

**TO: HONORABLE CITY COUNCIL**



**FROM: CITY MANAGER**

**DEPARTMENT: UTILITIES**

**DATE: APRIL 23, 2006**

**CMR: 216:07**

**SUBJECT: UTILITIES ADVISORY COMMISSION RECOMMENDATION TO APPROVE THE UTILITIES TEN-YEAR ENERGY EFFICIENCY PORTFOLIO PLAN**

### **RECOMMENDATION**

The Utilities Advisory Commission and staff recommend that the City Council approve the proposed 10-Year Energy Efficiency Portfolio Plan (“Efficiency Plan”).

### **BACKGROUND**

The Long-term Electric Acquisition (LEAP) Implementation Plan was revised in April 2006 (CMR:169:06), and LEAP Objectives and Guidelines were revised this year (UAC February, 2007 and approved by Council on March 5, 2007; CMR:158:07). The revisions were made, in part, to respond to new legislative requirements and new policy directives related to energy efficiency. The Gas Utility Long-term Plan (GULP) also includes energy efficiency as a key objective (CMR:345:03).

Palo Alto has long been a leader in energy efficiency programs, and views efficiency as a valuable “supply” resource that plays a key role in long-term utilities planning. Palo Alto has offered energy efficiency programs since the 1970’s. However, due to increasing supply costs, new regulatory requirements, and the City’s desire to continue to promote environmental stewardship, a renewed emphasis is being placed on energy efficiency.

The Utilities Ten-Year Energy Efficiency Portfolio Plan (Attachment A to April 4, 2007 UAC Report) provides the detailed analysis and plans for enhancing Palo Alto’s energy efficiency efforts. The key elements of the plan are: 1. Technical and economic potential; 2. Cost-effectiveness criteria; 3. Relationship to greenhouse gases; 4. Retail rates, demand response, and metering; 5. Core focus areas in the first two years; and 6. Budget and funding. The proposed Ten-Year Efficiency Plan includes energy efficiency funding from Public Benefits as well as new funding from supply budgets to accomplish program objectives.

**BOARD/COMMISSION REVIEW AND RECOMMENDATIONS**

At the April 4, 2007 meeting, the UAC considered the proposed Ten-Year Energy Efficiency Plan. The UAC discussion focused primarily on the program economic criteria and ensuring that adequate financial controls are in place for the program. The UAC voted three to zero to recommend approval of the Efficiency Plan, with one commissioner absent and one abstention.

**RESOURCE IMPACT**

Increased efforts in cost-effective energy efficiency are expected to have a short-term impact on reserves, but no adverse impact on average electricity bills. Successful implementation of the ten-year plan would result in a long-term rate increase of approximately 0.5-1%, with an average bill decrease of 2.5-3%. No new staff positions will be required. Existing positions within the Utilities Department will be reassigned to implement the Efficiency Plan.

The budget estimates for the first two years of the long-term efficiency plan are included in the proposed budget. Unspent funds from supply-funded efficiency will flow back to the Supply Rate Stabilization Reserve. Unspent funds from Public Benefits will flow back to the Public Benefit Reserve. The incremental program costs are designed to be recovered over time by reduced expenditures in the long-term supply purchasing budget.

**POLICY IMPLICATIONS**

The proposed Efficiency Plan supports the Council-approved Utilities Strategic Plan, Long-term Electric Acquisition Plan, the Gas Utility Long-term Plan, and Comprehensive Plan Goal N-9. The proposed Efficiency Plan also supports the National Action Plan for Energy Efficiency Memorandum of Understanding (NAPEE MOU) endorsed by the Council (CMR:316:06), and also facilitates addressing the federal Energy Policy Act of 2005, particularly Title 1 (Energy Efficiency). Energy efficiency efforts are also critical in achieving greenhouse gas reduction goals reflected in California Climate Action Team goals and AB32 (California Global Warming Solutions Act of 2006) and identified in the report to Council by the Mayor’s Green Ribbon Task Force, a Council priority for this year.

**ATTACHMENTS**

- A: April 4, 2007 UAC Report: Item 2 April 4, 2007
- B: Draft April 4, 2007 UAC meeting minutes excerpts

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