TO:  HONORABLE CITY COUNCIL
FROM:  CITY MANAGER        DEPARTMENT: UTILITIES
DATE:  MAY 10, 2004                  CMR:246:04

SUBJECT:  UTILITIES STRATEGIC PLAN PERFORMANCE REPORT, JULY 2003 THROUGH DECEMBER 2003

This is an informational report and no Council action is required.

BACKGROUND

On May 21, 2001, the City Council approved the Utilities Strategic Plan Implementation Plan (CMR:223:01) and directed staff to make periodic progress reports on the performance of the Utilities in meeting the objectives of the strategic plan. Staff committed to update the Utilities Advisory Commission (UAC) and City Council twice per year. This report is report #6.

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The attached March 3, 2004 report, covering July 2003 through December 2003, provides key accomplishments and activities as well as key performance measures for each of the strategic objectives. The report also includes discussion of the development of an overall
“balanced scorecard” approach to measuring and reporting the Utilities Department’s progress in achieving the Strategic Plan Objectives, and application of this measurement methodology to identify and implement action plans to improve shortcomings.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS

The Utilities Strategic Plan performance report was discussed at the March 3, 2004 UAC meeting. Comments were generally positive and indicated that the Commission felt that staff is moving in the right direction. Key commission questions and comments are summarized below with staff responses.

1. Can you explain the reason behind receiving a negative score for the business customer perception of reliability performance score?

The negative score received for this area is carried over from the prior report for the period covering January 2003 to June 2003, and should have probably been reported as a “0”, indicating no change since the last report. The negative score received in the prior report was a result of a bi-annual survey of California Businesses that RKS conducted in the spring of 2003 of all California Municipal Utility (CMUA) members. In the October UAC report, staff showed that, although overall CPAU scores ranked higher than other California Munis and NCPA pool members in general, Palo Alto business customers awarded CPAU a lower than average score in reliability, based primarily on their recollection of how many service disruptions and/or power quality interruptions they had experienced during the year. To mitigate the negative score, CPAU developed an action plan, which includes reporting the System Average Interruption Duration Index (SAIDI) in two ways: with and without storm related outages. Doing so makes benchmarking against other municipal utilities and California Investment Owned Utilities (IOU’s) more in line with industry standards. Additional tasks listed under this action plan can be found on page 13 of the March 2, 2004 Strategic Plan update report.

2. The safe workplace issue seems to come up in each update report. Is zero accidents a realistic number to achieve for this performance measure?

The safe workplace will always show a negative score until the goal of zero accidents is reached which staff believes will be difficult to achieve. Expectations of a safe workplace, and working towards that by providing employees the proper
tools and equipment, training, and an environment is conducive to a safe work environment.

3. *In the Financial Perspective, under the cost-effective and efficient heading, staff only reports on the number of customers per employee for the electric utility. Is there a reason why the same cannot be reported for the gas and water utilities?*

   Although similar data for water and gas is available, currently staff is not aware of any industry benchmarks that can be used to compare CPAU’s customers per-employee ratios for water and gas for this performance measure. Staff will begin reporting this ratio for all commodity customers, and for the time being there will only be a comparison shown for the electric utility, as there is an APPA benchmark that is updated annually that can be used.

4. *It would be useful to include the prior period’s performance scores in the Balanced Score Card tables to measure progress.*

   A column will be added to the Balanced Score Card tables to show the prior period’s performance scores beginning with the October UAC update report.

5. *Why is CPAU’s customer accounting ratio so much higher than that compared to the benchmark?*

   The customer accounting ratio measures the average expenses incurred by the utility in handling each customer’s account, and include the costs of obtaining and servicing all retail customers. These costs include but are not limited to costs of labor, material, advertising, billing, collections, records, handling inquiries and complaints, meter reading, and uncollectible accounts expenses.

   Part of the difficulty in coming up with an accurate ratio on the electric side, for example, is separating all of the complex customer account costs in CPAU’s financial statements that are otherwise co-mingled between the three commodities of electric, gas and water. This is easier to do when the utility is providing only one or two commodities.
6. Can you briefly explain what the City facilities efficiency improvements measure is and why it is being transferred to Public Works?

The fact that the activities described in this performance measure are being transferred to Public Works does not mean that the City is giving up its energy efficiency efforts, rather the utility has stopped being the prime driver for such efforts. During the height of the energy crisis, CPAU participated with the City’s General Fund to identify and capture fairly significant amounts of energy savings, and sponsored many improvements across 69 City buildings through the Public Benefits Programs or through state funds. The remaining work is fairly technical opportunities, best handled by the Public Works Department.

RESOURCE IMPACT
This report has no direct resource impact.

POLICY IMPLICATIONS
This report supports the existing Council-approved Utilities Strategic Plan (CMR 432:02) and Utilities Strategic Implementation Plan (CMR:223:01).

ATTACHMENTS
B: Minutes from UAC Meeting March 3, 2004

PREPARED BY:
_________________________________
Taha Fattah
Senior Market Analyst

DEPARTMENT HEAD:
_________________________________
JOHN ULRICH
Director of Utilities

CITY MANAGER APPROVAL:
_________________________________
EMILY HARRISON
Assistant City Manager