utility.

1:50:37:

Darren Numoto: Thank you.

1:50:40:

Chair Burt: OK.

END

TRANSCRIPT & COMMENTS -- 06-16-25 Council meeting -- Item 22 -- FTTP

From Jeff Hoel <jeff_hoel@yahoo.com>

Date Thu 6/26/2025 4:59 PM

To Council, City <city.council@PaloAlto.gov>

Cc Hoel, Jeff (external) <jeff_hoel@yahoo.com>; UAC <UAC@PaloAlto.gov>

CAUTION: This email originated from outside of the organization. Be cautious of opening attachments and clicking on links.

Council members,

This is a TRANSCRIPT of the FTTP portion of Item 22 of Council's 06-16-25 meeting.

agenda:

<https://cityofpaloalto.primegov.com/Portal/Meeting?meetingTemplateId=16147>

video:

<https://midpenmedia.org/city-council-6-16-25/>

I have added my COMMENTS (paragraphs in red beginning with "### ") and presentation slide titles (paragraphs in orange beginning with "###. ").

Thanks for voting unanimously (with Council Member Stone absent) to move the FTTP project forward by authorizing staff's proposed rates for FTTP products.

Thanks.

Jeff

Jeff Hoel
731 Colorado Avenue
Palo Alto, CA 94303

=====

TRANSCRIPT

1:13:56;

Mayor Lauing: OK. Thank you. The official agenda item says we're supposed to take a break right now, but I suggest we jump into the multi-staged discussion of budgets, and see how far we get before we take a break. So, unless there are objections, that's what we're going to do.

1:14:17:

Vice Mayor Veenker: [unamplified] 22 is the ** --

1:14:18:

Mayor Lauing: Item 22. Yeah.

1:14:19:

Vice Mayor Veenker: [unamplified] That's utility rates.

1:14:21:

Mayor Lauing: That's right. Sorry. Utility Rates. So, we're going to start with that. And for the public that's watching, there's a bit of formality in this process. Annually. So, I will essentially introduce each of the items before the staff presentation. And some will require comments from our City Attorney. So, tonight, we're going to hold the public meeting to consider Item 22, which is a series of actions adopting utility rates and financial plans.

1:14:54:

There are six separate resolutions under this item. Two of these are proposed changes to the City's water and wastewater collection rates, and they require a public hearing under Prop 218. As required by the California Constitution, we will conduct majority protest proceedings for both the water and wastewater collection rate increases. And the public will have an opportunity to speak. First, staff will make a presentation on the water and wastewater rates and financial plans. Go ahead, staff.

1:15:28:

1:53:46:

Mayor Lauing: OK. So, the Council will now consider the financial plans and rates NOT subject to Prop 218 in Item 22, namely, adoption of resolutions adopting financial plans in fiscal year 2026 rates for gas, electric, fiber, and stormwater. The order of proceeding for these items is as follows. First, staff will make a presentation on the financial plans and proposed rates for gas, electric, fiber, and stormwater. Then public comment. Go ahead.

1:54:22:

1:57:24:

slide 21 -- Fiber Rate Proposal

**:

Palo Alto's fiber rate proposal. Staff recommends the following rate change and rate range and service package for the Palo Alto -- the NEW Palo Alto Fiber broadband internet service. This will provide flexibility to structure rates for special promotions and service packages for competitiveness. Next slide, please.

1:57:50:

1:58:19:

slide 24 -- Recommendation

**:

This slide summarizes our recommendations for the gas, electric, fiber, and also stormwater management. I didn't mentioned that yet, but for stormwater management fee, there's an increase that we are requesting, consistent with the CPI rate. Thank you. I'd be happy to try and answer any questions.

1:58:47:

Mayor Lauing: Thank you for that report. We're now going to go to public comment.

I have transcribed all of the public comments, even the ones for non-FTTP items.

1:58:59:

**:

Our first speaker is Herb B.

1:59:11:

Herb Borock: My comments are on the new fiber internet rates. The -- Once the utility's in operation, and there are customers of that utility, since the City decided on a system where the City would be the internet service provider, it would be subject to Prop 218, just as the water rates and wastewater rates are. For any changes. What staff is proposing now, before there are customers, are flexible rates, where you can, you know, offer incentives or different programs. The question is whether are any of those, in some event, are you essentially, in advance, you know, changing rates of future customers down the road, without them giving -- having that opportunity to decide whether they would want the rates if that decision was made for the first time then, rather than being included in the rate structure now. If that's an effect of it, you know, that's a clever way of getting around the need for getting the ratepayers' approval as, you know, for a property-related service.

2:00:42:

It's not too late to go in one of two DIFFERENT directions. The first is where this is starting. The original idea, from Magellan, was to go where the costs were less expensive because of a higher density of customers -- of residences and businesses.

Staff and consultant proposed three criteria for deciding what premises to pass first.

* Which premises would cost least to pass. (Density is a factor, but aerial vs. underground is a bigger factor.)

* Which premises were not already served by the incumbents with FTTP-class products.

* Which premises housed people who sent \$50 to the City to indicate their interest in FTTP.

Later, staff, on its own, added another criterion:

* Where was the City already planning to do Grid Mod electric upgrades first.

And also where there's a higher number that DON'T have internet. And here, we've gone just in the opposite direction. Of -- in phase 1 -- where the properties are further apart, so it's more expensive to build, and where there's a higher rate already of use. So, if it fails, it's going to be those people who benefit, by getting the fiber internet before the system ends. So, maybe it's done there with the particular people are.

2:01:45:

And what's going on with the incumbents is just the opposite of the rate structure incentives the City is talking about. Xfinity is offering a fixed rate for 5 years. I don't see how the City can compete with that. The other alternative, which I think is still better, is to NOT be an internet service provider, and simply build the backbone out with the money, and bonding capacity we have now --

2:02:13:

** Your time is up.

2:02:14:

Herb Borock: And the -- Thank you.

