

MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: JANUARY 18, 2018

SUBJECT: 2018 Utilities Strategic Plan

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REQUEST

Staff request that the Utilities Advisory Commission (UAC) recommend Council approval of the 2018 Utilities Strategic Plan (Attachment A).

SUMMARY:

Over the past year, staff has been actively engaged with internal and external stakeholders in updating its strategic planning document with a renewed focus on its strategic destination and specific actions and/or initiatives to be carried out by staff over the next three to five years. The proposed 2018 Utilities Strategic Plan (“Strategic Plan”) is intended to achieve the City of Palo Alto Utilities’ (CPAU) mission to provide safe, reliable, environmentally sustainable and cost effective services.

Four high priority focus areas were identified related to workforce, internal and external stakeholder collaboration, technology and management of finances and resources. These four priorities reflect the needs of the organization and customers and transformation of the utilities industry. Multiple strategies and tactical actions were developed to effectively meet each priority. Collectively, these priority focus areas along with the Utilities’ mission statement, strategic destination, strategies, actions and key performance indicators (KPI) make up the 2018 Utilities Strategic Plan.

The goal of the Strategic Plan is to ensure maximum alignment between CPAU’s resources and activities with the City Council’s policy direction and to guide CPAU in successfully advancing the City’s vision and priorities over the next three to five years. The Strategic Plan is not intended to be an exhaustive list of the activities undertaken by staff on a day-to-day basis to provide electric, natural gas, water and fiber services to its customers, but rather a plan to focus on key challenges and priorities. Approval of the Strategic Plan is necessary to provide CPAU with a cohesive roadmap to better meet the needs of its community, customers and employees now and in the future. Staff will provide the UAC and Council annual updates of the strategic plan including status of actions and/or initiatives, KPI metrics, and recommended changes.

BACKGROUND

On July 18, 2011, Council approved the 2011 Utilities Strategic Plan (Staff Report #1880). Council updated the Strategic Plan through approval in August 2013 (Staff Report #3950) and May 2015 (Staff Report #5709). The latest version of the 2011 Utilities Strategic Plan is provided for in Attachment B.

Recognizing that several internal and external factors have significantly changed since staff last went through an extensive strategic planning process in 2011 and that the utility industry continues to increase in complexity, staff felt the necessity to develop a new Strategic Plan rather than an update of the existing plan. As such, in early 2017, staff began the process to develop the 2018 Utilities Strategic Plan (“Strategic Plan”) and at its February 2017 UAC meeting, staff officially kicked-off the process.

Staff retained the consulting services of NewGen Strategies and Solutions to facilitate the development of the Strategic Plan including internal and external stakeholder engagement; identification of strengths, weaknesses, opportunities and threats; and the development of strategies, actions and key performance indicators. BluePoint Planning was also retained to coordinate employee engagement which included an in-depth assessment of employee needs and concerns. BluePoint also assisted in identifying values to better reflect the CPAU’s organizational cultural and to align with the City’s stated values.

A core planning team comprised of over 25 CPAU employees representing various functions and levels throughout the organization was formed to develop the Strategic Plan to address various dimensions of utilities and to confer with the larger staff throughout the process. Multiple meetings were held with employees, UAC, key customers and community advocates to both inform of the process and solicit input.

Throughout the development process the UAC has had several opportunities to provide input through regular UAC meetings and at a special UAC meeting held in October 2017, used to get broad community feedback. Workshop participants were given an opportunity to speak directly with staff and UAC members with respect to the department’s mission, strategic destination and on the four priority areas.

Additionally, at its December 6, 2017 UAC meeting, staff presented a draft of the Strategic Plan for discussion and feedback. In general, the UAC was supportive of staff’s proposal; however raised concerns about the magnitude of initiatives identified. Included in the UAC’s January 18, 2018 packet are the draft minutes from the December 2017 UAC meeting.

Commissioner Schwartz noted a major barrier for many utilities has been the tendency for operations to occur in silos and inquired how it can be addressed under the collaboration priority focus area. In order to deliver high quality services, CPAU will take a customer-focused and inter-departmental approach in designing the programs and assisting customers with the decision-making process. Commissioner Schwartz recommended using “journey-mapping” to help break down silos and to view services from the customer’s standpoint.

Commissioner Forssell inquired about the measurement of collaboration. Staff will explore various survey methodologies to assess employee satisfaction, internal collaboration, customer's interest and awareness, and customer engagement with staff.

Commissioner Johnston provided staff with written feedback with suggested changes and questions related to the technology priority focus area. Most notably, Commissioner Johnston raised concerns about the amount of time it will take to implement a smart grid. Staff recognizes Commissioner Johnston's desire to move up the deployment of automated metering infrastructure (AMI) system; however the City is in the process of implementing a new Enterprise Resource Planning (ERP) and Customer Information System (CIS). Both these projects require significant planning, communication and extensive internal staffing. To ensure a successful AMI deployment, both the ERP and CIS systems must be stable before integrating with the AMI system and therefore the timeline identified in both the Strategic Plan and the Technology Roadmap is necessary.

DISCUSSION

The proposed Strategic Plan is significantly different from the current strategic plan, which focuses more on maintaining and/or improving operational and customer performance measures where needed now and with less emphasis on future conditions such as infrastructure replacement, workforce development and emerging technologies. The new plan turns more attention to the future and the rapidly evolving market and what CPAU must do to remain successful and meet customer evolving needs. Key elements of the Strategic Plan include:

1. Mission Statement;
2. Strategic Destination Statement;
3. Organizational Culture and Values; and
4. Priority Focus Areas – Strategies, Actions and KPIs; and

The attached Strategic Plan provides a high level summary of the stakeholder process undertaken to develop the plan, identification of key drivers, strengths weaknesses, opportunities, threats and priorities along with detailed strategies and actions. The following is a discussion of the key components of the Strategic Plan.

1. Mission Statement

The mission statement should be enduring and reflective of the manner in which core utilities services are delivered to its customers. The current mission statement reads as follows:

The City of Palo Alto Utilities' mission is to provide safe, reliable, environmentally sustainable and cost effective services.

Staff proposes no modifications to the current mission statement thus reaffirming the significance of the statement in achieving CPAUs' goals.

2. Strategic Destination Statement

The strategic destination is a high level statement reflecting how staff will work together to meet current and future community and stakeholder needs. The proposed statement is as follows:

At CPAU, our people empower tomorrow's ambitions while caring for today's needs! We make this possible with our outstanding professional workforce, leading through collaboration and optimizing resources to ensure a sustainable and resilient Palo Alto.

The statement was developed after various iterations taking into consideration input from employees and community stakeholders. The statement is intended to reflect the balance of limited resources, environmental sustainability and the need to achieve core services with the community's desire for innovation and increasing levels of services.

3. Organizational Culture and Values

CPAU has an adopted a set of values which are intended to reflect key characteristics important to individual employees, and if met, define the department's culture. Additionally, the City has its own set of defining values, which it promotes as part of an overall organizational culture. Through surveys and small group meetings, employees were asked to identify specific work characteristics and values that resonate most with them and should be included as part of CPAU's organizational values. CPAU's new set of values, represent employee feedback and align with the City's values, as follows:

City's Values	Current CPAU Values	New CPAU Values
Quality	Honesty and Integrity	Quality
Courtesy	Teamwork	Courtesy
Efficiency	Accountability	Efficiency
Integrity	Quality of Service	Integrity
Innovation		Innovation
		Respect
		Teamwork
		Accountability
		Reliability
		Safety

These values will define CPAU's culture, be promoted throughout the organization through its actions, and expected from each individual employee. Elements of meeting the values are included throughout the Strategic Plan.

