

Long-term Electric Acquisition Plan (LEAP) Objectives and Strategies

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LEAP Objectives:

1. Meet customer electricity needs through the acquisition of least total cost energy and demand resources including an assessment of the environmental costs and benefits
2. Manage supply portfolio cost uncertainty to meet rate and reserve objectives.
3. Enhance supply reliability to meet City and customer needs by pursuing opportunities including transmission system upgrades and local generation.

LEAP Strategies:

1. **Resource Acquisition** – Pursue the least total cost resources including an assessment of environmental costs and benefits to meet the City’s needs in the long term by:
 - a. Evaluating each potential resource on an equal basis by evaluating rate impacts and establishing costs and values for location, time of day and year, carbon, value of renewable supplies and any secondary benefits attributed to the resource; and
 - b. Including all resources – conventional energy, local and remote renewable energy supplies, energy efficiency, cogeneration, and demand reduction – in the evaluation.
2. **Electric Energy Efficiency and Demand Reduction** – Fund programs that maximize the deployment of cost-effective, reliable and feasible energy efficiency and demand reduction opportunities as the highest priority resources by:
 - a. Every three years, preparing a ten-year energy efficiency plan that identifies all cost-effective energy efficiency opportunities;
 - b. Using the cost of long-term renewable energy resources adjusted for time of day factors and location as the avoided cost when evaluating cost effectiveness of energy efficiency measures;
 - c. Designing and making energy efficiency programs available to all customers; and
 - d. Considering the impacts (costs, benefits and GHG emissions) of substituting electricity-using appliances for natural gas-using appliances and vice versa in the ten-year energy efficiency plan.
3. **Renewable Portfolio Standard (RPS)** – Reduce the carbon intensity of the electric portfolio by acquiring renewable energy supplies by:
 - a. Pursuing a minimum level of renewable purchases of at least 33% of retail sales by 2015 with the following attributes:
 - i. The contracts for investment in renewable resources shall not exceed 30 years in term.
 - ii. Pursue only renewable resources deemed to be eligible by the California Energy Commission (CEC).
 - iii. Evaluate use of Renewable Energy Certificates (RECs) to meet RPS.
 - b. Ensuring that the retail rate impact for renewable purchases does not exceed 0.5 ¢/kWh on average; and

- c. Performing an ongoing evaluation of the Palo Alto Clean Local Energy Accessible Now (CLEAN) program.
4. **Local Generation** – Promote and facilitate the deployment of cost-effective local resources by:
 - a. Using the renewable market price referent (MPR) adjusted for time of day factors and location as the avoided cost when evaluating cost effectiveness of local resources;
 - b. Considering energy delivery cost uncertainty and strategic value options when evaluating opportunities;
 - c. Evaluating a Feed-in-Tariff to promote locally sited renewable resources;
 - d. Evaluating cost-effective energy storage resources; and
 - e. Evaluating the feasibility of developing a 25 to 50 MW generating facility connect to the City’s distribution system.
5. **Climate Protection** – Reduce the electric portfolio’s carbon intensity by:
 - a. Supporting the City municipal government’s climate protection goals;
 - b. Promoting the use of technologies (e.g. incentives for cogeneration systems, promotion of EVs, in-home energy displays) and programs that will reduce the community’s carbon footprint at a cost of up to the City’s value of carbon;
 - c. Continuing to offer a renewable resource-based retail rate for all customers who want to voluntarily select an increased content of non-hydro renewable energy; and
 - d. Evaluating quantitative goals for possible future implementation.
6. **Hydro Resource Management** – Actively monitor and manage cost uncertainty related to variations in hydroelectric supply and maximize value of hydro resources by:
 - a. Planning for an average hydro year on a long-term basis;
 - b. Utilizing cost effective hydro resource management products; and
 - c. Implementing opportunities to maximize benefits and reduce costs of the Western Base Resource and Calaveras hydroelectric resources.
7. **Market Price Exposure Management** – Actively monitor and manage operational, counterparty and wholesale energy price risk in the short-term (up to three to five years) by:
 - a. Maintaining an adequate pool of creditworthy suppliers; and
 - b. Diversifying supply purchases across commitment date, start date, duration, suppliers and pricing terms in alignment with rate stability objectives and reserve guideline.
8. **Transmission and Reliability** – Pursue the reliability of supply at fair and reasonable transmission and delivery costs by:
 - a. Actively participating through collaborative efforts with other entities, in local, regional, statewide and federal regulatory and legislative forums;
 - b. Participating in transmission and reliability market design forums to ensure that adopted market designs result in adequate reliability, workably competitive markets and equitable cost allocation;
 - c. Evaluating interconnection options to the City to increase service reliability and lower delivery costs; and
 - d. Exploring transmission opportunities and strategies to meet long-term renewable portfolio objectives beyond 2020.