



# Memorandum

**To:** City Council

**Date:** January 21, 2020

**From:** Councilmember Donna Colson

**Subject:** Committee Report

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## City Council Meeting

### CEO Update

\* Hired two new professionals

- \$10 MM resiliency issue program - will have more information in January
- Focusing on the most vulnerable communities
- Reach Codes - Some of the Cities have adopted. Will ask our Burlingame staff to get an update as to which cities have adopted and what
- EV Incentive Program - VOLT no longer available and BOLT no longer available due to strike and that reduced number of people purchasing EV
- Expected 120 and ended up at 66 verified
- The low-income program had 27 cars purchased
- Met with Senator Hill and Assemblyman Berman both big supporters

## CAC Report

- Lot of talk about getting the gas generators out of the picture
- Many spoke about the full resiliency picture has to do with obtaining the micro-grid network

## Finance and Audit

- Three topics - consolidated quarterly financial report, review of reserve policy and also submitting and RFP for cash management firm to diversity First Republic Bank position
- Question on Retained Earnings - should be greater than the budget expectation

## Calpine Discussion - Contract amendment

- Have a 2 year agreement set to expire June 30 of 2020 and did have an option to extend another two years, or could amend and extend or get a new competitive bid. Market has not dramatically changed.

## PGE Update - Comments from Dan Richard

- \$25 billion in wildfire victims and then another \$25 billion in upgrades - to get totally out of bankruptcy.
- Serve 16 million people - and need to understand if this is a company that can raise the capital to re-engineer and reimagine their business in the time of climate action. The only thing that changes their earnings is the rate of return on the \$45 billion rate base. They need to spend \$28 billion over the next four years of new investment. When this company comes out it needs to be financially strong and have access to the lowest cost of capital. If they can figure out how to get to a non-profit or tax-exempt firm could save \$15 billion in taxes and what it takes to raise \$50 billion out of bankruptcy and then another \$50 billion to invest in their equipment.
- One entity who has put forward a plan to retain as much equity as possible and the hedge funds are trying to retain as much equity as possible.
- Second is the private debt team that is trying to secure their debt positions.
- When PGE reached fire victim settlement and had a provision that the Governor could veto if did meet complex needs of AB1054. Governor sent out a letter on Friday saying your plan is woefully inadequate because the PGE plan is laden with debt and the Governor said you will be mortgaging your assets and you are counting on the legislature to bail out the operator, and to get tax-benefits - so Governor
- Bankruptcy judge approved fire victims, but not the firm debts otherwise.
- Judge has indicated full support for the wildfire victims - plan was \$13.5 and behind the scenes it was \$8 billion and in the end they jumped up the \$5 billion (but it was all in debt).

## IDEAS -

- CA law does allow for electrical cooperatives. A private mutual company that is regulated by the PUC - similar to REI, or even Vanguard as examples. Use this to set mutual benefit company and then get the rating agencies to start their own companies. They would graft on transparency and accountability measures. Worked very closely with labor - mainly IBEW. Want to keep the entire company intact - for purposes of keeping labor on our side, need to convert and then get a rating organization.
  - Issue is governance - policy questions and need weigh-in from local leaders - need skill sets - operations, business, marketing etc.
  - PGE focus on infrastructure and the CCAs or some of the co-ops could fill in the business.
  - THIS STRUCTURE DOES NOT change inverse condemnation - Mayor Licardo says this already happens and it flows through to the rate payer. SB 901 - after stress level customers are on the hook. But the question becomes if we spread the risk over the ratepayers, then should we not also spread benefits
1. Working on collation of elected officials, users etc.
  2. Making concrete these governance principles into concrete terms (what does the Board look like, etc.)
  3. Talking to financial institutions to raise \$35 billion to pay off that gap

\$6.5 billion EBITDA - for PGE

Or if you could do a securitization then you could get to the 3.5% rates for capital - first and foremost could we do a direct bond raise for the capital. No one has said we cannot raise this funding through traditional public markets.

Inverse Condemnation - Should it be eliminated? - probably, but the Interpretation by the courts of the due process laws and so that unless challenged to higher levels of the court, even the legislature may not be able to regulate this - courts supersede.