4. Focus Priority Areas

The four priorities – 1) Workforce; 2) Collaboration; 3) Technology; and 4) Resources and Finances are the areas necessitating increased staff focus to achieve CPAU's current and future goals and objectives. Strategies and tactical actions have been identified for each priority and those to be implemented in the next 12 to 18 months are highlighted. The Strategic Plan also includes KPIs which are intended to track performance towards each priority and such performance will be periodically reported to the UAC and Council. Attachment A contains the

detailed strategies, actions and KPIs per priority focus area. The following is a summary of the need for the four priority focus areas and CPAU's needs.

Priority #1- Workforce

We must create a vibrant and competitive environment that attracts, retains, and invests in a skilled and engaged workforce.

CPAU along with other utilities providers throughout the state and country struggle with attracting and retaining a skilled workforce. For Palo Alto, this is even more complicated as the cost of living and/or relocating to the Bay Area is among the highest in the nation. The Workforce focus area reflects the need to improve retention and recruitment efforts to ensure long-term CPAU has the staff and/or workforce solutions to meet its core service obligations and customers' expectations. The strategies and actions identified are intended to focus in the areas of retention, recruitment, training and work-life balance needs.

Priority #2: Collaboration

We must collaborate with internal teams and external stakeholders to achieve our shared objectives of enhanced communication, coordination, education and delivery of services.

Delivering high quality services to customers is a shared objective across all CPAU services. To do so in an efficient and consistent manner requires an understanding of customer and stakeholder needs along with the ability to effectively communicate and coordinate efforts with customers and throughout the City. The strategies and actions identified highlight certain projects and/or initiatives requiring a high level of collaboration, such as deployment of distributed energy resources and electrification, to effectively implement. Additional Collaboration strategies focus on promoting a culture of collaboration and a systematic process to ensure two-way communication with customers, within CPAU and throughout the City.

Priority #3: Technology

We must invest in and utilize technology to enhance the customer experience and maximize operational efficiency.

The increasing convergence of technology, utility services, and customer expectations is driving significant change in the utility markets. CPAU must embrace technology to further enhance internal operations and improve efficiency in this changing market. Customer adoption of new technology applications is also dramatically changing utility - customer interactions and demand for services. The Technology priority includes implementing a technology roadmap to effectively guide CPAU's customer and operational technology investments and programs. Additional Technology strategies include AMI deployment, enhancing customer interaction, improving field operations, and training employees to ensure effective use of existing and new tools.

Priority #4: - Financial Efficiency and Resource Optimization

We must manage our finances optimally and use resources efficiently to meet our customers' service priorities.

Facing an evolving utility business environment, aging infrastructure needs, and sustainability objectives CPAU must maintain a competitive position in the market. Remaining financially sustainable and competitive in the market while optimizing resources is key to maintaining and enhancing value to customers. Strategies in this Priority focus on proactively renewing and managing CPAU's infrastructure, continuously improving financial processes, enhancing infrastructure maintenance programs, defining CPAU's role in community resiliency, and achieving sustainable energy resource and water supply plans.

NEXT STEPS

Staff will seek Council approval of the Strategic Plan in February or March 2018, pending UAC support. Once the Strategic Plan is approved, staff will develop a detailed implementation plan, and prioritize actions and tasks to carry out the specific initiatives. Annual progress reports will be provided on the KPIs and status of implementing the Strategic Plan.

RESOURCE IMPACT

Approval of the Strategic Plan does not result in a direct resource impact for fiscal year (FY) 2018. Implementation of specific initiatives identified as part of the Strategic Plan may have a resource impact for FY 2019 and beyond. As additional resource needs are identified, staff will seek UAC and Council approval as necessary.

POLICY IMPACTS

The proposed Strategic Plan works in support of CPAU's current mission and is consistent with Council approved policies related to the management and operation of CPAU. Approval of the Strategic Plan will effectively replace the existing strategic plan. Staff will continue to track existing KPIs through the end of FY 2018. The new KPIs will be included for consideration in the FY 19 operating budget.


ENVIRONMENTAL REVIEW

The UAC's support of the proposed Strategic Plan does not meet the definition of a project under Public Resources Code 21065 and therefore California Environmental Quality Act (CEQA) review is not required.

ATTACHMENTS:

- A. 2018 Utilities Strategic Plan
- B. 2011 Utilities Strategic Plan

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DEAN BATCHELOR, Chief Operating Officer

APPROVED BY: 
ED SHIKADA
General Manager of Utilities

2018 UTILITIES STRATEGIC PLAN

The City of Palo Alto Utilities (CPAU or the Utilities) provides services across the electric, natural gas, water, sewer, and fiber industries – many of which are in the midst of substantial changes. Many of these changes are based on shifts in business models, price trends in renewable resources, technology adoptions, an uncertain regulatory future, evolving workforce dynamics, and increasing customer expectations. As these trends converge, they drive significant change for utilities in the services offered to customers and operations. This convergence also amplifies the impacts and creates the potential for a fundamental shift in the market and eventually, customer needs.

Industry trends and changing utility business models provide both challenges and opportunities that require periodic updates in strategic planning. To maintain operational excellence and relevancy, CPAU periodically reviews and revises its Strategic Plan and associated strategic initiatives. Awareness of these market drivers and trends, as well as a need to understand the potential impacts to CPAU and its customers, was the starting point and driver for the Strategic Plan development process. While CPAU's Strategic Plan is routinely updated, the Utility's Mission remains unchanged.

City of Palo Alto Utilities' Mission Statement:

To provide safe, reliable, environmentally sustainable and cost effective services

CPAU Strategic Planning History and Progression

CPAU's current Strategic Plan was originally developed and approved in 2011 with City Council refinements and updates to Performance Measures and Strategic Initiatives in 2013 and 2015. The current plan includes four Perspectives: Internal Business Process, People and Technology, Financial, and Customer and Community. Across the four Perspectives, there are more than 25 performance measures or goals that are tracked and reported for Plan progress. Recognizing that several internal and external factors have significantly changed since the last update in 2011 and that the utility industry continues to increase in complexity, CPAU staff felt the necessity to develop a new Strategic Plan rather than an update of the existing plan.

The proposed Strategic Plan is significantly different from the current Strategic Plan, which focuses more on maintaining and/or improving current operational and customer performance measures. Rather than rewriting the existing plan, the proposed Strategic Plan starts from a blank page with a focus on defining a Strategic Destination, or 'stake in the ground' defining where CPAU will be in 5-10 years. The Strategic Plan also focuses efforts on reporting and tracking progress to a more representative and strategic set of 12 Key Performance Indicators (KPIs), rather than more than 25 performance measures. This will include defining new or refining existing initiatives and actions to achieve the CPAU's future goals and objectives. Key elements of the Strategic Plan include:

- **Mission Statement:** A formal, enduring summary to focus and direct the organization; communicate a shared understanding of the organization's intended purpose.

- **Strategic Destination:** Statement that provides a snapshot of where the organization should be five to 10 years into the future.
- **Priority Areas:** A problem, concern, challenge, or issue that the organization must address in order to achieve its Strategic Direction.
- **Strategies and Actions:** Strategies are the means by which the Priority is resolved, while Actions are specific activities or tactics (achievable in approximately 12- to 18-months)
- **Key Performance Indicator (KPI):** The means by which to measure, track, and report on performance

Figure 1 illustrates the overall structure of the Plan and summarizes the relationship of the key elements identified to realize the Strategic Direction and implement the Plan. While the Mission and Strategic Direction are longer term, more enduring elements of the Plan, the Plan gets more detailed and tactical with the Strategies and Actions. These detailed elements are focused on the near-term (e.g., one to three years). As there are elements of the Plan that focus on the near-term, it is best practice to periodically (e.g., every three years) refresh or update any strategic plan based on progress of the Plan to date or significant changes in the organization or market.

