

PORTOLA VALLEY TOWN COUNCIL REGULAR MEETING NO. 961, JANUARY 23, 2019

CALL TO ORDER AND ROLL CALL

Mayor Wengert called the Town Council's Regular meeting to order at 7:00 p.m. and led the Pledge of Allegiance. Ms. Hanlon called the roll.

Present: Councilmembers Mary Ann Moise Derwin, Craig Hughes, John Richards; Vice Mayor Jeff Aalfs; Mayor Ann Wengert

Absent: None

Others: Brandi de Garmeaux, Assistant to the Town Manager
Cara Silver, Town Attorney
Howard Young, Public Works Director
Sharon Hanlon, Town Clerk

ORAL COMMUNICATIONS

Florence Eschbach, Portola Valley Ranch. Ms. Eschbach said she was speaking on behalf of Diane Fisher, also a Portola Valley Ranch resident. She requested the Town implement a defensible space matching fund program. Ms. Eschbach read a letter from Diane Fisher. "I have recently lost my house insurance because the carrier AAA will no longer issue policies in this area due to the high fire risk. I have been denied coverage by all the major carriers because of the high fire risk. Most of these carriers will renew existing policies but will not issue new ones. We cannot change the assessment map that indicate our wildfire risk, but we can change how we encourage people to reduce a few loads on their properties and help firefighters defend our home and reduce the chance of any fire turning into a major wildfire in our town. We do not have to reinvent the wheel. The Town of Woodside has had such a program for many years. I have been told that it is widely used and there is no cost to Woodside because the program is funded by private donation. It is time for Portola Valley to implement such a program. I only wonder why it took us so long to realize that we need to do this. Our Town Chipper Days and Cleanup Days are a good start, but we need more. Please implement a defensible space program in Portola Valley. Thank you. Diana Fisher."

Caroline Vertongen, 100 Palmer Lane. In response to Ms. Vertongen's questions, Mayor Wengert said the entire Town Council, Town Manager, as well as the Town Commissions and other committee members do understand and abide by the California Government Ethics laws and the Public Service Ethics laws. She said they participate annually in the required ethics training and have done a very good job in maintaining the highest standards as required by the State of California. She said any letters that come into Town Hall addressed to the Town Council are published weekly in the Council's Weekly Digest, which is public.

Michael Tomars, Portola Valley Ranch. Mr. Tomars said he also had some fire insurance drama but was lucky enough to be able to renew his policy, albeit at a 120% increase. He said there are other residents in Portola Valley who have not been so lucky. He said he met with Deputy Fire Marshal Bullard, who was very helpful in providing additional perspective on what might be going on. Mr. Tomars said there used to be a lot of specific analysis at a particular residence to see if there were risks that could be mitigated. However, in view of the devastating fires that have happened in California, the companies are taking a more holistic view of communities – not necessarily what's happening in his yard but perhaps a mile away. He said they have been updating their risk maps and getting a better perspective of what they want to insure and what they do not want to insure. He said the defensible matching program is a good idea and it's all very carefully articulated on Woodside's Town website. He said the Fire Protection District is very aware that this is a high-risk area and there are things they'd love to do, but cannot due to a lack of

resources. Mr. Tomars said he and Deputy Fire Marshal Bullard had a brainstorming session and came up with some ideas. He asked the Town Council to consider calendaring the item for a more formal discussion at a future meeting. He said they discussed parcel assessments that would specifically fund fuel reduction in Town, not dissimilar to the efforts put forward to fund the school and better educational programs. He said given the mega-threat of big fires, he believes this is something the community would accept. He said there are also a number of grants available from Cal Fire and other organizations. He suggested a study group be developed to come up with a comprehensive way of approaching this risk, a risk that is not going to go away. He said the Town ordinances talk about preserving property values. He said if you cannot sell your house because you cannot get fire insurance that will affect property values.

Mayor Wengert said there are a number of Committees looking at this – Emergency Preparedness and Firewise. Mayor Wengert appreciated Mr. Tomars' suggestions. She said it is an ongoing effort and those considerations and specific suggestions will be addressed this year. Councilmember Hughes said the Town Manager has also been looking at this issue and is aware of the insurance company issues. Mayor Wengert said redlining has occurred before but it is now at a heightened level following last year's fires.

