

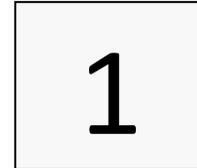
MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: FEBRUARY 7, 2018

SUBJECT: Staff Recommendation that the Utilities Advisory Commission Recommend Council Approve the 2018 Strategic Plan



REQUEST

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

SUMMARY

Approval of the 2018 Utilities Strategic Plan (Strategic Plan) is necessary to provide the Utilities Department (CPAU) with a cohesive roadmap to better meet the needs of its community, customers and employees now and in the future. The proposed Strategic Plan has been modified from the Strategic Plan shared with the UAC in January 2018 to reflect the UAC input and suggested modifications.

BACKGROUND

At its January 18, 2018 UAC meeting, staff presented the Strategic Plan for approval ([link to UAC Memo](#)). Several of the UAC members provided general comments and/or requested specific modifications made to the Strategic Plan and asked that staff return in February with a revised version of the Strategic Plan for approval.

DISCUSSION

Much of the UAC's input at the January 2018 meeting was in general support of the Strategic Plan along with clarifications related to specific strategies, actions and key performance indicators (KPIs). Attachment B provides a summary of the key points and/or suggested changes and staff's response and/or modifications to the Strategic Plan. A redline version of the document is included as Attachment C. Attachment D contains the draft excerpted minutes from the January 18, 2018 special meeting.

NEXT STEPS

Staff will seek Council approval of the Strategic Plan at its March 5, 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. Summary of UAC’s comments and/or proposed modifications
- C. 2018 Utilities Strategic Plan – redline version
- D. Draft Minutes of the UAC special meeting of January 18, 2018

PREPARED BY:

MONICA V. PADILLA, Senior Resource Planner

REVIEWED BY:

DAVE YUAN, Utilities Strategic Business Manager
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.