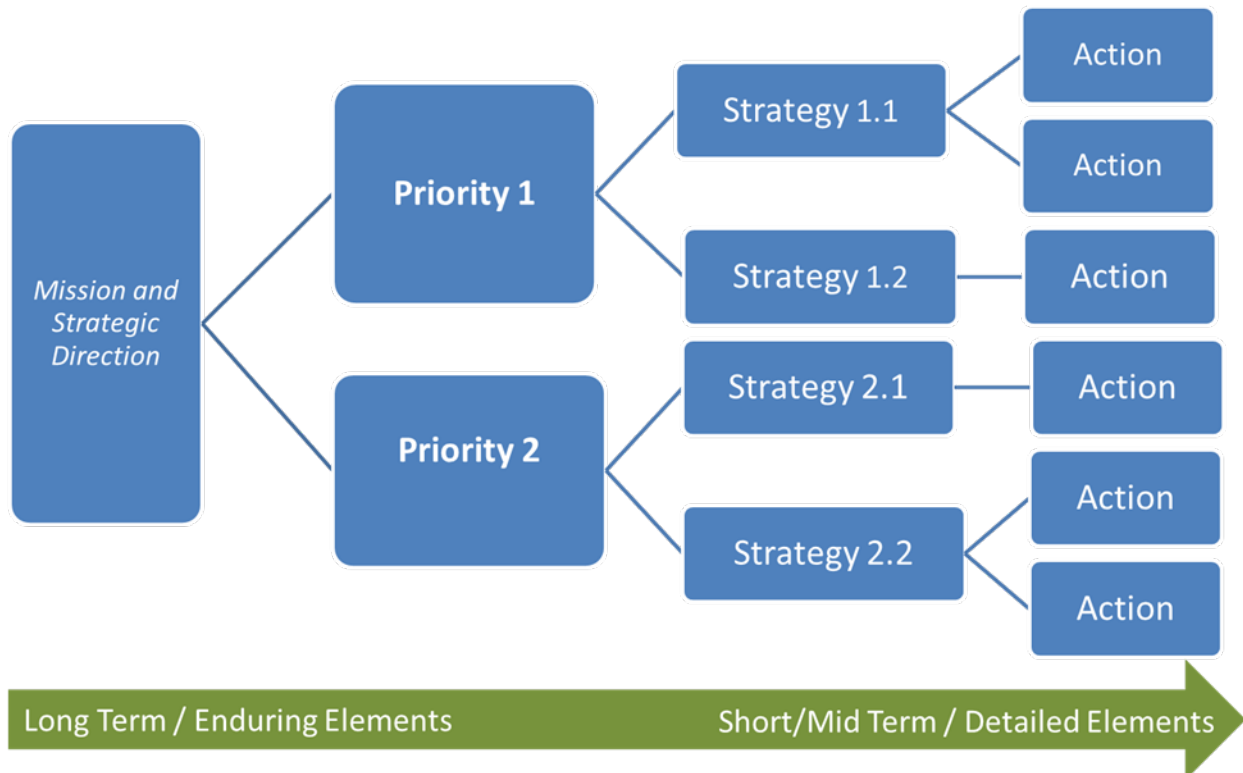


Figure 1: Strategic Plan Structure and Elements

Strategic Planning Process

The planning process and development of the 2018 Strategic Plan were designed to engage staff and stakeholders to ensure alignment with the Community and within the organization. Engaging internal and external stakeholders throughout the development of the Plan also supports a successful implementation.

Stakeholder Engagement

Extensive internal and external stakeholder engagement was included in the Plan development to ensure community and stakeholder insights were properly integrated. CPAU’s executive leadership team invited a cross-section of employees to participate as members of the Core Planning Team (CPT) to support the development of this Plan. The CPT was critical to the development of the Plan and will be a key driver to the short- and long-term implementation. The CPT’s role included:

- Driving the development of the updated Plan (e.g., Priorities, Strategies, Actions) through participation in five facilitated planning meetings, completing ‘homework’ assignments, and continued involvement to support Plan implementation.
- Providing periodic communication within their broader work groups to explain the planning process, communicate/discuss the draft elements of the Plan, and solicit feedback throughout the process.

In addition to the internal CPAU CPT being responsible for driving the development of the Plan, the stakeholder engagement process included additional employee feedback, a community workshop, and three external stakeholder groups: the Utilities Advisory Commission (UAC), a Utility Stakeholder Panel, and City Management stakeholders. CPAU’s executive leadership included extensive organizational and employee engagement as an early requirement of the Plan development. In addition to the CPT, the internal or employee engagement included:

- 10 group meetings to ensure employee feedback from all levels and divisions within CPAU.
- Two “all-hands” meetings for the entire organization communicating Plan progress and soliciting feedback / introducing the Strategic Direction and more tactical Plan elements.
- Two large employee workshops to solicit feedback on the Priorities, Strategies, and Actions included in the Plan.

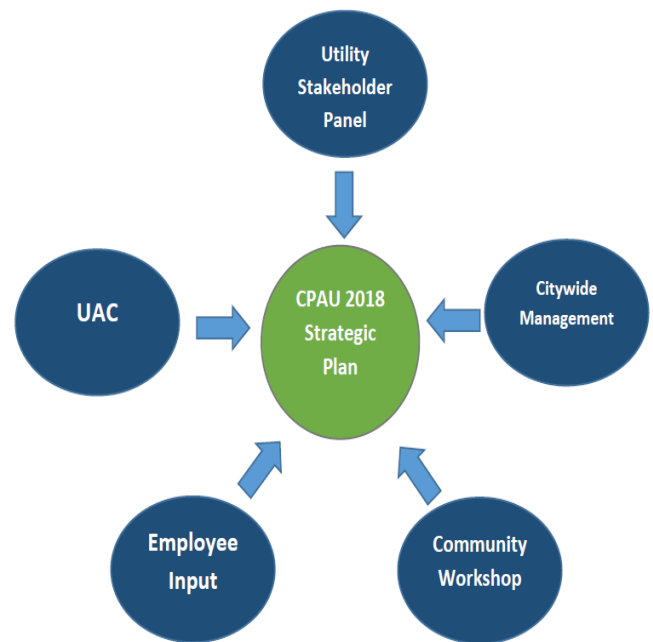


Figure 2: Stakeholder Engagement

Including external stakeholders in the development of the Plan provided an opportunity to gain important community feedback on CPAU’s overarching strategic direction while supporting targeted insights in developing the Plan elements. Providing a mechanism for community engagement and feedback throughout the planning process also helps to ensure future endorsement of the Plan.

Market Trends

As mentioned previously, one of the key drivers to developing the new Strategic Plan was recognizing that several organizational and market trends have continued their rapid pace of change and in many cases significantly accelerated or changed since the last update. The energy industry currently faces

many challenges and opportunities, as well as increasing uncertainty related to regulatory, resource availability, security, technology, sustainability, and clean energy issues. As these trends converge, they drive significant change in the services offered to customers and operations. This convergence also amplifies the impacts and creates the potential for a fundamental shift in the market and eventually, customer needs. To support the development of the Strategic Direction, Priorities, and eventual Strategies and Actions, the planning process included discussion with stakeholders of the key trends or issues influencing CPAU's operations, market, and customers. Highlights of the stakeholder feedback on trends and issues included:

- Aging infrastructure / renewal and replacements
- Climate change, adaptation, sustainability, and resiliency
- Workforce (large portion of CPAU workforce retiring in next 10 years, how to attract new staff or millennials)
- Customer demands (retail customer pressure, connectivity, flexibility, unlimited options, overall load is declining)
- Community or customer collaboration opportunities (attracting new staff, technology evaluation/adoption, energy resources)
- Balancing goals, sustainability aspirations with competitive rates and affordability
- Technology (CPAU operations, cyber security, big data management, Advanced Metering Infrastructure (AMI), mobile apps/access)
- California regulatory trends (CARB/Cap and Trade markets, new renewable energy requirements, hydropower availability, efficient building codes)
- Reducing regulatory barriers, more efficient regulatory process
- Increased opportunities to collaborate with other City departments and external stakeholders
- Distributed energy resources (e.g. customer or commercial energy resources)
- Electric vehicle opportunities or incentives
- Natural gas utility and potential for electrification; stranded assets for CPAU
- Water resource availability, recycling, drought, and conservation
- Communicate CPAU's value and areas of leadership to stakeholders

The market trends and issues insights from stakeholders were directly integrated into the CPT workshops and the subsequent Priorities, Strategies, and Actions. CPAU's Strategic Direction and Plan will help the Utility navigate these trends while remaining effective, valuable, and cost-effective to customers.

