

Utilities Strategic Plan – Strategic Objectives

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

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	understand how they can influence their total cost for Utilities services. For natural gas service, Palo Alto’s supply cost has been relatively stable due to a laddered gas portfolio purchasing strategy; however, this strategy needs to be re-evaluated as gas prices are currently low and are projected to stay low for the foreseeable future. Although, the average bill for all services should be comparable to those in surrounding communities, staff will continue to monitor and report the bills for each service separately on a quarterly basis.	Annual rate change	Maximum of 10% per year for electric and wastewater services. Maximum of 20% per year for water service.	
C4. “Care for our environment”	Our community wants its customer-owned utility to offer choices for them to manage their resource use in ways that reflect their environmental values. Utilities will improve existing programs and develop new programs to meet customer needs and allow customers to manage their own environmental footprint.	Percentage of customers participating in the PaloAltoGreen program	Top rank nationally	Redesign the PaloAltoGreen program by January 2014 (LEAP task).
Internal Business Process Perspective				
Safety and Reliability				
BP1. Ensure a reliable supply of utility resources	We will implement strategies that ensure the reliable supply of utility resources to meet present and future needs. To provide opportunities for economic development within Palo Alto, we must provide sufficient resources that meet the short and long-term needs of our customers. To achieve this we will maintain the utility system components, and provide for adequate utility resource supplies to our current and future customers. We will also develop new management practices and organizational structure to ensure compliance with regulatory requirements.	Duration of electric system interruption per year for average customer	Ranks in the top quartile nationwide (less than 60 minutes per customer)	Develop a plan to complete a new electric transmission interconnection.
		Response time to all emergency calls	Under 30 minutes	
BP2. Operate the utility systems safely	We will continue to ensure the safety of our customers, employees and the community by the ongoing implementation of a safety programs. Protecting customers and employees from injury and customer’s property from damage is essential for delivering quality utility services to our customers. The safety programs will be implemented by updating safety procedures, educating customers via outreach materials and workshops, correcting system deficiencies, operating in accordance with existing safety rules, and ensuring that products delivered to customers are safe.	AGA (American Gas Association) Incidence Rate	Zero reportable incidents	
		Customer awareness of gas safety issues	90% of customers responding to annual gas customer safety awareness survey	

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BP3. Replace infrastructure before the end of its useful life	We will continue to implement a long-term strategy for replacing infrastructure before the end of its useful life. Reliable delivery of electric service to our customers is critical for the success of business and the quality of life for our residents. To accomplish this, we will focus on reducing the backlog and replaces infrastructure systems in a manner that spreads the expense across multiple years resulting in program with even expenditures patterns in future years.	Backlog of infrastructure elements whose age is beyond its useful life.	Zero	
Customer Service Excellence				
BP4. Serve customers promptly and completely	We will provide customers with the highly responsive service they desire. We will do this by reviewing and improving our processes for managing accounts, handling payments, resolving billing issues, responding to information and field service requests and notifying customers during service disruptions. We will identify ways to streamline these processes and implement changes. Specifically, we will review, document and improve business processes that have been identified as having long customer response times.	Average phone wait time	Less than 90 seconds	
		Number of billing adjustments	10% reduction from number in 2009.	
BP5. Communicate clearly and pro-actively with all our stakeholders	We will proactively communicate with all our stakeholders, including all customer groups, civic leaders, community groups and the press. To achieve this objective we will provide the information needed for our stakeholders to effectively access, understand and utilize all utilities services and programs. In addition, we will design communication vehicles and dissemination processes that will enable our residents to be educated owners of their municipal utilities system. For example, Palo Alto’s gas rate stability is something customers should be educated about as it differentiates CPAU from PG&E.	Time until informing the public and local media of a disruption affecting at least 500 customers or any sensitive major customers	Less than 60 minutes after becoming aware of a disruption	
BP6. Offer programs to meet the needs of customers and the community	We will assist customers to lower their cost of utilities services and support the environment. We will assist customers facing economic hardship by offering bill payment assistance programs. We will educate customers on the reasons for and their means of compliance with our safety and regulatory requirements. We will also identify all customer groups, identify any gaps in service provision to those customers, and propose new programs or changes to existing programs to close those gaps.	Participant* satisfaction with Utilities programs (*rebate recipients, workshop attendees, callers, etc.)	At least 90% of program participants satisfied with their experience	