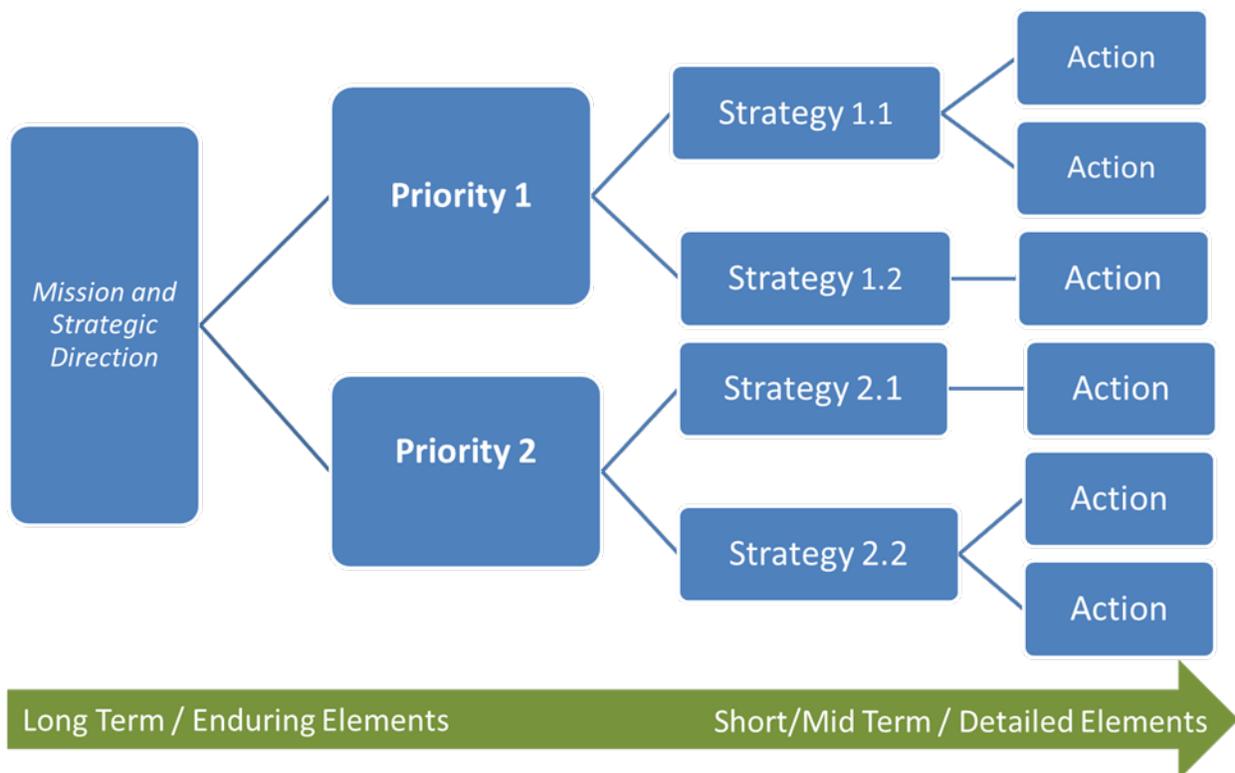


Figure 1: Strategic Plan Structure and Elements

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.

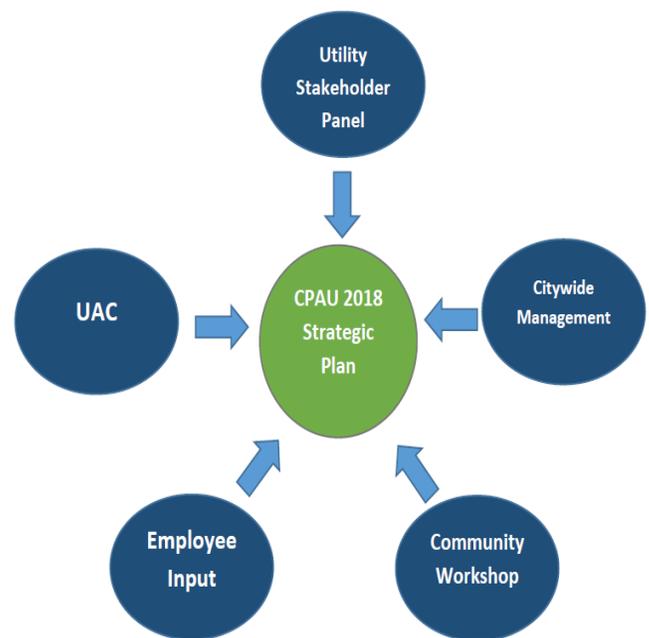


Figure 2: Stakeholder Engagement

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)
- 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 (DERs) (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 with each of the priorities below.

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.

Workforce KPIs:

- Reduce employee turnover rates to 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

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 through active listening and engagement 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.

Collaboration KPIs:

- Maintain 85% or higher "excellent" or "good" performance ratings in annual customer satisfaction survey.
- Maintain 50% or higher level of customer awareness for customers affected by 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

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 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 (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.

Technology KPIs:

- Increase the number of 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

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 Fiscal Year (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 Capital Improvement Project (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.

Financial Efficiency and Resource Optimization KPIs:

- 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.

List of Acronyms

AMI	Advanced Metering Infrastructure
BAWSCA	Bay Area Water Supply & Conservation Agency
CARB	California Air Resources Board
CEC	California Energy Commission
CIS	Customer Information System
CMUA	California Municipal Utilities Association
CPAU	City of Palo Alto Utilities
CPT	Core Planning Team
DER	Distributed Energy Resource
DOE	Department of Energy
EV	Electric Vehicle
EPA	Environmental Protection Agency
FY	Fiscal Year
GIS	Geographical Information System
IDP	Individual Development Plan
MDM	Meter Data Management
MUA	My Utility Account
OMS	Outage Management System
NCPA	Northern California Power Agency
SCADA	Supervisory Control & Data Acquisition
UAC	Utilities Advisory Commission