CPAU's 2018 Strategic Plan

Throughout these changing times and evolving markets, CPAU's Mission remains the same, forming the foundation for the utility's enduring direction. The purpose of a mission statement is to focus and direct the organization as well as to communicate a shared understanding of the organization's intended purpose. The 2018 Strategic Plan aligns with and further advances CPAU's Mission.

The 2018 Strategic Plan provides an update to the efforts and initiatives outlined in the 2011 plan, taking into consideration recent market trends, emerging priorities, and additional input from our stakeholders. The Plan should act as the guide and context for utility resource, workforce, technology, customer expectation, and market related decision making. The 2018 Strategic Plan provides a “line of sight” from the organization’s broader strategy to more day-to-day activities by staff, thus aligning the Utilities organization with the Plan. The Strategic Direction, defining a “stake in the ground” for the next 5-10 years is the first step in providing this “line of sight” from the Mission to day-to-day activities. As the planning process was designed to engage staff and stakeholders in its development, the following Strategic Direction was vetted with multiple internal and external stakeholder groups.

STRATEGIC DIRECTION

At CPAU, our people empower tomorrow's ambitions while caring for today's needs! We make this possible with our outstanding professional workforce, leading through collaboration and optimizing resources to ensure a sustainable and resilient Palo Alto.

Through the planning process CPAU also embraced its position as a department of the City of Palo Alto by integrating the City’s values, while incorporating several attributes tailored to some of the unique aspects of the Utilities operations and market. These values and CPAU attributes were also tested throughout the organization and at an all-hands employee workshop. There was support for adopting the City values and CPAU attributes along with a desire to promote a culture at the Utility that reinforces them. Due to the level of interest and importance of the values, the Plan includes a near term Action item to begin developing tools promoting these values by mid-2018.

City Values Adopted for 2018 Plan:

Quality | Courtesy | Efficiency | Integrity | Innovation

Tailored CPAU attributes support culture of:

Respect | Teamwork | Accountability | Reliability | Safety

The next step in the process identified the critical or core challenges that CPAU must address to realize the Strategic Direction. These critical issues are defined as Priorities in the Plan and include:

- **Workforce:** We must create a vibrant and competitive environment that attracts, retains, and invests in a skilled and engaged workforce.

CPAU along with other utilities providers throughout the state and country struggle with attracting and retaining a skilled workforce. For Palo Alto, this issue is amplified as the cost of living and/or relocating to the Bay Area is among the highest in the nation. The Workforce focus area reflects the need to do improve retention and recruitment efforts to ensure long-term CPAU has the staff and/or workforce solutions to meet its core service obligations and customers’ expectations. The strategies and actions identified are intended to focus in the areas of retention, recruitment, training and work-life balance needs.

- **Collaboration:** We must collaborate with internal teams and external stakeholders to achieve our shared objectives of enhanced communication, coordination, education, and delivery of services.

Delivering high quality services to customers is a shared objective across all CPAU services. To do so in an efficient and consistent manner requires an understanding of customer and stakeholder issues along with the ability to effectively communicate and coordinate efforts with customers and throughout the City. The strategies and actions identify projects and/or initiatives requiring a high level of collaboration to effectively implement as well as promoting a systematic framework in which to ensure collaboration within CPAU and throughout the City.

- **Technology:** We must invest in and utilize technology to enhance the customer experience and maximize operational efficiency.

The increasing convergence of technology, utility services, and customer expectations is driving significant change in the utility markets. CPAU must embrace technology to further enhance internal operations and improve efficiency in this changing market. Customer adoption of new technology applications is also dramatically changing utility – customer interactions and demand for services. The Technology Priority includes implementing the Technology Roadmap to effectively guide CPAU’s customer and operational technology investments and programs. Additional Technology strategies include AMI deployment, enhancing customer interaction, improving field operations, and training employees to ensure effective use of existing and new tools.

- **Financial Efficiency and Resource Optimization:** We must manage our finances optimally and use resources efficiently to meet our customers’ service priorities.

Facing an evolving utility business environment, aging infrastructure needs, and sustainability objectives CPAU must maintain a competitive position in the market. Remaining financially sustainable and competitive in the market while optimizing our resources is key to maintaining and enhancing our value to customers. Strategies in this Priority focus on proactively replacing and managing CPAU’s infrastructure, continuously improving financial processes, enhancing infrastructure maintenance programs, defining CPAU’s role in community resiliency, and achieving sustainable energy resource and water supply plans.

To complete the Strategic Plan, more tactical Strategies and Actions were identified and developed to complete the Tactical Action Plan. Strategies were developed within each Priority to resolve the issue or challenge identified, while Actions include specific activities and tactics to implement the Strategy.

Reporting and Tracking Plan Progress

Successful strategic plans include the ability to track the Plan’s progress and report on performance within the organization and to stakeholders. As an organization tracks performance, it can adjust resources or the Plan, to better respond or act on Priority areas that may lag desired performance levels, or learn from others that are exceeding expectations. KPIs are the primary tool in concisely communicating and reporting on performance to stakeholders.

KPIs are a metric or measurable value that demonstrates how effectively the organization is achieving its Priorities and Strategic Direction. The 2018 Strategic Plan includes 12 KPIs for periodic (e.g., quarterly) reporting to governing bodies and stakeholders on the Plan performance. These KPIs may also be applied and tailored throughout the organization to align CPAU divisions, work groups, and individual contributors with the Strategic Plan. As some of the KPIs identified are dependent on new strategic initiatives by Utilities, or include a near term completion date, they may require refinement or updating as completed or the strategic initiatives are scheduled/completed (e.g. technology or system implementations). The KPIs are included below.

Priority 1: Workforce

- Reduce employee turnover rates less than 10% by 2020 (calculated as a three-year rolling average)
- 90% of all CPAU positions filled/staffed on annual basis; while 100% of critically identified positions are filled within 90 days
- 100% of employees have implemented an individual development plan with updates every two years

Priority 2: Collaboration

- Maintain 85% or higher “excellent” or “good” performance ratings in annual customer satisfaction survey
- Maintain 50% or higher level of customer awareness for CPAU’s key programs, incentives, and /or initiatives
- Maintain 60% or higher level of agreement regarding employees who feel they contributed and/or were involved with CPAU projects or decisions that directly affect their roles or work

Priority 3: Technology

- Increase the number of My Utilities Account (MUA) registered users by 10% per year and utilization by 5% per year (e.g., paying bill, reviewing consumption, etc.)
- Provide 50% of field support staff with paperless workorder and maintenance documentation tools by December 2018 and 90% by December 2019
- 100% of staff affected by new or upgraded technology receive / attend applicable training

Priority 4: Financial Efficiency and Resource Optimization

- Identify/catalog 90% of critical assets or components in asset management system by 2022
- Complete 80% of critical component planned replacement annually; and 90% critical component planned maintenance annually
- Maintain average (e.g. median) or below residential and commercial utility bills as compared to surrounding utilities and communities

Tactical Action Plan

The comprehensive Tactical Action Plan including all Strategies and Actions by Priority is included below. Please note, those Actions that are expected or scheduled for completion in 2018 are noted with ***bold, italicized text***.

Priority 1: Workforce

We must create a vibrant and competitive environment that attracts, retains, and invests in a skilled and engaged workforce.

