Board of Directors Meeting

November 29, 2017
7:00 p.m.
SVCE 2018 Rates

Don Bray, Manager of Account Services
August 2017 . . .

- SVCE rates originally set to be effective through 2018 unless exceptional market conditions warrant changes sooner.

- Projected PG&E rate changes for 2018
  - Generation rates to be reduced by 1½%.
  - PCIA to increase by 16%.

- Projected SVCE impacts for 2018
  - Average SVCE rate reductions of ~6% required to maintain 1% savings versus PG&E.
  - SVCE revenue reduction of $14 million in 2018.

- Board Direction was to adjust rates down for Jan 1
  - Adjust where necessary again in February, after final PG&E rates published 1/1/2018 (two step approach).
November 2017 . . .

• New Developments . . .
  o PG&E now expected to *increase* generation rates by 5-6%
  o PCIA increasing by 14% (versus 16% as originally forecast)

• Final 2018 PG&E rates not published until Jan 1, 2018
  o These are still *estimates*
Staff Recommendation

• Make no changes to most 2017 SVCE Generation Rates for 2018, as originally committed by the Board
  - Total rate paid by customer will increase on average by 2-3%, due to PCIA increase
  - 2018 SVCE generation rates will average 2-3% less than PG&E
• For selected SVCE rates projected not to be at least 1% lower than PG&E in 2018:
  - Reduce 32 of 179 SVCE rate components, effective Jan 1
  - ~18,000 of 240,000+ accounts impacted
  - Adjust additional rates if necessary, at January Board Meeting
• Positive impact to projected 2018 net margin of $13.2 million
Possible Timing Alternative

• Maintain all rates at current levels through January
• Make ONE set of SVCE rate adjustments for 2018 (versus two)
  o Use same methodology as described
  o Base changes on actual PG&E rates, to be published 1/1/2018
  o New 2018 rates to be effective February 1
• Possible benefits . . .
  o Less confusion for customer – only one change
  o Most customers will be receiving savings if rates are maintained at 2017 levels
  o 7-8% of customers will pay a higher rate for one month only
Next Steps . . .

• Resolution 2017-12 is the two-step approach
  o Maintain most SVCE Generation Rates at 2017 levels
  o Total rate paid will reflect PCIA increase
  o If customer is not 1% or better than PG&E
    – change SVCE rate to match 1% savings, effective Jan 1

• No Resolution would be needed for the one-step approach until the January Board Meeting
Figure 1: Previously Anticipated 2018 SVCE Rate Scenario
- 1.5% decrease in PG&E Gen Rate
- 16% increase in PCIA rate
- Net ~6% reduction in SVCE rate to remain 1% below PG&E
Figure 2: Updated 2018 SVCE Rate Scenario - General Case
- 6% increase in PG&E Gen Rate
- 14% increase in PCIA rate
- No change to SVCE rate required
- Savings v/v PG&E grows to 3%, but SVCE customer costs rise due to PCIA

1% savings v/v PG&E in 2017

2017 SVCE Gen Rate (Set through Dec 2018)

3% savings with SVCE v/v PG&E in 2018

Increase cost to SVCE customers due to 2018 PCIA increase

No change in SVCE gen rate
Figure 3: Updated 2018 SVCE Rate Scenario – Exception Case
- small increase or flat PG&E Gen Rate
- 14+% increase in PCIA rate
- Change to SVCE rate required to maintain 1% savings v/v PG&E
- SVCE customer cost rises due to PCIA

1% savings v/v PG&E in 2017

2017 SVCE Gen Rate (Set through Dec 2018)

PG&E Gen Rate

PCIA

SVCE Gen Rate

1% savings with SVCE v/v PG&E in 2018

Increase cost to SVCE customers due to 2018 PCIA increase

Reduced 2018 SVCE gen rate to maintain 1% savings v/v PG&E
City of Milpitas Joining SVCE

Donald Eckert, Interim CEO
• Nov 7th – City of Milpitas passed a Resolution to Join SVCE!
• 2nd Reading on Nov 21st
WIN - WIN

City of Milpitas

- Reduce GHG Emissions by ~115,000 MT of CO2 annually
- Achieves the City's internal goals for reduced emissions.
- Saves Customers ~$640,000 in reduced electric bills.

Supports SVCE’s Strategic Plan

SVCE

$ in thousands
Increase in Revenues $19,326
Increase in Power Supply/Billing (12,482)
Increase in Operating Costs (95)
Increase in Programs (386)

Net Margin $6,363

Impact to the FY 2017-18
Adopted Budget $6,363
SVCE Board of Directors votes to accept City of Milpitas as a Member Agency

Dec-17

SVCE submits revised implementation plan to the CPUC (maximum 90 day process)

Jan-18

City of Milpitas Board Representatives Sworn In

Feb-18

Mid-year Budget presented to Board. Provides funding for new power supply requirements.

