Environmental Quality Commission

REGULAR MEETING AGENDA

Date: 8/26/2015
Time: 6:30 pm
Senior Center
Cafeteria Room
110 Terminal Ave., Menlo Park, CA 94025

Call To Order

Roll Call – Andrew Barnes, Allan Bedwell (Chair), Chris DeCardy, Kristen Kuntz-Duriseti, Scott Marshall, Deborah Martin (Vice Chair), Christina Smolke

A. Public Comment (Limited to 30 minutes)

Under "Public Comment," the public may address the Committee on any subject not listed on the agenda. Each speaker may address the Committee once under Public Comment for a limit of three minutes. Please clearly state your name and address or political jurisdiction in which you live. The Committee cannot act on items not listed on the agenda and, therefore, the Committee cannot respond to non-agenda issues brought up under Public Comment other than to provide general information.

B. Regular Business

B1. Discuss and Adopt Criteria for Evaluation of Community Choice Energy (CCE) Options- *30 mins*

B2. Informational Presentation on Peninsula Clean Energy by Jim Eggemeyer, Director of Sustainability, County of San Mateo – (Attachment) - *30 mins*

B3. Discuss and Potentially Make Recommendations to the General Plan Advisory Committee (GPAC) to Incorporate Sustainability Goals into the General Plan - *30 mins*

B4. Discuss EQC 2-Year Work Plan and Subcommittee Assignments, and Possibly Reassign Subcommittee Members - *30 mins*

B5. Annual Greenhouse Gas (GHG) Emissions Inventory and Climate Action Plan (CAP) update – (Attachment) - *30 mins*

B6. Receive Update on the CA State Draft Model Water Efficient Landscaping Ordinance (MWELO) – (Attachment) – 15 mins

B7. Approve June 24, 2015 Minutes – (Attachment) – *2 mins*

C. Reports and Annoucements

C1. Staff Update on Environmental Policies to be considered by City Council – 5 mins

C2. Commission Subcommittee Reports and Announcements – 2 mins

C3. Discuss Future Agenda Items – 5 mins

D. Adjournment

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At every Regular Meeting of the Committee, in addition to the Public Comment period where the public shall have the right to address the Committee on any matters of public interest not listed on the agenda, members of the public have the right to directly address the Committee on any item listed on the agenda at a time designated by the Chair, either before or during the Committee's consideration of the item.

At every Special Meeting of the Committee, members of the public have the right to directly address the Committee on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item.

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CITY OF MENLO PARK

STAFF REPORT

Environmental Quality Commission
Meeting Date: **8/26/2015**
Staff Report Number: **15-001-EQC**

Regular Business: **Presentation Slides from San Mateo County's Peninsula Clean Energy**

Recommendation

No recommendation is being requested at this time.

Policy Issues

The EQC is exploring possible options for Community Choice Energy.

Background

At its June 2015 meeting, the EQC requested a presentation from San Mateo County on its Community Choice Energy (CCE) project. Attached are the slides which Jim Eggemeyer, San Mateo County Director of Sustainability, plans to present on August 26, 2015.

Please note that CCE is also sometimes called Community Choice Aggregation (CCA).

Below is a history of the EQC's previous exploration of CCE.

- **January, 28, 2015**: Receive Informational Presentation from Michael Clossen on Community Choice Aggregation (CCA): http://menlopark.org/AgendaCenter/ViewFile/Agenda/04222015-2549

- **April 22, 2015**: Informational Presentation from Diane Bailey, Executive Director of Menlo Spark, on the California Clean Power Community Choice Aggregation (CCA): http://menlopark.org/AgendaCenter/ViewFile/Agenda/01282015-2503

  Please note that attachments to item B4 for the April 22, 2015 EQC meeting were provided by the presenter. The presentation was abbreviated due to time constraints; therefore the presenter was invited back to the following meeting: http://www.menlopark.org/DocumentCenter/View/7018

- **May 27, 2015**: Informational Presentation from Diane Bailey, Executive Director of Menlo Spark on the California Clean Power Community Choice Aggregation (CCA): http://menlopark.org/AgendaCenter/ViewFile/Agenda/05272015-2568

  Please note that attachments to item B3 for the May 27, 2015 EQC meeting were provided by the presenter: http://menlopark.org/AgendaCenter/ViewFile/Agenda/05272015-2568

Following the presentation, the EQC's Climate Action Plan (CAP) subcommittee agreed to review the issue further, and the CAP subcommittee returned to the following meeting with a brief discussion.

- **June 24, 2015**: Receive Update from CAP Subcommittee on California Clean Power and Potentially Make a Recommendation to City Council: http://menlopark.org/AgendaCenter/ViewFile/Agenda/06242015-2581

- **August 26, 2015**:

  Discuss and Adopt Criteria for Evaluation of Community Choice Energy (CCE) Options

  Informational Presentation on Peninsula Clean Energy by Jim Eggemeyer, Director of Sustainability, County of San Mateo

Analysis

The purpose of the attached presentation is informational and the slides were prepared by the County of San Mateo Sustainability Department.

Impact on City Resources

No current impact to City resources and staff will be working to assess possible future impacts.

Environmental Review

An Environmental Review is not required at this time.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. San Mateo County Slides

Report prepared by:
Heather Abrams, Environmental Services Manager

Peninsula Clean Energy

Jim Eggemeyer
County of San Mateo
Office of Sustainability

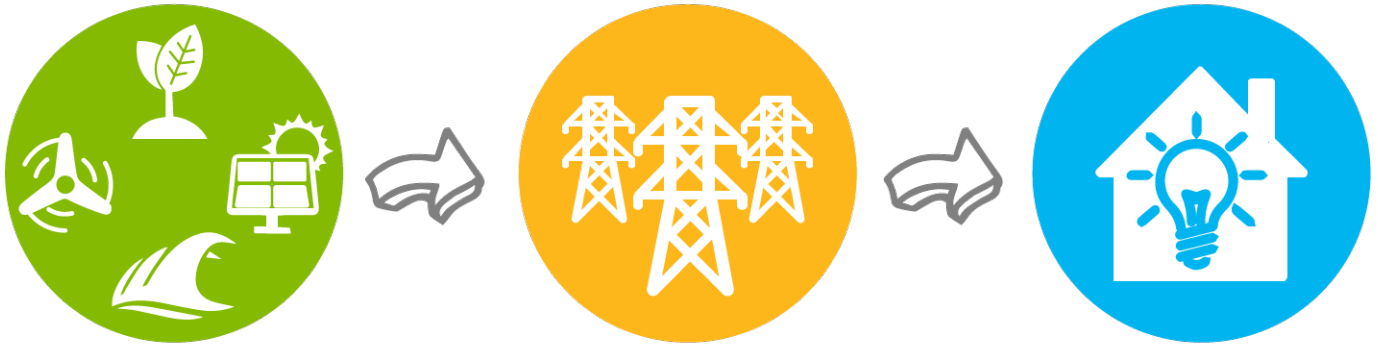
Presented to: Menlo Park Environmental Quality Commission

Wednesday, August 26, 2015

Community Choice Energy

CCE leverages the market power of group purchasing and local control.

CCE allows communities to pool their electricity demand in order to purchase and potentially develop power on behalf of local residents, businesses, and municipal facilities.



Peninsula Clean Energy purchases electricity from renewable energy sources.

Utility companies deliver energy, maintain lines and bill customers.

Customers benefit from affordable rates, local control, and clean energy!

Basic Program Features

- JPA or special district can operate a CCE in CA; local governments participate by passing an ordinance
  - No expenses for joining JPA in first round; JPA members have no financial liability if CCE fails

- Utility (PG&E) continues to provide consolidated billing, customer service, line maintenance

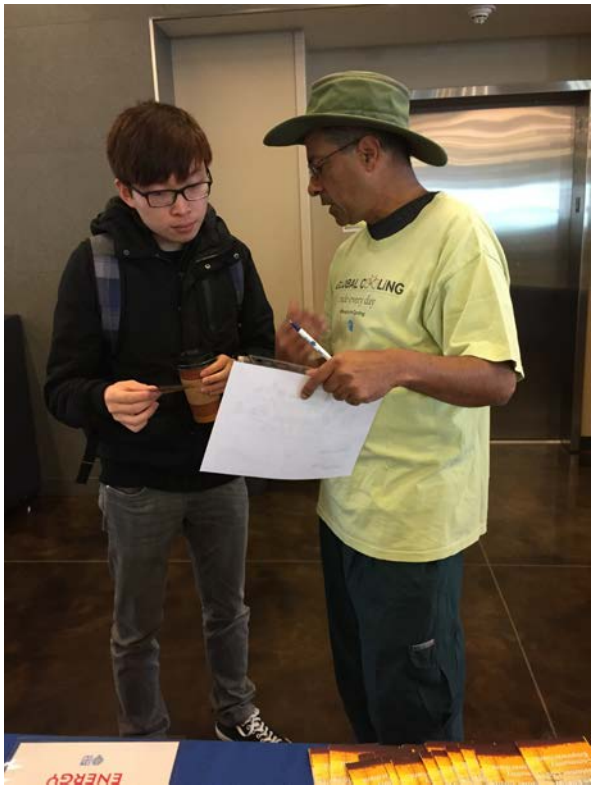
- CCE electric generation charges appear as a new section of customer bill; all other charges are the same

- In accordance with State law, CCE is an opt-out program; Customers receive *minimum* 4 opt-out notices over 120 days and *can return to PG&E service any time*.

- CPUC certifies CCE Plan; oversees utility/ CCE relationship and other requirements.

Frequently Asked Questions

- Will my electricity service be altered? Will I be treated differently if I have an issue with my power supply and I am a CCE customer?
- I have solar panels on my house, how will this program affect me?
- What about programs for low-income individuals?
- Will I still have access to PG&E's energy efficiency programs?
- Why is CCE an "opt-out" program? Why do people choose to opt out?

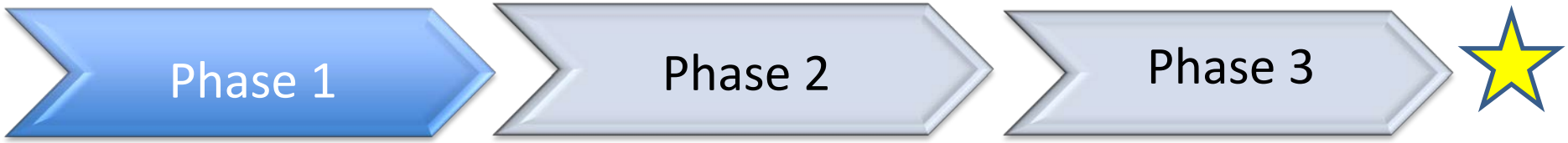


Goals of a Countywide CCE Program

1. **Lower greenhouse gas intensity than PG&E**
2. Lower electricity rates
3. Priority on local power development, local energy programs and minimal/no use of unbundled RECs
4. Quantifiable and equitable economic development benefits; local jobs, local business partnerships, low-income communities
5. Different energy options, customer choice
6. Stimulate growth of new renewable power development
7. Promote energy conservation and demand reduction
8. Foster community resilience; local ownership of energy resources
9. Well managed, fiscally sound, publicly transparent organization
10. Foster inter-jurisdictional cooperation, consumer benefit and local business opportunity

Overview of PCE Formation Timeline

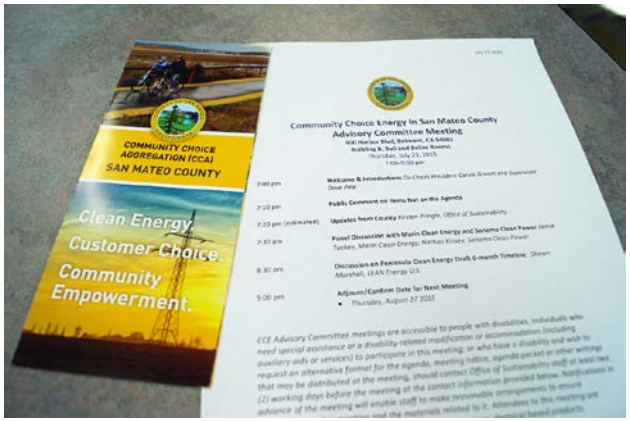
San Mateo County could launch a CCA by Q3 2016.