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Reduce Costs				
BP7. Negotiate supply contracts to minimize financial risk	We will continue to negotiate supply contracts to acquire supply resources while managing supply portfolio cost uncertainty to meet rate and reserve objectives and following sound risk management practices. To ensure that we are buying commodities at as competitive prices as possible, we will negotiate contracts with new counterparties to continue to have a sufficient set of credit-worthy trading partners. We will continue to develop long-term acquisition policies and plans (LEAP) and update those plans at least every three years. We will also determine all that is necessary to execute a gas prepay transaction as that is one clear way to lower the cost of gas supply resources.	Number of competitive bids received for each fixed-price transaction.	Minimum of three bids for electric power	Pursue gas prepay transactions to leverage the City's low cost of capital and tax-exempt status to acquire lower cost gas supply resources (GULP Strategy).
BP8. Reduce cost of delivering service through best management practices	We will reduce the cost of delivering service to customers. We will identify opportunities to better coordinate between Utilities and other City departments to improve efficient delivery of services. We will perform benchmarking studies to identify potential modifications to procedures, practices, materials, and plans and to ensure that we are following best practices. One best practice is to increase calibration and replacement schedules for gas and water meters since the meters slow over time causing actual usage to be under-recorded, resulting in lost revenue.	"lost and unaccounted for" volumes of gas and water	80% of 2009 levels.	
BP9. Maximize value of existing generation assets	Palo Alto owns significant supply resource assets including a portion of the Calaveras Hydroelectric Project, a contract with the Western Area Power Administration, a permanent allocation of water from the regional water system managed by San Francisco, and allocated capacity on a gas transportation pipeline. We will seek out both daily and operational and long-term opportunities to optimize the value of these assets to enhance revenue and/or to reduce costs. We will work with joint-owners of our resource assets to leverage those resources and advocate to maintain or improve the value of existing resources into the future (LEAP and GULP strategies).	Value harvested from Redwood gas pipeline capacity	100%	

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BP10. Manage implementation of strategic plan	Completing the strategic plan is only the beginning of getting value from the strategic planning process. Ongoing management of the strategies and initiatives and reporting on progress of those initiatives is essential to achieving positive results from the strategy. We will report to the UAC and Council on this plan's progress twice annually and we will review and revise the objectives and develop new initiatives on an annual basis.	Number of strategic initiatives completed	100%	
Environmental Sustainability				
BP11. Increase the environmental sustainability of all Utilities activities	Adding sustainable resources to the supply portfolios will help the City meet its Climate Protection Plan goals by reducing the carbon footprint of the utility services provided to our customers. We will achieve this by acquiring renewable resources and promoting the development of local renewable resources within the rate objectives in the Long-term Electric Acquisition Plan (LEAP). Sustainable practices will be pursued not just for the supply portfolios, but across all the Utilities day-to-day operations.	Carbon intensity of the electric portfolio	80% of baseline (2005) level	
BP12. Promote efficient use of resources	Resource efficiency programs meet our customers' desire for environmental solutions that save money as well as contributing towards the Climate Protection Plan goals. We will promote resource efficiency by dedicating the tactical staffing and budgetary resources necessary to reach maximum deployment of economically feasible resource efficiency. We will revise and document our long-term efficiency strategies by updating our 10-year Energy Efficiency goals every three years and updating our water efficiency goals every five years in the Urban Water Management Plan. To maximize the savings potential for new development, coordinate with the City's Economic Development Manager to ensure that new developments incorporate energy saving features in the design phase.	Actual electric energy efficiency achievement	At least as high as goals set in May 2010	
		Actual gas energy efficiency achievement	At least as high as goals set in January 2011	
People and Technology Perspective				
PT1. Be an attractive place to work	We will create a positive values-based work environment which attracts and retains qualified staff. To achieve this objective we will try to better understand employees desires and incentives, and will articulate our values both internally and as we recruit.	Employee satisfaction rating	Improvement from baseline level	

