



City of Palo Alto

City Council Staff Report

(ID # 10467)

Report Type: Consent Calendar

Meeting Date: 8/19/2019

Summary Title: Adoption of Resolution to Conclude CustomerConnect and Residential TOU Rate

Title: Adoption of a Resolution Concluding the CustomerConnect Pilot Program and Repealing Electric Rate Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) and Resolution Number 9737

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that the City Council adopt a resolution (Attachment A) concluding the CustomerConnect Pilot Program and repealing Electric Rate Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) and Resolution Number [9737](#) by December 31, 2019.

Background

In December 2012, City Council approved the CustomerConnect pilot program to evaluate the application of advanced metering infrastructure (AMI) in Palo Alto ([Staff Report 3330](#)). At a cost of \$450,000 over 5-years, the pilot provided advanced electricity, natural gas and water meters for single family residential customers to monitor their hourly utility consumption to use utility services more efficiently.

With the initial participation of 300 customers in CustomerConnect program, including a subset of 117 customers using residential time-of-use (TOU) rate adjustment in conjunction with their residential E-1 rate, the program achieved its objectives. Program highlights include City staff gaining experience in the following areas:

1. Installation and maintenance of advanced meters and communication networks;
2. Implementation of residential TOU electricity retail rates;
3. Assessing the potential to conserve energy by maintaining electric system voltage at the lower end of the acceptable voltage range, a practice known as conservation voltage reduction;
4. Evaluation of ways to lower the system integration cost for a full-scale AMI implementation;

5. Evaluation of ways to integrate AMI into the distribution outage management system (OMS);
6. Evaluation of ways to optimally integrate flexible customer technology like batteries and electric vehicles.

Staff presented a report summarizing the lessons learned and findings from the pilot to the UAC in 2017 ([UAC Report, 09/06/2017](#)).

Discussion

The pilot phase of the CustomerConnect pilot program ended in December 2017, and staff continues to maintain and operate the pilot program systems (advanced meters, mesh network for meter communication, utility network portals, and customer usage online portal) for the 96 customers still enrolled. The mesh network, which is critical for meter communication as well as application of the TOU rates, was built on a 3G wireless platform, which will become obsolete by the end of 2019. Continuing to use it will require a \$40,000 to \$80,000 upgrade to transition to the 4G wireless platform.

Given the additional costs of upgrading to a new wireless platform and the staffing resources needed to maintain the pilot program's systems, staff recommends concluding the CustomerConnect pilot program by the end of 2019 and reallocating resources for the implementation of the full-scale AMI system in the next 3 to 5 years. As a result, TOU rates will be discontinued, along with the online portal displaying participants' interval utility usage.¹ CPAU's residential customer E-1 rate schedule will continue to apply to all of the customers who participated in the CustomerConnect program, but the TOU rates adjustment will no longer be applied in conjunction with the E-1 rate.² Staff will notify all pilot program participants and provide information about the change in early October.

Resource Impact

Existing staff will undertake the tasks required to conclude the CustomerConnect program and inform customers with TOU rates that their residential E1-rate schedules will continue to apply, absent the TOU rate adjustment.

Policy Implications

Concluding the CustomerConnect pilot program and focusing resources towards full scale deployment of the AMI system is in line with the Utilities Strategic Plan to *deploy AMI to increase reliability, customer service and improve response time* (Priority#3, Strategy#2).

¹ Of the 300 customers who originally signed up and recruited for the pilot, 24, or 8%, have logged and viewed their consumption patterns in the month of May 2019.

² TOU customers with electric vehicles on average have generally seen a \$2-3/month reduction on their bills due to their participation in the CustomerConnect program. Council originally approved the TOU rates in 2012 and extended them indefinitely in 2018 ([Resolution 9737, 02/05/2018](#)).

Environmental Review

The Council's decision to repeal the TOU rates and conclude the CustomerConnect Program does not meet the California Environmental Quality Act's (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental review is required.

Attachments:

- Attachment A: Resolution to Conclude CustomerConnect and Residential Time-of-Use Rate

Not Yet Approved

Resolution No. _____

Resolution of the Council of the City of Palo Alto Concluding the
CustomerConnect Pilot Program and Repealing Electric Rate Schedule E-
1 TOU (Residential Time-of-Use Rate Adjustment) and Resolution
Number 9737

R E C I T A L S

A. On December 10, 2012, the City Council adopted the Residential CustomerConnect pilot program and voluntary electric time of use (TOU) rate schedule (Staff Report 3330, Resolution 9320), on February 23, 2015, the Council extended the TOU rates through December 31, 2017 (Staff Report 5459, Resolution 9495), and on February 5, 2018, Council extended the TOU rates indefinitely, or until Council acts to modify or repeal them (Staff Report 8743, Resolution 9737).

B. On November 19, 2018, the City Council approved the Smart Grid and Utilities Technology Plan, which includes the implementation of an Advanced Metering Infrastructure (AMI)-based smart grid system to serve our customers (Staff Report 9780).

C. The CustomerConnect Pilot Program's mesh network, which is critical for meter communication, was built on a 3G wireless platform, which will become obsolete by the end of 2019, and will require a \$40,000 to \$80,000 upgrade to work with the 4G wireless platform.

D. Given the additional costs of upgrading to a new wireless platform and staffing resources needed to maintain the CustomerConnect Pilot Program and TOU rates, staff recommends discontinuing the CustomerConnect Pilot Program by the end of 2019, and reallocating those resources towards the implementation of a full-scale AMI system.

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The CustomerConnect Pilot Program will conclude as of December 31, 2019.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) is repealed.

SECTION 3. Resolution 9737, adopted by the Council on February 5, 2018, to be repealed as of December 31, 2019.

SECTION 4. The 96 Customer Accounts remaining in the CustomerConnect pilot program and currently subject to Utility Rate Schedule E-1 TOU will remain on Utility Rate Schedule E-1 during and after the conclusion of the CustomerConnect pilot program.

Not Yet Approved

SECTION 5. The Council finds that the adoption of this resolution does not meet the California Environmental Quality Act's (CEQA) definition of a project under Public Resources Code Section 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, and therefore, no environmental review is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

Assistant City Attorney

Mayor

APPROVED:

City Manager

Director of Utilities

Director of Administrative Services