Strategy 1. Establish CPAU as an organization where employees are proud to work and recruit other strong performers.

Action 1. Support pilot rollout of annual professional/journeyman individual development plans (IDP) and rollup to department training priorities, to develop internal talent. Complete by December 2018.

Action 2. Review and expand training/education and certificate programs that emphasize mastery of trade, profession, or management position and promote development and longevity in areas of expected need. Complete by June 2018.

Action 3. Update Divisional Succession Plans to prepare staff for promotional opportunities and to retain institutional knowledge within the organization (update existing 5-year succession plan). Complete by December 2019.

Action 4. Promote a culture that reinforces City and Department values. Complete by June 2018.

Strategy 2. Create a workplace that attracts and retains skilled employees.

Action 1. Prioritize resolution of collective bargaining issues and finalize an agreement that ensures CPAU will attract and retain high caliber skilled employees that will advance the Department's Mission. Complete by December 2018.

Action 2. Reduce processing time to hire new staff to ensure potential candidates are offered positions in a reasonable time frame. Complete by December 2018.

Action 3. Support CPAU staff communication outreach in recruitment strategy for hiring utilities employees. Complete by December 2018.

Strategy 3. Evaluate and consider alternative workforce solutions to achieve organizational business objectives.

Action 1. Create opportunities to empower and support individual employees and work groups to offer a work-life balance through alternative work schedules or other options. Complete by December 2018.

Action 2. Determine the potential for projects and/or functions to be effectively outsourced while continuing to meet organizational needs and objectives. Complete by December 2019.

Action 3. Consider developing a hybrid workforce of full time employees and non-benefitted staff. Complete by December 2020.

Action 4. Create an internal labor pool from within the City to fill temporary business needs. Complete by June 2019.

Priority 2: Collaboration

We must collaborate with internal teams and external stakeholders to achieve our shared objectives of enhanced communication, coordination, education and delivery of services.

Strategy 1. Increasing communication with the community enhances customer satisfaction and community trust and will help us deliver programs and content based on community desires.

Action 1. Establish a routine practice of involving stakeholders on strategic projects and initiatives to support customer satisfaction, customer choice, and program outcomes. Ongoing.

Action 2. Proactively communicate about capital improvement projects to mitigate the impacts of construction, while maximizing public support and the allocated financial resources. Ongoing.

Action 3. Identify and develop proactive strategies and customer education that allows CPAU to support customer needs for Distributed Energy Resources (DER), including storage, solar, EVs, energy efficiency. Ongoing with DER plan timeline; phase 1 to be complete by December 2018.

Action 4. Partner with community stakeholders to facilitate large scale residential building electrification (beyond rebate scale). No timeline; beginning conversations and research now.

Action 5. Enhance customer service through deployment of technology such as upgraded online bill payment, account access system and advanced metering infrastructure (AMI). Ongoing with Utilities technology roadmap.

Action 6. Build customer support for programs and understanding of how we provide cost-effective services. Ongoing.

Action 7. Create interdepartmental work groups to identify and resolve ongoing workflow and priorities involving permitting, procurement and legal. Ongoing.

Strategy 2. Strengthening coordination and integration across City departments aligns Utilities and City goals while improving performance and efficiency

Action 1. Enhance current coordination of scheduling, synchronization and communication of capital improvement, maintenance, operations projects and other Utilities programs and services with other departments to improve implementation and efficiency. Ongoing.

Action 2. Explore opportunities to improve City processes, policies and information sharing that allows the community to easily understand and implement DER opportunities such as EVs, solar, storage, energy efficiency, and building electrification. Ongoing with DER timeline; phase 1 to be complete by December 2018.

Action 3. Share information and opportunities across departments to expand outreach about CPAU employment. Ongoing.

Action 4. Promote regular interdepartmental information sharing throughout the City to assist employees understand City (and common) goals. Ongoing.

Priority 2: Collaboration

We must collaborate with internal teams and external stakeholders to achieve our shared objectives of enhanced communication, coordination, education and delivery of services.

Strategy 3. Fostering a culture of cooperative work within Utilities improves productivity and awareness, and understanding of our common goals.

Action 1. Support the implementation of the Utilities' technology roadmap with comprehensive communication of: technological advancements and the department's short-term and long-term goals; how these advancements reflect customer and operational needs; how projects are prioritized; and how decisions are made. Ongoing with timeline of Utilities technology roadmap; full implementation scheduled for completion by December 2022.

Action 2. Strengthen existing tools for intradepartmental communication to ensure transparency and informed staff that understand the Strategic Plan and other key CPAU issues and how they directly relate to the work of our employees. Ongoing; some tasks by April 2018 with completion of the Strategic Plan.

Action 3. Collaborate with staff involved in deployment of AMI and develop a comprehensive outreach plan to communicate AMI and supporting technologies, impact to staffing resources, staff responsibilities, and how the customer engagement platform operates. Ongoing with timeline of Utilities technology roadmap; AMI full deployment scheduled to be complete by October 2018.

Action 4. Support upgrade of MUA by communicating the customer and utility operational benefits and functionalities. Ongoing with timeline of MUA; phase 1 complete by July 2018.

Action 5. Establish intradepartmental team to evaluate and determine best practices for an outage management system (OMS), including communication across divisions to reduce restoration time and provide customers with more real-time outage information. Integrate with Technology S3, A4. Complete by June 2019.

Action 6. Support the workforce priorities by aligning organizational values and reiterating employee roles within the framework of the Utilities Strategic Plan. Ongoing.

Strategy 4. Collaborating with government, trade, and regional agencies enhances our sphere of influence, allows us to identify common ground, and leverage economies of scale.

Action 1. Continue to work with Industry/trade/regional groups (NCPA, League of Cities, CMUA, BAWSCA, E Source etc.) to collaborate on shared objectives. Ongoing.

Action 2. Coordinate on regional utility programs to streamline processes, achieve mutual objectives, and realize greater impacts. Ongoing; some tasks can be completed by December 2019.

Action 3. Communicate our public awareness efforts and resources with government agencies (DOE, EPA, CEC, etc.) to improve public and stakeholder awareness of utility issues, programs, and shared goals. Ongoing.

Action 4. Collaborate with educational institutions and companies to attract local candidates for CPAU positions. Ongoing; some tasks can be completed by December 2019.

Priority 3: Technology

We must invest in and utilize technology to enhance the customer experience and maximize operational efficiency.

Strategy 1. Finalize and implement technology road map to clearly identify CPAU's short-term and long-term goals, reflect customer and operational needs, prioritize projects and guide decisions.

Action 1. Identify, align and prioritize customer-focused and operational technologies to improve customer satisfaction and operational efficiency. Ongoing.

Action 2. Implement Technology Road Map including project prioritization, 10-year timeline, and co-dependencies. 2018 through 2022.

Strategy 2. Deploy advanced metering infrastructure (AMI) to increase reliability, enhance customer service, and improve response time.

Action 1. Finalize Business Case including cost and benefit analysis, scenarios, and staffing impacts. Complete by June 2018.

Action 2. Develop AMI/MDM System Requirements to identify functional and system requirements. Complete by June 2019.

Action 3. Evaluate Multi-Agency AMI/MDM with NCPA to pool resources, share ideas and increase purchasing power. Complete by June 2019.

Action 4. Proof of Concept Phase to deploy 2,000-5,000 meters, install all network infrastructure, establish system integrations, , develop future state business processes, provide testing and training, and pilot customer engagement. Complete by September 2021.

Action 5. Citywide AMI/MDM Deployment of 73,000 electric, gas and water meters. Complete by September 2022.

Strategy 3. Invest in technology infrastructure to enhance customer engagement and satisfaction.

Action 1. Upgrade Utilities customer portal: My Utilities Account (MUA 2.0) to provide customers additional 24/7 self-services and customer information to better manage their consumption and choices. Complete by September 2018.