January -September 2015	Sept. 2015 - April 2016	May – September 2016
Pre-Planning & Due Diligence	**Community Outreach; CCA Planning & Development**	**Preparing for Launch**
• Internal planning team • Initial outreach to cities and key stakeholders • Workshops & education • CCE technical study • Formation of CCE advisory committee	• CCE Program design, JPA formation • Public outreach • Local ordinances • Implementation Plan • RFP for Energy Services • JPA staffing/working capital	• Energy supply and other service contracts • Utility Service Agreement • Regulatory registrations • Call Center & Customer Enrollment

Accomplishments Thus Far

- ✓ Focused outreach to all 20 cities; unanimous participation in Countywide Technical Study
- ✓ Formed internal staff + consultant team to manage process
- ✓ Unanimous Board agreement to fund CCA program development
- ✓ Robust community engagement: Stakeholder database, e-notifications, website, educational workshops and community events
- ✓ Monthly Advisory Committee meetings
- ✓ Technical Study underway in July
- ✓ Return to BOS in early September for study results and Phase II funding



Key Dates Thru End January 2016

Date	Group	Topic(s)
August 27	Advisory Committee Mtg.	JPA structural/governance issues
September 1	Tech Study Complete	
September 24	Advisory Committee Mtg.	Tech study results and recommendations; Draft JPA and CCE ordinances
October 6	County BOS Study Session	Tech study results; updated project/JPA plan; que-up ordinances
October 7	Community Workshops (2)	Burlingame and Redwood City
October 20	County BOS Approvals	Phase II funding; CCE and JPA Ordinances
October 22	Advisory Committee Mtg.	Update on BOS actions; Phase III workplan; dates/materials for cities
November 19	Advisory Committee Mtg.	RFP for marketing and other vendor svcs; other topics TBD.
Nov 2015-February 29, 2016	City Study Sessions & Council Mtgs.	Program and JPA Plans; Feedback and local ordinance adoption

7-Month Goals (August-February)

1. **Complete Technical Study**
   a) Projected Operating Results
   b) Recommended Power Supply Portfolio
   c) Retail Product Options
   d) Quantitative Elements for RFP (load, demand, product specs)
2. **Prep Ordinances and JPA Plan**

   Package of materials: Results of Tech study and power product plan/initial pricing; CCE ordinance; JPA ordinance and operating agreement; Communications and PCE Agency devt. plan
3. **County: Phase II Funding Approval, County Ordinances (JPA/CCE)**
4. **Cities: Study Sessions, JPA Feedback, Local Ordinance Adoption**
5. **Community: Continue to build local awareness among key stakeholder groups and public**
6. **Prep for Phase III Implementation → Launch**

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CITY OF MENLO PARK

STAFF REPORT

Environmental Quality Commission
Meeting Date: **8/26/2015**
Staff Report Number: **15-002-EQC**

Regular Business: **Draft Greenhouse Gas (GHG) Inventory and Climate Action Plan (CAP)**

Recommendation

EQC comments are requested on the attached Greenhouse Gas Inventory and Climate Action Plan Updates, in advance of staff's presentation to City Council.

Policy Issues

Annual review of the Greenhouse Gas Inventory and Climate Action Plan assists the City of Menlo Park in tracking and planning the community's climate impact.

Background

Each year the City updates its communitywide Greenhouse Gas (GHG) inventory and Climate Action Plan (CAP). Typically, the Environmental Quality Commission reviews the CAP, providing comments prior to staff presenting the CAP to City Council for review and approval.

Analysis

Many cities in California are currently working on their first CAP, and those that have an adopted CAP have generally planned to update them every five years. Menlo Park provides a GHG Inventory and CAP update every year.

The attached draft report provides the following information:

- History of the CAP process in Menlo Park to date;
- Update of Menlo Park GHG emissions through 2013, which is the most current data available;
- Analysis of the GHG trends;
- Status update on each project selected in the previous year's CAP update; and
- Plan for major CAP projects for the coming five years (FY 2015-2020).

Staff anticipates the EQC will review and comment on the draft CAP at the August 26, 2015 meeting, and then staff will present the final draft CAP to the City Council on September 29, 2015.

Impact on City Resources

The proposed actions do not require additional resources; however staff will be working to assess possible future resource needs.

Environmental Review

An Environmental Review is not required at this time.

Public Notice

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. Draft Greenhouse Gas (GHG) inventory and Climate Action Plan (CAP)

Report prepared by:
Heather Abrams, Environmental Services Manager

CITY OF MENLO PARK

ATTACHMENT A

August 2015

Climate Action Plan Update and Status Report

Table of Contents

Introduction

Background

For approximately 1,000 years before the Industrial Revolution, the amount of Greenhouse Gas (GHG) emissions in the atmosphere remained relatively constant. During the 20th century, however, scientists observed a rapid change in the climate change GHG emissions that are attributable to human activities, such as use of fossil fuels to power vehicles and buildings, and disposing of waste in landfills that release GHG emission.

The Intergovernmental Panel on Climate Change (IPCC) has identified four major GHG emissions—water vapor, carbon dioxide (CO_2), methane (CH4), and ozone (O3)—that are the likely cause of an increase in global average temperatures observed within the 20th and 21st centuries. CO_2 is one the most prevalent GHG emissions resulting from human activity. According to the IPCC, the amount of CO_2 has increased by more than 35 percent since preindustrial times and has increased at an average rate of 1.4 parts per million (ppm) per year since 1960, mainly due to combustion of fossil fuels and deforestation.

Climate-change impacts are affected by varying degrees of uncertainty. IPCC's 2007 Fourth Assessment Report projects that the global mean temperature increase from 1990 to 2100, under different climate-change scenarios, will range from 1.4 to 5.8 degrees Celsius (°C) (2.5 to 10.4 degrees Fahrenheit (°F)). In the past, gradual changes in the earth's temperature changed the distribution of species, availability of water, etc. In California potential impacts resulting from climate change are:

- Poor air quality made worse due to more severe heat waves
- Decreasing Sierra Nevada snow pack, affecting adequate water supplies
- Reduction in available renewable hydropower
- Declined productivity in agriculture due to irregular blooms and harvest and increased pests and pathogens.
- Accelerated sea level rise, impacting beaches and infrastructure
- Increased and more severe wildfire seasons
- Increasing threats from pests and pathogens from warmer weather
- Altered timing for wild life migrations and loss of species, impacting food chain and ecosystems.

With this understanding, many local, state, and federal governments around the world are taking action to reduce global GHG emissions. The purpose of Menlo Park's Climate Action Plan (CAP) is to provide strategies that reduce local greenhouse gas (GHG) emissions and assist Menlo Park to meet or exceed the emission reduction targets of AB 32 (California's Global Warming Solutions Act of 2006). AB 32 sets a goal for the state to reduce greenhouse gas emissions to 1990 levels by 2020, and 80% below 1990 levels by 2050. In April 2015, the Governor of California issued an executive order to establish a GHG reduction target of 40% below 1990 levels by 2030.

The Climate Action Plan was approved by the City Council in 2009 and the Council stated that the Climate Action Plan was intended to be a 'living document' to be updated periodically as current strategies are implemented and as new emission reduction strategies and technologies emerge that effectively reduce

emissions. On an annual basis, the Council reviews and approves a report on Menlo Park's Greenhouse Gas Inventory trend and five year Climate Action Plan strategies and implementation status.

Menlo Park City Council Actions

The City of Menlo Park has taken a number of actions in recent years to address climate change. To provide context and facilitate retrieval of that history, figure 1 below provides an overview of Menlo Park's climate action planning to date. Appendix A provides a history of the Climate Action Planning reports which have been presented to City Council.

In addition to the milestones and City Council actions shown below, the City's Environmental Quality Commission meets monthly to discuss a variety of climate action planning related topics, and the City's environmental staff provides leadership in completing climate action planning projects, along with other compliance and regulatory duties. A number of Menlo Park non-profit organizations support these efforts as well.

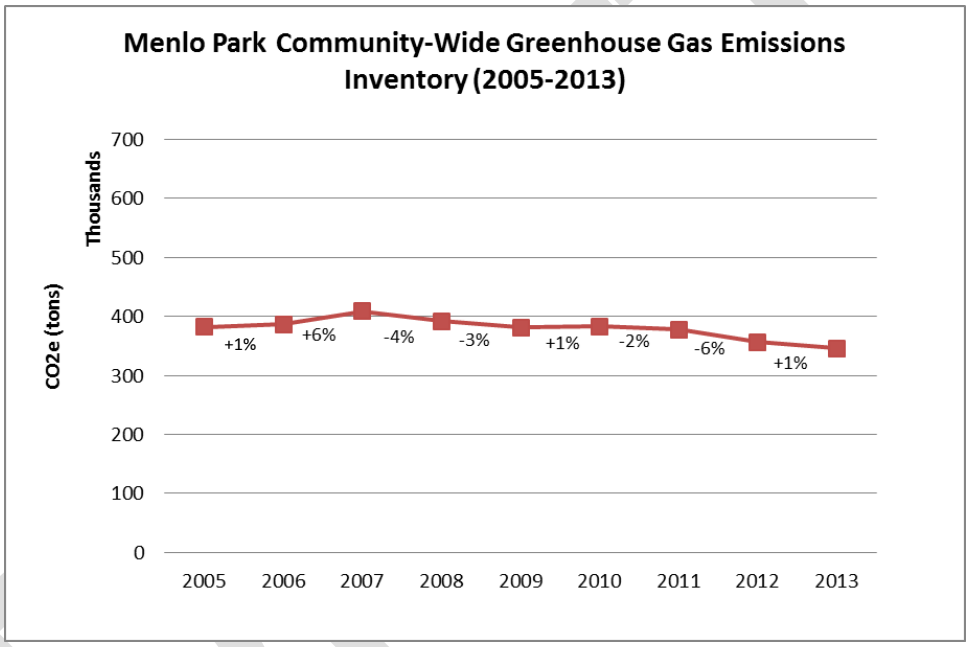
Figure 1 – Previous Menlo Park Climate Action Planning Milestones

Year	Milestone
2005	Green Ribbon Panel – 100+ participants
2005	1st Greenhouse Gas (GHG) Inventory
2008	Approval to develop a Climate Action Plan (CAP)
2009	1st CAP drafted and approved
2011	CAP update
2013	CAP update and adoption of 27% GHG reduction goal from 2005 levels by 2020
2014	CAP update

Community Greenhouse Gas Inventory Results Between 2005 and 2013

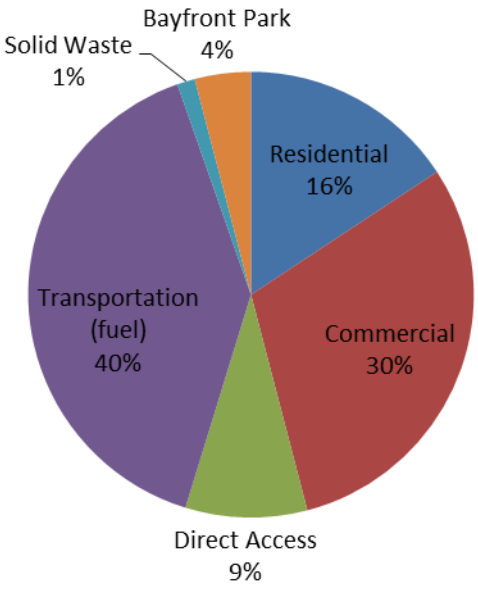
Using ICLEI's (Local Governments for Sustainability) updated Clean Air and Climate Protection Software (CACP), Menlo Park was able to complete greenhouse gas inventories between 2005 and the current inventory using the most current available data for 2013. Greenhouse Gas (GHG) emissions were measured from building energy usage, solid waste sent to the landfill, estimated fuel consumption, and methane produced from a closed landfill (Bedwell Bayfront Park) in Menlo Park.[1] Figure 2 shows the annual trend in community-wide greenhouse gas emissions from all sources combined, while Figure 3 shows Menlo Park's inventory for 2013 broken down by source.

Figure 2 – Community Greenhouse Gas Emission Inventory 2005-2013



[1] Energy data obtained from PG&E. Transportation calculated using total gasoline sales data provided by Menlo Park's Finance Department with an assumption that 95% of sales are fuel sales, and applying the average cost per gallon of gasoline in California from the California Energy Almanac produced by the California Energy Commission. Solid Waste Data obtained CalRecycle, and Bayfront Park data was provided by Fortistar, contracted operator of the landfill. **This figure is tentative. Final CO_2e count being verified by staff, direct access figures are under review as of 7/15/15.*

Figure 3 – 2013 Menlo Park Community-Wide Greenhouse Gas Emissions by Source



For reference, GHG emission can also be expressed as carbon dioxide equivalents (CO_2e). The trends show GHG emissions going up or down slightly each year, based on factors such as the PG&E energy emissions factors, economic growth or decline.

In 2013, the City of Menlo Park's community-wide emissions totaled 360,427 tons of CO_2e. Appendix B shows the GHG emissions attributed directly to City of Menlo Park operations, which are a small portion of Menlo Park's overall GHG emissions.

