AGENDA

Call to Order

Roll Call

Public Comment on Closed Session

The public may provide comments regarding the Closed Session item(s) just prior to the Board beginning the Closed Session. Closed Sessions are not open to the public.

Convene to Closed Session, Conference Room C (Cupertino City Hall)

Public Employee Performance Evaluation
Title: Chief Executive Officer

Conference with Labor Negotiator
Agency Representative: Rob Rennie, Chair, Board of Directors
Unrepresented Employee: Chief Executive Officer

Report from Closed Session

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 April 12, 2017, Board of Directors Meeting
1b) Approve Delinquent Accounts and Collections Policy
1c) Approve Capitalization Policy
**Regular Calendar**

2) Executive Committee Report (Discussion)

3) CEO Report (Discussion)

4) Approve SVCE Energy Risk Management Policy (Action)

5) Introduction of Strategic Plan (Discussion)

**Board Member Announcements and Direction on Future Agenda Items**

**Adjourn**
Call to Order

Chair Rennie called the meeting to order at 7:00 p.m.

Roll Call

Present:
Chair Rob Rennie, Town of Los Gatos
Director Courtenay C. Corrigan, Town of Los Altos Hills
Director Steve Tate, City of Morgan Hill
Director Jim Griffith, City of Sunnyvale
Director Margaret Abe-Koga, City of Mountain View
Director Howard Miller, City of Sunnyvale
Director Rod Sinks, City of Cupertino
Alternate Director Peter Leroe-Muñoz, City of Gilroy
Director Liz Gibbons, City of Campbell
Director Dave Cortese, County of Santa Clara
Director Burton Craig, City of Monte Sereno

Absent:
Director Jeannie Bruins, City of Los Altos

Chair Rennie announced a request from Board members to make board meetings more concise and noted he will set targets going forward on the length of future meetings based on the agenda; he noted a target of an hour and a half for the current meeting. Chair Rennie commented future agenda items can be arranged at Director Cortese’s request prior to his departure for a standing meeting at 8:00 p.m.

Public Comment on Matters Not Listed on the Agenda

No speakers.

Consent Calendar

MOTION: Director Miller moved and Director Sinks seconded the motion to approve the Consent Calendar.
Director Miller commented on Item 1c) Approve Smartphone Stipend, and requested the CEO consider a mobile phone application that will allow staff to host dual phone numbers on cell phones to help individuals have a personal and professional presence on the same device; staff noted the request.

The motion carried 10-0-1 (Alternate Director Leroe-Muñoz abstained) with Director Bruins absent.

1a) Approve Minutes of the March 8, 2017, Board of Directors Meeting
1b) Approve Agreement with Pacific Energy Advisors for Technical Consulting Services, April 2017-September 2018
1c) Approve Smartphone Stipend for SVCE Employees
1d) Treasurer Report

Regular Calendar

2) Executive Committee Report

Chair Rennie stated the Executive Committee met on March 28 and selected a Chair and Vice Chair for the Executive Committee (Chair Rennie and Vice Chair Harney), approved the cancellation of the regularly scheduled Executive Committee meetings for November and December 2017, and rescheduled a meeting date of December 5 at 11:30 a.m. at the SVCE office in Sunnyvale. Discussion items included an alternative to Type 2 renewable energy, and the development of an SVCE Renewables Bill Credit Transfer Tariff.

Chair Rennie opened public comment.
No speakers.
Chair Rennie closed public comment.

3) CEO Report

CEO Tom Habashi presented the CEO report which included a new hire and staff update, California Independent System Operator (CAISO) registration update, a report on the Energy Risk Oversight Committee, the scheduling of a Sustainability Managers Roundtable meeting, and a marketing update. CEO Habashi responded to Board questions. Hilary Staver, Regulatory/Legislative Analyst, provided a regulatory/legislative update and responded to Board questions. CEO Habashi provided additional information.

Board members requested all Directors be contacted regarding urgent legislative matters as opposed to only those in specific districts.

Chair Rennie opened public comment.

Bruce Karney, resident of Mountain View, spoke regarding a joint California Public Utilities Commission and California Energy Commission en banc hearing scheduled for May 19, PG&E’s greenhouse gas and renewable energy figures for 2016, his opinion on the alternative to Type 2 options, and the formation of an SVCE community advisory committee.

Chair Rennie closed public comment.