2:02:16:

** Our next speaker is Utsav G.

2:02:27:

Utsav Gupta: Good evening, members of the Council. I'm Utsav Gupta, speaking in a personal capacity with fellow UAC Commissioner Chris Tucher. We are also speaking on behalf of a growing coalition of residents and environmentalists who signed our letter just today. We're confident the vast majority of Palo Altans, once informed, would have joined our letter. Thank you for your prudence in remanding the gas cost-of-service analysis [COSA] for further review. However, we state our firm opposition to giving a gas rebate using green cap-and-trade funds. Let's be clear. This transfer is directly contrary to our City's climate goals. Using funds designated to fight climate change to instead subsidize the very fossil fuels driving the crisis betrays our community's trust. It sets a terrible precedent that undermines our City's climate advocacy. Please remand this entire issue to the Utilities Advisory Commission for a proper review. First, the UAC's initial recommendation was made under the duress of a looming gas rate hike that you have since, correctly, sent back for review. The entire basis for the UAC's recommendation is now gone. Compounding this, the UAC was not made aware of the City's own policies on using cap-and-trade funds. Resolutions 9487 and 10077. These resolutions are unambiguous. They direct these funds to be used for greenhouse gas reduction projects, like electrification and efficiency, BEFORE ever considering rebates. The UAC would likely not have recommended this direct reversal of established City policy.

2:04:07:

Some have argued this rebate is need to mitigate litigation risk. This argument is flawed. Because the rate change was never adopted, no one was harmed. A rebate could even look like an admission of guilt. More details on this are in our written comments. As an aside, if the Council still chooses to proceed, the resolutions' recitals are different than what is in the staff report, and must be amended so that the gas utility interest portion and the cap-and-trade portion together totals \$1.1 million. Not in addition to one another. So, please, remand the use of cap-and-trade to the UAC, so our City's values remain intact. Thank you for your service to our community.

2:04:52:

**:

Our next speaker is Hamilton H.

2:04:58:

Hamilton Hitchings: Thank you. I wanted to start by fully endorsing everything Utsav said, and for thanking him for bringing this issue to our attention. That letter that he sent today was also signed by UAC Commissioner Chris Tucher and Peter Drekmeier, former mayor of Palo Alto. I also want to thank staff, for -- and the Finance Committee for agreeing to remand the COSA, so that the UAC will have more time to study it, since it did included a pretty drastic shift in who pays what rates. You can tell the values of a city by how it spends its money. And what this proposal includes is taking \$1.1 million that was earmarked for permanent greenhouse gas emission and instead giving it as a rebate to gas users. And I think that, you know, that is directly contrary to all this effort we've made to try and do something in our City about greenhouse gas. So, I would ask that the Council approve it, minus the use of cap-and-trade funds for the rebate. Because of this reason, I guess I'll be one of the few no votes for this, but I think the other things that have already been done are a big step in the right direction. And I want to thank you all spending the time hearing us out on this. Thank you.

2:06:42:

**:

Our next speaker is Lynn C.

2:06:48:

Lynn Chiapella.: Good evening, City Council. I'm concerned about the rates in general affecting the small users in general. Whereas very large users of the fee structure that Palo Alto uses I think affects the small user, the condo dweller, as opposed to someone with an estate in the Portola Valley area, where you have to ship water. Where electricity lines have to be installed to new houses out there. And I think that out there -- It was brought to my attention, I should say, by someone who is squeaking by -- that even when she had to leave town and didn't use water, for example, or electricity, or gas, she paid the fees throughout that period. And I do think that the fee structure should be such that the larger users pay a higher rate. And the farther you are from the facility that provides it, the rates should have a -- for water, a pressure zone, for example. Which Palo Alto used to have. Four pressure zones. In addition to the difference in the rates, there were, I think, 4 or 5 different rates for the water user.

2:08:20:

The electricity is the same sort of situation, where some folks have been undergrounded. When all of Palo Alto was going to be -- residential Palo Alto was going to be undergrounded. Some folks got undergrounded. And then, around Underground District 42, City Council just quit. And that left south Palo Alto pretty much without undergrounding.

2:08:46:

And I do agree with Mr. Borock that -- I do think that the fiber is going to be the same situation. Some folks will get it. And then, the rest of us will not. It will not be financially -- um -- it won't be a feasible financial investment.

2:09:05:

So, I would like someone to compare other cities and how they assign rates. They're very different. And some of them have water tied to either sewer or to storm drain, I'm not sure which. But I do have friends in Santa Clara, and they pay quite different rates than we do. So, I would suggest that you start looking at how to make it more feasible for the small user, who -- Thank you.

2:09:43:

**:

And that was our final speaker for Action Item 22, for the proposed rates for gas, electric, fiber, and stormwater.

2:09:50:

Mayor Lauing: OK. So, now we want to come back to Council for questions, discussion, and action on the financial plans and proposed rates for gas, electric, fiber, or stormwater. Since the Finance Committee spent a lot of time on this, perhaps our Chair would like to give us an overview on these rates, and maybe some comments on this particular issue with rebates.

2:10:10:

Council Member Burt: Yes. And maybe Director Kurotori can fill in with some of the context that staff provided the commission.

2:15:41:

Council Member Burt: And then, I would like to also comment on our discussion on the fiber project. The advantage we -- or, that City staff has been pursuing is to construct and implement this concurrently with our initial section for the Grid Modernization. And to be able to have the cost savings of doing those two things concurrently. One of the things that I brought up -- and I don't recall whether my colleagues specifically supported it, but we suggested that staff consider -- is, two diff- -- In that pilot phase, look at modeling two different pricing options on two different portions of that pilot phase. Because staff had said, well, we're experienced at how to price our costs, as a public utility, to ratepayers. But what's different here is, we're no longer a monopoly. And we're in a competitive market. And so, my suggestion was that, on one half of the pilot group, we might try what a lot of the telecoms have done, which is essentially a teaser rate for -- a discounted rate for early signup. And see what our adoption level was -- our uptake level is -- because that's crucially important to the success of the fiber program, is, what uptake are we going to get? And if we don't get enough uptake, we have a problem with this program. So, we really don't know what is the best approach.

