

Attachment C: 2002 Council Approved Electric Supply Objectives and Guidelines

The City Council approved four Primary Portfolio Planning Objectives on November 13, 2001 (CMR:425:01)

- Objective 1: Ensure low and stable electric supply rates for customers.
- Objective 2: Provide superior financial performance to customers and the City by maintaining a supply portfolio cost advantage compared to market cost and the retail supply rate advantage compared to PG&E.
- Objective 3: Enhance supply reliability to meet City and customer needs by pursuing opportunities including transmission system upgrades and local generation.
- Objective 4: Balance environment, local reliability, rates and cost impacts when considering renewable resource and energy efficiency investments.

The City Council approved seven LEAP Guidelines on October 21, 2002 (CMR:398:02).

- Guideline 1: Electric Portfolio Dependence on Western
While maintaining the flexibility to adopt favorable ‘custom products’ offered by Western, manage a supply portfolio independent of Western beyond the Base Resource Contract.
- Guideline 2: Hydro Risk Management
Manage hydro production risk by:
 - A. Planning for an average hydro year on a long-term basis;
 - B. Diversifying to renewable and/or fossil generation technologies; and
 - C. Maintaining adequate supply rate stabilization reserve.
- Guideline 3: Market Risk Management
Manage market risk by adopting a portfolio strategy for electric supply procurement by:
 - A. Diversifying energy purchases across commitment date, start-date, duration, suppliers, pricing terms and fuel sources;
 - B. Targeting additional thermal plant ownership/investment commitment at ~25 MW but in no event more than 50 MW;
 - C. Maintaining a prudent exposure to changing market prices by:
 - 1. Procuring resources at fixed price for at most 90% of expected load for 2 or more years out, assuming average hydro conditions; and
 - 2. Procuring resources at fixed price for at most 75% of expected load for 5 or more years out, assuming average hydro conditions; and
 - D. Avoiding contract-based fixed price energy purchases (except for contracts for renewable resources) for durations greater than 10 years.

Guideline 4: Reliable and Cost Effective Transmission Services

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

- A. Supporting, through political and technical advocacy and/or direct investment, the upgrading of Bay Area transmission to improve reliability and relieve congestion;
- B. Participating in transmission market design to ensure that market design results in workable competitive markets and equitable cost allocation;
- C. Pursuing the option of forming and/or joining a Public Power Transmission Control Area to increase control over transmission operations and related costs; and
- D. Ensuring PG&E honors the Stanislaus Commitments by providing to us firm-transmission rights or equivalent.

Guideline 5: Local Generation

Monitor the potential of local generation options to meet customer needs, improve local reliability, minimize congestion and wheeling charges, and stabilize/reduce costs.

Guideline 6: Renewable Portfolio Investments

The City shall continue to offer a renewable resource-based retail rate for all customers who want to voluntarily select an increased content of renewable energy. 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. Pursue a target level of new renewable purchases of 10% of the expected portfolio load by 2008 and move to a 20% target by 2015, contingent on economic viability. The contracts for investment in renewable resources are not to exceed 30 years in term.

Guideline 7: Electric Energy Efficiency Investments

Offer quality Public Benefits programs, utilizing funds collected through the 2.85% Public Benefits charge embedded in electric retail rates, to meet the resource efficiency needs of customers. Additional funding for cost-effective programs will be recommended as appropriate. Pursue these investments by:

- A. Providing expertise, education and incentives to support cost-effective customer efficiency improvements;
- B. Demonstrating renewable and/or alternative generation technologies and new efficiency alternatives; and
- C. Providing rate assistance and efficiency programs to low-income customers.