Silicon Valley Clean Energy Authority
Executive Committee Meeting
Tuesday, March 28, 2017
11:30 am

Silicon Valley Clean Energy Authority Office
Conference Room
333 W El Camino Real, Suite 290
Sunnyvale, CA

AGENDA

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda
The public may provide comments on any item not on the Agenda. Speakers are limited to 3 minutes each.

Consent Calendar (Action)
  1a) Approve Minutes of the February 22, 2017, Executive Committee Meeting

Regular Calendar
  2) Elect Executive Committee Chair and Vice Chair (Action)
  3) Approve the Cancellation of the Regularly Scheduled November and December 2017 Executive Committee Meetings and Approve the Scheduling of an Alternative Meeting Date (Action)
  4) Alternative to Type 2 Renewable Energy (Discussion)
  5) Development of SVCE Renewables Bill Credit Transfer (RBCT) Tariff (Discussion)

Committee/Staff Remarks

Adjourn
DRAFT MINUTES

In the absence of Executive Committee Chair Sinks and Vice Chair Rennie, Director Harney presided over the meeting.

Call to Order
Temporary Chair Harney called the meeting to order at 2:02 p.m.

Roll Call
Present:
Director Daniel Harney, City of Gilroy
Director Liz Gibbons, City of Campbell
Director Margaret Abe-Koga, City of Mountain View
Director Howard Miller, City of Saratoga

Absent:
Chair Rod Sinks, City of Cupertino
Vice Chair Rob Rennie, Town of Los Gatos

Public Comment on Matters Not Listed on the Agenda
Temporary Chair Harney opened public comment.
No speakers.
Temporary Chair Harney closed public comment.

Consent Calendar
1a) Approve Minutes of the January 25, 2017, Executive Committee Meeting

MOTION: Director Gibbons moved and Director Miller seconded the motion to approve the Minutes of the January 25, 2017 Executive Committee Meeting as submitted.

The motion carried unanimously with an abstention from Director Abe-Koga, and Chair Sinks and Vice Chair Rennie absent.

Director Miller provided comments on the abstention of meeting minutes.
Regular Calendar

2) Executive Committee Chair and Vice Chair (Action)

CEO Habashi presented the staff report.

Executive Committee members discussed the commitment needed for the role of Chair and Vice Chair.

MOTION: Director Gibbons moved and Director Miller seconded the motion to continue the discussion of establishing a Chair and Vice Chair of the Executive Committee to preside over committee meetings to the next Executive Committee meeting.

The motion carried unanimously with Chair Sinks and Vice Chair Rennie absent.

3) Approve Ongoing Meeting Date and Time for Executive Committee Meeting (Action)

CEO Habashi presented the staff report and responded to Executive Committee questions.

MOTION: Director Miller moved and Director Abe-Koga seconded the motion to approve an ongoing meeting date and time for Executive Committee meetings to every fourth Tuesday of the month from 11:30 a.m. – 1:30 p.m.

The motion carried unanimously with Chair Sinks and Vice Chair Rennie absent.

4) Fiscal Year 2016-17 Mid-Year Budget Review

CEO Habashi introduced Don Eckert, Director of Finance and Administration, who presented the item and responded to Executive Committee questions. CEO Habashi and Alan Suleiman, Director of Marketing and Public Affairs, provided additional information and responded to Executive Committee questions.

Director Gibbons suggested adding information to the presentation on the potential joining of phases 2 and 3 including a status update on power procurement and how the merge would affect cost and revenues; staff agreed to include the information.

Following discussion, staff will revise the power supply pie chart to reflect the percentage of costs associated with the Power Charge Indifference Adjustment as well as show the money that was transferred from Union Bank to the current account as of October 1, 2016 in the proposed amended budget.

Temporary Chair Harney opened public comment.

Bruce Karney, Chair of Carbon Free Silicon Valley/Carbon Free Mountain View, spoke in support of SVCE funding greenhouse gas (GHG) measurements for cities and distributed a handout of recommendations on how cities can meet California’s GHG reduction requirements.
The Executive Committee and staff discussed the potential of conducting a greenhouse gas study for SVCE partnering cities and other environmental programs.

Temporary Chair Harney closed public comment.

5) Modification to Roll Out and Power Supply Mix Policies

CEO Habashi presented the first item on the staff report, Modification to Roll Out, and responded to Executive Committee questions. Director of Marketing & Public Relations Suleiman provided additional information.