2:17:32:

Subsequent to the Finance Committee meeting, I received an email from -- um -- a constituent who suggested that we look at taking advantage of the fact that fiber has very incremental cost increase as we go to faster speeds, or higher bandwidth. And we attempt to be the most competitive provider at the higher speeds. So, as you look at slide 21 -- and maybe we can pull that up -- at 1 Gbps, we're saying -- pricing up to \$95. And I'll say, the "up to" was because staff, if I recall correctly, had said, well, we haven't settled on the exact pricing. This is the authorization that we want to seek.

Slide 21 -- Fiber Rate Proposal

And then, when it goes up, in two increments, to 5 Gbps, it goes to \$265. So, first, a question to staff. Is it correct that our incremental cost increase, from going from 1 Gbps to 5 [Gbps] is nominal? Is that correct?

2:19:01:

Director Kurotori: Yes. I mean, if we -- The scale of going to additional customers is what it's going to be -- especially in the pilot area. So, if we wanted to scale, and provide a different rate for that, to get a higher level of associated customers, then those -- those are the balancing act that we need to perform.

2:19:22:

Council Member Burt: So, the point being, where is fiber more competitive than the commercial providers? And it's at that real high speed. And we can offer lower cost at that speed, and get people who are really interested in that bandwidth, to say, well, jeez, you know, it's -- I might or might not go with the City at 500 megabits [per second], or 1 gigabit. (Did I mis-say it earlier? Maybe.)

No. Council Member Burt was correct.

Or 1 gigabit. But at 5 gigabits, or at 3 gigabits, jeez, that's a great deal. If we reduced our pricing there. So, that's one thing I'm interested [in]. And that's subsequent to the Finance Committee -- Director, did you have any comments?

2:20:10:

Director Kurotori: Yeah. I did want to mention that, as part of the discussion of the Finance Committee, these are symmetric speeds. So, upload and download would be similar. We also -- part of the competitive advantage for the City is that we have already -- you know, our multiple utilities already. So our customer service, our outreach, our personnel are already on prem. We have a dark fiber system that we're already making investments on the backbone. So, there's a lot of assets that we're already built into the system.

2:20:41:

I did want us to clarify -- And I am not Darren Numoto, who's our IT Director.

And, more to the point, our Acting Fiber Utility Manager.

But the 2 Gbps, 5 Gbps, there's a different technology that you would use for that. So, that's why there's a cost increase that they would see.

I had the impression that all of the City's FTTP connections would use the same kind of XGS-PON ONT (home electronics) and share a port on the same kind of XGS-PON OLT (hut electronics). As far as I know, up to 32 premises would share a PON net, regardless of speed.

For speeds up to 1 Gbps, the City would provide the Wi-Fi unit in the premises for free, but for higher speeds, the customer would have to pay something extra for the Wi-Fi unit. Presentation slide 21 shows a GigaSpire product for "up to" \$5/month.

<https://www.calix.com/products/platform/unlimited-subscriber/gigaspire.html>

I suppose this is the Wi-Fi unit for speeds higher than 1 Gbps.

In any case, I don't think this technology difference can explain why the City would charge "up to" \$265/month for 5-Gbps but only "up to" \$95/month for 1-Gbps.

So, really, a lot of the more common types of uses right now, in terms of what's available to the public, are really the 2 Gbps. When you get to that higher range, it's a lot of different equipment. More specialized equipment. That the customer may not see a true value for. On the residential side.

Here, I wonder if Director Kurotori is talking about what equipment the customer might buy from third parties (and the City wouldn't charge for)?

2:21:14:

Council Member Burt: OK. So, I don't know what might be the right speed increases and price points with them. But the principle being, should we provide more competitive pricing where -- in higher speeds, where our costs are lower than the commercial providers, and we have the capacity to do that, without an incremental cost increase? And I don't know what that breakdown would be. But we -- because these prices are tentative, I would think we, as a Council, could give direction without specifying pricing. Is that correct?

2:22:02:

Director Kurotori: Yes. I did want to mention that these are "up to" pricings. So, we definitely needed a schedule to move forward, to start talking to the potential customers, as part of the pilot area, which is around 800-900 potential customers.

At the 05-07-25 UAC meeting and 06-03-25 Finance Committee meeting, staff said the pilot would pass approximately 1,000 premises.

We're really looking for about a 30-something percent kind of take rate for these customers, initially. To see if it's going to scale, as we look to expand the system, for economic viability. So, I did want to mention that. And we're able, given this rate schedule gives some flexibility to start doing that outreach and marketing to our residents. And businesses.

2:22:41:

Council Member Burt: So, given that these are "up to" dollars, we could approve the "up to" dollars, but give guidance to staff to explore more competitive pricing on the faster speeds, within their discretion there. But to do, perhaps, in a way that breaks up the pilot. And we find out what is the uptake of adoption, if we give one set of options -- or pricing -- versus another. And we just don't know what -- how the market will respond. And if we only go out with one approach, we won't know if that was the best approach. So, that's my point. I think that's all I have on this.

2:23:28:

Mayor Lauing: Just to get the full picture of that, Council Member, this rebate of \$1 million plus ...

Changing the subject back to gas.

2:44:13:

Mayor Lauing: OK. Council Member Burt, for a motion.

2:44:14:

Council Member Burt: Yes. I would MOVE the staff recommendations, with a single -- Oh, one modification under the gas resolution, to delete Section 4., and instead remand the issue of a one-time credit to the UAC, to be considered at the time that they review the updated COSA.

2:44:47:

Mayor Lauing: SECOND.

2:44:49:

Council Member Burt: And then, second, under the fiber item, I would --

2:44:59:

**:[unamplified] Wait -- that second --

2:45:01:

Council Member Burt: -- uh --

2:45:04:

Mayor Lauing: Should we do these in separate, before you go to that?

2:45:05:

Council Member Burt: Ah -- we could.

2:45:11:

Mayor Lauing: Just seems a little cleaner. Staff have a preference? OK. Let's just do that one.

2:45:19:

Council Member Burt: Just do the first one.

2:45:20:

Mayor Lauing: Yeah.

2:45:20:

Council Member Burt: OK.

2:45:21:

Mayor Lauing: Any other questions on that? Ready for votes? Go ahead, City Clerk.