4) Alternative to Type 2 Renewable Energy (Action)

CEO Habashi presented the staff report and responded to Board questions.

Board members discussed the proposed alternatives to the resource mix previously approved by the Board, and the financial impact associated with these alternatives.
In response to comments from the Board, CEO Habashi requested that deviation from existing policy apply only to CYs 2017 and 2018, allowing staff time to formulate an appropriate new strategy to be brought to the Board, along with a different approach to market renewable sources.

Director Cortese left the meeting at 8:02 p.m.

Chair Rennie opened public comment.

David Urhausen, South Bay Labor Council, spoke of his concern about renewable energy certificates (RECs) and the purchase of dirty energy, and the importance of buying energy in-state that will provide good quality jobs.

James Tuleya, resident of Sunnyvale, provided his opinion of Option 4, the idea of a 12.5% maximum for bucket 3, and noted the state renewable portfolio standard (RPS) requirements of a 25% maximum of bucket 3 for the first compliance period.

Chair Rennie closed public comment.

MOTION: Director Miller moved and Director Corrigan seconded the motion to allow staff to procure up to 9% of Type 3 with the remainder being filled with Type 1 and Type 2 for 2017 and 2018, with a direction to staff to bring back a more comprehensive plan later this year for beyond 2018.

Director Miller clarified his motion for the Board.

FRIENDLY AMENDMENT: Director Griffith offered a friendly amendment to allow staff to procure up to 12.5% of Type 3 resources.
Following discussion, Director Miller and Director Corrigan accepted the friendly amendment.

RESTATED MOTION: Director Miller moved and Director Corrigan seconded the motion to allow staff to procure up to 12.5% of Type 3 with the remainder being filled with Type 1 and Type 2 for 2017 and 2018, with a direction to staff to bring back a more comprehensive plan later this year for beyond 2018.

The motion carried unanimously with Directors Bruins and Cortese absent.

Board Member Announcements and Direction on Future Agenda Items

Chair Rennie announced a closed session item planned for the May 10 Board meeting; General Counsel Greg Stepanicich noted the current meeting could be adjourned to closed session at 6:00 p.m. on May 10 with the regular meeting beginning at 7:00 p.m. There were no objections from the Board.

Director Miller announced an SVCE presentation at the Saratoga Library at 11:00 a.m. on Earth Day, April 22.

Director Sinks announced the City of Cupertino’s Earth Day at Cupertino Community Hall on April 22, 11:30 a.m. – 3:00 p.m.

Director Gibbons reported feedback she received from community meetings on SVCE notifications and complimented staff on providing different forms of advertising. Director Gibbons provided feedback she received on the SVCE website regarding the table that compares PG&E with SVCE programs and noted residents would like to see a bill-to-bill comparison.

Director Griffith noted that community members have inquired about the types of power that SVCE is using and suggested that staff add the general energy mix information, including percentages, to the website that will explain the mix of power that SVCE is providing.
Director Sinks spoke in support of Director Griffith’s comment on including energy mix information on the website, and thanked the marketing department for the print ads that were included in the Board packet.

**Adjourn**

Chair Rennie adjourned the meeting at 8:22 p.m. to the May 10, 2017 meeting at 6:00 p.m. for closed session.
Staff Report – Item 1b

To: Silicon Valley Clean Energy Authority Board of Directors
From: Tom Habashi, CEO
Item 1b: Approve Delinquent Accounts and Collections Policy
Date: 5/10/2017

RECOMMENDATION
Approve Financial Policy #10, Delinquent Accounts and Collections Policy.

BACKGROUND
Guidelines are needed for when SVCE customer accounts become past due, and how these accounts are handled relative to PG&E’s collection efforts.

The table below illustrates the timeline Pacific Gas & Electric (PG&E) currently uses for determining past due accounts, and taking the appropriate action:

<table>
<thead>
<tr>
<th>Residential</th>
<th>Commercial &amp; Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day 1 - Issue of Bill</td>
<td>Day 1 - Issue of Bill</td>
</tr>
<tr>
<td>Bill to Customer</td>
<td>Bill to Customer</td>
</tr>
<tr>
<td>Day 22</td>
<td>Day 22</td>
</tr>
<tr>
<td>Past Due</td>
<td>Past Due</td>
</tr>
<tr>
<td>Day 27-33</td>
<td>Day 18</td>
</tr>
<tr>
<td>15-day notice on next bill</td>
<td>Day 18</td>
</tr>
<tr>
<td>Day 41-47</td>
<td>Day 18</td>
</tr>
<tr>
<td>48-hour notice via mail</td>
<td>Day 18</td>
</tr>
<tr>
<td>Day 45-51</td>
<td>Day 18</td>
</tr>
<tr>
<td>24-hour phone call or in-person</td>
<td>Day 18</td>
</tr>
<tr>
<td>Day 50-56</td>
<td>Day 18</td>
</tr>
<tr>
<td>Electric is eligible for disconnection</td>
<td>Electric is eligible for disconnection</td>
</tr>
</tbody>
</table>

ANALYSIS & DISCUSSION
Aging accounts receivable is a monthly report that categorizes SVCE’s accounts receivable according to the length of time a bill has been outstanding. Aging accounts receivable is typically broken into date ranges of 30 days. The report displays total receivables that are currently due, as well as receivables that are past due.

SVCE accounts identified in the monthly aging accounts receivable report with outstanding balances of sixty (60) days or more are eligible to be returned to PG&E.
PG&E will continue to make efforts to collect on unpaid amounts until an account is disconnected, and the account is turned over to a third-party collection agency. Generation charges owed to SVCE from returned and/or disconnected accounts may be written-off if not recovered by PG&E.

**ATTACHMENTS**
1. FP10 – Delinquent Accounts & Collections Policy
DELIQUENT ACCOUNTS & COLLECTIONS POLICY

PURPOSE
To provide guidelines for the determination of delinquent accounts.

BACKGROUND
Pacific Gas & Electric (PG&E) issues bills to customers. Accounts become “past due” 18-22 days after the bill is issued. For residential customers, a 15-day notice is sent with the next bill, and the account becomes eligible for disconnection within 50-56 days from original bill issuance. For commercial customers, a 7-day notice is sent, and the account becomes eligible for disconnection after 32 days from when the bill was issued.

POLICY
All SVCE accounts (Residential, Commercial and Industrial) identified in the monthly aging accounts receivable report, as provided by PG&E, with outstanding balances of 60 days or more are eligible to be returned to PG&E.

Closed accounts may be written-off.
Staff Report – Item 1c

To: Silicon Valley Clean Energy Authority Board of Directors
From: Tom Habashi, CEO

Item 1c: Approve Capitalization Policy

Date: 5/10/2017

RECOMMENDATION
Approve Financial Policy #11, Capitalization Policy, providing guidelines for capitalization of assets.

DISCUSSION
During SVCE’s start-up phase, office equipment, furniture, computer hardware and software were purchased. Additional capital assets will be purchased in the future. SVCE requires a capitalization policy to provide guidelines for the proper recording of asset acquisitions greater than $1,000 with a useful life greater than one year.

ATTACHMENTS
1. FP11 – Capitalization Policy
CAPITALIZATION POLICY

PURPOSE
To capitalize and depreciate SVCE assets with a useful life expectancy of greater than one year and cost greater than $1,000.

SCOPE
All acquisitions of capital assets for the company.

DEFINITIONS
Capitalization – Capitalization is the method chosen to record the purchase of fixed assets on SVCE’s accounting books. If an asset is capitalized then it is not expensed in the same year the asset is purchased. Instead, the asset is generally recorded on the balance sheet and individually on an asset schedule. Examples of capital expenditures are purchases of office equipment, furniture, and vehicles. The asset is expensed each year as depreciation.

PROCEDURE
Except for land, all assets with a useful life of greater than one year and costing more than $1,000 will be capitalized and will be recorded in the depreciation records. Any asset that does not meet the above criteria will be expensed, such as small equipment or repairs and maintenance.

The cost basis of furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges, and installation, if applicable.

Leasehold improvements, including painting, are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing office. Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as a repair.

The following lifespan table should be used as a guide for the following asset classifications for financial reporting and depreciation purposes:
<table>
<thead>
<tr>
<th>Property</th>
<th>Asset Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year property</td>
<td>Computer software, hardware and office machinery</td>
</tr>
<tr>
<td>5-year property</td>
<td>Automobiles</td>
</tr>
<tr>
<td>7-year property</td>
<td>Office furniture and fixtures</td>
</tr>
</tbody>
</table>
Staff Report – Item 3

To: Silicon Valley Clean Energy Authority Board of Directors

From: Tom Habashi, CEO

Item 3: CEO Report

Date: 5/10/2017

REPORT

City of Milpitas Meeting
Director Miller and I attended the City of Milpitas Council meeting on May 2. Director Miller made a short presentation highlighting the value of SVCE, sharing the steps that Milpitas and the SVCE Board will need to take to bring new agencies to the group, and encouraging Milpitas to join the Authority. The City of Milpitas City Council directed staff to review the City’s options and report back in the near future.