The Executive Committee discussed staff capacity to combine phases 2 and 3 and provided feedback to staff.

CEO Habashi presented the second item on the staff report, Power Supply Mix, and responded to Executive Committee questions.

CEO Habashi suggested that if Type 2 renewable is in short supply in the market place, SVCE should fill that short position with a combination of renewable Type 1 and Type 3 to render the same expected premium associated with Type 2 renewable. CEO Habashi explained that choosing only Type 1 as a replacement would cost SVCE an additional $3.5 million in 2017. Director Miller supported staff’s approach. Director Gibbons suggested that we should refrain from acquiring Type 3 renewable and fill the position using Type 1 renewable instead.

CEO Habashi confirmed for Director Miller that he would procure Type 2 renewable supply if available. Executive Committee members recommended splitting the item into two separate topics when presenting to the Board.

Temporary Chair Harney opened public comment.

Bruce Karney spoke of good first impressions and his support of higher percentage renewables.

Temporary Chair Harney closed public comment.

Committee/Staff Remarks
None.

Adjournment

Temporary Chair Harney adjourned the meeting at 3:53 p.m.
Staff Report – Item 2

To: Silicon Valley Clean Energy Authority Executive Committee
From: Tom Habashi, CEO

Item 2: Elect Executive Committee Chair and Vice Chair
Date: 3/28/2017

RECOMMENDATION

Elect a Chair and Vice Chair of the Executive Committee to preside over committee meetings.

BACKGROUND & DISCUSSION

As an appointed ongoing committee of the SVCEA Board of Directors, Executive Committee meetings are public meetings subject to the Brown Act. The last Chair and Vice Chair of the Executive Committee were appointed in July 2016. With new board member appointments made at the February 8, 2017 Board Meeting, staff recommends that the Committee appoint a chair and vice chair to preside over its meetings.

At the February 22, 2017, the Executive Committee voted to postpone the appointment of the committee chair and vice chair to the March 2017 meeting.
Staff Report – Item 3

To: Silicon Valley Clean Energy Authority Executive Committee

From: Tom Habashi, CEO

Item 3: Approve the Cancellation of the Regularly Scheduled November and December 2017 Executive Committee Meetings and Approve the Scheduling of an Alternative Meeting Date

Date: 3/28/2017

RECOMMENDATION

Approve the cancellation of the regularly scheduled November 28, 2017 and December 26, 2017 Executive Committee meetings and approve the scheduling of a meeting on Tuesday, December 5, 2017 at 11:30 a.m.

BACKGROUND & DISCUSSION

Currently, the last two meetings of the year for the Executive Committee are scheduled for November 28, 2017 and December 26, 2017. Staff and committee members are likely to schedule time off during the last week of both months to celebrate the holidays, therefore, staff proposes to cancel both meetings and schedule a meeting on Tuesday, December 5, 2017 at 11:30 a.m. at the SVCE office.
Staff Report – Item 4

To: Silicon Valley Clean Energy Authority Executive Committee
From: Tom Habashi, CEO
Item 4: Alternative to Type 2 Renewable Energy
Date: 3/28/2017

BACKGROUND

In July 2016, the SVCE Board approved a policy to source electricity from carbon free resources that would be sufficient to meet 100% of the Authority’s power supply obligations on day one. Furthermore, the Board approved that this resource portfolio be composed of:

- 50% large hydro resources
- 25% other renewable sources (solar, wind, etc.) located in or dynamically scheduled into California (PCC1)
- 25% renewable resources located in other western states that could be bundled with other unspecified resources in case of transmission constraints limiting deliverability into California (PCC2)

Absent from that mix were renewable resources that could be purchased off the Western grid and scheduled into another state’s service area while allowing SVCE to hold the Renewable Energy Credits (RECs). Such resources are categorized as PCC3.

ANALYSIS & DISCUSSION

In September of 2016, SVCE issued an RFP soliciting power supplies to meet all or some of SVCE’s power supply needs for the 2017-2021 period. In November, SVCE received 12 proposals indicating that the market had sufficient capacity to meet SVCE’s hydro and PCC1 commitments. However, PCC2 resources were in short supply. Subsequent solicitation confirmed that the availability of PCC2 resources is dwindling in the market. This is because power providers have increasingly found ways to remove transmission constraints on their renewable resources, thus qualifying these resources as PCC1 and commanding a premium of approximately 25% over the PCC2 prices.