2:45:30:

**:[unamplified] Vice Mayor Veekner.

2:45:32:

Vice Mayor Veenker: I'd like to see see the MOTION. [laughs] I know you've got a lot going on.

2:45:37:

** : It will take me one moment.

2:45:38:

Vice Mayor Veenker: OK? [pause] I want to make sure Council Member Burt sees his MOTION.

2:45:59:

Mayor Lauing: Yeah. So, for clarity, the intent here is that we're taking it off the table right now, for the two thousand - for the current FY 2026 budget, but we're also saying that when the COSA's ready -- we are hearing approximately January -- then UAC should come back to us with a proposal on how to do these rates. Which could include rebates or not. That's up to them to come back with us. [pause]

2:46:50:

In the next paragraph, I won't transcribe unamplified comments by others.

We still have little screens on our monitors. But the big screen's good. Oh. We're all small screens over here. I got the cheap seat here, Council Member. Oh, I see. Some of it's buried. No, that's the same size. Oh. OK. Council Member Burt, that looks good? [pause] OK? Please take the vote.

** : And to confirm, Mayor Lauing, you seconded?

2:47:53:

Mayor Lauing: Yes.

2:47:55:

** : Vice Mayor Veenker.

2:47:56:

Vice Mayor Veenker: Yes.

2:47:57:

** : Mayor Lauing.

2:47:57:

Mayor Lauing: Yes.

2:47:58:

** : Council Member Reckdahl.

2:48:02:

Mayor Lauing: Council Member Reckdahl.

2:48:05:

Council Member Reckdahl: Yes.

2:48:06:

** Council Member Lu.

2:48:07:

Council Member Lu: Yes.

2:48:08:

** Council Member Burt.

2:48:09:

Council Member Burt: Yes.

2:48:10:

** Council Member Lythcott-Haims.

2:48:11:

Council Member Lythcott-Haims: No.

2:48:14:

** MOTION carries 5- --

2:48:17:

Vice Mayor Veenker: Hold on. Before you close the vote, I -- I did not see that d. was still in there. I thought that by f., we were removing --

2:48:29:

Council Member Burt: You're correct.

2:48:31:

Vice Mayor Veenker: Yeah. So, I'm going to vote no, unless we could amend this before we close the vote. Or, how -
- Whatever the process

2:48:36:

Council Member Burt: No, you don't need to. We'll correct --

2:48:38:

Vice Mayor Veenker: Pardon me.

2:48:38:

Council Member Burt: We'll correct it.

2:48:39:

Mayor Lauing: Yeah. d. should have come out.

2:48:41:

Vice Mayor Veenker: OK. So, what -- Are you guys going to take d. out? Then, yes.

2:48:50:

Council Member Burt: Should we re-vote?

2:48:52:

** : We'll go ahead and take a re-vote.

2:48:54:

Council Member Lythcott-Haims: May I just make a point of order, I think it is? I thought we should have some discussion after the MOTION was made. There wasn't an opportunity for us to respond to the MOTION if we weren't in agreement with it. I would like the opportunity to state my concern.

2:49:11:

Mayor Lauing: That's fine. But there was no light on. So, I would have -- Go ahead.

2:49:15:

Council Member Lythcott-Haims: Oh, you're reminding me, I'm supposed to push my little thingy here. Sorry about that. Sorry.

How much time would be wasted if, as a matter of procedure and habit, the Chair (usually the Mayor) always said, "Discussion?" after the SECOND, regardless of whether there were any lights? It would serve as a reminder to the public that discussion was possible, and as a reminder to Council Members to push their thingies.

2:49:18:

Mayor Lauing: Yeah.

2:49:18:

Council Member Lythcott-Haims: My concern is that we -- ah -- may face some potential litigation if we go this route. And this was, in the Finance Committee, a compromise arrived at, in order to try to avoid that. And that's why my vote is no.

2:49:49:

Mayor Lauing: Is that all? OK. Please retake the vote. Oh. Sorry. Council Member Burt. Thank you.

2:49:55:

Council Member Burt: Burt? You said it?

2:49:56:

Mayor Lauing: Yeah.

2:49:56:

Council Member Burt: Um. I'll just say that I think that the narrow timeframe in which this would be occurring before it goes to the UAC makes me OK with the MOTION.

2:50:13:

Mayor Lauing: OK. Let's please revote. To make it -- Make sure there are no errors.

2:50:19:

** : All right. Taking the re-vote. Council Member Burt.

2:50:22:

Council Member Burt: Yes.

2:50:23:

** : Council Member Lu.

2:50:26:

Council Member Lu: Yes.

2:50:27:

**: Council Member Lythcott-Haims.

2:50:29:

Council Member Lythcott-Haims: No.

2:50:30:

** Council Member Reckdahl.

2:50:32:

Council Member Reckdahl: Yes.

2:50:32:

**: Mayor Lauing.

2:50:33:

Mayor Lauing: Yes.

2:50:35:

**: Vice Mayor Veenker.

2:50:35:

Vice Mayor Veenker: Yes.

2:50:37:

**: For the record, the MOTION carries 5-1-1, Council Member Lythcott-Haims no, and Council Member Stone absent.

2:50:50:

Mayor Lauing: OK. Thank you very much, staff and also the Finance Committee, for their work on this, and all the way back to the UAC as well.

2:51:04:

Director Kuratori: Since we took those MOTIONS separately, I believe we still have electric, fiber, and stormwater for the Council's consideration.

2:51:13:

Mayor Lauing: Yup.

2:51:15:

Council Member Burt: Mayor, did you want the fiber voted on separately or part of the electric and the stormwater?

2:51:23:

Mayor Lauing: We can try it all three together.

2:41:24:

Council Member Burt: OK. Um. Then I will MOVE the staff recommendations on fiber, electric, and stormwater, with one amendment, which is to direct staff to evaluate one or more alternative pricing models [for FTTP services], including a -- I'll call it a teaser price. What do we call it? Is there a better term for that?

2:51:59:

** : [unamplified] Promotional price.

2:52:00:

Council Member Burt: Promotional price. Thank you. And consideration of a reduced pricing for higher-speed categories.