Action 2. Leverage City's mobile app (Palo Alto 311) to provide residents, businesses and visitors more access to City services and information. Complete by December 2019.

Action 3. Implement a Street Work Notification customer portal for long-term construction projects that may result in traffic, parking or other impacts to neighborhoods. Complete by December 2019.

Action 4. Evaluate and upgrade Outage Management System (OMS) to reduce restoration time and provide customers near real-time outage information. Complete by June 2019.

Strategy 4. Implement technologies to improve response time, security and operational efficiency.

Action 1. Deploy Mobile/Field Technologies (devices and software) to reduce operational costs and improve service delivery. Complete by December 2018.

Action 2. Upgrade Customer Information/Billing System (CIS) to improve responsiveness and ensure customer data is accurate and secure. Complete by September 2020.

Action 3. Maintain Supervisory Control and Data Acquisition (SCADA) system to ensure a safe, reliable, and efficient distribution system. Ongoing.

Action 4. Integrate with new GIS System (ESRI) to ensure accurate infrastructure information for customer service and infrastructure improvements. Complete by June 2019.

Action 5. Ensure that CPAU systems keep pace with customer adoption of new technologies to enhance the customer experience and choice. Ongoing.

Priority 3: Technology

We must invest in and utilize technology to enhance the customer experience and maximize operational efficiency.

Strategy 5. Ensure and empower employees with current Technologies to perform work efficiently.

Action 1. Streamline business processes to facilitate adoption of new technological solutions that improve performance in targeted priority functions. Complete by December 2018.

Action 2. Implement continuous education and evaluation of new technology applications and related utility trends to ensure CPAU maintains an effective, competitive, and optimal use of technology applications. Ongoing.

Action 3. Train employees to adopt and maximize utilization of new technologies. Ongoing.

Priority 4: Financial Efficiency and Resource Optimization

We must manage our finances optimally and use resources efficiently to meet our customers' service priorities.

Strategy 1. Establish a proactive infrastructure replacement program, based on planned replacement before failure to support reliability and resiliency.

Action 1. Initiate a program to update data in the utility asset management system to establish infrastructure replacement programs and support maintenance plans. Complete by December 2018.

Action 2. Develop, prioritize, and propose planned infrastructure replacement programs based on currently available key asset information for implementation in FY 2020 and begin reporting of planned infrastructure replacement status. Complete by September 2018.

Action 3. Establish a system of regular reporting on planned replacement progress, including management reports appropriate to every level of the organization. First report by September 2018.

Action 4. Develop a plan to fill data gaps and ensure data accuracy identified in A1 and implement collection process. Complete by September 2019.

Action 5. Use updated data in comprehensive asset management system and database to improve planned replacement programs and status reporting. Start implementation in July 2020.

Strategy 2. Develop financial planning processes that provide stability and clear communication of service priorities and the cost of achieving those priorities.

Action 1. For FY 2019 budget process, collaborate between Rates, Admin, and Water-Gas-Wastewater Engineering to pilot an infrastructure budget development process for one utility (Water, Gas, or Wastewater Collection) that coordinates CIP budget development with planning for funding sources and reserves management. Complete by March 2018.

Action 2. Starting with the FY 2020 budget process, implement an integrated and replicable CIP budgeting process with Admin, Rates, and Water-Gas-Wastewater Engineering to develop a CIP reserve and an annual CIP contribution amount for one utility. Complete by September 2018.

Action 3. For FY 2021 budget process, expand and apply the integrated CIP budgeting process to at least one other utility (Electric, Water, Gas, or Wastewater Collection) with remaining funds in FY 2022. Complete by September 2019.

Action 4. In 2019, update benchmark study for one utility. Begin a process of regular benchmarking of one utility per year going forward. Complete by December 2019.

Strategy 3. Enhance planned maintenance programs for all utilities through clearly defined maintenance plans, improved management reporting, and developing innovative ways to ensure efficient completion of all maintenance.

Action 1. Develop an inventory of existing maintenance programs and a reporting framework to monitor progress. Identify areas where planned maintenance is not being completed and areas where more data is needed to design maintenance plans. Complete by December 2018.

Action 2. Identify and evaluate asset data requirements and accuracy to develop and monitor proactive maintenance programs and identify any data gaps. Complete by December 2018.

Action 3. Identify staffing, software, and other resources required to implement and monitor maintenance programs, identify gaps in existing resources, identify alternative ways to implement the programs and the costs and benefits of different approaches. Complete by September 2018.

Action 4. Establish a system of regular reporting on maintenance progress, including management reports appropriate to every level of the organization. Provide first report by September 2018.

Action 5. As additional asset data becomes available from data collection efforts identified in S1 A1 and S1 A4, update and improve applicable maintenance plans. Implementation to be determined.

Priority 4: Financial Efficiency and Resource Optimization

We must manage our finances optimally and use resources efficiently to meet our customers' service priorities.

Strategy 4. Achieve a sustainable and resilient energy and water supply to meet community needs.

Action 1. Work with other City Departments to establish an implementation plan through FY 2020 to achieve the City's carbon reduction and water management goals while assessing utility operational risks and mitigations associated with electrification. Complete by June 2018.

Action 2. Establish and implement a Distributed Energy Resources plan to ensure local generation (e.g. solar), storage, electric vehicles (EVs), and controllable loads (like heat pump water heaters) are integrated into the distribution system in a way that benefits both the customer and the broader community. Complete by December 2018.

Action 3. Evaluate recycled water, groundwater, and other non-potable water sources and integrate the results and outcomes with water supply plans. Complete by December 2018.

Action 4. Incorporate a review of the changing competitive landscape (such as low-cost local solar and storage, the rise of Community Choice Aggregators, and the potential for competition and Direct Access) into routine electric supply planning processes. Complete by December 2020.

Action 5. Adopt and implement for the Electric utility an integrated resource plan for 2018 through 2030. Complete by December 2018.

Strategy 5. Engage stakeholders and define CPAU's role in supporting and facilitating community resiliency.

Action 1. Engage in community outreach to identify what aspects of resiliency are important to the community for each utility to support development of a resiliency work plan. Complete by December 2018.

Action 2. Define minimum emergency service commitments and targeted full system recovery times in case of a major disaster(s) and communicate general guidance on recovery times to the public. Implementation to be determined and dependent on A1.

Action 3. Develop an outreach and education program to facilitate individual customer resiliency efforts. Implementation dependent on A1.

Action 4. Identify high priority issues that could interfere with emergency service commitments and recovery times and develop a plan to improve resiliency in these areas. Implementation dependent on A1.

Action 5. Complete evaluation of redundant/backup transmission service to CPAU and communicate to stakeholders. Complete by December 2018.