Investor Owned Utilities’ Proposed Power Allocation Methodology
In late April, the three investor-owned utilities (IOUs) in California submitted a petition for modification to the CPUC to replace the Power Charge Indifference Adjustment (PCIA) with PAM (Portfolio Allocation Methodology). This new approach recommended by the IOUs is much worse than the existing PCIA. CalCCA views this methodology as an existential threat not only to the operating CCEs, but also to the many communities that are aspiring to join our ranks. Attached is a write up with additional information on the PCIA and PAM.

Regulatory/Legislative Workshop Update
On May 12, we are conducting a workshop for Board members and their alternates to discuss the status of regulatory and legislative affairs in the State of California and establish a platform in support of the CCEs in general and SVCE, in particular.

Juniper Networks
Juniper Networks of Sunnyvale, one of SVCE’s largest commercial customers, has opted out over concerns that the risk and cost of PCIA uncertainty is greater than the savings that they will realize by staying with SVCE. Staff met with the Juniper facilities manager several times to highlight the value that SVCE will bring to the community and to assure them that if the PCIA increases in 2018, the SVCE Board will act quickly to keep SVCE rates competitive. Juniper staff promised to review their decision and, if warranted, reconsider opting back in prior to July’s enrollment date.

CEO Agreements Executed
The following agreements have been executed by the CEO, consistent with the authority delegated by the Board:

1) Bryce Consulting, Inc.: Agreement for Recruitment Services, $24,900.
2) Circlepoint: Public Outreach and Strategic Communications agreement, $20,735.

ATTACHMENTS
1. The PCIA and PAM: A Brief History and Initial Response
2. Community Outreach Update, May 2017
3. Agenda Planning Document, June – November 2017
The PCIA and PAM: A Brief History and Initial Response

On April 25th, the Joint Utilities filed an application with the California Public Utilities Commission proposing a new mechanism for ensuring bundled customer indifference to load departure due to community choice aggregation and other alternative procurement models. The proposed mechanism is called the Portfolio Allocation Methodology (PAM), and is designed to replace the Power Charge Indifference Adjustment (PCIA) that has been in effect since 2006.

The PCIA was developed to address the question of what to do with energy and capacity contracts that the IOUs entered into before load departure occurred and now no longer need. Since energy costs are pass-through (as opposed to generator and grid infrastructure costs, which make up the rate base on which IOUs may make a Commission-approved rate of return), a mechanism was needed to ensure that the IOUs’ remaining bundled customers would not experience higher rates due to what had become excess procurement on the IOUs’ part. Theoretically, the excess energy and capacity could be resold back into the market. However, the age and duration of the contracts often meant that the IOUs paid more for the contracted resources than they would be able to recoup via resale.

The difference between what the IOUs paid for the excess contracted resources and the amount they could resell them for is referred to as the “above-market cost.” Ensuring bundled customer indifference, a condition required by law, requires departing customers to pay this cost back to the IOUs. Full compliance means that those who depart must pay for exactly 100% of the unavoidable, above-market costs attributable to them. Payment in excess would unfairly benefit the remaining bundled customers, while under-payment would cause them unfair financial harm.

The PCIA is the mechanism by which this payment currently happens. Under the PCIA methodology, the above-market cost is calculated by starting with the contract cost and subtracting a Commission-approved estimate of the current market value of the contracted energy, capacity, and other monetized benefits (RA compliance credit, RECs, etc.). This above-market amount is divided into a per-kWh fee based on forecasts of total departed customer load, and collected from departed customers as one of several non-bypassable charges (NBCs) on their electricity bills. A Commission-approved vintaging methodology ensures that departing customers pay only for resources procured before their departure, with the assumption that IOUs adjust their future procurement efforts to account for departure that has already taken place. The excess resources themselves are resold by the IOUs, and between the PCIA and the resale revenue the full contract costs are recovered. Bundled customer indifference to load departure thus remains intact.