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PT2. Obtain, develop and train employees to ensure an adequate and qualified workforce	A properly sized, trained and certified workforce is essential to our effectiveness. We will identify skill and staffing gaps at the individual and organizational levels and seek to fill those gaps through the effective use of opportunities including hiring, mentorship programs, role rotations, knowledge transfer opportunities, long-term developmental assignments and both internal and external training opportunities. We will plan for workforce succession and provide cross-training opportunities for employees to improve employee satisfaction and build a more robust work force.	Percentage of operations personnel that has appropriate certification and training required for working in all areas they may be assigned	100%	Develop a 5-year succession plan for each division.
PT3. Ensure employees have adequate tools to perform job duties	As major users of technology assets, we must have access to quality and timely delivered IT services. We must build and maintain an effective relationship with the City’s IT division that includes clear, frequent communication as well as productive coordination. We will collaborate with IT to identify barriers to providing support for technology projects and remove them. In those instances in which our immediate technology needs cannot be addressed by the City’s IT division in a timely or sufficiently-comprehensive fashion, we will utilize external expertise.	Technology needs being met based on Utilities-specific IT strategic plan	100% for all Utilities work groups	Develop a Utilities-specific IT strategic plan.
PT4. Investigate and adopt innovative technologies	Our customers value Utilities embracing new technologies that will help reduce costs and/or meet Climate Protection Plan goals. We will innovate by researching technologies and cultivating relationships with entrepreneurs and academics to identify new cost-effective and environmentally sustainable technologies to consider adopting. New technologies, programs, and projects identified in the smart grid strategic plan will be implemented.	Number of new technologies evaluated per year by an in-depth study or pilot project	Three	
Financial Perspective				
F1. Maintain financial strength	Maintaining a high credit rating reduces the cost of borrowing if needed for capital projects. We will continue best practices for financial management, adhere to energy risk management policies and guidelines to minimize financial risk, and maintain sufficient reserves to cover debt obligations as required to retain CPAU’s current favorable bond rating so that the cost of capital is low for any bond funded capital projects.	Credit rating	At least AA as determined by Fitch Ratings or Standard and Poor’s or at least Aa3 as determined by Moody’s	

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F2. Maintain adequate reserves	Maintaining adequate cash reserves contributes to maintaining our overall financial health and retaining our current favorable bond rating. We will maintain Rate Stabilization Reserves levels within Council-approved guidelines and sufficient to provide rate stability as desired by ratepayers. During the annual budget and rate setting process, the risks that each Utilities fund is exposed to will be identified along with the trajectory of costs and revenues to allow Council to determine appropriate reserve levels and rate adjustments.	Rate Stabilization Reserve levels	Adequate to cover cost uncertainties over a two-year period while meeting rate stability objective	Develop a comprehensive Utilities financial policy by January 2014 to provide direction for future cost of service studies and rate-setting priorities.
F3. Implement rate structures that balance cost of service and resource conservation	Retail rates should be designed so that the revenues from a customer group match the cost to serve those customers. Rates consist of fixed charges and volumetric charges, which are based on usage. Fixed costs consist of customer-related costs (meter reading, billing, etc.) and costs related to capital projects and operations while variable costs include the cost of buying supplies (water, gas, or electricity). When fixed costs are recovered through charges based on usage, costs will not be recovered if customers reduce usage more than projected. To address this problem we will examine alternate rate structures that strike a balance between the two competing objectives (cost of service and resource efficiency) to ensure that certain fixed costs are recovered with a fixed charge, but other costs are recovered with charges that vary depending on usage (volumetric charges).			By the end of 2011, evaluate the appropriate fraction of fixed costs that should be collected by fixed charges versus volumetric charges.
F4. Provide a fair return to the City	CPAU provides an equity transfer to the City of Palo Alto's General Fund which provides a return on the City's original investment in the Utilities and reflects the City's ultimate responsibility for Utilities operations. Council approved the current equity transfer method in May 2009. The equity transfer is used by the General Fund as determined by the City Council and supports activities such as fire, police and library services to the City residents and businesses. This benefit, along with favorable rates and utility services, is a key value provided to the community from municipal ownership of Utilities.	Equity transfer to the City's General Fund	100% of the transfer as calculated by the Council-approved equity transfer methodology and permitted by law.	

Vision: We Deliver Extraordinary Value to Our Customers

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