**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
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

Attachment B

Strategic Plan Element	Comment and/or Modification Request	Response and/or Action
General	<ul style="list-style-type: none"> • List KPIs with priorities and not as stand-alone item. (Johnston) • Delete any reference to the term “millennial”. (Forsell) • List key target dates for initiatives in chronological order. (Johnston) • Financial responsibility should be included as a value. (Segal) • Include intent behind KPIs. (Schwartz) • Define all acronyms the first time they are used • Strategic Direction does not seem to reflect a destination (Segal) 	<ul style="list-style-type: none"> • The document has been modified. • The document has been modified. • This information will be provided to the UAC once implementation of the Strategic Plan begins. • Accountability is intended to include financial responsibility. • The document has been modified as applicable. • The document has been modified to include a table of acronyms. • The Strategic Direction simply provides a shorthand statement of the focus of the Strategic Plan, the achievement of which would be a great place to be.
Priority 1 (P1): Workforce	<ul style="list-style-type: none"> • Housing solutions including co-housing should be listed as an action item to help attract and retain employees. (Schwartz) • Workforce priority does not include actions related to working with local community colleges for workforce development. (Schwartz) 	<ul style="list-style-type: none"> • Affordable housing and work-life balance solutions are a priority for the City overall and for City employees the City Council has identified this as a Council priority. Developing specific actions related to co-housing are not within the purview of CPAU, but rather a City-wide issue and therefore not included in the Strategic Plan. CPAU staff will work within the City-wide program to ensure viable housing and work-life balance solutions are considered in the context of recruitment and retention. • P1: Strategy 2, Action 3 contains tasks related to working with local high schools, community colleges, and universities to promote internship and other opportunities in the field. These tasks are not included for approval of the Strategic Plan, however will be included in CPAU work plans and implementation efforts.
Priority 2 (P2): Collaboration	<ul style="list-style-type: none"> • Include a strategy/action related to listening. (Schwartz) • Supports collaboration related to implementation of CPAU’s technology roadmap; however expressed concerns about the not having AMI fully deployed until December 2022 and order of deployment efforts. (Schwartz) • Would like to see an outage management system in place before June 2019. (Schwartz) • Add “affected” to KPI addressing number of customers aware of programs. 	<ul style="list-style-type: none"> • P2: Strategy 1, has been modified to including listening. • See comments under Technology • Operations is currently evaluating the existing outage management system to assess whether the functionalities meets our needs. The results of this evaluation may lead to exploring other vendor services or systems. There is no currently forecasted timeline for this endeavor. • The document has been modified.

Strategic Plan Element	Comment and/or Modification Request	Response and/or Action
Priority 3 (P3): Technology	<ul style="list-style-type: none"> • Use of the term AMI is inconsistent with industry terminology. Should be advanced meter infrastructure. (Schwartz) • Encourages staff to learn from and collaborate with other utilities that have effectively deployed AMI. (Schwartz) • Concerned about the time it will take to achieve fully deployment of AMI (September 2022). (Schwartz and Johnston) • CPAU staff needs to recognize that the City is behind and not in pace with adoption of new technologies and action should reflect that the City needs to catch up. (Schwartz) 	<ul style="list-style-type: none"> • The Strategic Plan consistently uses the term advanced meter infrastructure. • CPAU staff participates in several AMI workgroups and recognizes the need to further explore best practices throughout the industry. • The AMI deployment schedule as proposed is necessary to ensure successful deployment given existing resources and the need to implement and integrate with new enterprise and billing systems. • Staff strives to understand customers' technology needs and prioritizes cost effective deployment within the existing constraints and resources. Staff recognizes that AMI deployment and use of other technology is behind that of other utilities; however will keep Strategy 4, Action 5 as is to reflect CPAU's goal rather than as a statement of current status.
Priority 4 (P4): Financial & Resources	<ul style="list-style-type: none"> • KPI to maintain bills below average or median may not be unattainable if CPAU is also pursuing improvements to infrastructure. And, are employee bonuses determined based on KPI performance? (Schwartz) 	<ul style="list-style-type: none"> • KPIs are intended to be goals to strive towards and employee performance is not measured against KPIs.