From the CCA perspective there are many issues with the PCIA, chiefly its high cost, year-to-year volatility, and - due to lack of access to confidential IOU contract data - difficulty to forecast and budget for accordingly. The CCA community has voiced its concerns clearly, and made good-faith attempts to collaborate with the IOUs on an improved PCIA methodology that preserves customer indifference while better respecting CCA commitments to affordability and rate stability. Most recently, the joint IOU-CCA PCIA Working Group resulted in a Petition for Modification designed to ensure that the PCIA data IOUs

---

1 “Joint Utilities” includes California’s three largest investor-owned utilities: San Diego Gas & Electric, Southern California Edison, and Pacific Gas and Electric Company.
do share publicly is presented in a uniform format. CCAs and other parties are developing another Petition for Modification which would unveil relevant PCIA data which are currently held as confidential. The PCIA remains flawed and in need of further improvements, but PAM is not an appropriate solution.

PAM is framed by the Joint Utilities as a unique alternative rather than an incremental improvement to the PCIA, and it indeed differs from the PCIA in fundamental ways. Firstly, PAM does away with the market-value benchmarks used in the PCIA. Instead, PAM proposes that excess energy and ancillary services be sold into the spot market, and that the above-market costs be calculated by subtracting the actual spot market resale value from the original contract cost. The new version of the above-market cost would appear on CCA customers’ bill as the Portfolio Allocation Charge (PAC).

Secondly, PAM would distribute excess RECs and RA contracts directly to the CCAs themselves. PAM includes language that modifies existing REC classifications such that RECs are not reclassified as unbundled during the transfer. The use or disposal of RECs and RA contracts would be up to the CCAs. PAM would retain the vintaging methodology used in the PCIA to ensure that departing customers are not charged for resources procured after their departure. CCA customers would also continue to pay the Competitive Transition Charge (CTC) that currently accompanies the PCIA on CCA customer bills.

Both of these differences are problematic. Selling excess energy and capacity into the spot market is the lowest-value way to dispose of these resources. PAM’s insistence on stripping contracts of their RECs and other benefits and dumping what remains into the lowest-value channel will unsurprisingly produce lower market values than the Commission benchmarks currently used by the PCIA. This will result in a higher above-market cost estimation and significantly higher charges to CCA customers. However, this path ignores the higher market value IOUs could potentially get for reselling long-term contracts fully intact, an option that is available but which the IOUs have never attempted to pursue. It also fails to acknowledge cost reduction as an option, memorializing the IOUs’ high-cost contracts as liabilities that all customers must pay for.

The direct transfer of RECs and RA contracts to the CCAs is something CCAs do not need and for which there is no statutory basis. CCAs do their own procurement, including full compliance with RPS and RA requirements. Moreover, RECs by themselves have very low resale value, even if they are still statutorily classified as bundled. CCAs do not need or want these products dumped on them by the IOUs, and the latter’s proposal to do so is a lazy attempt to avoid reselling these products themselves in a way that would preserve their value. CCAs’ right to conduct their own procurement is fully protected by AB 117 and subsequent Commission actions and decisions. PAM violates this right by proposing to flood CCAs with devalued energy products they do not need and have no statutory responsibility for.

PAM is a serious threat to SVCE’s values of affordability and local procurement autonomy, and we will treat it as such. SVCE will be collaborating with fellow CCAs and other interested stakeholders to develop alternatives to PAM that address the problems with the PCIA while avoiding PAM’s statutory violations and financial duplicity. These alternatives will be delivered through CalCCA, California’s CCA trade organization. SVCE will also monitor the PAM proceeding, and participate on an individual basis as necessary to complement CalCCA and ensure that PAM is not accepted by the Commission. In addition, we may reach out to you – our local elected officials – to help make SVCE’s voice heard in San Francisco and Sacramento. Periodic updates will be forthcoming in the monthly Regulatory/Legislative update, and feel free to reach out with questions or comments to hilary.staver@svcleanenergy.org.
Community Outreach Update  
May 2017

I. Events and Presentations

SVCE staff spoke to more than 800 people throughout the month of April at community or corporate Earth and Environmental Day celebrations.

Below is a list of upcoming community events and meetings that SVCE staff will be tabling or presenting at throughout May.

