

City of Palo Alto

Utilities Department

P. O. Box 10250
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August 7, 2012

The City of Palo Alto Utilities staff submits these comments following its participation in the Department of Energy's Defining the Future workshop in Folsom, California on July 26, 2012.

VALERIE FONG, CITY OF PALO ALTO UTILITIES DIRECTOR

My name is Valerie Fong, I am the Utilities Director for the City of Palo Alto. Western Power comprises close to 40% of our electric portfolio. We have a community that is committed to achieving a sustainable environment. To list some of our actions:

- We have an award winning program, our PaloAltoGreen program that customers voluntarily pay to participate in, and through which we provide 100% green power to participating customers;
- We have been implementing energy efficiency (EE) programs since the 1970's and even with that long history of action we still have a current ten-year cumulative EE savings goal of 7.2%;
- We achieved a 20% Renewable Portfolio Standard (RPS) in 2011. Our City Council adopted an even more aggressive RPS target than required by law, 33% by 2015, which is five years before the state target. We are working hard to achieve that target;
- We deployed several public electric vehicle charging stations in our public parking lots;
- We have a pilot demand response program we are currently implementing;
- We are in the process of developing our plans for a 100% carbon neutral electric supply portfolio; and
- Even further, since we have multiple utilities, we view our services for our customers holistically by developing comprehensive programs that consider water, natural gas and electric efficiency.

Secretary Chu's memo causes us great concern. Ultimately the cost of the vision espoused by the Secretary will be borne by customers, and my customers will end up paying twice, once for the efforts already underway as a result of Palo Alto City Council's direction, and for which they willingly pay a premium, and then again, with the DOE's new view of the role that Western should play in encouraging energy efficiency, electric vehicles and renewables—a role that we believe is the responsibility of the distribution utility—but without the value of the benefits that our own efforts have and will achieve. This double payment would be fundamentally unfair, and is well outside the statutory authority under which Western operates.

An important factor in our ability to be aggressive and to achieve our self-selected goals is our supply of cost-based, reliable and clean federal power. We can manage the hydro and supply uncertainty of this resource in our portfolio, but we can't manage the uncertainty threatened with the initiatives proposed that would move Western's priorities away from delivering power to its preference customers and away from its statutory authority. The cost-causer-pays, cost-based model we have today works. It reflects commitments made in the past that must continue to be honored going forward.

Thank you for the opportunity to provide these comments for the record.

TOM KABAT, CITY OF PALO ALTO UTILITIES SENIOR ORIGINATOR

The preamble in the pre-read materials erroneously suggests that Western's transmission mandate is broad and that "Western will need to consider a range of system improvements to accommodate renewables." In fact, Western's general authority to design and construct transmission is tied to the reliable delivery of federal hydropower to preference customer load. The agency does not have the legal authority to do what the pre-read materials advocate.

Let me highlight the disconnect between Western's legal authority and the suggestions contained in the pre-read materials in terms of renewable deployment and integration:

- a. The Department suggests Western has a role in meeting its customers' Renewable Portfolio Standard (RPS) requirements. In fact, under California law, any RPS requirement applies to distribution utilities in California and has no direct or indirect connection to Western or its transmission operations. To the contrary, Palo Alto and other NCPA (Northern California Power Agency) members have already taken steps—at considerable cost—to meet California RPS requirements. Mandating Western investments simply forces Western customers to double pay and finance unneeded transmission investments.
- b. Not only do Western's preference customers not need additional transmission to meet RPS goals, neither do other entities in California. Utilities and others in the state have already identified and started the process for needed transmission additions, and the State has notified Western Electricity Coordinating Council (WECC) that no interstate transmission is needed to meet California's RPS goals.

I also note that the pre-read document inaccurately assumes operational flexibility that does not exist. For the Central Valley Project (CVP), Western has extremely limited ability to provide greater ancillary services. Project operations are largely dictated by decisions related to water releases (for flood control, water supply and environmental objectives). Western simply lacks the ability to alter operations to increase the availability or value of ancillary services.

Another problematic area is the suggestion that Western take additional steps to improve energy efficiency, increase the use of demand response, and support the increased use of electric vehicles. Again, these policies are appropriately the purview of local distribution

utilities – not a federal utility authorized to market and deliver federal hydropower. Moreover, a review of the “facts on the ground” underscores the inappropriateness of the suggested policy direction:

- a. NCPA member communities are leaders – even when compared to California utilities – in energy efficiency and demand response. Forcing a role for Western will simply create conflicts and unnecessarily add costs.
- b. CVP power is a “must take” resource. As such, altering pricing policies will have no impact on energy use.
- c. Western customers already have economic incentives, state policy directives, and local policies and preferences that promote energy efficiency. There is no need for Western to get involved.