Residents want safe, reliable and lowest priced consistent service

#### Item 7 - CPUC Process for Setting PGE 2020 PCIA

- Review of rulemaking - complicated process overall
- Many policy changes happening at this time
- March 1 is most likely earliest rate adjustments
- June filing and then November update.

**January 9, 2020**

#### **Home for All Housing and Climate Change**

- Update on four other groups -
  - Traffic and parking solutions - how do we start to discuss this? Best practices from out toolkit that San Jose City did.
  - Housing funding - how do we use the new state funds to build more housing and better housing
  - Second Units - new fairs and open houses (Burlingame Hillsborough)
  - Partnership for Educator Workforce and Housing
- Climate Ready Sub-Topics (Climate Ready Collaborative)
  - Wildfire
  - Flooding and Seal Level Rise
  - Risking Temperatures
  - Vision and Strategic Planning
- The Intersection of Housing and Resilient Climates - Report by Graduate Student from UCI - Masters Urban Planning
  - Question - What are the initiatives that SMC can ADU pot to ensure the sustainability of its housing supply
  - Used extensive document review to see what agencies have released reports on climate change and housing - work exists in both, but very few work together. ID structural and non-structural such as land use and urban design.
- SLR Vulnerability Assessment - flooding and erosion (coast)
  - State - projections for 2030, 2050, 2100 were used for baseline
  - BCDC - In the bay - risk assessment and if risk to safety then resilient to mid-century SLR if beyond need Adaptation Plan
  - In 100- foot Shoreline, authority is more limited to ensuring maximum feasible public access and public access must be viable.

**PCE****Saturday, January 11, 2020 - Strategic Planning Session****Monday, January 13, 2020 - Executive Session**

- Strategic Planning session focused on Mission and then Vision as well as priorities for the BOD and direction for staff.
  - Worked on four areas - programs, legislation, marketing and advocacy to develop direction for staff
  - Annie Gallagher will then coordinate the feedback and begin the development of the strategic plan work
  - Discussing PCE with Merced County - to see how we might want to partner or help them develop their own CCA. Have met, but we do not have a champion on the ground as of yet and there was confusion about the role PCE would take and how we would relate.
  - EV incentive program is done for the fall and have about 170 cars that were purchased using the program.
  - News about PGE bankruptcy and will have a call this afternoon.
1. Amendment to Supply Procurement Policy - Revised to allow more nimble contracting with proper controls
  2. Oct 9-12 first event and three events that shut down power. Advocated \$10mm for more power shutdown resiliency

- \* 57,000 PCE customers impacted - objectives
- \* Priority - medically fragile residential customers
- \* Community Scale response centers
- \* Infrastructure - police, fire, water treatment etc.

1. Reach Code Assistance and Customer Awareness Program

- \* Support includes developed EV and Building Reach codes model
- \* Did \$10,000 outreach and 14 cities did this
- \* Key learnings - technical assistance has been for cities, but also a huge help for developers. Significant amount of education needed across the board. There is a consumer demand issue around gas stoves, but these are being addressed.

January 13, 2020

Flood and Sea Level Rise Resiliency District Meeting

1. Review of two current MOUs - Belmont Creek \$70 mm and then
2. Navigable Slough in San Bruno / SSF at \$42 mm
3. Bayfront Canal Atherton Channel - RWC, Atherton, and Menlo Park - not a four way split - flow contribution model and contributed by how much your water flow contributed to the work at the watershed. Town of Atherton has a modification to their contribution - also includes SMC. About \$21 mm in flood mitigation measures.
4. Option A - With no grants to offset costs \$9 mm approximate
5. Option B - If we received \$1 mm RWC grant and if they get an extension and may be able to use this funding for the project. Awaiting a FEMA grant of \$4 mm and if you include

the existing \$1 mm that could get rolled in, then the numbers can really be reduced. This is why you can break a small part of the project away to get started. Private funding may also be an important part to this.