Emissions from electricity and natural gas use in the residential sector totaled 16%, followed by commercial customers at 30%, and Direct Access energy users at 9%. Emissions from transportation (fuel purchases) totaled 40%, followed by the closed Bayfront Park landfill at 4% and solid waste at 1%.

When compared to Menlo Park's 2012 community-wide inventory (356,521 tons) there is a 1% increase in emissions. This one percent increase can be attributed to the following community trends:

- Increase in energy consumption in both the residential and commercial sectors. For example, there was a 3.4% increase in residential energy use and 5.5% increase in commercial energy use from 2012-2013.

- Increase in development projects occurring in Menlo Park, which can be seen in the differences in finalized building permits for new construction that went from 78 building permits in 2012 to 117 in 2013, a 50% increase over 2012.

- In 2012, the former Sun Microsystems corporate campus was not occupied by Facebook as re-modeling was occurring at the site. In 2013, Facebook moved 6,500 employees to the former Sun Microsystems campus. Please note, Facebook has submitted plans for campus expansion which will roughly triple its current size by 2020. Rebuilding and infill new construction in the residential and commercial sector are expected to result in continued rise in energy demand in Menlo Park for several years to come.

- PG&E emission factors slightly increased from 0.4440 lbs. CO_2/kWh to 0.4990 lbs. CO_2/kWh between 2012 and 2013

The current trend will not meet State AB 32 goals to reduce emissions to 1990 levels by 2020 and 80% below 1990 levels by 2020. Local policies and programs are needed in order to achieve this statewide goal. The next section provides an overview of strategies that Menlo Park will review and potentially implement over the next five years.

Recommendations for Greenhouse Gas Reduction Strategies Between 2015 and 2020

The following list of measures, in figure 4, are recommended community and municipal strategies to aid in meeting Menlo Park's GHG emissions reduction targets. Additional measures may be needed at the international, national, statewide, and local level in order to fully reach Menlo Park's climate action goals.

Figure 4 – Menlo Park Five Year Community GHG Reduction Strategies 2019-2020

Fiscal Year 2015-16

- Complete installation of Solar PV on four City buildings
- Complete installation of four Electric Vehicle (EV) Charging stations at City public parking locations
- Incorporate CAP strategies and GHG emission reductions into General Plan update
- Complete energy efficient upgrades and renewable energy installation at city facilities
- Consider CCE options to gain additional renewable power in Menlo Park's portfolio
- Complete evaluation of methane capture and treatment at Bedwell Bayfront Park (Closed Landfill)

Fiscal Year 2016-17

- Incorporate Zero Net Energy and LEED Silver requirements into Planning requirements and Building Codes to increase efficiency in new buildings
- Consider changes to City's solid waste, recycling, and organics collection franchise that encourage zero waste and decrease waste to landfill

- Consider developing an energy efficient/renewable energy plan for commercial and residential sector to re-invigorating energy upgrades for existing buildings
- Re-invigorate a social marketing program to increase biking, public transit, and walking in the community
- Implement CCE, if selected as an option

Fiscal Year 2017-18

- Support Transportation Commission's car sharing program
- Support Bicycle Commission's bike sharing program
- Consider program to increase Cal train ridership by downtown employees
- Encourage local food production through social marketing, education, and community garden programs
- Consider large scale renewable energy generation within Menlo Park (such as solar farm on a portion of open space, or large number of solar roof-top installations)

Fiscal Year 2018-19

- Revisit City EPP to consider requiring new City buildings, facilities, and vehicles meet certain minimum environmental attributes
- Revise 2004 City Street Tree Master Plan, with the support of the City Arborist, to increase urban tree canopy
- Consider fuel switching strategies to move residential and commercial energy from natural gas and other fuels to renewable electricity portfolio
- Consider consumption based community engagement program to reduce GHG impacts of plug load, food and consumer goods purchased in Menlo Park

Fiscal Year 2019-20

- Consider replacement of all remaining City non-LED street lights with LED fixtures
- Consider height and density limit adjustments to promote active and public transportation
- Consider resiliency strategies for protecting Menlo Park land in the projected Sea Level Rise (SLR) zone
- Robust Climate Action Plan update community engagement program to craft Menlo Park's strategy looking forward to 2040

For All Years 2015-2020:

- Continue implementation of City EPP, residential and commercial water, waste and energy efficiency programs

The above is a recommended timeline only. New policies and programs related to GHG reductions may require a comprehensive cost-benefit analysis. Nearly all policies and programs would require City Council approval prior to implementation. In addition, the five year strategy also reflects what can be accomplished with current staff resources.

Status on Projects Approved by Council from 2014 Update

In April 2014, Council approved of a five-year CAP strategy. The following is the status of projects previously discussed. The projects are listed roughly in the order in which they were originally planned to be implemented. The progress highlights the varied speed in which projects can move forward within the context of the larger City effort.

Planned Implementation FY 2011-12

Participation in Energy Upgrade California	In April 2015, the City, San Mateo County, and Bay Area Regional Energy Network (BayREN) cosponsored a homeowner energy efficiency workshop at the Bell Haven neighborhood center. The workshop was attended by 30 residents. The City continues to conduct outreach regarding energy efficiency opportunities for both residents and businesses, through bill inserts, Facebook, Twitter and NextDoor social media campaigns. The State Energy Watch program provides up to $4,500 in rebates to homeowners and $750 per unit to multi-family dwelling owners that complete energy efficient upgrades. City Council approved a rebate program in 2011 that provided partial payment to residents for completing a home energy audit, and full rebate if any recommended energy efficient upgrades are made. According to San Mateo County Energy Watch reports, Menlo Park had the third highest participation rate in the program for the county behind San Mateo and San Bruno. Approximately 25 projects were completed in Menlo Park. The City maintains a small fund for energy audit rebates; however, the nearby non-profit agency that offered audits to residents has experienced program changes which have resulted in a reduced number of requests for the funds.
Status Current, On-Going, with Program Changes	

Establish Climate Action Plan Greenhouse Gas Reduction Target	A GHG reduction target of 27% by 2020 from 2005 level was adopted by Council in March 2013.
Status Completed in 2013	

Mandatory Commercial Recycling Ordinance	State-wide mandatory commercial recycling was enacted in 2013 via AB 341 and State-wide mandatory commercial organics recovery was enacted in 2014 via AB 1826, thus removing perceived the need for local ordinances. The South Bay Waste Management Authority (also referred to as SBWMA or RethinkWaste) is taking the lead in publicizing and implementing these laws on behalf of its member agencies, including Menlo Park.
Status Removed	

Energy Performance Contracting and Solar Power Purchase Agreements **Status** Nearing Completion in 2015	Environmental Programs worked with San Mateo County Energy Watch to provide a free energy audit of the City's administration building, and an Energy Management System (EMS) was recommended. The City Council appropriated over $1M in the Capital Improvement Program (CIP) for FY 2014-15, and FY 2015-16 for the energy efficiency projects at City facilities, these include variable frequency drives, Energy Monitoring Systems (EMS) and new chillers, which is estimated to save 578 tons of CO2e. In 2013, Council also approved participating in the regional renewable energy procurement project (R-REP) to install solar on four city facilities (Arrillaga Gymnasium, Arrillaga Gymnastics Center, Onetta Harris Center, and Corporation Yard). Construction of the solar power facilities is underway and is expected to be completed by October 2015. • The combined solar system sizes equal 390.4 kW • The annual solar output is estimated to be 580,889 kWh • Over the course of the 20 year Power Purchase Agreement (PPA), the City is expected to save over $461,000 in energy costs (when compared to PG&E), with minimal capital outlay by the City • The installations are estimated to reduce the City's Municipal GHG emissions by 419 metric tons annually, which is equivalent to removing eighty-eight passenger cars from the road every year.

Adopt Environmental Purchasing Policy for City Operations **Status** Completed in 2014	Implementation and reporting on the results of the policy are still in progress. The City established an Environmental Purchasing Policy (EPP) working group consisting of members from all departments that helped craft the policy, which was adopted in 2014. The committee has not met since adoption due to other city priorities and limited staff resources. Reporting is expected to begin in FY 2015-16.

Improve Methane Capture at Bedwell Bayfront Park	Delays are due to expected changes in methane production due to the age of the landfill and unexpected changes in regulatory standards for operating the landfill. A consultant was hired to study this issue in FY 2013-14 and a revised plan is expected in 2016.
Status In Progress	

Phase II Sustainable Building Standards Development	Staff anticipates bringing changes to the building code to City Council along with required updates required under the California universal building Code, which is updated every three years. Expected completion FY2016-17.
Status In Progress, projected completion FY2016-17	

Planned Implementation FY2012-13

Expand Green Business Certification Program	San Mateo County revived the program using a one-year Climate Fellow staff person in FY2014-14. Menlo Park businesses were certified. City staff helped to publicize the program and the businesses in 2015. Follow up is needed to ensure the County continues the program on an on-going basis.
Status Implemented in FY2014-15	

Maximize Recycling and Composting at all city facilities to a 75% measured diversion rate	Staff has provided outreach on how to properly use the programs to City staff, reporting and follow up are pending additional staff time availability.
Status Current, On-Going	

Consider Adopting Zero Waste Policy	This project is currently planned for the FY2016-17 CIP and will coincide with possible Collection Franchise negotiations or renewal.
Status Moved to FY2016-17	

Implement Civic Green Building Policy for New City facilities or major renovations	Due to limited staff resources, this project is on hold until the Environmental Purchasing Policy is fully implemented. In 2014 the City's Environmental Purchasing Policy was adopted, additional staff time is needed to complete department level follow up, training and reporting. Environmental staff is planning to assist City Hall remodeling team in choosing green building materials whenever possible. If the project qualifies, the City may certify the project under the LEED O+M (Operations and Management) framework.
Status On Hold	

Planned Implementation FY2012-13

Car Sharing and Public Transportation Marketing	These projects were de-emphasized in the CAP to reflect Transportation and Bicycle Commissions as main drivers of these projects, and reduce duplication of effort.
Status Implemented FY 2014-15	

Social Marketing Program for Alternative Transportation	City staff and volunteers implemented a social media campaign for active transportation in 2014 via the transportation division's Facebook and Twitter accounts.
Status Implemented FY 2014-15	Bicycle infrastructure improvements and campaigns to promote active transportation and commute alternative to single occupancy vehicles were completed by the Bicycle and Transportation commissions and staff in 2014.

Planned Implementation FY2014-15

Consider Electric Vehicle Charging Stations	In 2014 the City won a grant, as part of a regional effort, for EV chargers. Appropriate accessible parking locations for the chargers have been identified and the City is working on estimates for the costs to run electrical conduit and enhanced electrical service to the selected locations. Although the cost of the chargers and the installation of the chargers are covered by the grant, the City will need to contribute approximately $30,000 to provide the conduit and electrical service upgrades required, and a small number of parking spaces will be lost as a result of accessibility requirements.
Status In Progress	

Recommended Next Steps of GHG Emission Reduction Strategies

This annual update and status report is intended to complete a high level analysis of the City's current GHG emissions and five year reduction strategies and identify new strategies for consideration over the next five years.

For FY2015-16 the City Council Approved $100,000 in the Capital Improvement Plan (CIP) for Climate Action Plan activities. These funds will be used to pursue the strategies listed in figure 1 for FY2015-16.

The next recommended steps include:

- Review the community and municipal GHG inventories for 2013 (above).
- Continue to consider and implement strategies identified in the report through the annual Capital Improvement Plan and/or city budget process.
- Advise staff and City Council regarding updates to the General Plan, which will facilitate GHG reductions in the near and long term.
- Track statewide changes, such as Governor's Executive Orders, which impact the City's Climate Action Planning.