2:52:24:

Mayor Lauing: Any second?

2:52:27:

Council Member Reckdahl: SECOND.

2:52:29:

Mayor Lauing: OK. Any conversation on the MOTION?

2:52:36:

Council Member Reckdahl: I give you the same guidance that I gave in Finance, is that, you know, with pricing, you can fail two ways. By charging too much and not attracting customers, or charge too little and not make enough. And we don't know for sure what the right answer is. But if we're going to fail, I'd rather fail by having too many people signing up and not making enough money on each of those. I think that's the more satisfying way of failing. So, I would encourage you to keep the price as low as you can.

2:53:05:

Mayor Lauing: No other comments? Council Member Lu.

2:53:10:

Council Member Lu: I'll just make a brief comment as well, while we wait for the MOTION to be typed up. I'll echo my previous point that I would love to see more tiers, as a way to reduce rate increases for the average customer.

I don't see what the number of tiers has to do with the magnitude or frequency of rate increases.

And I would also love -- though this is maybe more aspirational and challenges more assumptions built into the pricing model -- that we treat multi-family as residential.

Does this mean that FTTP prices for a family in an MDU would be the same as FTTP prices for a family in a single-family residence? Even though the City's costs might be different? I have been assuming that that was staff's and Council's intent.

Presentation slide 21 lists a "Smart MDU" product. It's for providing Wi-Fi within the MDU complex.

<https://www.calix.com/products/smartlife/smartmdu.html>

I assume it's not necessary for getting Wi-Fi within an MDU family unit.

So, maybe there's another class of multi-family. As we saw on slide 29, there are -- for gas, there -- there is, on average, something like 15 percent less cost for residential single family, for the -- against PG&E. But there was, I think, a 17 percent HIGHER cost for this blended multi-family commercial, against PG&E. And I'm not saying that multi-family customers should pay more or less, but I'm saying that the data should be disaggregated, or more clear, so we can make intentional decisions. About crediting small businesses, or crediting residential as a whole, without some of this extra complexity. Thank you.

2:54:33:

** : If the maker and seconder could confirm that 2.c. is the appropriate placement for the addition.

2:54:44:

Council Member Burt: I can't quite read the -- there's a -- Oh, maybe I can -- No.. Let's see. OK. I adjusted my screen. Thanks. I think that's correct. Thank you.

Part 2.c. of the MOTION now reads, "Direct staff to evaluate one or more alternative pricing models, including a promotional price and a reduced pricing for higher speed categories."

Wordsmithing MOTIONS in real time in a 6-hour meeting is always a problem.

I think the second part of 2.c. would have been clearer if it had said, "base FTTP prices on an estimate of the cost to the City rather than on an estimate of what the market will bear."

By the way, I'm concerned that the price for the 500-Mbps rate assistance product ("up to" \$30/mo) may not cover the City's costs.

2:55:08:

Mayor Lauing: OK. You can take the vote, please.

2:55:11:

** Council Member Reckdahl.

2:55:11:

Council Member Reckdahl: Yes.

2:55:12:

** Council Member Lythcott-Haims.

2:55:13:

Council Member Lythcott-Haims: Yes.

2:55:14:

** Council Member Lu.

2:55:16:

Council Member Lu: Yes.

2:55:16:

** Vice Mayor Veenker.

2:55:17:

Vice Mayor Veenker: Yes.

2:55:18:

** Mayor Lauing.

2:55:19:

Mayor Lauing: Yes.

2:55:20:

** Council Member Burt.

2:55:21:

Council Member Burt: Yes.

2:55:22:

**: MOTION carries 6-0-1, Council Member Stone absent.

2:55:30:

Mayor Lauing: OK. So, we are completed with Item number 22. And I think now we should go ahead and take our about-15-minute break. And come back for the budget on Item 23, and then go on to Item 24 from there.

END

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UAC, nomination of chair/vice at May meeting

From Chris Tucher <ctucher@gmail.com>

Date Thu 6/5/2025 12:17 AM

To Burton, Kaylee <Kaylee.Burton@paltoalto.gov>

Cc Kurotori, Alan <Alan.Kurotori@paltoalto.gov>

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Kaylee,

I submit this as a public comment to be added to tonight's June 4 UAC meeting packet and/or distributed to UAC commissioners, as you see fit.

This is to protest the way in which chair Scharff conducted the nomination and election of UAC chair and vice-chair at the May meeting of UAC. I was caught off guard and unprepared when Chair Scharff opened this agenda item, then vice-chair Mauter immediately moved to nominate Scharff. When Scharff asked "Any other nominations?" It seemed too awkward to propose another candidate or ask if others wished to be considered. Scharff then moved to nominate Mauter and the process repeated itself. The agenda item took just over 90 seconds, including two roll-calls. There was no discussion in which we commissioners might have learned:

- which of the commissioners wanted to be considered for chair or vice-chair
- whether two commissioners with terms expiring (Croft, Phillips, I think) had been re-appointed by Council ... and were thereby even eligible.
- what the nominees would propose to do, if elected — i.e., how the nominees would make the case for their (re)election.

It felt inappropriate to be confronted with an up/down vote on a colleague (first Greg, then Meagan) without discussion. I should've requested this discussion in the moment, but failed to. So I make this statement now, belatedly.

-Chris Tucher

MEMORANDUM

TO: Utilities Advisory Commission

FROM: Utsav Gupta, Speaking in Personal Capacity

DATE: July 7, 2025

RE: Framework for Gas Cost of Service Analysis Review

Executive Summary

The City Council has sent the 2025 Gas Cost of Service Analysis (COSA) back to us for review. The previous proposal failed because it lacked transparency, unfairly shifted costs to residents, and undermined our climate goals. The current design principles do not address these concerns. This memo proposes amending the design principles to guide a better analysis going forward.