Mar-18

Notification Process for City of Milpitas customers begins (60 days process).

May-18

City of Milpitas receives Green Power from SVCE
## PROPOSED VOTING SHARES

<table>
<thead>
<tr>
<th>Party</th>
<th>kWh (2016)</th>
<th>Section 4.9.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campbell</td>
<td>206,632,307</td>
<td>4.7%</td>
</tr>
<tr>
<td>Cupertino</td>
<td>234,914,343</td>
<td>5.3%</td>
</tr>
<tr>
<td>Gilroy</td>
<td>284,334,863</td>
<td>6.4%</td>
</tr>
<tr>
<td>Los Altos</td>
<td>132,365,808</td>
<td>3.0%</td>
</tr>
<tr>
<td>Los Altos Hills</td>
<td>43,543,838</td>
<td>1.0%</td>
</tr>
<tr>
<td>Los Gatos</td>
<td>207,102,990</td>
<td>4.7%</td>
</tr>
<tr>
<td>Milpitas</td>
<td>675,209,553</td>
<td>15.3%</td>
</tr>
<tr>
<td>Monte Sereno</td>
<td>16,339,961</td>
<td>0.4%</td>
</tr>
<tr>
<td>Morgan Hill</td>
<td>211,478,618</td>
<td>4.8%</td>
</tr>
<tr>
<td>Mountain View</td>
<td>597,856,147</td>
<td>13.6%</td>
</tr>
<tr>
<td>Santa Clara County</td>
<td>380,323,888</td>
<td>8.6%</td>
</tr>
<tr>
<td>Saratoga</td>
<td>122,099,904</td>
<td>2.8%</td>
</tr>
<tr>
<td>Sunnyvale</td>
<td>1,297,588,283</td>
<td>29.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,409,790,503</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
RECOMMENDATION

• Staff Recommends Adoption of Resolution 2017-13, Authorizing the City of Milpitas to join SVCE and determining initial voting shares
Potential Customer Advisory/Oversight Committee Discussion

SVCE Board of Directors Meeting
November 29, 2017
Other CCE Customer Advisory Functions
Other CCE Customer Advisory Functions

<table>
<thead>
<tr>
<th>CCE</th>
<th>MCE</th>
<th>Sonoma Clean Power</th>
<th>Peninsula Clean Energy</th>
<th>East Bay Community Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Community Power Coalition</td>
<td>Community Advisory Committee</td>
<td>Citizen Advisory Committee</td>
<td>Community Advisory Committee</td>
</tr>
<tr>
<td>Membership</td>
<td>- ~25 members</td>
<td>- 7-11 members</td>
<td>- 15 members</td>
<td>- 9 members</td>
</tr>
<tr>
<td></td>
<td>- No term limits</td>
<td>- 4 year terms</td>
<td>- Serve 1-3 year terms</td>
<td>- 4 year terms</td>
</tr>
<tr>
<td></td>
<td>- Invited by staff</td>
<td>- Members apply and are selected by</td>
<td>- Members apply and are selected by</td>
<td>- Members apply and are selected by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Board of Directors</td>
<td>Board of Directors</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>Member</td>
<td>- Must work or reside in</td>
<td>- Members are customers and</td>
<td>- Must work or reside in service area</td>
<td>- Members represent advocacy groups,</td>
</tr>
<tr>
<td>Representation</td>
<td>service area</td>
<td>technical experts from relevant</td>
<td></td>
<td>faith, labor, union, solar industry and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>sectors (energy, engineering, finance,</td>
<td></td>
<td>individual residential customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ratepayer advocacy, etc.)</td>
<td></td>
<td>- Chairs sits as non-voting member of the Board</td>
</tr>
<tr>
<td></td>
<td>- Represent organizations &amp;</td>
<td>- Represent geographically diverse</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>stakeholders (trade groups,</td>
<td>areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>unions, environmental,</td>
<td>- Relevant background or expertise in</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>social justice groups)</td>
<td>energy, outreach</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CCE</td>
<td>MCE</td>
<td>Sonoma Clean Power</td>
<td>Peninsula Clean Energy</td>
</tr>
<tr>
<td>----------------</td>
<td>-----</td>
<td>-----</td>
<td>--------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>Meeting Format</strong></td>
<td>- Monthly webinar</td>
<td>- Meets as needed</td>
<td>- Meets monthly</td>
<td>- Meets as needed</td>
</tr>
<tr>
<td><strong>Role</strong></td>
<td>- Provide input on community priorities such as Energy Efficiency rebates, Low-income solar installs, local generation build outs</td>
<td>- Reviews programs, budget, rates, and advises Board on general planning and business issues</td>
<td>- Provide feedback on policy and operational objective</td>
<td>- Provides input on operations, policies, program funding</td>
</tr>
<tr>
<td></td>
<td>- Community liaisons</td>
<td>- Reviews contracts over $100k</td>
<td>- Discuss GHG reduction programs</td>
<td>- May review draft budget and give recommendations to Board</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- May direct staff for research and analysis</td>
<td>- Policy advocacy</td>
<td>- Reviews Board agenda</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Community liaisons</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Reviews Board agenda</td>
<td></td>
</tr>
<tr>
<td><strong>Support</strong></td>
<td>- Dedicated full-time staff member</td>
<td>- Staff</td>
<td>- Staff</td>
<td>- Staff</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- CEO</td>
<td>- CEO</td>
<td>- Board Clerk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- General Counsel</td>
<td>- General Counsel</td>
<td></td>
</tr>
</tbody>
</table>
Sonoma Clean Power