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Event Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1</td>
<td>4 – 5:15 PM</td>
<td>Saratoga Arbor Day</td>
<td>Madronia Cemetary Saratoga</td>
</tr>
<tr>
<td>May 2</td>
<td>10 – 11 AM</td>
<td>Gilroy Community Presentation #2</td>
<td>Gilroy Senior Center</td>
</tr>
<tr>
<td>May 20</td>
<td>10 AM - 7 PM</td>
<td>Campbell’s Boogie on the Avenue</td>
<td>Downtown Campbell</td>
</tr>
<tr>
<td>May 21</td>
<td>10 AM - 6 PM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May 25</td>
<td>8 AM - 6 PM</td>
<td>SVLG Energy and Sustainability Summit</td>
<td>Oracle Redwood City, CA</td>
</tr>
<tr>
<td>May 25</td>
<td>7 - 8:30 PM</td>
<td>Gilroy Community Meeting, Spanish presentation</td>
<td>Eliot Elementary School</td>
</tr>
<tr>
<td>May 27</td>
<td>10 AM - 7 PM</td>
<td>Morgan Hill Mushroom Mardi Gras</td>
<td>Downtown Morgan Hill</td>
</tr>
<tr>
<td>May 28</td>
<td>10 AM - 6 PM</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Business Outreach

Chambers of Commerce  
Silicon Valley Clean Energy joined the Campbell Chamber of Commerce in April.

Silicon Valley Clean Energy was a sponsor of the Silicon Valley Chamber XPO through our membership with the Los Altos Chamber. The event was an opportunity to network with small-to-medium businesses and other regional chambers.

Acterra, an environmental non-profit, is supporting SVCE’s public education and outreach. In April, Acterra staff began canvassing downtown business districts to inform local business owners about the switch to SVCE. Communities canvassed in April include Los Altos and Mountain View. Other business districts that will be canvassed in May include Sunnyvale (Murphy Street), Morgan Hill, Los Gatos, Cupertino and Campbell.
3. **Enrollment Notifications, Upgrade and Opt Out Update**

Post-enrollment notifications for Phase 1 customers continue to be sent weekly.

Phase 2 pre-enrollment notifications began April 24. The notifications are mailed in batches to relieve contact center volume. The notices are mailed each Monday and Friday from April 24 through June 16.

**Phase 2 pre-enrollment notices mailed as of May 5, 2017: ~65,000**

**Total customers who have received at least one pre-enrollment notice (Phase 1 and Phase 2): 109,968**

<table>
<thead>
<tr>
<th></th>
<th>Upgrade</th>
<th>Opt Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>396</td>
<td>828</td>
</tr>
<tr>
<td>Commercial</td>
<td>1,499</td>
<td>173</td>
</tr>
</tbody>
</table>

4. **Press Releases and Media**

Press Releases:

- [Silicon Valley Communities Continue to Choose 100% Renewable Power](#), published 4-17-2017

This press release is available on the homepage and in the [news section](#) of the SVCE website.

Media:

- [Community Voices with Daniel Harney: Silicon Valley nonprofit seeks to make clean energy available to all residents](#), Gilroy Voice, *published in the April 19-May 2 issue*
- [Silicon Valley Clean Energy launches with 100% carbon-free power](#), E&E News, *published April 10, 2017* (subscription-based site, link goes to PDF of the story)
- [PG&E proposal might jolt green power choices system](#), The Mercury News, *published April 25, 2017*
- [PG&E, other energy companies propose changing cost allocation with local energy providers](#), The Daily Californian, *published April 27, 2017*
<table>
<thead>
<tr>
<th>MILESTONES</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEPT</th>
<th>OCT</th>
<th>NOV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch Phase 2</td>
<td>Ph 2 Notice #3</td>
<td>Ph 2 Notice #4</td>
<td>NEM Customer Notice #1</td>
<td>NEM Customer Notice #2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MILESTONES</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEPT</th>
<th>OCT</th>
<th>NOV</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formation of Finance/Audit Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approval of Strategic Plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report on 1st phase roll-out</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2017-18 Budget discussion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2017-18 Budget approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Appointments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Appointments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Appointment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Appointments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Appointments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Appointments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MILESTONES</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEPT</th>
<th>OCT</th>
<th>NOV</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTRACTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To: Silicon Valley Clean Energy Authority Board of Directors
From: Tom Habashi, CEO

Item 4: Approve SVCE Energy Risk Management Policy

Date: 5/10/2017

RECOMMENDATION
Approve the Silicon Valley Clean Energy Authority Energy Risk Management Policy.