Background: What Went Wrong

Issue	What Happened	Why It Is a Problem
Unexplained method changes	For example, shifted from “Peak Demand” to “Average & Excess” allocation and changed the General Fund Transfer basis without justification. Many other changes not disclosed nor the “why” for the changes.	No clear rationale or dollar impact was shown.
Missing side-by-side comparison	Council and public never saw a full comparison of 2020 vs. 2025 methods.	Stakeholders could not verify changes.
Climate-hostile cost shifts	Efficient households would have paid about 49 % more while large gas users saved 10 % .	Punishes conservation and electrification.
Cap-and-Trade funds misused	Proposal used climate funds to subsidize gas rates. UAC was unaware of important city policies prioritizing climate action and appropriate use of Cap-and-Trade funds.	Conflicts with Resolutions 9487 and 10077, which require funds to cut greenhouse gases before rebates.

Role confusion at UAC	Commissioners incorrectly believed they had to accept the consultant’s draft “as is.”	Other cities routinely revise or reject COSAs.
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Council’s Call for Thorough Review

Council called for a thorough review by the UAC, as reflected by these exemplary quotes from the four meetings in which Finance Committee or the full Council addressed the gas COSA and gas rebates:

Finance Committee Meeting - April 15, 2025

- **Councilmember Patrick Burt** questioned the source of the significant rate increase for some residents, asking if it was due to a change in consultant methodology versus the previous study in 2020. He stated, “To what extent are we seeing such a big increase for certain ratepayers that are a huge heartburn? To what extent is that due to just a different view of that consultant on what ought to be the methodology compared to the consultant we had from the same company that recommended a different methodology in 2020?”
- **Councilmember Burt** also pointed out an apparent contradiction where smaller users faced a large price increase despite larger users driving the peak flow.
- **Councilmember Keith Reckdahl** found the varied impact on different customer classes illogical, stating, “But I still don’t understand the differential. I could understand if the rising tide lifts all the boats but the rising tide is only lifting one boat and I don't understand how the counting can be so different.”

Finance Committee Meeting - May 7, 2025

- **Councilmember Keith Reckdahl** expressed concern that the new COSA could have unintended negative consequences: “I’m an engineer and an engineer is really worried about unintended consequences...it’s an improvement that is trying to make things better, but actually makes things worse. And I’m really afraid that this COSA might be that.”
- **Councilmember Julie Lythcott-Haims** sensed a “deep unfairness” in how the new COSA allocates costs and urged a more thorough review by the Utilities Advisory Commission (UAC) to avoid a “bad decision in haste.”
- **Councilmember Keith Reckdahl** voiced strong opposition to using cap-and-trade funds for gas subsidies, saying it “kind of gives me the heebie-jeebies.” He also

questioned the sudden need for a new COSA when nothing had fundamentally changed, remarking, “If we had hadn't done this COSA study, we would happily charge the people the same amounts... nothing has changed, it's just that we arbitrarily happened to look at this COSA study.” He continued: “I’m not convinced that the new COSA is correct. I’m convinced the new COSA is new, but new doesn't necessarily mean correct. All right. And I haven't seen the vetting of it, and it could have some assumptions that are just not correct.”

- **Councilmember Patrick Burt** asked “to what extent are the different recommendations of the 2025 COSA study versus the 2020 that was updated in 2022 based upon actual changes in circumstances versus a different notion of an appropriate model by the particular consultant, two different consultants from the same firm five years apart or three years apart.”

The committee ultimately recommended remanding the COSA back to the UAC for a deeper analysis, but the rebate remained and was discussed at subsequent full council meetings.

City Council Study Session - May 12, 2025

- **Councilmember George Lu** suggested exploring alternatives for the proposed rebate, asking, “I would love a way to discuss the rebate more, think about maybe means testing it for single, for fixed income renters, for example, and otherwise reducing the subsidy on gas as much as possible.”
- **Councilmember Lu** also questioned the timing of the rebate discussion, asking, “[Is there] a reason the rebate conversation cannot be had later or referred to UAC?”
- **Public commenter Hamilton Hitchings** argued that using cap-and-trade funds to subsidize gas use “undermines city policies” because their original purpose was to permanently lower greenhouse gases.
- **Public commenter Utsav Gupta** stated, “It's often drastic changes to rates as seen in other cities that invite litigation, not continuing with a valid existing framework”. He later added, “Gas rebates is a precedent Palo Alto has wisely refused to set before, and it's not one we should adopt now.”

City Council Action Meeting - June 16, 2025

- **Councilmember Patrick Burt**, explaining the Finance Committee's position, noted they had “real heartburn over” using cap-and-trade dollars to mitigate rate increases.

- **Public commenter Utsav Gupta** stated his “firm opposition to giving a gas rebate using green cap and trade funds,” arguing, “Using funds designated to fight climate change instead subsidize the very fossil fuels driving the crisis betrays our community’s trust.”
- **Public commenter Hamilton Hitchings** added, “You can tell the values of a city by how it spends its money. And what this proposal includes is taking \$1.1 million that was earmarked for permanent greenhouse gas emission and instead giving it as a rebate to gas users. And I think that that is directly contrary to all this effort and we’ve made to try and do something in our city about greenhouse gas.”
- **The City Council** ultimately voted to remove the proposed \$1.1 million gas rebate from the budget, directing staff to return to the UAC to review the COSA and deferring any decision on a rebate until after that study is complete.

The City Council remanded both the issue of the gas COSA and the use of cap and trade for gas rebates back to the UAC for a detailed analysis.

Conclusion & Recommendation

To fulfill the City Council's directive and avoid previous mistakes, the Utilities Advisory Commission should adopt the attached proposed amendments to the design principles. These amendments will provide a clear, climate-forward, and transparent guidelines for the COSA process. *Your support for these improvements will demonstrate commitment to fiscal responsibility, fairness, and climate leadership.*

Thank you,

Utsav Gupta, Commissioner, speaking in personal capacity

Planned Motion

Design Principle 1: Evaluate rates to ensure they ~~are cost-based~~ recover reasonable costs while preserving rate structures

The goal of a COSA is to identify the costs associated with serving each customer class and the rates required to recover those costs. Specifically, a COSA determines the utility’s revenue requirement, matches costs to their causes or drivers, classifies and allocates those costs, and designs rates that accurately-reasonably collect those costs from each customer class. Revisions will be made only when the existing design demonstrably fails to satisfy the “reasonable-cost” allocation standard established by California Proposition 26 (2010). This principle governs all principles that follow. ~~Accurate and equitable allocation of costs is the COSA’s primary goal; all other rate design considerations are subsidiary.~~

Any methodological change, allocator redefinition, or asset reclassification must be shown in a side-by-side comparison with the previous COSA, released for public review, obtain recommendations from the UAC, and then submitted to City Council.

