TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: UTILITIES

DATE: DECEMBER 12, 2005

CMR: 446:05

SUBJECT: UPDATE ON THE PALOALTOGREEN PROGRAM

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

BACKGROUND

On June 1, 2003, The City of Palo Alto Utilities (CPAU) started a voluntary program offering a renewable energy option to all resident, business, and industrial customers located within its service territory. PaloAltoGreen was designed in response to many residential and several commercial customers indicating a preference to purchase green power from the CPAU. The initial renewable energy program, Future Green, performed below CPAU hopes and expectations.

The PaloAltoGreen Program purchases renewable energy certificates (also known as green tags, or credits) generated from a combination of 100% new, local and regional green energy resources, including wind from the northwest and local solar power. The green energy content is composed of 97.5% wind energy generated from wind farms near the Columbia River between Oregon and Washington and in the southwestern portion of Wyoming. New solar photovoltaic projects in the Bay Area generate the remaining 2.5%.

PaloAltoGreen is offered at a small surcharge premium of 1.5 cents per kilowatt-hour (kWh). For the average Palo Alto household using 650 kilowatt-hours per month, PaloAltoGreen participants will pay an additional $9.75 per month.

In 2003, the program enrollment initial goal was to achieve a 5% participation level (1,375 of the 27,500 electric accounts) within the first year. This rate is significant because it places PaloAltoGreen on the National Renewable Energy Laboratory “Top Ten Green Energy Programs” list, based on participation level.
**DISCUSSION**

The primary objectives for offering a green power program are to enhance customer satisfaction by providing the customer an opportunity to participate in funding renewable resources, to raise the level of customer loyalty to CPAU by creating an “environmental choice,” and to improve the natural environment by promoting renewable energy. Since the start of PaloAltoGreen, now in its third year, the program has delivered remarkable results and has truly become a community program as seen by the over 300 yard signs customers have chosen to display throughout the city. The following is a summary of key achievements and milestones since the last update.

**Enrollment:**
- Current participation level is 13% (3,600 participants) of all electric accounts.
- PaloAltoGreen surpassed the 10% level (2,750 participants) in the first 18 months of the program, achieving the fastest enrollment rate ever for a green pricing program.
- After reaching 10%, PaloAltoGreen officially set a 15% (4,125 participants) enrollment goal and is on track to reach this by June 2006.

**Awards and Recognitions:**
- The Department of Energy (DOE) National Renewable Energy Laboratory (NREL) released a list of the 2004 Top Ten U.S. Utility Renewable Power programs. The PaloAltoGreen Program ranked second, based on the percentage of electric utility customers participating.
- Best-in-Nation Program: PaloAltoGreen received the United States Environmental Protection Agency (EPA) and the DOE 2004 Green Power Leadership Award for Green Power Program of the year. The Award was presented at the National Green Power Conference in Albany NY. The PaloAltoGreen Program was also highlighted at this conference on a green pricing panel where City staff were able to share best practices with other utilities.
- PaloAltoGreen received the J. Robert Havlick Award for Outstanding Achievement in Local Government Innovation from the Innovation Group (IG) in June 2005. IG’s purpose is to assist local governments build and sustain the capacity to be innovative.
- Local non-profit Acterra recognized PaloAltoGreen with its Business Environmental Award for Environmental Enterprise. The Award was presented to PaloAltoGreen in April 2005 at a ceremony at HP Palo Alto, a proud participant in the PaloAltoGreen Program.
- American Public Power Association (APPA), a nationally recognized organization, awarded PaloAltoGreen with the 2005 Energy Innovator Award. APPA recognized PaloAltoGreen for having a green pricing program model that other utilities across the country could duplicate. The Award was given to PaloAltoGreen during the annual APPA National Conference in Anaheim CA in June 2005.
- APPA awarded a DEED Grant to CPAU in conjunction with Western Area Power Administration (WAPA) for a comprehensive resource guide “Best Practices in Green
Power Programs.” The guide is intended to serve municipal utilities in improving marketing decision-making for green power programs.

- APPA also awarded Stanford University student Oren Ahoobim a $4,000 student research grant for a PaloAltoGreen project, Understanding Customer Preferences and Usage Patterns in Green Power Programs.

Corporate:

- Roche made a large commitment to PaloAltoGreen for 164 Megawatt-hours per year, equivalent to the annual output of one 500 KW wind turbine, or enough power for 21 homes. Roche will also use its commitment to obtain credit for the Leadership in Energy and Environmental Design (LEED) certification for commercial buildings.
- CPAU held a Corporate Recognition Luncheon to showcase PaloAltoGreen corporate customer commitments. Attendees included Lockheed Martin, Palo Alto Medical Foundation, Agilent Technologies, Roche, Garden Court Hotel, as well as Mayor Bern Beecham and County Supervisor Liz Kniss.
- While corporate participation accounts for less than one half of one percent of all participants, the amount of energy purchased on their behalf is equal to one third of total program sales or 2% of total City load.

Local Generation Update:

- Palo Alto Unified School District Board approved the sale of its solar renewable energy certificates from the new 20 kilowatt solar electric system on the Escondido School to 3Phases Energy for the PaloAltoGreen Program. This purchase is significant because it shows how the PaloAltoGreen Program can directly help to bring new, clean solar generation to the Palo Alto community.

Future Plans:

- Reach 15% goal by June 2006
- Enhance commercial customer sign up
- Explore cost reductions to lower customer premium rate
- Expand local resources
- Continue innovative program marketing and increase overall participation.

RESOURCE IMPACT

PaloAltoGreen is a cost pass-through voluntary program, and there is no net impact on CPAU financial resources. Originally, staff anticipated that 2% to 5% of residential customers would be likely to participate in “PaloAltoGreen,” leading to additional premiums revenue and equivalent expenditures of up to $120,000 annually. Currently, PaloAltoGreen has a 13% overall participation rate and based on further analysis, staff estimates that an additional participation rate of 4% is expected from the residential customer base within the next two years. Commercial, industrial and institutional participation is estimated to be roughly one third of the residential consumption, with projected average annual revenues of ~$120,000. Projected total five-year contract costs are $1.89 million, with matching revenues of $2.04 million. The net revenue will be applied to cover program administration.
POLICY IMPLICATIONS

PaloAltoGreen supports Utilities Strategic Plan Objective No. 1, to enhance customer satisfaction by delivering valued products and services. It also supports key strategy No. 4, to deliver products and services for competitive markets; and strategy No. 7, implement programs that improve the quality of the environment.

PaloAltoGreen supports the City of Palo Alto Sustainability Policy Statement adopted April 2, 2001 [CMR 175:01], and the Comprehensive Plan Goal No. 9, “a clean, efficient, competitively-priced energy supply that makes use of the cost-effective renewable resources.”


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