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.

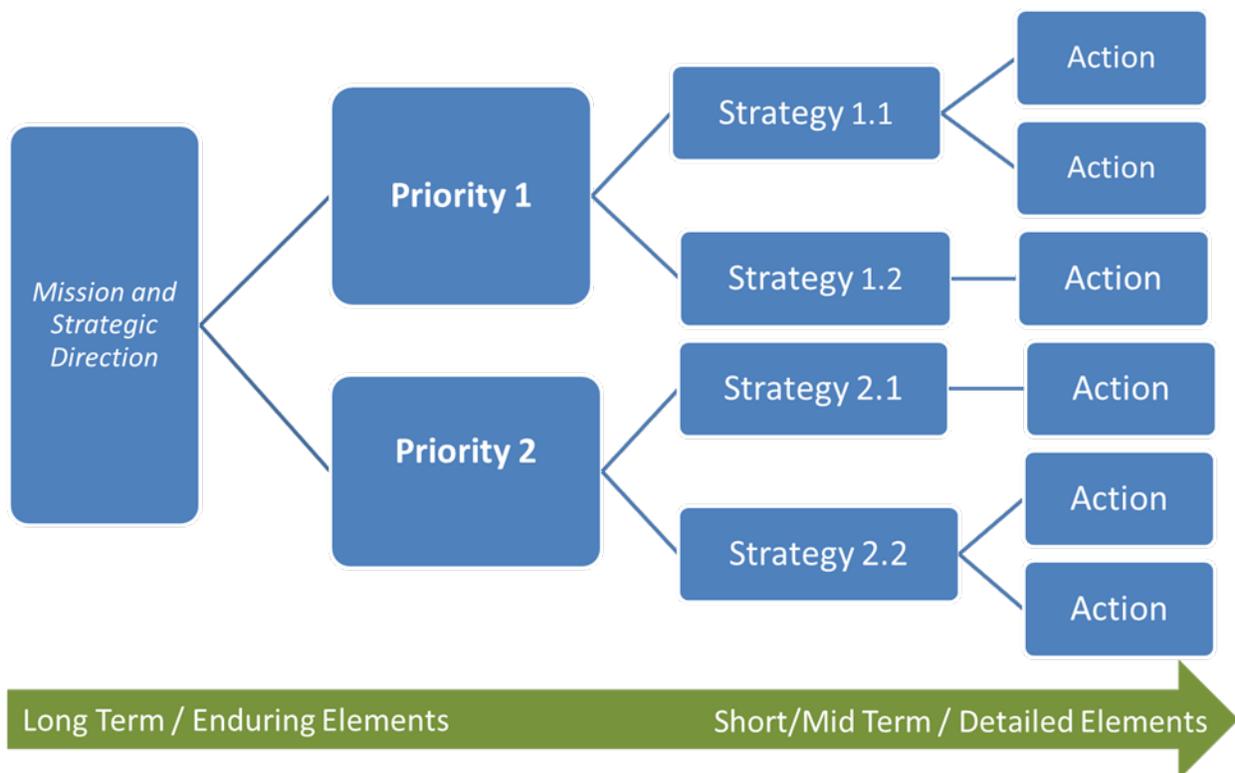


Figure 1: Strategic Plan Structure and Elements

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.