Appendix A – Previous Menlo Park Climate Action Planning City Council Reports

Council Report	Date	Action
07-075	5/1/2007	Adoption of a resolution appropriating $35,000 from the General Fund Reserve for consultant and staff costs to conduct a Greenhouse Gas Emissions Inventory and authorizing the City Manager to enter into a contract for $24,100 with ICLEI – Local Governments for Sustainability to conduct the inventory, and adoption of a resolution endorsing the U.S. Mayors Climate Protection Agreement, as modified. (Staff Report #07-075)
08-031	3/4/2008	Receipt of updates to the Menlo Park Greenhouse Gas Emissions Inventory Analysis; approval of a resolution authorizing the City Manager to execute a grant agreement in the amount of $25,000 with the Bay Area Air Quality Management District for developing a Climate Action Plan and to execute a contract in the amount of $30,600 with ICLEI-Local Governments for Sustainability to develop a Climate Action Plan; and appointment of a Council Member to the Core Team for planning. (Staff Report #08-031)
08-039	3/25/2008	Consideration of purchasing offset credit for Greenhouse Gas Emissions from City operations through the PG&E Climate Smart Program. (Staff Report #08-039)
08-040	3/25/2008	Core Team for drafting the Climate Action Plan. (Staff Report #08-040)
08-048	4/22/2008	Adopt the Climate Action Assessment Plan Report and authorize use of remaining funds from the Green@Home contract with Acterra to provide additional energy efficiency incentives that would increase Menlo Park's participation in the regional Energy Upgrade California Program (Staff report #11-128)
13-051	4/2/2013	Provide direction on the Climate Action Plan Update and Status Report, new measuring methodology for transportation greenhouse gas emissions, and a community greenhouse reduction target, and provide direction on funding in order to achieve target (Staff report #13-051)
14-113	06/17/2014	Receive annual community greenhouse gas inventory information and approve updated five year Climate Action Plan strategy (Staff report #14-113)
14-115	06/17/2014	Approve a resolution authorizing the City Manager to execute an agreement with the Bay Area Climate Collaborative, ABM, and ChargePoint to install four electric vehicle charging stations in Menlo Park with grant funds from the California Energy Commission (Staff report #14-115)
14-178	10/07/2014	Approve a resolution making findings necessary to authorize an energy services contract for Power Purchase Agreements (PPA) at the Arrillaga Gymnasium, Arrillaga Gymnastics Center, Onetta Harris Center, and City Corporation Yard; authorize the City Attorney to finalize the agreement and authorize the City Manager to execute the agreement; and amend the existing consulting contract with Optony, Inc. to include construction management services (Staff report #14-178

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Appendix B - City of Menlo Park Municipal Operations GHG Emissions

The City of Menlo Park conducted the following Municipal GHG Inventory in 2009, which showed an increase in GHG of 594 tons due to expansion of City infrastructure/facilities and changes in emissions factors. The 2009 Municipal Inventory has not been officially updated; however, the City has included information reflecting the municipal energy saving projects conducted with the support of PG&E. The projects which were completed in 2010 through 2013 provide a GHG savings of 100 tons (a number of additional projects were conducted; however, they were not counted in this calculation, because the year of completion has not been established).

In addition, the City Council has approved the following municipal energy-efficiency related projects, which are in progress, and are expected to save an additional amount of more than 578 tons of GHG:

October 2014:

- Project: Approved $64,272 in funding to install variable frequency drive systems at the Burgess Park and Belle Haven Park pools.

  Estimated annual CO2e reduction: 38 tons Status: in progress

- Project: Approved four Power Purchase Agreements (PPA) with Cupertino Electric as part of the Regional Renewable Energy Procurement Project (R-REP) with Alameda County to install solar PV systems on municipal buildings (rooftop and solar carport). Solar will be installed on the Arrillaga Family Gymnasium, Arrillaga Family Gymnastics Center, City Corporation Yard, and Onetta Harris Community Center.

  Estimated annual CO2e reduction: 419 tons Status: completion August 2015.

April 2015 (For the City's Administrative Building and Library):

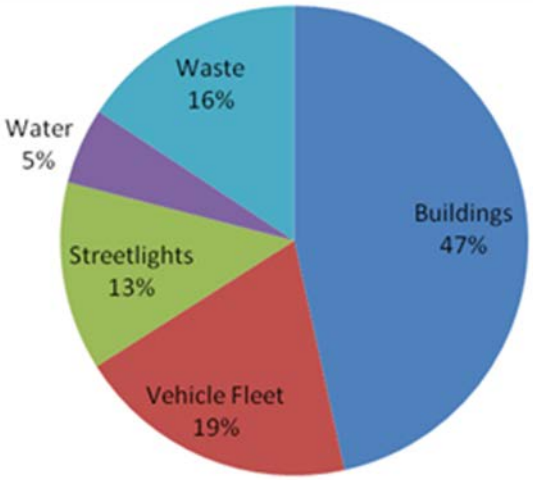
- Project: Approved $375,000 in funding to purchase a new Energy Monitoring System

  Estimated annual CO2e reduction: 120 lbs Status: in progress

- Project: Approved $606,160 in funding to purchase new chillers and variable frequency drives.

  Estimated annual CO2e reduction: 121 tons Status: in progress

Municipal Operations Greenhouse Gas Emissions Inventory 2009 By Source (2,889 tons CO_2e)



Emissions from the City are embedded within the community-wide totals. Government operations are therefore a subset of total community emissions. In the year 2009, the City of Menlo Park's municipal operations generated 2,889 tons of CO_2e, which constitutes 0.004% of the community's total greenhouse gas emissions. This is a 25% increase compared to 2005 total emissions (2,305 tons).

Electricity and natural gas use in the City's buildings contributed to 47%, the vehicle fleet contributed 19% of this total, and the remainder of CO_2e came from streetlights, waste, and the electricity for pumping water and storm water.

Municipal Buildings - Electricity and natural gas use in the City's buildings contributed to 47% of CO2e from municipal operations. This is up 14% compared to City buildings contributing 33% of CO2e toward municipal operations in 2005. This increase can be attributed to a couple reasons; PG&E's greenhouse gas CO2 emission rates for electricity increased from KWh x (0.489 lbs/kWh / 2,204.6 lbs/metric ton) in 2005 to KWh x (0.641 lbs/kWh / 2,204.6 lbs/metric ton) in 2009. The increase in emissions rates means that each kWh consumed in 2009 contributed approximately 31.1% more CO2 than in 2005. Another reason for the increase in fuel and electricity consumption from municipal buildings is the construction of new buildings from 2005-2009.

Vehicle Fleet - In 2009, Menlo Park's municipal vehicle fleet is responsible for the second largest share of overall municipal emissions at 19%. Compared to 2005's 28.4%, this is a 9.4% reduction. Menlo Park's vehicle fleet consists of analyzing the fuel consumed by City vehicles and equipment, such as police vehicles, and the tractors used for landscaping

Streetlights - The energy consumed by the City's street lights accounted for 13% of municipal operations greenhouse gas emissions in 2009. This analysis included the energy consumed by streetlights, traffic signals, park lighting, decorative lights, and parking lot lights. Compared to 2005's 11.9%, this is a 1.1%

increase. This increase can be attributed to the addition of more streetlights, including signal cameras added throughout the city in 2008.

Water/Sewage - The emissions resulting from the energy used to pump water and waste water remained the same at 5% in 2005 and 2009. This analysis excludes pumping and treatment of wastewater that is carried out by the West Bay Sanitary District (WBSD), East Palo Alto Sanitary District (EPASD), and the South Bayside System Authority (SBSA).

Waste - In 2009, the relative contribution of landfilled waste from municipal operations to greenhouse gas emissions is 16%. Compared to landfilled waste contributing 20.8% to municipal operations in 2005, there is a 4.8% decrease. This decrease can be attributed to the reduction of solid waste sent to the landfill from year to year.

STAFF REPORT

Environmental Quality Commission
Meeting Date: **8/26/2015**
Staff Report Number: **15-003-EQC**

Regular Business: **Update on State of California Model Water Efficient Landscape Ordinance (MWELO)**

Recommendation

No recommendation is being requested at this time.

Policy Issues

The City has a current Water Efficient Landscape Ordinance (WELO), which will need to be update as a result of pending State action.

Background

In April 2015 the Governor of California issued an executive order directing the California Department of Water Resources (DWR) to update the State's Model Water Efficient Landscape Ordinance (MWELO) in order to address the current four year drought and build resiliency for future droughts. In June 2015, the DWR invited comment on the new draft and held several public meetings. The DWR adopted the proposed MWELO in July 2015 and it is now in review at the State Office of Administrative Law.

Analysis

State law requires all land-use agencies, such as cities and counties, to adopt a water-efficient landscape ordinance that is at least as efficient as the MWELO prepared by DWR. DWR's model ordinance takes effect in those cities and counties that fail to adopt their own. Once approved by the Office of Administrative Law, Cities will be required to act by December 2015.

The revisions to the MWELO reduces the size threshold for landscapes subject to the ordinance from 2,500 square feet to 500 square feet for both commercial and residential property. Land-use agencies also will be required to report on ordinance adoption and enforcement each year.

The City of Menlo Park last updated its WELO in 2010 as building code 12.44 http://www.codepublishing.com/CA/menlopark/. 12.44 requires water efficient plans for commercial and single family buildings with a landscape area of 2,500 square feet or larger. City Engineers review the plans and an audit is required, which can be completed by the landscape designer. Based on experience, all qualifying commercial projects and most qualifying residential projects currently complete this process. A small percentage of qualifying residential projects (approximately 20% of residential projects) submit building permit applications and defer landscape plans. As a result, there is a possibility that some deferred landscaping projects do not meet the WELO guidelines, as they

are not reviewed by an auditor or engineer.

This is a non-issue for building projects as permits are required for building projects (such as building construction, grading, hillside construction, retaining walls over two feet high, and fences over seven feet high), but permits are not required for basic landscaping. Staff is not aware of any city that requires permits for landscaping, and the City does not have staff capacity to support an additional permit category of landscaping to monitor these projects. A resolution to this possible loop hole has not yet been identified.

The attached slides explaining the State's MWELO were created by the Bay Area Water Supply and Conservation Agency (BAWSCA), and presented to a BAWSCA member agency Water Representative on August 5, 2015. The City is a BAWSCA member; however in the past the City adopted its own WELO, more restrictive than those of BAWSCA or the State. For 2015, staff anticipates recommending that the City Council adopt the State MWELO. Staff is providing this information to the EQC in order to update the EQC in anticipation of City Council action in December 2015.

Impact on City Resources

No current impact to City resources and staff will be working to assess possible future impacts.

Environmental Review

An Environmental Review is not required at this time.

Public Notice

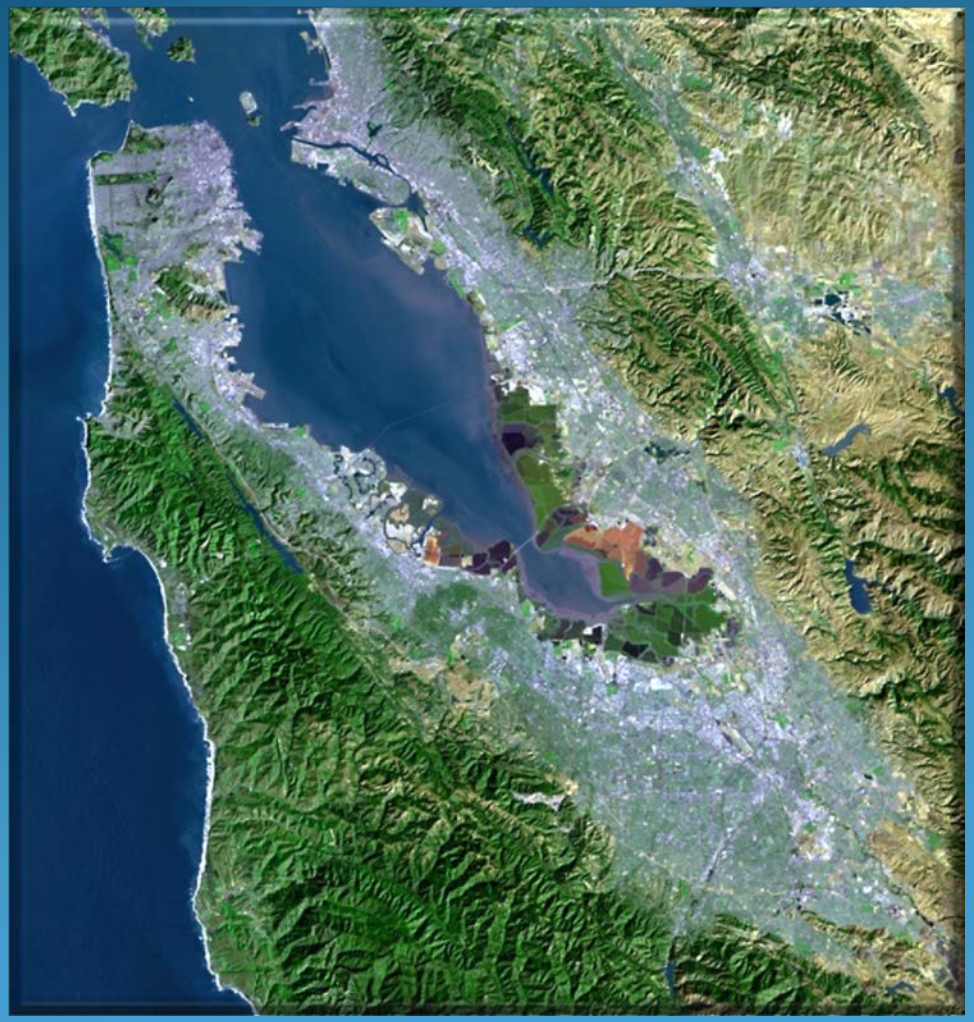
Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

A. BAWSCA MWELO Slides

Report prepared by:
Heather Abrams, Environmental Services Manager

Bay Area Water Supply and Conservation Agency



"A multicounty agency authorized to plan for and acquire supplemental water supplies, encourage water conservation and use of recycled water on a regional basis."
[Bay Area Water Supply and Conservation Agency Act, AB2058(Papan-2002)]

Water Management Representatives

August 5, 2015

BAWSCA
Bay Area Water Supply & Conservation Agency

Updated Model Water Efficient Landscape Ordinance Adopted

- Governor's Executive Order called for revised MWELO to increase efficiency standards
- Key revisions to the MWELO include:
  - Reduced landscape size threshold
  - Dedicated landscape meter requirements
  - Incentives for graywater usage
  - Stricter irrigation system efficiency standards
  - Limits on the percentage of turf planted
  - Required reporting by local agencies

BAWSCA
Bay Area Water Supply & Conservation Agency

Landscape Size Threshold Reduced to 500 Sq. Ft.