Mr. Tomars said that Deputy Fire Marshal Bullard said there are also trees that should not exist at all, things that can be addressed now, such as the trees at Corte Madera School. Mayor Wengert said there is money set aside in the annual budget for clearing some of the high-risk trees and have been selecting clearing for a number of years whenever there were funds available. Ms. Eschbach said the Portola Valley Ranch Manager has approached the school regarding removing the pine trees because they are right at the junction of the Portola Valley Ranch property and the school but the school said there is no budget for it. Vice Mayor Aalfs said the school is aware of those trees and the hazard they pose. He said they are trying to find the money to take them down.

CONSENT AGENDA

- (1) Approval of Minutes – Town Council Regular Meeting of January 9, 2019. *[Removed from Consent Agenda.]*
- (2) Approval of Warrant List – January 23, 2019, in the amount of \$160,597.93.
- (3) Appointment by Mayor – Commissions and Committees Membership Appointments for 2019.
- (4) Recommendation by Town Attorney – Leaf Blower Ordinance Amendments: Second Reading
 - (a) Second Reading, Waive Further Reading and Adopt an Ordinance Adding Chapter 9.10 [Noise Control] of Title 9 [Public Peace, Health, Morals and Welfare] of the Portola Valley Municipal Code (Ordinance No. 2019-427)
 - (b) Second Reading, Waive Further Reading and Adopt an Ordinance Adding Chapter 8.32 [Leaf Blower Use] of Title 8 [Health and Safety] of the Portola Valley Municipal Code (Ordinance No. 2019-428)

Councilmember Derwin moved to approve Items 2, 3, and 4 of the Consent Agenda. Seconded by Councilmember Aalfs, the motion carried 5-0, by roll call vote.

- (1) Approval of Minutes – Town Council Regular Meeting of January 9, 2019. Councilmember Richards moved to approve Item 1 as amended. Seconded by Councilmember Derwin, the motion carried 4-0-1, with Vice Mayor Aalfs abstaining.

REGULAR AGENDA

STAFF REPORTS AND RECOMMENDATIONS

- (5) Appointment by Mayor – Appointments to the Woodside Highlands Road Maintenance District Citizens Advisory Committee.

Item #5 pulled from the agenda, to be heard at a near future meeting.

Councilmember Hughes noted that he has been working through the Town Manager and other staff to try to locate any possible organizing documents for these Road Maintenance Districts, but they have not yet been found. He said it is possible such documents do not exist as these organizations may preexist the creation of LAFCOs. He said having some kind of organizing document that can inform him of his responsibilities with respect to the Road Maintenance District would be very helpful for clarity before they start acting on these items. He said there is a question of whether or not these Districts should fall under LAFCO. Town Attorney Silver said her understanding was that the LAFCO issue was not as significant as some of the other pending issues. She said staff agrees the organizing documents are very important and they are trying to find them.

- (6) Study Session – The PG&E Bankruptcy Implications for Peninsula Clean Energy, CCAs, and the Electric Industry in California.

Vice Mayor Aalfs led a study session regarding the implications of the anticipated PG&E bankruptcy for PCE and others. He explained how Peninsula Clean Energy (PCE) works and how they relate to PG&E. He explained PG&E's business, the context of which is important to understanding what may or may not happen with their bankruptcy.

He explained that PCE is the CCA provider for San Mateo County, serving 97.5% of all accounts in San Mateo County, with the remainder being people who opted to go back to or stay with PG&E. He further described the PCE governance and operations. He explained that PCE is a Joint Powers Authority (JPA) between the County and all 20 cities and towns within San Mateo County. He said PCE does not provide any transportation or distribution service and all PCE customers are also PG&E customers. He explained that PCE contracts for electricity generation and related services and sets its own generation rates through annual action taken by their Board of Directors. He noted that the CPUC does not oversee CCA rates. He said the current policy is that the PCE generation rates are 5% lower for each rate class than PG&E's rates for their default (ECO-PLUS) product. The 100% renewable product (ECO-100) is \$0.01/kWh more expensive than ECO-plus.