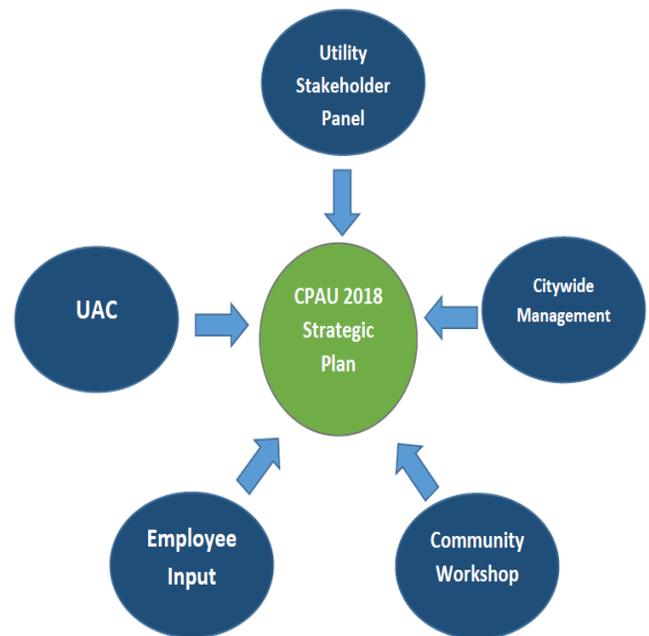


Figure 2: Stakeholder Engagement

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 ([DERs](#)) (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 [with each of the priorities](#) 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 rollout 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.

Workforce KPIs:

- Reduce employee turnover rates to 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

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 [through active listening and engagement](#) -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.

Collaboration KPIs:

- [Maintain 85% or higher "excellent" or "good" performance ratings in annual customer satisfaction survey.](#)
- [Maintain 50% or higher level of customer awareness for customers affected by 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

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 3-Technology KPIs:

- 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

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 [Fiscal Year \(FY\) 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 [Capital Improvement Project \(CIP\)](#) 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.

Priority 4: Financial Efficiency and Resource Optimization KPIs:

- 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.
-

List of Acronyms

<u>AMI</u>	<u>Advanced Metering Infrastructure</u>
<u>BAWSCA</u>	<u>Bay Area Water Supply & Conservation Agency</u>
<u>CARB</u>	<u>California Air Resources Board</u>
<u>CEC</u>	<u>California Energy Commission</u>
<u>CIS</u>	<u>Customer Information System</u>
<u>CMUA</u>	<u>California Municipal Utilities Association</u>
<u>CPAU</u>	<u>City of Palo Alto Utilities</u>
<u>CPT</u>	<u>Core Planning Team</u>
<u>DER</u>	<u>Distributed Energy Resource</u>
<u>DOE</u>	<u>Department of Energy</u>
<u>EV</u>	<u>Electric Vehicle</u>
<u>EPA</u>	<u>Environmental Protection Agency</u>
<u>FY</u>	<u>Fiscal Year</u>
<u>GIS</u>	<u>Geographical Information System</u>
<u>IDP</u>	<u>Individual Development Plan</u>
<u>MDM</u>	<u>Meter Data Management</u>
<u>MUA</u>	<u>My Utility Account</u>
<u>OMS</u>	<u>Outage Management System</u>
<u>NCPA</u>	<u>Northern California Power Agency</u>
<u>SCADA</u>	<u>Supervisory Control & Data Acquisition</u>
<u>UAC</u>	<u>Utilities Advisory Commission</u>

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 Tappetta, 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

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



EXCERPTED DRAFT MINUTES OF THE JANUARY 18, 2018 SPECIAL MEETING UTILITIES ADVISORY COMMISSION

ITEM 2. ACTION: 2018 Utilities Strategic Plan

Ed Shikada, Utilities General Manager, presented an overview of the 2018 Utilities Strategic Plan (Plan) and revisions made in response to Commissioners' comments during the December meeting. Development of the Strategic Plan involved a series of internal and public workshops. The Plan focuses on priority areas that result in specific actions. The Mission Statement focuses on the workforce and staff's work in delivering services to the community. Priority areas are workforce, collaboration, technology, and finances and resources, and each contains specific strategies and actions. Key performance indicators (KPI) are placeholders in that they will be refined over time. Shikada reviewed KPIs for each priority area. In order to meet the KPI for workforce, staff will need to be more aggressive in filling positions. Individual development plans will be used to determine department priorities. Staff teams are organizing and will develop an implementation plan for the Strategic Plan. Subject to the Commission's discussion, the Plan may be presented to the City Council for approval on March 5, 2018.

