

## Attachment B: Proposed 2007 Electric Supply Objectives and Guidelines

### Primary Portfolio Planning Objectives

- Objective 1: Provide competitive and predictable supply cost while balancing environmental, local reliability, rate and cost impacts.
- Objective 2: Maintain a supply portfolio cost advantage compared to wholesale electricity market cost
- Objective 3: Enhance supply reliability to meet City and customer needs by pursuing opportunities including transmission system upgrades and local generation.
- Objective 4: Act to maintain the City Council's ability to exercise local control of decision making related to all aspects of serving customer energy needs

### LEAP Guidelines

#### Guideline 1: Resource Loading Order

Manage a supply portfolio comprising locally selected and joint action cooperative purchases, with the following preference hierarchy for resource acquisition:

- A. Efficiency
- B. Renewable Supply
- C. Local Ultra-Clean Distributed Generation
- D. Conventional Supply

#### Guideline 2: Hydro Resource Management

Manage hydroelectric supply resources by:

- A. Planning for an average hydro year on a long-term basis;
- B. Maintaining the flexibility to adopt hydro resource management products;
- C. Maximizing value of the Western and Calaveras resource; and
- D. Maintaining adequate supply rate stabilization reserve to manage hydro production volume uncertainty.

#### Guideline 3: Energy Risk Management

Manage supply cost uncertainty and risk by:

- A. Implementing the City's Energy Risk Management Policies and Guidelines;
- B. Maintaining an adequate pool of credit-worthy suppliers;
- C. Diversifying supply purchases across commitment date, start date, duration, suppliers, pricing terms and fuel sources;
- D. Maintaining a prudent exposure to changing market prices; and
- E. Maintaining adequate supply rate stabilization reserves to manage market, credit, and other uncertainties.

#### Guideline 4: Market Design, Transmission and Resource Adequacy

Ensure the reliability of supply at fair and reasonable transmission and capacity costs by:

- A. Actively participating, as an individual entity and also through collaborative efforts with other entities, in local, regional, statewide and federal regulatory and legislative forums. Supporting, through legislative, regulatory and technical advocacy and/or direct investment, the upgrading of Northern California transmission to improve reliability and to relieve both congestion and local capacity costs;

- B. Participating in transmission and reliability market design forums to ensure that adopted market designs result in adequate reliability, workably competitive markets and equitable cost allocation;
- C. Implementing the City of Palo Alto Electric Utility Resource Adequacy Program;
- D. Participating in Joint Action Agencies to optimize value of City-owned transmission assets and ensure compliance with FERC regulations;
- E. Supporting, through legislative, regulatory and technical advocacy, the development and availability of long-term transmission rights to serve load; and
- F. Evaluating interconnection options to the City to increase service reliability and lower delivery costs.

**Guideline 5: Local Generation**

- A. Promote and facilitate deployment of renewable resource supplies by providing expertise, education, incentives and rates to support customer-owned solar power systems, and demonstrating renewable generation technologies.
- B. Promote ultra-clean distributed generation incentive program

**Guideline 6: Renewable Energy Supply**

Reduce electric portfolio dependence on fossil fuels by meeting at least 80% of City's long term energy needs from non-fossil and non-nuclear supply.

- A. Renewable Portfolio Standard: In addition to the voluntary program, the City shall invest in new renewable resources to meet the City's sustainability goals while ensuring that the retail rate impact does not exceed 0.5 ¢/kWh on average.
- B. Pursue a target level of new renewable purchases of 20% of the expected portfolio load by 2008 and move to a 30% target by 2012 and 33% by 2015. The contracts for investment in renewable resources shall not exceed 30 years in term.
- C. Palo Alto Green: In addition to the renewable portfolio standard, the City shall continue to offer a renewable resource-based retail rate for all customers who want to voluntarily select an increased content of non-hydro renewable energy.

**Guideline 7: Electric Energy Efficiency and Demand Reduction**

- A. Fund innovative programs that promote and facilitate deployment of all cost-effective, reliable and feasible energy efficiency and demand reduction opportunities as high priority resources.
- B. Use a community-wide perspective in program evaluation criteria.
- C. Use a bill reduction (utility cost) perspective in program funding criteria.
- D. Promote equity by designing and making programs available to all customers

**Guideline 8: Climate Action Plan**

As part of the City's commitment to develop and implement an action plan to reduce greenhouse gas emissions, develop and implement a Climate Action Plan relating to utility activities.

- A. Consider all Mayor's Green Ribbon Task Force utility-related recommendations.
- B. The plan shall be consistent with the California Municipal Utilities Association Greenhouse Gas Reduction Principles.
- C. Take actions to meet ICLEI Cities for Climate Protection Campaign milestones.
- D. Coordinate with and support Climate Action Plan efforts of other departments.