- Landscape size threshold reduced to 500 sq. ft. for new projects
  - Prescriptive checklist approach is a compliance option for landscapes under 2,500 sq. ft.
- Landscape size threshold remains at 2,500 sq. ft. for rehabilitated landscapes
- Threshold in existing BAWSCA Model Ordinance is 1,000 sq. ft. for new or rehabilitated landscapes

BAWSCA
Bay Area Water Supply & Conservation Agency

Limits on Turf Areas

- Maximum applied water allowance reduced to:
  - 55% of reference ETo for residential projects
  - 45% of reference ETo for CII projects
- New limits reduce landscape area that can be planted with turf to 25% in residential landscapes
- 45% adjustment factor does not provide enough water for any turf in CII landscapes
  - Turf installations still be permitted when used for specific functions
- Turf not allowed in median strips or parkways

BAWSCA
Bay Area Water Supply & Conservation Agency

Irrigation System Efficiency Standards Increased

- Dedicated landscape water meters or submeters for:
  - Residential landscapes over 5,000 sq. ft.
  - Non-residential landscapes over 1,000 sq. ft.
- Pressure regulators and master shut-off valves required
- Flow sensors to detect high flow conditions required for landscape over 5,000 sq. ft.
- Landscapes under 2,500 sq. ft. and irrigated entirely with graywater only subject to irrigation checklist

Local Agencies Must Report to DWR on Implementation

- Local agency reporting on implementation and enforcement must be submitted:
  - By December 31, 2015
  - By January 31st in subsequent years
- Existing regional ordinances (like BAWSCA's) may remain in effect until February 1, 2016
  - Must report to DWR by December 31st and state that they are revising regional ordinance.
  - Must report to DWR by March 1, 2016 on adopted regional ordinance

BAWSCA
Bay Area Water Supply & Conservation Agency

BAWSCA to Consider New MWELO

- Original BAWSCA MWELO differed from the DWR ordinance in the following:
  - Size threshold
  - Documentation requirements
- Size threshold is still a concern for landscape rehabilitations projects
  - BAWSCA ordinance: >1,000 sq. ft.
  - DWR ordinance: >2,500 sq. ft.
- New BAWSCA ordinance would need to prove just as effective as DWR MWELO
- BAWSCA will work with Water Resources Committee to make final determination by Fall 2015

BAWSCA
Bay Area Water Supply & Conservation Agency

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ENVIRONMENTAL QUALITY COMMISSION MEETING MINUTES

Regular Meeting
Wednesday, June 24, 2015 at 6:30 PM
City Administration Building
701 Laurel Street, Menlo Park, CA 94025

CALL TO ORDER

The meeting was called to order at 6:47 p.m.

ROLL CALL – Allan Bedwell (Chair), Kristin Kuntz-Duriseti, Deborah Martin, Christina Smolke

Absent: DeCardy, Scott, Barnes

A. PUBLIC COMMENT (Limited to 30 minutes)

- Steve Van Pelt, resident of Menlo Park stated that he wants to learn more about the City's environmental efforts and asked if the General Plan Advisory Committee (GPAC) had any role in the sea level rise indicated on the GPAC maps.

B. REGULAR BUSINESS

B1. Consider a Recommendation to the City Council on a Request to Remove Seven Heritage Trees on Property Located at 133 Encinal Avenue *(Attachment)* - *45 min*

Jean Lin, Associate City Planner and Sachneel Patel with Hunter Properties briefed the Commission on the project. The applicant also provided an update to the Commission that the project will be removing six heritage trees as they were able to redesign and save tree #11 (heritage incense cedar) that was originally proposed for removal.

ACTION: Motion and second (Kuntz-Duriseti/Smolke) to recommend the following:

1. That the applicant consider project modifications to retain tree #2 (non-heritage Japanese maple), tree #25 (heritage Japanese maple), tree #15 (heritage crape myrtle), and tree #23 (heritage coast redwood).
2. That Planning staff look into compliance mechanisms that can be applied to prohibit title transfer if the Heritage Tree Ordinance is violated during construction.

The motion passes (4-0-3), (Absent: DeCardy, Marshall, Barnes).

B2. Discuss and Potentially Make Recommendations to the General Plan Advisory Committee (GPAC) to Incorporate Sustainability Goals into the General Plan - *30 mins*

Commissioner Kuntz-Duriseti and Heather Abrams, Environmental Programs Manager provided an update to the Commission.

Public Comment:

- Jan Butts, resident of Menlo Park expressed the importance of stormwater management to retain and use rainwater versus wasting runoff.

- Steve Van Pelt, resident of Menlo Park stated that he uses tools such as Google Maps to find out about traffic throughout the area.

- Mitch Slomiak, resident of Menlo Park and former EQC member stated that he would like to see a requirement for data collection and display of green building actual performance.

ACTION: No formal action was taken on this item.

B3. Make an Appointment to the CAP Subcommittee - *5 mins*

ACTION: Motion and second (Bedwell/Smolke) to appoint Deb Martin to CAP subcommittee, passes (4-0-3), (Absent: DeCardy, Scott, Barnes).

B4. Receive Update from CAP Subcommittee on California Clean Power and Potentially Make a Recommendation to City Council - *30 mins*

Commission Kuntz-Duriseti provided an update to the Commission.

Public Comment:

- Jim Eggemeyer, Director of the Office of Sustainability for San Mateo County stated that his office is leading the CCE effort and has contracted Pacific Energy Advisors to conduct a feasibility study that will be complete in late summer 2015.

- Jan Butts, resident of Menlo Park commented that she would like the EQC to conduct extensive research on CCA options before making a recommendation to City Council. There may be other approaches to achieving one hundred percent renewable energy for the city versus going with a private company. The County JPA model will include more public disclosure.

- Mitch Slomiak, resident of Menlo Park and Vice Chair of Menlo Spark stated that the goal is to get Menlo Park climate neutral within ten years. Suggested that the City adopt a framework around one hundred percent renewable power or as close as we can get to maximize participation.

- Sue Chow, resident of Redwood City and speaking on behalf of the Sierra Club reaffirmed that the Sierra Club supports the public JPA model.

- Mike Ferrera, resident of Moss Beach and speaking on behalf of Sierra Club, stated that the Sierra Club supports the public JPA model since there are a lot of sub-goals that they want to achieve. A public JPA is something that we can work with. A private company only presents a product.

- Diane Bailey, Executive Director of Menlo Spark expressed that Menlo Spark is a strong supporter of the County CCE effort and that she recommends that the EQC focus on how we can maximize renewable power quickly. She also clarified that for the County JPA arrangement there is also a private company providing the energy.

ACTION: Motion and Second (Kuntz-Duriseti/Martin) for (1) the Climate Action Plan subcommittee to meet to discuss a set of criteria/comments to provide to CCE/CCP to address and be considered by the EQC, and (2) draft a letter of support to City Council requesting that funds be prioritized for hiring a consultant to conduct an analysis on the different CCE options, passes (4-0-3), (Absent: DeCardy, Marshall, Barnes).

B5. Receive Update on the City's New Water Restrictions and State Water Regulations *(Attachment)* – 15 mins

ACTION: No formal action was taken on this item. Heather Abrams, Environmental Programs Manager, provides an update to the Commission. Chair Bedwell requests that the City make the information available on the City website.

B6. Approve April 22, 2015 Minutes *(Attachment)* – *2 mins*

ACTION: Motion and Second (Smolke/Martin) to approve the April 22, 2015 minutes, passes (4-0-3), (Absent: DeCardy, Marshall, Barnes).

B7. Approve May 27, 2015 Minutes *(Attachment)* – *2 mins*

ACTION: Motion and Second (Bedwell/Martin) to make a correction to the May 27, 2015 minutes to state that Commissioner Kuntz-Duriseti left the meeting at 8:35 p.m., not 7:35 p.m., passes (4-0-3), (Absent: DeCardy, Marshall, Barnes)

B8. Select the EQC Vice Chair – *5 mins*

ACTION: Motion and second (Bedwell/Kuntz-Duriseti) to appoint Commissioner Martin as EQC Vice Chair passes (4-0-3), (Absent: DeCardy, Marshall, Barnes).

C. REPORTS AND ANNOUNCEMENTS

C1. Staff Update on Environmental Policies to be considered by City Council – 5 mins

C2. Commission Subcommittee Reports and Announcements – 2 mins

C3. Discuss Future Agenda Items – *5 mins*

D. ADJOURNMENT

The meeting was adjourned at 9:42 p.m.

Meeting minutes taken by Environmental Quality Commissioner Christina Smolke

Meeting minutes prepared by Vanessa Marcadejas, Environmental Programs Specialist

Abrams, Heather

From: Andrew Barnes <andrewbarnes1@gmail.com>
Sent: Friday, June 19, 2015 4:16 PM
To: Abrams, Heather
Subject: June 24 meeting / CAP subcommittee

Heather,

Unfortunately I will be out of town on the 24th and will not be able to attend the EQC meeting. My sincere apologies.

At the last EQC meeting I expressed interest in being on the CAP subcommittee. I would like to re-express my interest in being a member of this subcommittee. I see that making an appointment is on the agenda.

I have a particular interest in the subcommittee's work because it deals with energy issues. For example the California Clean Power discussions. And potentially touches into areas like EV chargers and retrofitting street lights to LED. I've got a background in the built environment, commercial facilities, and project financings. This is an area in which I certainly have an interest and would like to get involved.

I don't know if it is possible to put myself up for consideration via email. If it is possible, please consider this my expression of interest to be nominated to serve on the CAP subcommittee.

Very best, Andrew

Andrew Barnes
650.388.9944

Abrams, Heather

From: Scott Marshall <marshall.construction@yahoo.com>
Sent: Tuesday, June 23, 2015 2:11 AM
To: Abrams, Heather; Ignacio Marie Sheena
Subject: Item B - 1 Heritage Trees

Hi Heather and Sheena,

It is a bit difficult to judge the look and feel of trees on an empty lot without seeing them in person. In the past I was a customer of the former Rodger Reynolds Nursery.
It is great to see the developer incorporating the two groves of trees into the landscape plan.Yet, I feel with a small amount of creativity, the sidewalk in front could take on a wavy pattern and go around or between some of the exiting trees in this area. As for tree 46# -Coast Redwood and tree 25# - Japanese Maple, both these trees appear to be in the new layout painting area, and if I follow the plan correctly new trees are going to be planted in approximately the same location.

Once again, doesn't it make sense to keep an establish a tree for landscaping during this severe drought then to plant a new one that may not be able to establish proper root growth with limited water?

Can you sure this with the rest of the EQC?

Thanks again,

Scott

Handout B4

COUNTY OF SAN MATEO
COUNTY MANAGER'S OFFICE

John L Maltbie
County Manager/
Clerk of the Board

County Government Center
400 County Center, 1st Floor
Redwood City, CA 94063
650-363-4121 T
650-363-1916 F
www.smcgov.org

June 24, 2015

Dear City of Menlo Park Environmental Quality Commission members,

As you may know, the County of San Mateo is actively investigating the formation of a local Community Choice Energy (CCE) program (also known as Community Choice Aggregation). Currently, the County is conducting a County-wide technical study to assess the feasibility of a CCE program in San Mateo County. We expect the study to commence in early July and be completed by late summer 2015. In addition, we have established a County-wide CCE Advisory Committee, which meets monthly, and we are conducting a robust outreach on our CCE efforts.