Appendix A Stakeholder Groups

Core Planning Team

Leadership Team	Tom Auzenne, Customer Service	Richard Simms, Operations
Monica Padilla – Resource Management/ Strategic Plan Project Manager	Debbie Lloyd, Engineering	Rick Baptist, Operations
Ed Shikada, General Manager	Jimmy Pachikara, Engineering	Rui Silva, Operations
Dean Batchelor, Chief Operating Officer	Lynn Krug, Engineering	Ryan Johnson, Operations
Catherine Elvert, Communications	Silvia Santos, Engineering	Scott Williams, Operations
Dave Yuan, Administration	Heather Dauler, Legislative Regulatory	Bruce Lesch, Resource Management
Sushma Tappetla, Administration	Althea Carter, Operations	Jonathan Abendschein, Resource Management
Joshua Wallace, Resource Management	Mike Haynes, Operations	Lisa Benatar, Resource Management
Crystal Jensen, Customer Service	Anna Vuong, Administration	Sonika Choudhary, Resource Mgmt

Utility Advisory Commission

Michael Danaher, Chair	Judith Schwartz
Arne Ballantine, Vice Chair	Lauren Segal
Lisa Forsell	Terry Trumbull
A.C. Johnston	

Utility Stakeholder Panel

Name	Affiliation
Annette Glanckopf	Palo Alto Neighborhood (PAN)
Sheri Furman	Palo Alto Neighborhood (PAN)
Sandra Slater	Cool Block & Palo Alto Forward
Lisa Altieri	Carbon Free Palo Alto
Debbie Mytels	Silicon Valley Climate Action Alliance & Acterra
Peter Drekmeier	Tuolumne River Trust & Bay Area Action
Julianne Frizzell	Landscape Architect
Andy Robin	Active Citizen - UPS programs
David Coale	Carbon Free Palo Alto, Acterra, Sun Works, SV Bike Coalition

CITY OF PALO ALTO UTILITIES STRATEGIC PLAN SUMMARY

Name	Affiliation
Tess Byler	San Francisquito Creek
Judy Kleinberg	Palo Alto Chamber
Russ Cohen	Business Improvement District & Downtown PA
Roxy Rapp	Developer & Property Manager
Sven Thesen	Climate One & EV advocate
Jon Foster	former UAC member
John Melton	former UAC member

Citywide Management

James Keene – City Manager’s Office	Lalo Perez – Administrative Services
Kenneth Deuker– Emergency Services	Rumi Portillo – Human Resources
Jonathan Reichental– Information Technology	Peter Pirnejad– Development Services
Gil Friend - Sustainability	Mike Sartor – Public Works

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
Customer and Community Perspective				
C1. “I receive safe and reliable service.”	Customers expect that Utilities services are provided on a continuous basis, without interruption. In addition, customers expect that the Utilities delivery systems are safe and will not harm them or put them in any danger. We will listen to our customers and seek to understand their reliability and safety concerns and implement programs and projects to address them.	Average time to restore service per interrupted customer	Less than 90 minutes	
		Number of electric system interruptions per year for average customer	Ranks in the top quartile nationwide (less than 0.9)	
C2. “Be responsive to all my utilities-related service needs.”	We understand that the customer wants clear, accurate bills with easy methods of payment; access to usage history and enough understanding to efficiently manage usage; to feel quickly and completely “taken care of” when they have concerns, questions or requests and to be communicated with effectively both as individuals and as CPAU’s owners. One of the ways to achieve this is to elicit feedback from customers to help improve service.	Customer satisfaction scores on annual surveys for overall value. Residential and commercial surveys alternate every other year.	Ranking in the top two utilities statewide	Establish mechanisms to elicit customer feedback on their satisfaction with all interactions with CPAU.
C3. “I expect to pay a reasonable bill”	We understand that customers expect their bills to be comparable to those in surrounding communities and do not expect to pay more than PG&E customers. Customers believe it is reasonable to pay slightly more in exchange for increased reliability, safety and protection of the environment. However, customers’ overall bills for Utilities services must remain reasonable and be reasonably stable and should not increase significantly in any one year. Customers also want their bills to provide useful information about their consumption of resources in addition to the rate so that they can	The average combined residential customer bill for electricity, water, gas, and wastewater services	Less than the average of bills for comparable services in nearby communities (MP, MV, SC, Hayward, RC, Roseville, and Alameda).	Improve the electronic bill presentment, payment functionality and enhance the utility’s online capabilities.

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
	understand how they can influence their total cost for Utilities services. For natural gas service, Palo Alto’s supply cost has been relatively stable due to a laddered gas portfolio purchasing strategy; however, this strategy needs to be re-evaluated as gas prices are currently low and are projected to stay low for the foreseeable future. Although, the average bill for all services should be comparable to those in surrounding communities, staff will continue to monitor and report the bills for each service separately on a quarterly basis.	Annual rate change	Maximum of 10% per year for electric and wastewater services. Maximum of 20% per year for water service.	
C4. “Care for our environment”	Our community wants its customer-owned utility to offer choices for them to manage their resource use in ways that reflect their environmental values. Utilities will improve existing programs and develop new programs to meet customer needs and allow customers to manage their own environmental footprint.	Percentage of customers participating in the PaloAltoGreen Gas program	20% of customers	Re-evaluate the cost-effectiveness of electrification especially for new construction and evaluate whether new programs or incentives can or should be offered, consistent with all applicable legal requirements.
		Percentage of Greenhouse gas reductions	10% GHG reductions	
Internal Business Process Perspective				
Safety and Reliability				
BP1. Ensure a reliable supply of utility resources	We will implement strategies that ensure the reliable supply of utility resources to meet present and future needs. To provide opportunities for economic development within Palo Alto, we must provide sufficient resources that meet the short and long-term needs of our customers. To achieve this we will maintain the utility system components, and provide for	Duration of electric system interruption per year for average customer	Ranks in the top quartile nationwide (less than 60 minutes per customer)	Develop a plan to complete a new electric transmission interconnection.

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
	adequate utility resource supplies to our current and future customers. We will also develop new management practices and organizational structure to ensure compliance with regulatory requirements.	Response time to all emergency calls	Under 30 minutes	Complete the Water Integrated Resource Plan (WIRP) including a comprehensive evaluation of the use of groundwater by end of CY 2015.
BP2. Operate the utility systems safely	We will continue to ensure the safety of our customers, employees and the community by the ongoing implementation of a safety programs. Protecting customers and employees from injury and customer’s property from damage is essential for delivering quality utility services to our customers. The safety programs will be implemented by updating safety procedures, educating customers via outreach materials and workshops, correcting system deficiencies, operating in accordance with existing safety rules, and ensuring that products delivered to customers are safe.	AGA (American Gas Association) Incidence Rate	Zero reportable incidents	
		Customer awareness of gas safety issues	90% of customers responding to annual gas customer safety awareness survey	
BP3. Replace infrastructure before the end of its useful life	We will continue to implement a long-term strategy for replacing infrastructure before the end of its useful life. Reliable delivery of utility services to our customers is critical for the success of business and the quality of life for our residents. To accomplish this, we will focus on reducing any backlog of infrastructure work and replace infrastructure systems in a manner that spreads the expense across multiple years resulting in program with even expenditures patterns in future years when possible.	Backlog of infrastructure elements whose ages are beyond their useful lives.	Zero	Complete long range Gas and Water master infrastructure plans by end of CY2015.
Customer Service Excellence				
BP4. Serve customers promptly and	We will provide customers with the highly responsive service they desire. We will do this by reviewing and improving our processes for managing accounts, handling payments, resolving billing issues, responding to	Average phone wait time	Less than 90 seconds	

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
completely	information and field service requests and notifying customers during service disruptions. We will identify ways to streamline these processes and implement changes. Specifically, we will review, document and improve business processes that have been identified as having long customer response times.	Number of billing adjustments	10% reduction from number in 2009.	
BP5. Communicate clearly and pro-actively with all our stakeholders	We will proactively communicate with all our stakeholders, including all customer groups, civic leaders, community groups and the press. To achieve this objective we will provide the information needed for our stakeholders to effectively access, understand and utilize all utilities services and programs. In addition, we will design communication vehicles and dissemination processes that will enable our residents to be educated owners of their municipal utilities system.	Time until informing the public and local media of a disruption affecting all sensitive major customers	Less than 60 minutes after becoming aware of a disruption	
BP6. Offer programs to meet the needs of customers and the community	We will assist customers to lower their cost of utilities services and support the environment. We will assist customers facing economic hardship by offering bill payment assistance programs. We will educate customers on the reasons for and their means of compliance with our safety and regulatory requirements. We will also identify all customer groups, identify any gaps in service provision to those customers, and propose new programs or changes to existing programs to close those gaps.	Participant* satisfaction with Utilities programs (*rebate recipients, workshop attendees, callers, etc.)	At least 90% of program participants satisfied with their experience	