BACKGROUND
In April 2016, SVCE was formed to provide generation electricity services to the residents and businesses within its service territory. SVCE’s wholesale electricity cost is expected to be over 95% of our operating expenses. Unlike most transactions, power supply acquisitions can be in the millions of dollars and must be made with as little as one hour between offer and acceptance.

In November 2016, staff conducted transactions to hedge electricity prices over the next five years. These transactions were over $500 million in magnitude. Staff will continue to engage in power acquisition throughout the year to close daily, weekly, quarterly and multi-year open positions.

In February, the Board approved a Risk Management Policy to allow SVCE to transact in the California Independent System Operator (CAISO) congestion market. That policy was narrowly drafted to satisfy CAISO requirements and to allow SVCE to begin transactions with the CAISO in May 2017.

DISCUSSION
Most utilities and energy companies form an Energy Risk Management (ERM) Committee to provide the appropriate oversight and operate under the strict guidelines of an Energy Risk Management policy. In March, the SVCE Risk Oversight Committee was formed to provide the necessary review of staff analysis and actions designed to close SVCE’s net open position.

While the Risk Management Policy approved by the Board in February was sufficient to handle the limited transactions with the CAISO for congestion capacity allocations, the revised policy incorporates other provisions to handle key issues such as Trading Authority, Credit Risk and Energy Hedge. This comprehensive policy was reviewed and approved by the Risk Oversight Committee during their March meeting.

Staff will work with the Risk Oversight Committee to continually update the ERM procedures to ensure that violations or deviations from the trading guidelines are appropriately reported to the Board.

ATTACHMENTS
1. Proposed SVCE Energy Risk Management Policy
Energy Risk Management Policy

May 10, 2017
# Table of Contents

1 Overview .......................................................................................................................... 3
2 Energy Risk Management Objective ............................................................................. 4
3 Governance Structure Roles and Responsibilities ......................................................... 4
   3.1 SVCE Board .................................................................................................................. 4
   3.2 Risk Oversight Committee .......................................................................................... 4
   3.3 Front Office ................................................................................................................ 5
   3.4 Middle Office ............................................................................................................. 5
   3.5 Back Office ................................................................................................................ 5
4 Hedging ............................................................................................................................. 6
   4.1 Hedging Policy and Objectives ................................................................................... 6
   4.2 Net Open Position (NOP) Definition and Assessment .............................................. 6
   4.3 NOP Management .................................................................................................... 6
   4.4 Measuring NOP ....................................................................................................... 7
   4.5 Monitoring NOP ..................................................................................................... 7
   4.6 Closing NOP ........................................................................................................... 7
5 Authorized Transaction and Trading Limitation ............................................................... 9
   5.1 Energy Trading and Authority Policy Objectives ...................................................... 9
   5.2 Trader and Origination Team Authorization Process ................................................ 9
   5.3 Approved Market Participation ................................................................................ 9
   5.4 Trading Instruments ............................................................................................... 10
   5.5 Enabling Agreements ............................................................................................. 10
   5.6 Authorized Trading Limits ..................................................................................... 10
6 Counterparty Credit ......................................................................................................... 12
   6.1 Credit Risk Policy Objective .................................................................................... 12
   6.2 Credit Authorization Process .................................................................................. 12
   6.3 Counterparty Credit Limits ..................................................................................... 12
   6.4 Counterparty Credit Monitoring ............................................................................ 13
   6.5 Counterparty Credit Limit Exceedances ................................................................ 13
7 Reporting ......................................................................................................................... 13
1 Overview

Silicon Valley Clean Energy’s (SVCE) Energy Risk Management (ERM) policies and procedures is a comprehensive framework to manage the strategic, operational, regulatory and reporting risks associated with the acquisition of power supply. SVCE’s ERM Policy and related framework sets out a methodology and process for identifying risks, defining responsibilities, and establishing controls and procedures for reporting on risks and results against metrics to the SVCE Risk Oversight Committee and appropriate SVCE staff and management.

ERM encompasses the implementation of cost-effective controls and contingency plans with the intent of exceeding goals and objectives subject to approved risk tolerances, including the minimization of costs and liabilities.