The County is aware that the Environmental Quality Commission is engaged in discussions with California Clean Power—a company that provides community choice program development services. The County has worked with our CCE technical consultants—Pacific Energy Advisors—to develop an assessment of California Clean Power's model for CCE development. The County would like to request an opportunity to present on this assessment as well as provide an overview of our CCE efforts to your Commission before you provide a recommendation to the City Council. Please let us know if it would be possible for us to present at an upcoming Commission meeting.

Thank you for your time and continued interest in CCE,

Jim Eggemeyer
Director, Office of Sustainability
San Mateo County

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Executive Summary

At the request of San Mateo County, Pacific Energy Advisors, Inc. (PEA) completed an assessment of the fully outsourced Community Choice Aggregation (CCA) service model, which has been recently promoted by an organization known as California Clean Power (CCP). In general terms, the "fully outsourced model" purports to minimize risks and guarantee benefits typically associated with CCA implementation and operation. This approach differs from the approach taken by California's operating CCAs, which have established internal organizations with the intent of providing CCA as a locally focused/locally situated public service organization for the long term. The existing CCAs have opted for more traditional supplier/service arrangements with longer-standing, highly experienced organizations and/or through the development of internal staff, who have been assigned responsibility for certain operational functions. Based on PEA's research and evaluation, there are numerous risks associated with CCP's proposed approach that have not been disclosed nor adequately addressed in the proposed contract terms that were made available for our review. In particular, PEA identified the following key concerns/risks during its assessment of the fully outsourced CCA business model. This list is non-exhaustive; these items, as well as several others, are discussed further within the body of this summary report:

- Diminished community benefits: The community benefits represented by CCP appear to be much smaller than the CCA could otherwise achieve under a self-administered model, bearing in mind current market conditions.[1] In particular, CCP appears to be retaining a disproportionate share of the financial benefits that could otherwise accrue to the CCA under a self-administered model.
- Diminished public involvement and general transparency: Some of the fundamental benefits of CCA formation are increased public involvement, transparency and local accountability with regard to energy planning and supply, service offerings, rate setting, program development and CCA administration among many other concerns. These benefits appear to be minimized under the fully outsourced CCA model. Based on PEA's assessment, it is unclear whether or not the CCA would have any input with regard to CCA rate setting, for example, or if there would be any transparency with regard to the CCP's resource planning and procurement efforts, general financial performance, credit profile, cost of service or various other concerns.
- Viability of long-term rate savings commitment: PEA observes that long-term retail rate guarantees (relative to a specified benchmark) are highly uncommon, if not entirely unavailable, due to expected volatility/uncertainty within domestic power markets. PEA is not aware of an analogous 10-year rate savings commitment, such as the commitment which appears to be made by CCP, elsewhere in the California retail market, including retail service offerings supported by California's largest, most experienced energy suppliers. Over a ten-year planning horizon, it is literally impossible to know what utility rates and/or wholesale power prices may be, so offering a comparative rate guarantee is highly speculative. Regulatory and legislative uncertainties with California's power markets only serve to exacerbate such speculation.
- Potential conflict of interests: PEA observes that CCP appears to serve as both the CCA evaluator and services provider under its business model, eliminating objectivity and potentially introducing a conflict of interest that should be carefully evaluated by the aspiring CCA. None of California's operating CCAs currently receive energy products/services from entities that

[1] Wholesale energy prices are subject to change without notice; utility generation rates may also periodically change. Such changes will directly impact the CCA-utility rate comparison and potential cost of service for the CCA enterprise (to the extent that power supply requirements are not addressed via fixed-price power supply commitments).

contributed to the development of their respective feasibility/technical assessments. Separating these two functions seems necessary and appropriate to promote objectivity during implementation and operation of the CCA enterprise.

- Non-competitive procurement process: PEA observes that the sales approach employed by CCP appears to run counter to the competitive procurement processes typically observed by public entities, eliminating the potential to evaluate CCP's proposal alongside similar offers from other qualified suppliers.

In the summary report that follows, PEA discusses several concerns/risks along with an evaluation of prospective benefits related to the fully outsourced model. PEA recommends that any community considering the fully outsourced model complete a thorough due diligence effort, including the evaluation of other qualified suppliers and service providers as well as a thorough review of proposed contract terms by qualified legal counsel, before engaging in any contractual commitments.

Background

With an operational track record spanning just over five years, the CCA business model is still relatively new within the state of California, yet the documented benefits of this energy service model – competitive electric generation rates, increased renewable energy supply, reduced attributed greenhouse gas emissions within the electric power sector, economic development and job creation, among other benefits – have been significant. Despite this success, various critics and skeptics continue to search for flaws in an attempt to interrupt the proliferation of new CCA initiatives throughout the state. These attempts have included proposed legislation and regulations to undermine the economics of CCA and/or impose burdensome costs on CCAs, often justified under the guise of protecting other ratepayers from the cost of a potential CCA failure. This realization makes it critically important for all CCA initiatives to exercise discipline and prudence when making key decisions related to implementation and operation.

To date, California's operating CCAs, including Marin Clean Energy (MCE), Sonoma Clean Power (SCP), and Lancaster Choice Energy (LCE) have chosen to implement their respective programs under one of two organizational structures: 1) Joint Powers Agency, as is the case with the MCE and SCP programs, the members of which include multiple municipal jurisdictions generally located within proximity to one another; or 2) Single Municipality, as is the case with LCE, which currently has a service territory that is limited to the City of Lancaster and operates the program as an Enterprise Fund.

During initial operations, the primary energy supply required to serve the customers of California's existing CCAs was secured through direct contractual relationships with experienced Energy Services Providers (ESPs), which were independently selected through publicly administered, competitive solicitation processes. These processes included rigorous evaluative efforts through which the CCA entity carefully and deliberately assessed the capabilities and suitability of prospective suppliers to meet some or all of each CCA's near- and longer-term needs for various energy products, including conventional electric energy, renewable energy, reserve capacity and related services (such as scheduling coordinator services, which must be addressed prior to participating in the California energy market). The competitively administered selection process was critical to identifying the supplier best suited for this important role. Beyond consideration of the ESP's experience and other capabilities, a key consideration in selecting a primary energy supplier was the financial strength of the ESP and its ability to follow-through on its contractual commitments to the CCA. Each operational CCA selected an entity with an investment grade credit rating, and some required posting of collateral by the ESP to act

as performance assurance for the ESP's obligations. Through each competitive solicitation process, there was a great deal of learning that occurred, which allowed each CCA to make an informed decision regarding its preferred supplier(s) in consideration of a wide range of options. Interestingly, each CCA selected a different ESP through its respective solicitation process, which seems to reinforce the importance of such competitive processes when matching unique CCA buyers and suppliers, particularly when the CCA enterprise has limited experience with regard to power procurement. In practice there has been no "one size fits all" solution with regard to necessary energy supply, indicating the importance for aspiring CCAs to consider a broad spectrum of options to best meet their uniquely defined goals and objectives.

While each of the existing CCA's contracted with a primary ESP for purposes of starting service, care was taken to avoid long term dependence upon a single ESP and to ensure the CCA retained ultimate control over its power supply, finances, and compliance with regulatory requirements. An important objective in forming the existing CCA programs has been development of new renewable generation to serve the community and ensuing reductions in greenhouse gas emissions. The ESP contracts have been used as a bridge during the CCA start-up period, while internal capabilities are developed, revenue surpluses are generated and long-term investments in resources and customer programs are made for purposes of providing sustainable value to the community. In short, the CCA programs represent a strategic asset for the community. The long-term approach utilized by existing California CCAs contrasts with the short-term approaches used in some other states, which have tended to rely on outsourcing CCA operation to an ESP under relatively short-term contracts. These programs have been primarily focused on near-term ratepayer savings and have not aspired to increase renewable generation development. Customers in these programs may periodically be served by a different ESP or return to the incumbent utility in accordance with the regulations and market rules existing in those states.

The success of California's CCAs, which has been bolstered in recent years by utility rate increases and prolonged price troughs within wholesale energy markets, has prompted increased interest from aspiring CCA initiatives as well as new market entrants and general opportunism with regard to the CCA business model. Numerous communities are evaluating the feasibility of CCA formation, and new business entities are coming forward in an attempt to capitalize on such interest, including the provision of energy products and related services to CCA enterprises. Certain of these new market entrants aspire to compete with California's most experienced ESPs by promising reduced risk/increased certainty and minimized up-front financial commitments relative to their more "traditional" ESP counterparts.

Selecting a qualified supplier, or multiple qualified suppliers, is one of the most important factors in ensuring the near-term success, particularly with regard to risk mitigation, for aspiring CCAs. The balance of this assessment focuses on the supplier selection process as it relates to a relatively new fully outsourced model, which is being marketed by CCP.

Assessment of the Fully Outsourced Model

As understood by PEA, CCP organized itself in late 2014. Since that time, CCP has assembled a consortium of management, staff and consultants. Certain key personnel represent varying levels of experience within the electric utility industry generally, but appear to have limited direct experience in the areas of CCA evaluation (e.g., technical feasibility assessment), organization, implementation, administration and operation.

Key benefits of the fully outsourced business model are purported to be: expedited implementation, zero up-front costs (including a complimentary technical feasibility study), guaranteed rate savings, increased renewable energy supply and generally reduced risks to participating communities. It is noteworthy that certain of these guarantees are highly atypical within the electric utility industry as a whole. For example, direct access service providers, many of which are large, long-standing, highly experienced companies with robust risk management practices, rarely offer rate certainty beyond a 36-month planning horizon, and none offer comparative rate savings (relative to an investor-owned utility, for example) over such an extended period of time, primarily due to the uncontrollable risk exposure such a commitment entails. Additionally, the investor-owned utilities do not provide commitments with regard to rate stability, regularly changing rates throughout each calendar based on a variety of factors. To date, PEA is not aware of any attempt to implement the fully outsourced CCA model within California, so there is no tangible evidence, nor example substantiating the ability to achieve the benefits represented by proponents of this approach, particularly over a longer-term operating horizon. With this in mind, it is important for all aspiring CCAs to carefully consider the viability and durability of purported benefits as well as the significance of associated risks before agreeing to proceed with CCA implementation under this approach.

Based on PEA's independent assessment, there are a variety of prospective benefits and risks associated with the fully outsourced model, and it is important to consider potential outcomes under a variety of planning horizons: near-, medium- and longer-term. In the near-term, PEA expects that current wholesale market conditions within the electric utility will generally allow for certain cost advantages for CCAs. As a result, near-term rate savings for participating customers also seems to be a reasonably assumed outcome. However, the durability of stated benefits over the medium- and longer-term planning horizons seems highly questionable in light of inevitable uncertainties related to wholesale electricity pricing and future utility electric rates as well as the inexperienced nature of the service provider itself, which has yet to successfully implement its proposed approach. Furthermore, because the underlying contractual commitments (with regard to electric power supply) are apparently not disclosed by CCP, there is a great deal of uncertainty with regard to the ability of this new market entrant to honor the longer-term supply commitments contemplated in its service agreement. With regard to the prospective benefits and risks associated with the fully outsourced CCA model, as promoted by CCP, PEA has identified the following non-exhaustive list:

Potential Benefits (and related concerns)

- Minimized start-up costs: As represented by CCP, the fully outsourced model appears to require no up-front financial commitments by the aspiring municipality CCA. Based on prior experience, start-up costs may range from $1.5 to $2.0 million plus variable working capital requirements and are typically recovered through near-term operating surpluses accrued by the CCA. Securing such startup funding may be challenging for certain communities, depending on unique financial circumstances. Under the CCP business model, this potential barrier to CCA implementation appears to be removed.

- Revenue stream: Under the CCP fully outsourced business model, CCP has pledged to make an annual "Public Benefit Payment" of $2 million to Lake County.[2] Presumably, CCP's proposed Public Benefit Payment would vary based on the unique characteristics, particularly expected annual energy requirements and customer composition, within each municipality to be served by CCP. To date, PEA has not reviewed other CCP services agreements, so it is unclear how the unique characteristics associated with each municipality may impact the expected Public Benefit Payment. Subject to any legal restrictions on the use of electric rate revenues, these funds could be used for energy-related or other public purposes. Conversely, the revenue stream could be substantially higher under a scenario where the CCA has direct control over operating costs and revenues.

- Administrative simplicity: This generalized benefit suggests that outsourcing necessary services/responsibilities typically undertaken by CCAs will require a reduced level of "hands-on" involvement by the participating community/communities. Conversely, hiring staff and/or consultants to perform such activities under direct oversight by the CCA's management will increase administrative rigor but will also contribute to the development of internal competency/expertise (and associated local jobs), which will allow the CCA to represent itself in the event of CCP failure or a future transition to an alternative supply arrangement. The decision to fully outsource CCA operational support will also lead to reduced oversight and transparency with regard to the work activities completed by the third party. Furthermore, under the CCP business model, certain activities associated with the ongoing administration of complimentary programs, such as energy efficiency, demand response and feed-in tariffs, seem to require additional staff/consultants and funding, as the ongoing administration of such programs does not appear to be addressed in CCP's anticipated scope of service.