There is an ongoing debate between operational utilities (including SVCE) and the various legislative, regulatory, and interest groups over the economic, environmental, and operational value of the different types of renewable resources. However, the lack of PCC2 resources is an issue that SVCE must address now to manage supply price and regulatory risks. In order to remain true to the principal of sourcing 100% of demand from carbon free resources on day one and filling the PCC2 short position, SVCE must choose from several options:

1. Replace PCC2 open position with large hydro

SVCE offers two products to customers: GreenStart, which is 50% eligible renewables (large hydro is not eligible), and GreenPrime, which is 100% eligible renewable. While using more large hydro in the mix would continue to fulfill our promise to the GreenPrime customers, it would certainly reduce the eligible renewable percentage in the GreenStart product to less than 50% of the power mix. This would require a revamp of our
product offering and marketing efforts, and could erode the trust and support that SVCE customers have placed in the Authority.

2. Replace PCC2 open position with PCC1 resources

This option would increase the PCC1 category to 50% of the resource mix on day one. State law requires SVCE to meet 27% of its total customer demand in 2017 with eligible renewables, 20.5% of which must be PCC1. This PCC1 portion increases steadily over the years to reach 37.5% of total customer demand by 2030. By increasing its commitment to 100% carbon free on day one, SVCE has effectively committed to spend an additional $16+ million compared to the cost of meeting minimum compliance with the State mandates. Increasing PCC1 to 50% of the total resource mix would increase supply cost by an additional 4% over the next 5 years, or roughly $7 million annually.

3. Replace PCC2 open position with twice the quantity of PCC3 resources

This option would purchase two PCC3 RECs for every unit of PCC2 resources that SVCE is unable to find on the market. This would result in a net negative carbon footprint for SVCE’s generation portfolio, fulfilling our commitment to GHG reduction and providing our member cities with surplus credits towards the climate change obligations outlined in AB32. Furthermore, it would reduce the cost of supply resources by an average of $1.4 million annually over the next five years. Explaining the merits behind this approach may be a tougher task for SVCE marketing staff due to negative public perception of PCC3. In addition, environmental and labor groups may use SVCE’s sizable position of PCC3 resources as an example to criticize CCAs’ unwillingness to invest in building renewables in California.

4. Replace PCC2 open position with a combination of PCC1 and PCC3

Currently, State law requires SVCE to meet a minimum of 75% of its total eligible renewable obligation (27% of customer demand in 2017 increasing steadily to 50% by 2030) using PCC1 resources. SVCE could voluntarily increase that PCC1 portion to cover the entire 100% of the State mandate on an annual basis. The difference between the 50% eligible renewables in the power supply mix that was established by the Board and the state mandated renewables (23% in 2017 declining steadily to 0% in 2030) could be met using PCC3 resources. This option exceeds legislative mandates for the next 14 years, satisfies the Board’s commitment to 100% carbon free power on day one, and doesn’t require any change to SVCE’s product offerings. This option, however, would increase the cost of supply resources by an average of $300,000 annually over the next five years.

CONCLUSION

Provided that our effort to fill the PCC2 open position is unsuccessful, SVCE should fill this position with a combination of PCC1 and PCC3 resources as outlined in option 4.
To: Silicon Valley Clean Energy Authority Executive Committee

From: Tom Habashi, CEO

Item 5: Development of SVCE Renewables Bill Credit Transfer (RBCT) Tariff

Date: 3/28/2017

BACKGROUND

Currently, the County is in the process of deploying approximately 11MW of solar, across five generating sites. Three of these sites are situated in PG&E territory and two are in SVCE territory.

Since inception of their solar deployment program, the County has planned to utilize PG&E’s RES-BCT (Renewable Energy Self-Generation Bill Credit Transfer) tariff, to apply generation credits from the five generating sites to offset electric generation costs at 47 benefitting accounts. Of these 47 benefitting accounts, 14 are in SVCE territory, and 33 are in PG&E territory. RES-BCT is a tariff only available to governmental agencies, and is not widely utilized.

ANALYSIS & DISCUSSION

It is important to Santa Clara County that this solar deployment is executed under a tariff structure that is the same, or delivers benefits similar to, RES-BCT. Under RES-BCT, generating and benefitting accounts are specifically mapped to one another.