• Community Advisory Committee
• Membership & Meetings:
  • 7-11 members; 4 year terms
  • Members selected by Board of Directors
  • Customers and technical experts from energy, engineering, finance, ratepayer advocacy sectors
  • Meets as needed ~6x per year
  • Required by JPA
• Purpose:
  • Reviews programs, budget, rates, advises Board on general planning and business issues
  • Reviews contracts over $100k
  • May direct staff for research and analysis
• Support:
  • Staff, CEO, General Counsel
Peninsula Clean Energy

• Citizen Advisory Committee

• Membership & Meetings:
  • 15 members; serve 1-3 year terms
  • Members selected by Board of Directors
  • Must work or reside in service area and represent geography
  • Relevant background or expertise in energy, outreach, advocacy
  • Meets monthly

• Purpose:
  • Provide feedback on policy and operational objective
  • Discuss GHG reduction programs
  • Policy advocacy
  • Community liaisons
  • Reviews Board agenda

• Support:
  • Staff, CEO, Board Clerk, General Counsel
Levels of Input

Option 1: Outbound Outreach – members provide an additional channel to share information about CCE programs

Option 2: Informal Ad Hoc Customer Advisory Group - Provides input to staff on policy and programs, serves for a limited time and purpose

Option 3: Formal Customer Advisory Group – Provides technical input on SVCE programs, and provides recommendations for approval to the board, longer-term, monthly meeting

Option 4: Operational Oversight – Reviews contracts and investments, makes recommendations to Board of Directors
Recommendation

• Goal-setting: The SVCE Board shall determine the goal of a longer-term customer advisory/oversight committee
  • Possibly through a sub-committee?
• Formation activity to begin after new CEO is appointed and several CPAG meetings take place
HIGHLIGHTS

• SVCE Ends Fiscal Year in Stable Financial Condition
  • Low Fixed Costs
  • Injecting surplus in Reserves
• Eliminated 3rd Phase-In for Enrollment
• 97% Participation Rate
• Paid off Balance of NRLOC
### Income & Expenses ($ in thousands)

#### Revenues

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Sales, Net</td>
<td>93,847</td>
<td>103,303</td>
</tr>
<tr>
<td>GreenPrime</td>
<td>260</td>
<td>247</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$94,108</strong></td>
<td><strong>$103,566</strong></td>
</tr>
</tbody>
</table>

#### Expenses

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Supply &amp; Billing</td>
<td>60,630</td>
<td>68,131</td>
</tr>
<tr>
<td>Operating</td>
<td>3,644</td>
<td>4,647</td>
</tr>
<tr>
<td>Programs</td>
<td>0</td>
<td>400</td>
</tr>
<tr>
<td>Interest &amp; Financing</td>
<td>149</td>
<td>161</td>
</tr>
<tr>
<td>Capital &amp; Other</td>
<td>291</td>
<td>350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$64,714</strong></td>
<td><strong>$73,689</strong></td>
</tr>
</tbody>
</table>

**Net Margin**

**$29,394**
RATIOS

Current Ratio
Current Assets / Current Liabilities

1.8

Return on Asset
Net Income / Total Assets

46%
LOOKING FORWARD - OPPORTUNITY

• City of Milpitas Joining
• Direction on Programs
• Power Procurement
  • Power Purchase Agreements
  • Long-Term Planning
LOOKING FORWARD - CHALLENGES

• Legislative/Regulatory
  • PCIA
  • Bond
  • AB1110
  • Unknown

• Commercial Opt-Out
AUDIT

• Preliminary & Unaudited Financial Statements
• Audit begins December 2017
• Final Statements & Audit Report Feb/March 2018