When evaluating alternative rate structures—such as fixed versus variable or tiered versus demand-based—the COSA shall include a qualitative assessment of how each option aligns with the City’s 80×30 greenhouse gas reduction goals, including whether it is likely to reduce, maintain, or increase natural gas use. The COSA shall select designs that reduce emissions, protect households with basic energy needs, and support a fair transition as gas use declines, provided such designs satisfy the reasonable-cost standard.

Design Principle 2: Evaluate rate schedules for continuation or redefinition

Customer usage patterns and system impacts change over time. COSAs should evaluate existing rate schedules to determine whether they should be continued or redefined.

For the upcoming Gas COSA, this review should evaluate whether Utility Rate Schedule G-2, serving small commercial and master-metered residential customers, should be subdivided or otherwise redefined to allocate costs within this customer class. This evaluation should study impacts on customers who use different amounts of energy or have different meter configurations or meter capacities.

Design Principle 3: Determine the proper allocation of fixed and variable costs and how those can be implemented in various rate designs

The gas and electric utilities incur costs for billing, metering, and system maintenance for each customer connected to its distribution system, regardless of that customer’s consumption level. COSAs should consider how best to allocate and collect those costs among customer classes, using the City’s specific revenue requirements and industrywide best-practices. COSAs should also examine all appropriate rate designs, including volumetric, tiered, flat, and demand-based charges, to determine which rate design best recovers costs for each customer class.

Design Principle 4: Review non-rate revenue sources that may be available for rate discounts or rebates

Proposition 26 does not permit a local agency to fund certain rate discounts or rebates, including low-income discounts, with revenue from fees charged to other customers. The City is nonetheless invested in assessing rate impacts on all customers. Staff should work with the City’s ratemaking consultant to identify other available revenue sources but not—~~These may include~~ revenues available for low income programs as directed by statute, or revenues derived from the City’s participation in state-mandated Cap and Trade and Low Carbon Fuel Standard programs.

Dear UAC,

As one correspondent wrote "I'm all in with mitigating climate change, but over charging for gas is not the way to do it." The proposed rate change unfairly raise gas rates on thousands of Palo Alto households while lowering gas bills for many businesses.

The City Council voted 5-1 to remand the gas COSA (per the staff report) and rebate back to the UAC because they had strong concerns about rate stability, transparency and alignment with the city's climate action plan. The Council also rejected for now staff's attempt to use funds designated for reducing global climate change to instead lower gas bills temporarily. Raising local distribution rates 49% on tier 1 residential customers for one year primarily due to accounting changes is very problematic. Unfortunately, staff's proposed design principles in your UAC meeting do not address any of council's concerns. These design principles can and must be amended to address council's concerns.

I ask that you not create winners (business) and losers (residential) , and not misuse funds intended to combat global warming.

Thank you.

Annette Glanckopf

Gas Rates

From Deborah Goldeen <deborah.goldeen@sonic.net>

Date Tue 7/8/2025 11:22 AM

To UAC <UAC@PaloAlto.gov>

Cc Council, City <city.council@PaloAlto.gov>

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At the last city council meeting I attended, there was an elderly woman who has been a resident of Palo Alto for forty years who was attending her first council meeting ever. She was there because she wanted the council to hear the fact that if they raised her utility bill anymore she was going to have to choose between food and paying her bill. Palo Alto has better rates than PG&E, but that's not a compliment. SDG&E has rates that are two thirds to half of Palo Alto.

You want people who use a lot of natural gas to pay for it without penalizing those on fixed or minimal incomes? Easy peasy. If people use gas of a baseline amount, charge them double for it. Same for water. You want to waste, you can pay. Some kind of policy along those lines could have been worked out decades ago. But raising gas rates across the board is the wrong way to go.

Deborah Goldeen, Birch St., 94306

Natural Gas Rates

From Arthur Keller <arthur@kellers.org>

Date Wed 7/9/2025 12:38 AM

To UAC <UAC@PaloAlto.gov>

Dear UAC,

Please be transparent in your reasons for making all the proposed changes. Apply necessary rate increases equitably across all customers without creating winners and losers. Do not misuses funds intended to combat global warming.

Best regards,
Arthur Keller
CPAU Customer

Please Address City Council Concerns about Gas Rates

From Hamilton Hitchings <hitchingsh@yahoo.com>

Date Tue 7/8/2025 9:05 AM

To UAC <UAC@PaloAlto.gov>; UAC <UAC@PaloAlto.gov>

Cc Jeff Levinsky <jeff@levinsky.org>

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Dear UAC Commissioners,

On June 16, the City Council remanded the gas COSA to the UAC, citing its failure to deliver rate stability, transparency, and climate action—issues still unaddressed in staff's July 9 draft Design Principles.

The Palo Alto Neighborhoods (PAN) letter on June 22nd to the UAC provided a detailed summary of the council's concerns along with PAN annotations that included:

- The proposed 49% increase in residential tier 1 gas local distribution rates despite an overall 8.7% gas distribution rate increase.
- A lack of explanation of what asset allocation and methodology changes were made and why.
- Using Cap-and-Trade and LCFS funds for gas rebates instead of their intended purpose for permanent greenhouse gas reductions.
- The draft 2025 COSA would shift 54% of demand-related costs onto residential Tier 1 customers, moving the burden from high-usage Tier 2 households to basic users and penalizing the City's most efficient gas consumers.
- The method for General Fund Transfers that was in place when voters approved Measure L should be retained.

California Proposition 26 does not require utility rates to be based on the most “accurate” cost allocation—an inherently subjective and unattainable standard—but instead only that rates be reasonably related to the costs of providing service.