In reply to a Commissioner's question, Dean Batchelor, Chief Operating Officer, advised that the department's vacancy rate has averaged 8% over the past five years, 3% from retirement and 5% from voluntary separation. The rate for retirement will likely increase over the next few years.

Commissioner Schwartz requested automated metering infrastructure be revised to advanced metering infrastructure (AMI). The workforce priority area needs to include cohousing and creative solutions for it and recruiting from local community colleges and universities. The collaboration priority area should refer to "listen" or "a listening organization." Requested that staff consider moving up the date for implementation of Strategy 3, Action 1 related to AMI deployment from 2022, and, Strategy 3, Action 5 – Outage Management System, currently scheduled for 2019, should be implemented much sooner. Under the Technology priority area, scheduling for Strategy 3, Action 4 seems slow, but AMI is needed to provide real-time information. Because the City proposes implementation of AMI in 2022, the two dates should align. With respect to Technology, Strategy 4, Action 5, CPAU is not keeping pace with customer adoption of new technologies. Conceptually, the action should be to catch-up with customers. Commissioner Schwartz was pleased to find Strategy 5, Action 2 in the Plan related to empowering employees with technology. The Strategic Plan should consider third-party products that will assist staff in implementing the Plan.

Commissioner Schwartz's requested clarification on Collaboration Strategy 4, Action 3, related to working with other agencies. Catherine Elvert, Utilities Communications Manager, explained that staff, in collaborating with other agencies, can share best practices and resources.

Monica Padilla, Senior Resource Planner, reported that staging development of a new customer information system (CIS), integration of the Enterprise Resource Planning System, and AMI resulted in

the target date for Strategy 3, Action 4. Commissioner Schwartz recommended staff develop CIS in concert with AMI for a successful project. Dave Yuan, Utilities Strategic Business Manager, clarified that staff is developing CIS specifications that include AMI requirements. Once staff obtains approval of the business case, they plan to develop specifications for AMI technology.

Commissioner Johnston suggested KPIs remain under the priorities. Acronyms should be spelled out the first time they are used. A list of target dates in chronological order in the Plan would be helpful.

Commissioner Forssell proposed deleting the third bullet on page 4 of the Plan as it may be construed as age discrimination. She concurred with Commissioner Schwartz to include "listening" within the collaboration priority area. Commissioner Forssell was pleased to find financial efficiency Strategy 5 and Strategy 4, Action 3 in the Plan. She commented that she found the City's strategic plan consultant, Tony Georges', appearance before the UAC to be uninspiring and his slide deck to be too simplistic for the UAC and too confusing for community outreach.

In reply to Councilmember Filseth's inquiry of whether the intent of the third bullet on page 4 was to attract recent college graduates, Commissioner Forssell advised that another provision of the Plan covers recruiting from local colleges.

Commissioner Segal remarked that the CPAU values refer to accountability but not financial responsibility or an economic aspect of accountability. According to the memo, the Strategic Destination Statement should indicate where CPAU wants to be in five years; however, the Plan does not provide a direction for five years from now.

Vice Chair Ballantine was pleased to see collaboration Strategy 2, Action 2 in the Plan and interpreted that action to mean resiliency.

Commissioner Schwartz commented that KPIs for financial efficiency and resource optimization may not be attainable because of cost of service issues and may result in tradeoffs. Understanding tradeoffs is an important part of conscious management of assets and resources. This issue needs a substantive discussion. Shikada clarified that KPIs are intended to track progress and to enable staff to make decisions more explicitly and consciously. Performance bonuses will not be tied to meeting KPIs. Commissioner Schwartz suggested including a statement as to how KPIs will be used.

ACTION: No action