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
Reduce Costs				
BP7. Negotiate supply contracts to minimize financial risk	We will continue to negotiate supply contracts to acquire supply resources while managing supply portfolio cost uncertainty to meet rate and reserve objectives and following sound risk management practices. To ensure that we are buying commodities at as competitive prices as possible, we will negotiate contracts with new counterparties to continue to have a sufficient set of credit-worthy trading partners. We will continue to develop long-term acquisition policies and plans (LEAP) and update those plans at least every three years. We will also determine all that is necessary to execute a gas prepay transaction as that is one clear way to lower the cost of gas supply resources.	Number of competitive bids received for each fixed-price transaction.	Minimum of three bids for electric power	Participate actively in Northern California Power Agency’s (NCPA) on-going allocation of cost, including new cost allocation studies if undertaken, to ensure that the City’s costs are fair. Evaluate alternative providers for services provided by NCPA as appropriate.
BP8. Reduce cost of delivering service through best management practices	We will reduce the cost of delivering service to customers. We will identify opportunities to better coordinate between Utilities and other City departments to improve efficient delivery of services. We will perform benchmarking studies to identify potential modifications to procedures, practices, materials, and plans and to ensure that we are following best practices. One best practice is to increase calibration and replacement schedules for gas and water meters since the meters slow over time causing actual usage to be under-recorded, resulting in lost revenue.	“lost and unaccounted for” volumes of gas and water	80% of 2009 levels.	Complete Water benchmarking study by end of FY 2015.

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
BP9. Maximize value of existing generation assets	Palo Alto owns significant supply resource assets including a portion of the Calaveras Hydroelectric Project, a contract with the Western Area Power Administration, a permanent allocation of water from the regional water system managed by San Francisco, and allocated capacity on a gas transportation pipeline. We will seek out both daily and operational and long-term opportunities to optimize the value of these assets to enhance revenue and/or to reduce costs. We will work with joint-owners of our resource assets to leverage those resources and advocate to maintain or improve the value of existing resources into the future (LEAP and GULP strategies).	Value harvested from Redwood gas pipeline capacity	100%	
BP10. Manage implementation of strategic plan	Completing the strategic plan is only the beginning of getting value from the strategic planning process. Ongoing management of the strategies and initiatives and reporting on progress of those initiatives is essential to achieving positive results from the strategy. We will report to the UAC and Council on this plan’s progress twice annually and we will review and revise the objectives and develop new initiatives on an annual basis.	Number of strategic initiatives completed	100%	
Environmental Sustainability				
BP11. Increase the environmental sustainability of all Utilities activities	Adding sustainable resources to the supply portfolios will help the City meet its Climate Protection Plan goals by reducing the carbon footprint of the utility services provided to our customers. We will achieve this by acquiring renewable resources and promoting the development of local renewable resources within the rate objectives in the Long-term Electric Acquisition Plan (LEAP). Sustainable practices will be pursued not just for the supply portfolios, but across all the Utilities day-to-day operations.	Meet the state’s 20% per capita water use reduction by 2020 target	20% by 2020	Complete EIR and financial plan for expanding recycled water system
BP12. Promote efficient use of resources	Resource efficiency programs meet our customers’ desire for environmental solutions that save money as well as contributing towards the Climate Protection Plan goals. We will promote resource efficiency by dedicating the tactical staffing and budgetary resources necessary to reach maximum	Actual electric energy efficiency achievement	At least as high as goals Council set in December 2012	Include all cost effective water efficiency measures in 2015

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
	deployment of economically feasible resource efficiency. We will revise and document our long-term efficiency strategies by updating our 10-year Energy Efficiency goals every three years and updating our water efficiency goals every five years in the Urban Water Management Plan. To maximize the savings potential for new development, coordinate with the City's Economic Development Manager to ensure that new developments incorporate energy saving features in the design phase.	Actual gas energy efficiency achievement	At least as high as goals Council set in December 2012	Urban Water Management Plan (UWMP).
People and Technology Perspective				
PT1. Be an attractive place to work	We will create a positive values-based work environment which attracts and retains qualified staff. To achieve this objective we will try to better understand employees desires and incentives, and will articulate our values both internally and as we recruit.	Employee satisfaction rating	Improvement from prior year's level	
PT2. Obtain, develop and train employees to ensure an adequate and qualified workforce	A properly sized, trained and certified workforce is essential to our effectiveness. We will identify skill and staffing gaps at the individual and organizational levels and seek to fill those gaps through the effective use of opportunities including hiring, mentorship programs, role rotations, knowledge transfer opportunities, long-term developmental assignments and both internal and external training opportunities. We will plan for workforce succession and provide cross-training opportunities for employees to improve employee satisfaction and build a more robust work force.	Percentage of operations personnel that has appropriate certification and training required for working in all areas they may be assigned	100%	Update the 5-year succession plan for each division.
PT3. Ensure employees have adequate tools to perform job duties	As major users of technology assets, we must have access to quality and timely delivered IT services. We must build and maintain an effective relationship with the City's IT division that includes clear, frequent communication as well as productive coordination. We will collaborate with IT to identify barriers to providing support for technology projects and remove them. In those instances in which our immediate technology needs cannot be addressed by the City's IT division in a timely or sufficiently-comprehensive fashion, we will utilize external expertise.	Employees have adequate tools and training to perform their jobs	100% of employees	Develop a Utilities-specific smart grid and IT strategic plan.

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
PT4. Investigate and adopt innovative technologies	Our customers value Utilities embracing new technologies that will help reduce costs and/or meet Climate Protection Plan goals. We will innovate by researching technologies and cultivating relationships with entrepreneurs and academics to identify new cost-effective and environmentally sustainable technologies to consider adopting. New technologies, programs, and projects identified in the smart grid strategic plan will be implemented.	Number of new technologies evaluated per year by an in-depth study or pilot project	Three	
Financial Perspective				
F1. Maintain financial strength	Maintaining a high credit rating reduces the cost of borrowing if needed for capital projects. We will continue best practices for financial management, adhere to energy risk management policies and guidelines to minimize financial risk, and maintain sufficient reserves to cover debt obligations as required to retain CPAU’s current favorable bond rating so that the cost of capital is low for any bond funded capital projects.	Credit rating	At least AA as determined by Fitch Ratings or Standard and Poor’s or at least Aa3 as determined by Moody’s	
F2. Maintain adequate reserves	Maintaining adequate cash reserves contributes to maintaining our overall financial health and retaining our current favorable bond rating. We will maintain Rate Stabilization Reserves levels within Council-approved guidelines and sufficient to provide rate stability as desired by ratepayers. During the annual budget and rate setting process, the risks that each Utilities fund is exposed to will be identified along with the trajectory of costs and revenues to allow Council to determine appropriate reserve levels and rate adjustments.	Operations Reserve levels	Within guidelines in Council-adopted long-term Financial Plans	

Utilities Strategic Plan – Strategic Objectives

Strategic Objective	Objective Statement	Performance Measure	2015 Target	Strategic Initiative
F3. Implement rate structures that balance cost of service and resource conservation	Retail rates should be designed so that the revenues from a customer group match the cost to serve those customers. Rates consist of fixed charges and volumetric charges, which are based on usage. Fixed costs consist of customer-related costs (meter reading, billing, etc.) and costs related to capital projects and operations while variable costs include the cost of buying supplies (water, gas, or electricity). When fixed costs are recovered through charges based on usage, costs will not be recovered if customers reduce usage more than projected. To address this problem we will examine alternate rate structures that strike a balance between the two competing objectives (cost of service and resource efficiency) to ensure that certain fixed costs are recovered with a fixed charge, but other costs are recovered with charges that vary depending on usage (volumetric charges).			Complete Electric cost of service analysis (COSA) by end of CY 2015.

Vision: We Deliver Extraordinary Value to Our Customers

Strategic Destination: We will earn the high satisfaction of our customers with our cost-competitive provision of safe, reliable and environmentally sustainable utility services