Mayor Wengert asked if the long-term goal of the ECO-100 product is to at least meet and not be higher than PG&E. Vice Mayor Aalfs said, depending on the rate class, PCE is actually cheaper than PG&E for certain times of year and times of day. He said that in the long-term ECO-Plus will become ECO-100, with the two rates converging. He said they've maintained the price premium on ECO-100 for the time being, and they've had an internal debate about how long to keep those two separate products when the goal is for all of the energy to be a carbon free and renewable folio standard.

Vice Mayor Aalfs described the avenues through which PCE contracts for electricity, including three- to five-year full-service contracts with electricity service providers, long-term (5 to 20 years) contracts with individual generation facilities, and short-term contracts with other utilities or institutions. He said their procurement policy is to maintain a diversified portfolio with varied providers, varied contract terms, and varied fuel sources.

Vice Mayor Aalfs explained the billing process. He said that PCE customers are eligible for all PG&E programs and that PCE is also introducing its own programs. He said all of PCE's revenues come from the retail sale of electricity purchased through wholesale contracts.

Councilmember Hughes asked for some examples of some of the programs the PCE is providing. Vice Mayor Aalfs said one program just wrapped up at the end of last year was an added incentive for electric vehicles. He said they made deals with a few local car dealers, offering a \$1,000 rebate in addition to all of the State and Federal rebates, along with a negotiated deal with those car dealers for the Chevrolet Volt, which just got discontinued, the Nissan Leaf, and the BMW I-3. He said the program currently being rolled out is an EV infrastructure program where they're working with multifamily housing such as apartments and condominiums to install EV chargers. He said that area is a large gap in the EV infrastructure. He said they are also looking at programs to encourage electrification of EVs as well as water and space heating, incentivizing heat-pump water heaters and heat-pump space heating. He said they are also discussing offering something for electric leaf blowers.

Vice Mayor Aalfs further explained the three methods by which PCE buys power and collects revenues. He shared PCE's financial position from 2016 to present. He showed a chart comparing PCE and PG&E rates and how the fees are broken out.

Vice Mayor Aalfs explained the Price Charge Indifference Adjustment (PCIA), which applies to customers who leave PG&E for a CCA or a Direct Access (DA) provider. Bundled customers (those remaining with PG&E) are not charged extra due to CCA customers departing. The adjustment also compensates PG&E for stranded costs of the departing load. This PCIA is adjusted annually by PG&E, approved by the CPUC, and guided by the PUC.

In response to Councilmember Hughes question, Vice Mayor Aalfs said the PCIA is calculated separately for each CCA and for each class, and it is called vintaging.

Vice Mayor Aalfs described the CPUC PCIA Ruling (Phase 1) in October 2018, which allowed PG&E to include utility-owned generation (UOG) built before 2002 in their PCIA calculations (prohibited by State law); removed a 10-year reimbursement limit for utility-owned generation (also contradicts State Law); and altered the benchmark by which unsold generation is valued, significantly increasing PG&E's calculated losses on excess generation. The net effect is that PCIA charges will increase by ~30% in 2019, and could continue to increase significantly for several years.

Councilmember Derwin asked if anyone was appealing the CPUC PCIA ruling. Vice Mayor Aalfs said some things are being contested in court but it's a difficult process.

Vice Mayor Aalfs described the future PCIA steps (proposed Phase II), including the securitization of excess contracts and public auction of excess capacity or contracts, both of which are part of the next phase of the PCIA proceeding at the CPUC, which will last approximately two years.

Vice Mayor Aalfs explained what is known about PG&E's bankruptcy. He said PG&E is expected to file their first day plan around January 29. Because PG&E estimates approximately \$30B in liability from the fires in 2017 and 2018, approximately \$1B in liability insurance policies, and a current market value of approximately \$3.5B, the bankruptcy is unavoidable. He said they have already started trying to market their Natural Gas Division to make up the shortfall.