6. Future MOUs will include project administration - amendments for existing MOUs for design are under development

#### Item 7.2 Budget

- There is a high level of retained earnings due to contingency and to move forward and not have to finance improvements.
- There is allocation for administration and project management - need resources available for local agencies to obtain assistance.
- Also need Operations and Maintenance at maybe Countywide Area with what can be done from contributions from cities and agency.
- We have \$500,000 in Measure K funding and expectation is staff will be added to advance/expand staffing can occur. There is another \$2.3 mm from the cities for the administration and funding.
- Underlying costs office space
- For existing MOUs there is a funding gap.
- 4.5 FTE - CEO and Finance, some administration and then engineering. May not need to have an administrative person. Senior accountant to PT position? This may need to be enhanced so that we have proper checks and balances. Interviewing senior accountant person next week. The new CEO may want to make a few changes as to where the dollars are sent and how that might work. Budget will come back next meeting and there will be adoption for the January 27 meeting. Budget total is \$1.5 mm of which half is from SMC.

Item 7.2 - Army Corps of Engineers and depends on funds in Water Resources Development Act of 1975. Work on study to create targets of opportunity. The Congresswoman co-signed a letter for ACE to complete the enhanced study. This is the best way to work on getting the long-term federal support needed for these projects. Some of these projects can take decades so it is important to start on this work and get the study.

**Wednesday, January 15, 2020**

#### **C/CAG Resource Management and Climate Protection Committee**

Update on RICAPS 2030 template document and SMC energy Strategy Discussion 2025

- Feb 2020 have edits to CAP template finished and then available late spring for jurisdictions to customize for 2030 CAPs with the idea that all the sections are the parts required for a complete scoping of what we are all doing and need to do to meet goals. Will be revived by OOS, BAAQMD, C/CAG, RICAPS with copy edit and design by Cartwright Studios.
- **Brisbane Building Energy Program and Ordinance**
  - Benchmarking buildings to determine energy and water use and allows comparisons on an annual use basis
  - Auditing - Checking to see what is going on in the buildings
  - Retro-Commissioning - Making sure lights are off if you are not home for example.

- CA AB 802 - Allows these programs to go forward and it allows the use of and collection of data from utilities and established a program - requires commercial buildings 50,000 SF or more must report data to state. Also, allows for local exceptions where city collects data and then reports
- Who has done - mostly large cities across the country. Goes back to the 2015 CAP for City of Brisbane - focused on City of Brisbane and took on commercial and industrial as well as Direct Access total 30%.
- Looked at largest building owners/renters and identified those. And found out that you must include industrial bc that is a significant portion.
- Target size of building was 10k SF which covered 69% of the building total (included SFD and multi-family) as well. To go smaller you get huge increase in number of buildings, but only small % of additional contributing assets. So not worth it on a smaller scale. So target was all buildings (retail, industrial office, multi-family)
- Focused on tenants and requiring the tenants to provide control over data and allowed green lease compliance option. Allows cost of greening infrastructure to be shared with the tenant and landlord. In single or two tenant buildings the utility does not have right to ask for data.
- Asked about any planned distributed energy resources

#### Compliance Pathway - Benchmarking every 5 years

- Who is exempt? If your energy score 80 or higher or if improved by 20 points then except.
- If you have energy star water school of 80 or higher then you are good. If you do not meet standards for buildings 40K or bigger. To meet the five year goals - Can retro-Commission, or Green Lease, one energy e=measure and one water or green lease.
- City option for voluntary and will also audit on city properties as well
- Costs are recouped in about one year, but then the savings continue down the road
- Impacts - 2700 MTCO<sub>2</sub>e reduction and about a 14.4% reduction and 4% in city wide reduction, and so this is double the impact of what PCE is providing
- There will be a city toolkit that can move over to other cities. This may be sent out via RICAPS and then open up our energy watch program

#### Stanford Codina Resource Recovery Center testing of Fluence sanitary sewer wastewater treatment center and system and potential for SMC.

- Basically using a new membrane technology that provides more oxygen to the system as it is now and that enhances the process to comply with Title 22 standards from the state. Have been far below on the test cases.
- Can implement decentralized facilities in the county
- Did put system together for some of these...