- Reduced overhead/staffing costs: The benefit of reduced overhead and staffing costs is directly related to the previous bullet – to the extent that the CCA does not hire (or minimally hires) direct staff and/or consultants to support CCA operations, associated costs will be eliminated. It is important to be aware that the decision to forgo hiring or developing staff creates an ongoing dependency between the CCA and CCP. If the CCA chooses to forgo hiring staff, internal technical competency and general self-sufficiency will be diminished, which would not allow continuation of the program in the event that CCP discontinues business operations.

- Rate savings: In consideration of current wholesale energy prices and prevailing utility generation rates, CCP recently represented that participating customers within Lake County will "receive an average of 2% off total electric bills" (with the comparative savings based on utility rates in effect as of January 1st of each year) and also noted that customers of the CCA shall receive rate options similar to those offered by the incumbent utility.[3] It is noteworthy that most customers of California's operating CCAs enjoy cost savings well in excess of the 2% commitment reflected in CCP's service agreement. For example, average rate savings for SCP customers exceeds 5 percent with certain customer classes receiving rate savings in excess of 10 percent. However, under the term of agreement proposed by CCP, which exceeds ten years in duration, it is unclear whether or not CCP will be able to deliver on this commitment in light of the fact that future utility rates and supply costs are unknown. In the near-term, which includes the next 12-to-24 months, prevailing wholesale electricity prices, including prices associated with in-state renewable energy, will likely allow for comparative cost advantages for new CCAs,

[2] Draft Agreement for Community Choice Aggregation Services between the County of Lake and California Clean Power Corporation.
[3] *Ibid.*

which should translate into highly competitive electric rates. Over the medium- and longer-term, however, this prospect becomes far less certain. For instance, PG&E's recent Energy Resource Recovery Account filing suggests that retail generation rates will likely decline and CCA surcharges will likely increase in calendar year 2016, highlighting the unpredictability of utility rates and the potential pressure that could be imposed on CCP's ability to deliver rate savings.

- Increased renewable energy supply (relative to the incumbent utility): CCP recently represented that participating CCA customers within Lake County would receive 33 percent renewable energy, which shall be entirely sourced from Category 1 resources (the Portfolio Content Category, or "PCC," which generally refers to renewable generating resources physically located and/or interconnected to the state of California).[4] It is noteworthy that California-based retail sellers are under no obligation to source renewable energy supply in this manner, using more costly PCC 1 resources in place of other eligible renewable energy options, including PCC2 (typically, out-of-state renewable energy products, which are not delivered contemporaneously with the associated electric energy; the PCC2 product is often referred to as a "firmed/shaped" product) and PCC 3 (generally referred to as "unbundled" renewable energy products, which are sold separately from the electric power produced by the associated renewable generator). Current renewables portfolio standard (RPS) procurement rules allow for retail sellers to procure a mix of PCC1, PCC2 and PCC3 resources – under the currently effective RPS program, the proportion of renewable energy that must be sourced from PCC1 products increases over time; the proportion of renewable energy that may be procured from PCC3 products decreases.

  Based on current market conditions, the premium charged for PCC1 renewable energy products typically ranges from 10- to 20-times the premium amount associated with PCC3 resources. Despite these cost tradeoffs, many retail sellers are opting to displace PCC2 and PCC3 resources with additional PCC1 purchases (in excess of RPS mandates). Certain proponents of this approach appear to be interested in avoiding potential criticisms focused on the imputed environmental benefits associated with unbundled and/or out-of-state renewable energy products. At this point in time, there is not uniform guidance with regard to attributed GHG emissions accounting, but strong philosophical opposition to the use of unbundled renewable energy products has been building within many communities currently operating or evaluating CCA programs. Identification of this opposition seems to be shifting resource planning efforts towards bundled renewable energy alternatives.

  Despite material cost differences between bundled and unbundled renewable energy products, recent pricing downturns for PCC1 renewable energy, particularly California-based, utility-scale solar, have enabled CCA initiatives to plan for increased amounts of bundled renewable energy without significantly impacting associated customer generation rates. However, the specific supply sources, including whether such sources are new or existing, are not identified in the CCP services agreement. There are also no specific commitments made by CCP with regard to longer-term contracts typically required to support the development of new, in-state renewable generating resources. Based on CCP's specified timelines for service commencement, it seems likely that existing renewable generators would be producing/delivering all near-term renewable energy supply, which is not likely to be regional or local. Use of locally situated renewable resources would be merely coincidental with the existence of previously operating renewable resources in the County. Furthermore, in the event that a participating CCA determined to increase/decrease renewable energy content and/or incorporate other resources

[4] *Ibid.*

preferences in its supply portfolio, it appears as though this would not be accommodated under the CCP business model.

- Reduced GHG emissions (relative to PG&E) associated with CCA power supply: CCP commits to delivering a supply portfolio that has a lower GHG emission factor than the incumbent utility. Because annual utility emissions factors are typically reported on a lagged basis (12-14 months following the conclusion of each operating year), CCP will need to be conservative with regard to procuring requisite GHG-free energy supplies to ensure that this commitment can be fulfilled. For example, sufficient quantities of hydroelectric generation will need to be delivered to ensure that the CCA's GHG-free supply portfolio exceeds PG&E's GHG-free content, which approximated 56% in 2014 (comprised of renewable energy – 27%, nuclear energy – 21%, and large hydroelectric generation – 8%, based on PG&E's recently submitted Power Source Disclosure Report for the 2014 calendar year). The methodology, including attributed emissions factors for certain conventional generating sources and/or market purchases, that will be used to complete this comparison is not described by CCP.

Key Risks

- Supplier/service provider experience: When evaluating, implementing and operating a new CCA, direct experience is critically important to promote the achievement of successful outcomes. Based on PEA's understanding, the CCP organization has only limited direct experience with CCA operation and virtually no prior experience with CCA evaluation and implementation (other than what has been learned since CCP's formation approximately six months ago). CCP may have professional relationships and/or associations with organizations representing increased levels of direct CCA experience, but this is not described in the CCP materials that PEA has reviewed. The identity of third parties that will be providing key functions related to interfacing with the grid operator and the distribution utility has not been disclosed. With no proven track record and the lack of complete information regarding this organization, there is a high degree of uncertainty with respect to CCP's ability to effectively implement and manage a CCA program.

- Conflict of interest: Based on PEA's understanding, CCP appears to serve as both the CCA evaluator and sole services provider, introducing the potential for a conflict of interest. To date, none of California's operating CCAs have received delivery of energy products/services from organizations which have contributed to the development of their respective CCA feasibility studies. The separation of responsibilities associated with feasibility assessment and energy product delivery seems particularly important, as there is the potential for significant financial benefit once the CCA determines to pursue CCA implementation and begins executing related supply agreements. To the extent that the feasibility analyst is also the intended services provider, it is impossible to ignore the potential conflict that exists. If the feasibility analyst suggests that benefits can be achieved through CCA implementation, the same business stands to financially benefit once supply agreements are consummated. Even if current market conditions and prevailing utility rates clearly point to potential benefits for a prospective CCA, it seems inappropriate to eliminate all objectivity through an exclusive business relationship. At a minimum, aspiring CCAs should seek independent evaluation of anticipated CCA operations prior to selecting a power services provider.

- Supplier non-performance or failure: One of the key risks associated with any power supply agreement is non-performance – a scenario under which the supplier of contracted energy products is not able to fulfill its contractual responsibilities, leaving the buyer (the CCA in this example) exposed to potentially volatile market prices and related financial consequences, regulatory non-compliance (including financial penalties), general planning uncertainty and

other concerns. Once a California community registers with the California Public Utilities Commission as a CCA, certain obligations are created, including compliance with applicable laws (such as California's RPS) and regulations (including the procurement and demonstration of sufficient reserve capacity). The CCP services agreement clearly states that CCP is responsible for "strict ongoing compliance with California and federal laws and regulations applicable to CCA and retail electric commodity service." Further, CCP agrees to indemnify the municipality for any penalties. However, under the CCP business model, the municipality retains ultimate responsibility for shortcomings and deficiencies with regard to these requirements in the event of a default by CCP.

PEA would recommend that adequate performance security in the form of cash, letter of credit or other acceptable instrument should be provided by CCP for the benefit of the municipality to mitigate the risk of a CCP default. This performance security should be separate and apart from the collateral that might be posted by CCP to back its wholesale power purchases and should be appropriately distinguished from the collateral and/or performance security associated with other communities that may be served by CCP.

PEA also recommends that any aspiring CCA retain the services of qualified legal counsel prior to executing any long-term services agreement. Such legal counsel should represent the aspiring CCA member(s) during contract negotiation to ensure that member interests, including specified responsibilities and liabilities, are appropriately reflected in the contract document and that all pertinent terms and conditions are clearly and completely understood prior to contract negotiation.

Further, in the event of supplier failure, the CCA might find itself unprepared to address the necessary customer transition. In a recent memo from CCP to Lake County in which certain responses and clarifications were issued in relation to questions focused on the CCP services agreement and business model, CCP indicated the following: "If CCP is rendered incapable of performing under the contract due to complete dissolution of CCP as a going concern, the County can join another CCA, administer the CCA in house, or forfeit the CCA bond and seamlessly return customers to PG&E service. Because CCP covers the cost of the bond for the return to PG&E service, the return to PG&E service would occur at no expense to the County."

The implications of this response are highly concerning. In particular, CCP seems to suggest that the CCA could readily join another CCA or administer the CCA in house, but neither of these opportunities can be taken for granted, particularly when there is only one operating CCA, MCE, which has a standing policy/protocol for evaluating new members. MCE's new membership process has typically occurred over a period of several months, including a detailed quantitative analysis and multiple publicly-noticed meetings during which prospective membership is discussed and ultimately voted upon by MCE's governing Board. CCP seems to imply that the failed CCA could simply and quickly complete this process without a disruption of service to customers of the failed CCA. In practical terms, this is not feasible.

CCP also suggests that the municipality (Lake County, in this case) could proceed to administer the CCA in house, but this is also practically infeasible due to the fact that participation in the fully outsourced model likely left the municipality with little to no internal technical competence, as such functions were expressly outsourced to CCP. Stated somewhat differently, the CCP business model creates a dependency between the CCA and CCP by virtue of the CCA not needing to develop internal competency/capabilities/expertise. Again, this outcome is practically infeasible due to reasonable timelines required to identify qualified (and available)

technical consultants and/or develop internal technical expertise within the affected community.

The final option noted by CCP is the most concerning: "forfeit the CCA bond and seamlessly return customers to PG&E service." This sounds simple enough, but the potential impacts to California's remaining CCAs could be disastrous: diminished credibility amongst regulators, the California legislature and prospective suppliers; potential increases to the CCA bond amount, which could irreparably harm existing and future CCA initiatives; customer fear and distrust; and a variety of other adverse consequences. The progress of CCAs has been filled with hard-fought successes but has also been obstructed by various critics, skeptics and antagonists, who continue to search for flaws and shortcomings in the CCA business model. To the extent that any new CCA enterprise fails, it may also compromise the ground gained by California's other CCAs. To be perfectly clear, there would be nothing "seamless" about this transition for CCAs at large. The fully outsourced business model appears to leave associated CCAs entirely unprepared to deal with the transitional responsibilities that would be required in the event of CCP failure. Without a certain level of internal expertise and technical competence, CCAs are woefully disadvantaged in such a situation. The fully outsourced business model unfortunately exacerbates this risk.

- Disproportionate allocation of financial benefits and lack of transparency: One of the most intriguing prospects of CCA formation is the ability of a CCA to generate customer savings and/or operating surpluses, which can be directed towards the development of locally focused energy programs or projects as well as other needs of the participating community/communities. Currently, MCE and SCP both offer customer rate savings while having accrued significant financial reserves. Over time, it is expected that the City of Lancaster will fare similarly. Under these examples, the CCA's participating customers and the communities in which the CCA offers electric service will be the primary beneficiaries of this financial success – there is no sharing of financial benefits with investors, shareholders or other third parties. Under the CCP business model, it appears as though CCP is passing through a disproportionately small benefit to the CCA while keeping for itself the lion's share of surpluses generated through CCA operations. PEA completed an independent, high-level financial analysis to demonstrate the potential inequities embodied in this business model, which are summarized in the table below.