Initial mapping occurred prior to formation of SVCE. The mapping is complex, with generating and benefitting accounts spanning both PG&E and SVCE accounts. So that SVCE can serve these County accounts, generating accounts need to be aligned with benefitting accounts according to SVCE or PG&E territory, and SVCE needs to develop an “RES-BCT like” tariff.

In recent discussions with Santa Clara County, County staff has indicated that they should be able to align SVCE-sited generating accounts with SVCE-sited benefitting accounts.

To allow time for development and finalization of an SVCE ‘RES-BCT like’ tariff, SVCE has delayed the enrollment period for 16 of the County accounts potentially impacted by the RES-BCT tariff to the July enrollment period.

SVCE is now in the process of developing an ‘RES-BCT like’ tariff that would mimic key aspects of the current PG&E tariff, and in addition, allow credits from more than one generating account to serve a single benefitting account – this could potentially simplify administration of the tariff significantly.
The table below presents key aspects of the RBCT tariff as currently being developed, and how these attributes are similar or different from the PG&E RES-BCT tariff.

<table>
<thead>
<tr>
<th>Tariff Attributes</th>
<th>PG&amp;E RES-BCT Tariff</th>
<th>SVCE RBCT Tariff (DRAFT ONLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Capacity</td>
<td>102.5 MW</td>
<td>6 MW, with BOD approval required for additional capacity</td>
</tr>
<tr>
<td>Applicability</td>
<td>Local governmental entities</td>
<td>Local governmental entities</td>
</tr>
<tr>
<td></td>
<td>Accounts in PG&amp;E service territory</td>
<td>Accounts in SVCE service territory</td>
</tr>
<tr>
<td>Benefitting Accounts per</td>
<td>50 max</td>
<td>1, with allocation to additional accounts if necessary in the future</td>
</tr>
<tr>
<td>Generator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generators per Benefitting</td>
<td>1 max</td>
<td>Multiple</td>
</tr>
<tr>
<td>Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Max Size of Generator</td>
<td>5 MW</td>
<td>5 MW</td>
</tr>
<tr>
<td>Applicable Tariff – Generation</td>
<td>PG&amp;E A6</td>
<td>SVCE A6 (mirrors PG&amp;E A6)</td>
</tr>
<tr>
<td>Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership of Excess Generation</td>
<td>PG&amp;E</td>
<td>SVCE</td>
</tr>
<tr>
<td>Ownership of RECs</td>
<td>Customer</td>
<td>SVCE (to serve 50% or 100% renewable mix)</td>
</tr>
</tbody>
</table>

A rough draft of the RBCT tariff has been developed, and is in the process of being reviewed and modified based on input from the County, as well as Pacific Energy Advisors, Calpine, legal, and PG&E. When all parties have provided input and agreed to the basic outline of the rough draft, the tariff wording will be finalized and brought to the Board for approval.

**FINANCIAL ANALYSIS**

Assuming that the two SVCE-sited generators are configured to serve one of the County’s principal facilities, the following financial summary shows that the RBCT tariff as currently drafted would return a net positive contribution to SVCE operations, though at a rate lower than non-RBCT or non-NEM SVCE customers.

The County would receive payment for its excess solar generation at a level consistent with what it would receive from PG&E under the current RES-BCT tariff (approximately $1.18M annually). In addition, the County will pay 1% less for standard GreenStart generation charges at this facility (saving approximately $34,000 annually), and receive 50% renewable and 100% carbon-free power for the facility.

<table>
<thead>
<tr>
<th>Gross SVCE revenue from power sold to SCC facility</th>
<th>$ 2,749,631.02</th>
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<tbody>
<tr>
<td>- 38.32M kWh, 6000kW peak</td>
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<table>
<thead>
<tr>
<th>Expected Cost</th>
<th></th>
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<tbody>
<tr>
<td>- payment to Santa Clara County for net solar generation via RBCT (average cost/kWh of $0.1279)</td>
<td>$ 1,185,671</td>
</tr>
<tr>
<td>- payment to SVCE suppliers for GreenStart power</td>
<td>38,320,679 kWh</td>
</tr>
<tr>
<td>- value of SCC PCC1 solar gen</td>
<td>9,271,641 kWh</td>
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<tr>
<td></td>
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<tr>
<td>Net Contribution to SVCE Operations</td>
<td>$ 312,384</td>
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<tr>
<td>Net Contribution as a % of Revenue</td>
<td>11.4%</td>
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</tbody>
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