We strongly urge you to avoid creating winners and losers by shifting costs based on new theories about who now should pay for past expenses. When you do, you are creating political problems for the City Council.

To address City Council's goals of rate stability, transparency, and climate action—and to satisfy California's reasonable-cost standard—we support the revisions to staff's Design Principles 1 and 4 proposed by UAC commissioner Utsav Gupta.

Respectfully,

Hamilton Hitchings

Jeff Levinsky

Rate Design Principles

From pol1@rosenblums.us <pol1@rosenblums.us>

Date Tue 7/8/2025 5:15 PM

To UAC <UAC@PaloAlto.gov>

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- This is their first email to you.

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Report

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Dear Commissioners:

We have a critical opportunity to ensure our utility rates are fair and support our climate goals. I urge you to support Commissioner Gupta's motion to amend the rate design principles, creating a transparent framework that avoids penalizing conservation and sets a positive course for our city.

The climate crisis is here and we need to eliminate the burning of fossil fuels as quickly as possible.

Thank you.

Dr. Stephen Rosenblum

Old Palo Alto

Unfair Utility gas hikes

From Annette Glanckopf <annette_g@att.net>

Date Tue 7/8/2025 12:16 PM

To UAC <UAC@PaloAlto.gov>

 1 attachment (14 KB)

Dear UAC re gas hikes.docx;

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- This is their first email to you.

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Dear UAC,

As one correspondent wrote "I'm all in with mitigating climate change, but over charging for gas is not the way to do it."

The proposed rate change unfairly raises gas rates on thousands of Palo Alto households while lowering gas bills for many businesses.

The City Council voted 5-1 to remand the gas COSA (per the staff report) and rebate back to the UAC because they had strong concerns about rate stability, transparency and alignment with the city's climate action plan. The Council also rejected for now staff's attempt to use funds designated for reducing global climate change to instead lower gas bills temporarily. Raising local distribution rates 49% on tier 1 residential customers for one year primarily due to accounting changes is very problematic. Unfortunately, staff's proposed design principles in your UAC meeting do not address any of council's concerns. These design principles can and must be amended to address council's concerns.

I ask that you not create winners (business) and losers (residential) , and not misuse funds intended to combat global warming.

Thank you.

Annette Glanckopf

Support Motion to re: Fair Utility Rates Aligned with Palo Alto's Climate Goals

From Debbie Mytels <debbie.mytels@gmail.com>

Date Tue 7/8/2025 10:51 PM

To UAC <UAC@PaloAlto.gov>

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Dear Members of the Utilities Advisory Commission,

As a long-time Palo Alto resident, I'm very concerned about the proposal to increase utility rates by 49% for Tier 1 users. This is a tremendously large increase — and yet the proposal also calls for a 10% cut in costs to Tier 2, who are heavy users of gas! This is just the opposite of what we should be doing, which is to penalize heavy gas users and keep things steady for moderate users.

I hope that the UAC will remember that our City's stated Climate Action Plan is to reduce carbon emissions (ergo, reduce methane gas usage!). Please look more closely at the proposal by UAC Commissioner Utsav Gupta, which will conform with the Climate Action Plan — and place the burden of higher costs where they belong: on the heaviest users of methane gas.

Lastly, we should not be using Cap and Trade funds to subsidize the use of gas! Instead, the funds should be used to support solar and wind projects and electrification rebates for homeowners who are shifting away from gas.

Thank you for reviewing this important issue. Please vote to ensure that the charges for using gas conform with our Climate Action Plan.

Sincerely, Debbie Mytels
2824 Louis Road
Palo Alto, CA 94303
debbie.mytels@gmail.com

Re: Carbon Free Palo Alto supports amended design principles

From Bruce Hodge <hodge@tenaya.com>

Date Wed 7/9/2025 7:48 AM

To UAC <UAC@PaloAlto.gov>

Cc Bret Andersen <bretande@pacbell.net>; David Coale <david@evcl.com>

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In addition, COSA updates should include the cost of the end of gas. This costing study is currently on-going with the SCAP committee, such that any changes to COSA should wait until this future cost can be included.

> On Jul 8, 2025, at 7:49 PM, Bruce Hodge <hodge@tenaya.com> wrote:

> Honorable UAC Commissioners,

>

> Carbon Free Palo Alto endorses the proposal from Commissioner Gupta to amend the design principles to be used for the design and evaluation of CPAU's Cost of Service Analysis (COSA). The proposed 2025 Gas COSA presented to the UAC and City Council earlier this year was a significant step backward for Palo Alto's climate goals.

>

> The proposed rate structure is fundamentally at odds with our city's sustainability objectives, as it rewards the heaviest gas users with rate cuts while imposing steep increases on residents for basic needs. Even more concerning was the proposal to use millions of dollars from Cap & Trade funds to provide a gas rebate.

>

> We are encouraged that the City Council recognized these contradictions and remanded the flawed proposed COSA for re-evaluation. We support Commissioner Gupta's efforts to establish new design principles as a necessary next step to ensure a reasonable COSA design.

>

> Adopting the amended principles will ensure that the next COSA supports our S/CAP goals and allocates rates that are fair to all customer classes.

>

> Sincerely,

>

> Bruce Hodge

> Founder, Carbon Free Palo Alto

>

> David Coale

> Board Member, Carbon Free Palo Alto

>

> Bret Andersen

> Board Member, Carbon Free Palo Alto

Romero, Rachael

From: Emily Johnson <ejohnson@sutisoft.net>
Sent: Wednesday, July 9, 2025 11:06 AM
To: UAC
Subject: Addressing Expense Reporting Challenges

Categories: UAC

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Hi John,

Do any of these sound familiar?

1. Missing paper receipts
2. Fraud & compliance
3. Delayed approvals
4. Lengthy reimbursement cycles

SutiExpense can help address these pain points. Can we connect for 10-15 min to discuss?

Let me know your convenient time.

Best regards,

Emily Johnson, Business Development Executive,
SutiSoft Inc., USA | (650) 492-7105 | www.sutisoft.com
Expense | AP | Procure | eSign | HRMS.

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