2015 Community Choice Profit Margin Worksheet		
Community Inputs		
Community Retail Sales (MWh/Yr.)		350,000
Renewable Energy Content (%)		33%
Discount to PG&E Electric Bill (%)		2%
Community Payment ($/Yr.)	$	2,000,000
Revenues and Profits		
Revenue @ PG&E Generation Rate ($/Yr.)	$	33,803,000
Less CCA Surcharges ($/Yr.)	$	(3,570,000)
Less Discount ($/Yr.)	$	(1,202,320)
Less Community Payment ($/Yr.)	$	(2,000,000)
Less Power Supply Costs ($/Yr.)	$	(19,376,000)
Gross Profit Available to Operator ($/Yr.)	**$**	**7,654,680**

The structure of this analysis is quite simple but reasonably represents the expected surpluses that could be generated given current market pricing by a relatively small CCA enterprise similar to Lake County (serving annual customer energy requirements of 350,000 MWh/year; by comparison, the annual energy requirements of MCE are expected to be approximately 1,800,000 MWh, roughly five times the aforementioned volume).[5] PEA's analysis assumes, for the sake of simplicity, that this hypothetical CCA enterprise generally represents the customer composition and usage characteristics observed throughout PG&E's entire service territory. Based on this assumption, PEA applied PG&E's system average generation rate as the utility proxy against which CCA rate savings would be evaluated under the CCP services agreement. PEA also assumed that 33 percent of the CCA's total anticipated retail electricity sales would be sourced from Bucket 1-eligible renewable energy products; an appropriate cost premium, based on recently observed wholesale renewable energy transactions. PEA's financial analysis also accounts for other operational expenses such as scheduling fees, electric grid operator costs, and energy losses resulting from the transportation of electricity on the grid.

The results of this prospective scenario are staggering, suggesting that the hypothetical CCA enterprise would forgo more than $7.6 million in additional benefits, as represented by gross profits, under the CCP business model. As specified in CCP's services agreement, the CCA would receive $2 million per year in the form of a "Public Benefit Payment," but CCP would retain more than $7.6 million in gross profits. Admittedly, CCP would reasonably require a certain portion of this amount to cover its staffing, overhead, collateral requirements and other operating expenses, but the anticipated net profits still appear to be much higher than the Public Benefit Payment issued to the CCA.6 In effect, this scenario appears to demonstrate that under the CCP business model, near-term financial surpluses generated by CCA formation disproportionately benefit CCP as opposed to CCA customers or the participating community.

In substantial part, this analytical exercise highlights the lack of transparency associated with CCP finances. This practice cuts across the grain of typical public processes, which tend to readily disclose information in an effort to ensure that nothing is hidden or obscured, particularly when public finances are in play. PEA recommends that any community pursuing the CCP business model request and receive detailed financial projections prior to executing any contract documents to ensure a thorough understanding of the prospective allocation of financial benefits. Following contract execution, PEA recommends that the participating CCA receive a periodic accounting of CCP operations in support of the CCA enterprise, including a detailed breakout of financial benefits accruing to CCP relative to the CCA.

CCA's are public entities and are required by law to disclose almost all information related to CCA operations. Accordingly, it is critical that local government officials and staff responsible for the CCA have all the information necessary to respond accurately to such inquiries. Due to the lack of transparency in the fully outsourced business model, the ability to respond timely and accurately is a significant risk to the CCA, especially without any checks and balances to validate any information provided by CCP. Even more concerning is that there doesn't seem to be any liability on CCP in the case that inaccurate information is provided to the CCA and subsequently released to the public. Without access to all data and information related to CCA operations, it will be difficult for the CCA to confidently provide accurate information to the public in general.

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[5] As previously noted, wholesale energy prices are subject to considerable volatility. To the extent that wholesale energy prices change, projected operating results may be materially affected.

[6] The May 2015 feasibility study prepared by CCP for Lake County (Page 26) indicates that these other expenses represent less than 10% of the total costs.

- Supplier creditworthiness: In the aforementioned memo from CCP to Lake County, CCP indicated that it "demonstrates creditworthiness with $15 million in funding to secure power purchases for up to 200,000 people." Presumably, the noted $15 million is held in the form of a letter of credit or cash collateral to enable these power purchases. However, nothing in the CCP services agreement specifically addresses this amount nor the maintenance thereof. Instead, the services agreement vaguely addresses requisite credit as follow: "At all times CCP shall maintain collateral or capitalization sufficient to ensure performance under this Agreement. The amount of collateral or capitalization deemed sufficient shall be determined using industry standard electric commodity procurement practices." Again, this vague language provides no specific metrics to assure collateral sufficiency nor any process for ensuring that CCP maintains itself as a creditworthy entity throughout the term of the agreement. If CCP were to be on the verge of bankruptcy, there doesn't appear to be any obligation for it to disclose such information nor does there appear to be any provision addressing the periodic sharing of information substantiating or evaluating CCP's financial health. This lack of credit protection for the municipality stands in stark contrast to standard power supply contract credit terms. In the event that such a situation existed, there is no performance security (posted by CCP) against which the CCA could draw nor are there specific remedies identified. If an aspiring CCA is to reasonably consider such a long-term services agreement, including the delivery of requisite energy products, clearly defined credit provisions protecting both parties are recommended.

- Rate setting: Under the CCP business model, the proposed rate setting process appears to be quite different compared to California's successfully operating CCAs. In particular, the CCP business model lacks detail about the mechanisms for consumer protections, customer disclosure, due process and general customer input during the rate setting process, all of which are fundamental features of currently operating California CCAs. According to the CCP services agreement, the rate setting process seems to be a forgone conclusion, tying directly to PG&E's annual rate changes. This approach generally renders customer input useless, as CCP's prescribed approach will result in a predetermined outcome, regardless of customer input. In addition, it is unclear to PEA how CCP will assure the equitable treatment of customer classes during the rate setting process. There also appears to be no consideration of cost of service for particular rate classes relative to retail electric rates. Finally, the forgone nature of CCP's rate setting process substantially minimizes the potential for customized economic development rates and/or other rate schedules that could be designed to attract particular customer groups, incentivize/disincentivize certain customer behaviors and/or promote the achievement of local policy objectives. CCP's rate setting process also ignores the importance and value in rate stability, which is currently provided through the annual rate setting process of California's three operational CCA's.

- Durability of rate savings commitment: In practical terms, it is impossible to know what PG&E's rates may be next year, let alone five or ten years from now. Even if CCP were to secure long-term, low-cost supply commitments from viable sources, inevitable uncertainties regarding PG&E's future generation rates and related exit fees make the prospect of honoring CCP's stated rate savings commitment highly speculative, particularly over a ten-year contract term. In fact, the duration of the CCP rate savings commitment heightens the risk of contract default (with regard to the rate savings commitment) or an eventual attempt to pass through costs to CCA customers.

- Economic development and job creation: Under the fully outsourced business model, there are no incentives to promote the development of innovative, locally focused energy projects and

programs, which have been a huge success for California's existing CCA's. The ability to invest and build within a CCA's actual jurisdictional footprint also leads to the creation of jobs and general economic development. Furthermore, adopting the fully outsourced business model eliminates the addition of long-term jobs in order to internally administer the CCA program. As MCE, SCP, and LCE continue to grow in size, adding new product and program offerings, permanent, long-term jobs become necessary and are created in turn. The fully outsourced model inevitably reduces local input and control over resource decisions and energy programs.

- Lack of complimentary energy program administration: Under the CCP business model, certain activities associated with the ongoing administration of complimentary programs, such as energy efficiency, demand response and feed-in tariffs, seem to require additional staff/consultants, as the ongoing administration of such programs does not appear to be addressed in CCP's anticipated scope of service. Further, no revenues would be available to support these programs apart from the public benefit payment made by CCP, since all customer revenues would be assigned to CCP. As clarified in the aforementioned memo from CCP to Lake County, CCP appears to be willing to provide no-cost support in developing various complimentary energy programs that may be of interest to the participating CCA. However, the CCA is independently responsible for the ongoing administration of such programs, including staff and related costs. In light of the relatively modest revenue sharing that is being offered by CCP, participating communities may find it challenging to cover such administrative costs over time.

  General observations related to the CCP services agreement: Based on PEA's review, much of the language included in CCP's proposed services agreement, particularly language describing CCP's obligations and commitments, is vague and lacking sufficient detail to fully understand and/or verify the commitments being made by CCP. Typical agreements addressing the relatively complex relationship between CCAs and suppliers/service providers are lengthier as well as more detailed and carefully worded to minimize the potential for misunderstanding and misinterpretation between the parties. Examples of areas within the CCP contract that could be further developed in an effort to improve clarity include: CCP's rates savings commitment; the commitment to local renewable utilization; and the scope of the change in law provision. As to the change in law provision, the contract should address changes in: utility rates and departing load charges, RPS and resource adequacy requirements, storage obligations, integration costs, congestion costs, and bond requirements.

Conclusion

CCA formation is not without risk. Regardless of the chosen implementation approach, there will be inevitable uncertainties. How many customers will opt-out? What will PG&E's rates be next year? What price will I pay for wholesale energy after my current contracts expire? What proportion of my supply portfolio should I secure under fixed-price contract arrangements? These questions, as well as many others, are involved with the process of CCA evaluation, implementation and operation. California communities can minimize the variables surrounding the CCA service model by employing proven practices and experienced teams. In particular, the recent successes of MCE, SCP and LCE are the result of a common formula that relies on California's most experienced service providers, minimizing risk while maximizing potential rate savings and community benefits.

New implementation strategies, such as the fully outsourced business model promoted by CCP, should be carefully evaluated to ensure that risks and benefits are fully understood. Based on information provided to date, PEA's assessment indicates that the risks associated with such an approach

substantially outweigh prospective benefits. In particular, CCP's approach all but removes the elements of transparency, community involvement and local accountability that are fundamental features of the CCA business model. Further, the municipality would be insufficiently protected from risks associated with non-performance by CCP. In many ways, the fully outsourced business model retains elements of the investor-owned utility business model in which the customer has limited operational insight, limited influence with regard to rate setting and limited access to the individuals who are directly involved in day-to-day utility operations and decision making. Certain benefits are conferred to the customer by CCP, but the benefits are disproportionately shared. Ultimately, many communities will fare far better, minimizing risk while maximizing benefits, under the proven implementation approach that balances the development of internal technical competencies with strategic support from experienced service providers. Such an approach preserves operational flexibility and transparency while promoting long-term success of the CCA enterprise.

Sources

- "Draft Agreement for Community Choice Aggregation Services between the County of Lake and California Clean Power Corporation"
- "Lake County Community Choice Program Feasibility Report", prepared by California Clean Power Corporation, May 2015
- County of Lake, an Ordinance Authorizing the Implementation of a Community Choice Aggregation Program
- "Overview of Community Choice Aggregation and a Turnkey Contract with California Clean Power"
- Memorandum, "Request for Response to Community Choice Questions," California Clean Power Corporation to County of Lake

Handout B5

Water Restrictions Update

Menlo Park EQC June 24, 2015

Water restrictions

Statewide

- 25% aggregate statewide reduction compared to 2013

Local

- MPMWD 16% (achieved)
- Cal Water 36%
- O'Connor Track 16%
- PA Park Muni 16%

All of Menlo Park

- Potable water to irrigate outdoor ornamental landscapes or turf shall be limited to the following two days per week schedule:
  - ODD addresses / No address - Mondays and Thursdays
  - EVEN addresses – Tuesdays and Fridays
- No watering allowed between 8:00 am – 6:00 pm.
- Water customers may be granted an exception to the two days per week schedule upon review and approval of a Drought Response Plan that demonstrates an equivalent or greater reduction in water use.
- Irrigation of outdoor ornamental landscapes or turf is not allowed between 8:00 am - 6:00 pm.
- Must not use potable water on outdoor landscapes that causes runoff.
- Hoses must be fitted with an automatic shutoff nozzle for washing vehicles, sidewalks, driveways, walkways, or buildings.
- Must not apply potable water to any driveway or sidewalk except to address immediate health or safety concerns.
- Pools, spas, and hot tubs shall be covered when not in use.
- Cannot use potable water in a decorative feature, unless the water recirculates.

All of Menlo Park

- Must repair defective/broken plumbing and irrigation systems within a reasonable time period
- Potable water shall not be used to water outdoor landscapes during and within 48 hours after measurable rainfall.
- Restaurants must serve water only upon request.
- Hotels and motels shall provide guests an option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom using clear and easily understood language.
- Single-pass cooling systems on new construction shall not be allowed.
- Permits for construction of new pools shall include a requirement that MPMWD water shall not be used to fill new pools.
- Newly constructed homes and buildings must deliver potable water through drip or micro-spray systems to water outside.
- Potable water shall not be used to irrigate ornamental turf on public street medians.