Vice Mayor Aalfs described PCE concerns about the bankruptcy. He said PCE will probably still get its money from PG&E. He said there is the possibility of one or more liens being placed against PG&E's incoming revenue, but they expect this issue to be resolved quickly. At any rate, PCE has 180 days of operating reserve, just in case. Regarding the question of whether PG&E will be able to honor its energy contracts with PCE and other CCAs, it is possible that there could be a forced sell-off of contracts or

facilities, but usually the contracts will follow the sale. He said, however, there is a chance of future interruptions that are unknown. Vice Mayor Aalfs said PG&E will almost certainly continue to operate the grid and deliver power because nobody wants to see disruptions.

Councilmember Hughes asked if the power would still stay on if there was any interruption between PCE and PG&E or if PCE had interruptions or failures. Vice Mayor Aalfs said the power would stay on because PG&E is still the provider of last resort.

Mayor Wengert asked what would happen to PCE if someday it was no longer a viable operation, such as in the worst-case scenario where they are cut out by PG&E, or if PG&E refuses to pay PCE and the six months of reserves deplete. Vice Mayor Aalfs said the JPA is there specifically to shield local jurisdictions from liability. He said PG&E or somebody would be out there as the provider of last resort because the generation resources are not going anywhere. Mayor Wengert said ironically PG&E's financial problems could ultimately put them back into the surviving spot.

Vice Mayor Aalfs said he thinks PCE will continue to operate, PG&E will keep operating with few interruptions, and their rates will probably increase.

He described the typical steps in a bankruptcy – Filing for Chapter XI and then bankruptcy court to approve the sales of assets, approve restructuring of debt, and prioritizing creditors and expenses.

Mayor Wengert asked what PCE's credit balance is with PG&E. Vice Mayor Aalfs said it's like a working capital budget where they accrue costs. At any given time, he said the monthly revenue is about \$20M, and PG&E probably holds about 1 to 1-1/2 months of their revenue, so at any given time PG&E may have an accrued deficit to PCE of between \$20M and \$40M.

Vice Mayor Aalfs said PG&E is apparently talking about breaking up some of its units, making them subject to more limited, California-only liability.

Vice Mayor Aalfs said the less typical steps, because it's a public benefit monopoly, is that the legislature will almost certainly pass bills related to PG&E's reorganization. He said SB901 (2018) allowed PG&E to pay fire liability claims through rate increases to customers, which was intended to reassure PG&E creditors in wake of 2017 fires (before 2018 fires started). He said that possible future legislation includes (but is not limited to) protection for fire victims, changes in PG&E's regulatory status, and significant changes in PG&E's business model.

Vice Mayor Aalfs said, from PCE's perspective, it is possible that the legislature will finally force PG&E to manage/prune its generation portfolio, including cancelling non-performing contracts, renegotiating current contracts, and directing the sales of some generation facilities, which would change the PCIA significantly. He said they may raise money to address liabilities and costs to ratepayers, and/or create a public market to sell excess contracts.

Vice Mayor Aalfs described the most extreme reform imagined, where PG&E becomes a "wires-only" company and cancels or sells all their generation contracts or spins them off into a separate company. The question would then be who becomes the provider of last resort. He said maybe more CCAs would crop up and take over or all of PG&E's territory could become CCA territory. He said if the legislature sends the right signal in terms of regulation and laws going forward, it may encourage CCAs to form. He said if PG&E gets out of the generation business and the exit fee goes away, there will be a whole new playing field in terms of buying the new, cheap renewable generation that's out there. He said the CCAs may ask that from the legislature, but he thinks it is unlikely to go that far. Vice Mayor Aalfs explained the Distribution System Operator (DSO) model, comparable to CAISO's role in the transmission grid.

Vice Mayor Aalfs said the future grid looks to be decentralized with a lot more local energy resources, more local wind and solar, more local storage, demand management, and microgrids (single meter and community). He said the transmission grid cannot ever be made risk free, but the risk of fire can be substantially reduced. He said that by creating and expanding local resilience and short-term energy independence, we can allow the transmission grid to be shut down during high-risk periods (Red Flag wind alerts, high fire periods) without losing all local power.

Vice Mayor Aalfs said that PG&Es bankruptcy and whatever reform comes out of it could eliminate a lot of obstacles toward the future grid.

A woman from the audience asked about geothermal. Vice Mayor Aalfs said he loves geothermal, but there is not a lot of it, less than 2% of California's capacity. He said it is a good source of power, constant, and carbon free. He said there is geothermal in Lassen. He said Imperial Irrigation District is trying to expand the thermal down by the Salton Sea. He said there is not a lot more potential for it and most of it is under contract for a long time. With regard to geothermal systems on homes, Vice Mayor Aalfs said they are very expensive and a smaller scale solution. Councilmember Richards said geothermal is not very effective in our climate.

(7) Report by Assistant to the Town Manager – Review of Software

Assistant to the Town Manager de Garmeaux described the background, the historic perspective on software growth and review of current software in use, guiding philosophy on software purchases, review of recently implemented software, and future software needs, as detailed in the staff report. Staff recommended that the Town's software inventory be reviewed by Council during the first budget discussion in June.

Councilmember Hughes said there are two or three things he will follow up on with staff. He said it will be a complicated process to make Access in its current form work on modern systems. He said he also has a couple of questions on some security and line items.

Vice Mayor Aalfs said he likes seeing it organized this way and it will be very helpful going forward.

Mayor Wengert suggested staff provide an estimate of cost and the timing of the future software programs to construct a future capital projection.

Mayor Wengert said it is astounding that the software costs have tripled in two years. Councilmember Richards said it illustrates how dependent the Town is on the software. Councilmember Hughes said the flip side is that the staff cost has probably gone down about the same as the software costs have gone up. Assistant to the Town Manager de Garmeaux said she looks at the cost increases as the contracts come up for renewal. She said the website originally wanted a 6% increase per year and she got them down to 3.5%. She said she did not negotiate the Accella contract and it has an automatic 7% increase per year, which is twice the CPI. She said it is important to keep an eye on the automatic increases and negotiate them down. Mayor Wengert said it may also be helpful for the chart to indicate the duration of the remaining contracts.

(8) Appointment by Mayor – Council Liaison Appointments for 2019

Councilmember Hughes moved to approve the Council Liaison Appointments for 2019, as amended. Seconded by Councilmember Richards; the motion carried 5-0.

(9) **COUNCIL LIAISON COMMITTEE AND REGIONAL AGENCIES REPORTS**

Councilmember Richards – Attended County Emergency Services Council meeting where they had a presentation by the Public Health Department where they discussed that N95 masks should not be handed out because they have been determined to require expert fitting and can cause other health issues. They decided to create a subcommittee to work with the Health Department to come up with a way to provide some help to people. They also discussed SB-821. He said Belmont HAZMAT is now expanding to 30 members, which will cause a budget increase. They also received a report from the Red Cross. He attended the Conservation Committee meeting. He said they did a site review of a new house on Golden Oak that had every inch of the property covered with some kind of planting, all irrigated, mostly non-native. A teenager from Hillsborough attended the Conservation Committee meeting and would like to make and donate owl boxes. He attended the Emergency Preparedness meeting where they got a new member.

Councilmember Hughes – Attended a Trails and Paths Committee meeting where they are looking at better instructions for residents for driveway scoring, maintenance items, a project on Meadowood with a sewer extension that caused trail erosion and other trail issues. He attended a Finance Committee meeting where they reviewed the draft of the auditor's report for last year. Councilmember Hughes said it is one of the clearest audit reports he's ever read for the Town. All of the Committee members re-upped. Bill Urban, who has been Chair for five or six years, handed over the Chair to Lucy Neely. Mr. Urban will continue as Vice Chair. Councilmember Hughes said the transition from Bank of America to Tech Credit Union is up and running and will save the Town approximately \$28,000 in fees this year. He said there was a report from the investment portfolio that after transferring \$500,000 from LAIF into the new investment portfolio and, contrary to expectations, the principle in the fund has actually gone up. The Finance Director is considering increasing the amount transferred to the new investment portfolio. They discussed possible opportunities to create trust funds in order to reduce retirement liability costs.

Councilmember Derwin – Attended a C/CAG Legislation Committee meeting. She said the new Governor is putting \$1B into incentives for housing. He also wants to tie the SB-1 money so that if you're not producing housing, you don't get the SB-1 money. They discussed the CASA Compact. Senator Weiner will attend the Legislation Committee meeting next month. Councilmember Derwin attended the C/CAG meeting where the Board endorsed the Flood and Sea Level Rise Resiliency Agency. They also reviewed the Transportation Program's Climate Impact Report. They then heard the update on the US 101 Managed Lanes Project. Councilmember Derwin also attended a Resource Management and Climate Protection meeting where they gave an update on the Energy Water Strategy 2025. There was a presentation by Clean Coalition about smart grid technologies. She said DWR released the groundwater priorities about the basins and gave Portola Valley low priority. She attended a "Coffee with Assemblymember Mark Berman" with Mayor Wengert, Assistant to the Town Manager de Garneau, and Town Manager Dennis. She attended the January 15 Planning Commission meeting, the fifth meeting concerning ADUs. She said the main concerns have been the 1,700 square foot maximum on certain eligible properties, the separate driveways and mailboxes, and the perception of inadequate notice. Councilmember Derwin said the staff and Commissioners did an amazing job. She did not stay for the entire meeting. Town Attorney Silver said the Commission was nearly ready to take a vote but it was so late and after having received public criticism for the perception of the Commission acting too swiftly on this issue, the Commission decided to have one more meeting.

Vice Mayor Aalfs – Reported that Measure Z passed so the School District will move forward with the bond issue. He said they just now getting together their Bond Oversight Committee. He recommended Mayor Wengert to be on the committee. Superintendent Eric Hartwig announced that he would be leaving at the end of the school year.

Mayor Wengert – Attended the "Coffee with Assemblymember Mark Berman" along with Councilmember Derwin. She said she is going to a Home for All meeting tomorrow morning.

Assistant to the Town Manager de Garneau said they will be mailing out a postcard regarding the ADU issue when it goes to Council.

(10) Town Manager Report – Public Works Director Young reported the town fared well during the recent storms. He said an electric pole went down on Alpine and Willowbrook and PG&E took care of the following day. He said there was a 12-hour power outage at the Ranch and Corte Madera. He said there were no reports on flooding.

Assistant to the Town Manager de Garneau reported that during the recent storms and power outage, residents from the PV Ranch visited Town Hall and voiced concern for residents who required medical devices that are electrically powered. Assistant to the Town Manager de Garneau said she wants to talk through with the Emergency Preparedness Committee the possibility of opening up the Community Hall for this type of future need.

Public Works Director Young and Assistant to Town Manager de Garneau spoke with Woodside Fire Protection District about whether or not an SMC Alert should have been sent out regarding the recent road closure. She said they were in close contact with the Fire Marshal and decided that it was unnecessary because it was so isolated.

WRITTEN COMMUNICATIONS

(11) Town Council Digest – January 11, 2019

#6 – Invitation to Council of Cities Dinner Meeting – City of Burlingame – Friday, January 25, 2019. Mayor Wengert and Councilmember Derwin will attend.

(12) Town Council Digest – January 27, 2019

None.

Vice Mayor Aalfs asked Town Attorney Silver if neighborhoods could actually form HOAs to block the building of ADUs. Town Attorney Silver said they can, subject to city rules; however, if they want to form something that is more restrictive, which regulated size of homes or accessory structures, they can do it. She said there are some subdivisions that already have ADUs and people who want to build them so the bylaws would need to be amended. Councilmember Hughes said if State law says any house can have an ADU then the HOA must allow it. Town Attorney Silver said that is not true. She said that would not be considered preemption because it's a voluntary restriction on personal property to not allow the exercising of a property right. She said as long as you agree to it voluntarily through the CC&Rs, it would probably stand. Councilmember Derwin said if Portola Valley is not building enough housing resulting in the loss of the SB-1 funds for the roads, which will not be good. She said one way or another the Town must produce housing.

ADJOURNMENT [9:35 p.m.]

Mayor Wengert adjourned the meeting.

Mayor

Town Clerk