The SVCE Board is responsible for review of the ERM policies and procedures. Periodically, but no less than once every two years, the Board is responsible for verifying that any updates to the ERM policies and procedures are consistent with SVCE’s mission and risk tolerance, as well as those that may be required to address industry and regulatory changes.

The ERM Risk Oversight Committee is responsible for establishing and reviewing SVCE’s risk tolerance, reviewing risk exposures, adequacy of controls and reporting mechanisms, limit breaches, and financial adequacy to support trading objectives. In addition, the ERM Risk Oversight Committee is responsible for attesting to the adequacy of procedures and controls required to comply with outside entities’ rules, regulations and requirements for risk monitoring and control. The ERM Risk Oversight Committee also reviews all major strategies and positions for their impact on the risks facing SVCE.

The Trading Group (Front Office) is responsible for developing and implementing strategies designed to fill SVCE’s Net Open Position (NOP), while comporting to boundaries and limits established by the trading and credit policies. NOP is based on forward forecasts of load and supply volumes over a future period (next month, next quarter, next year and beyond) and the value at risk for the unhedged open position based on forward price curves and volatility.

The Front Office is also responsible for complying with all controls and procedures including the capture of executed transactions, notifying the Middle Office of market trends, and changes to market rules or procedures that affect market dynamics. Finally, the Front Office is tasked with immediately reporting to the Middle Office discrepancies or deviations from accepted practices, policies or procedures, including breaches of established trading and risk limits, unauthorized trading activities and failure of controls.

The Risk Group (Middle Office) is responsible for overseeing the risk management framework and reviewing the effectiveness of key mitigation strategies. This includes determining SVCE’s NOP, value of the NOP relative to current market prices, costs and revenue relative to expected costs, contract performance, hedging effectiveness,
investigation of trade discrepancies, monitoring risk limits and ensuring that trades can be tracked from cradle to grave. The Middle Office conducts quarterly reviews to ensure that emerging risks, such as those from changes in market structure and design, organizational restructures and operational issues, are identified and responses are developed.

The Settlement Group (Back Office) is responsible for ensuring that trades executed by the Front Office are settled in accordance with the terms and conditions of the contract and payment of invoices and receipt are consistent with timing specified by the governing documents. The Back Office is also responsible for ensuring that trades captured by the Front Office are transferred correctly to the settlement system. Finally, the Back Office is responsible for providing feedback to the Front Office of other charges or payments that affect the value of the trading strategy and monitoring changes in rules, regulations and procedures that affect the value of trading strategies.

2 Energy Risk Management Objective
SVCE is committed to providing competitively priced power to its customers, serving the following objectives:
- Maintaining risk within desired tolerances for a defined period in the future
- Participating in the energy markets primarily for hedging purposes, while taking advantage of market opportunities within defined policy limits
- Mitigating the effect of price volatility to its customers
- Maintaining stable cash flow

3 Governance Structure Roles and Responsibilities
3.1 SVCE Board
The SVCE Board consists of the following representatives:
- Campbell
- Cupertino
- Gilroy
- Los Altos
- Los Altos Hills
- Los Gatos
- Monte Sereno
- Morgan Hill
- Mountain View
- Santa Clara County
- Saratoga
- Sunnyvale

The SVCE Board is responsible for:
- Reviewing and approving ERM policies and procedures
- Annually affirming that the ERM policies reflect changes to SVCE’s mission and risk tolerance
- Reviewing, and if warranted approving, participation in commodity markets and derivative instruments
- Establishing guidance by which counterparty credit limits are set and monitored, and delegating development and implementation to SVCE’s Risk Oversight Committee
3.2 Risk Oversight Committee
The Risk Oversight Committee (ROC) is formed by SVCE’s Chief Executive Officer to:
- Define and ensure that all transaction strategies are consistent with SVCE’s risk tolerance
- Develop the framework for the Middle Office to develop risk management controls, practices and procedures that are sufficient to monitor and maintain potential loss of value and increased costs within acceptable tolerances
- Report risks, procurement activities and financial information to its SVCE Board of Directors

3.3 Front Office
The Trading Group (Front Office) is established to transact within the Western Electricity Coordinating Council (WECC) to satisfy SVCE’s load obligations and resultant NOP. The Front Office is responsible for transacting within limits established and authorized by the ROC, recording all transactions in the deal capture system and reporting activities to the Middle Office, including potential Risk Policy violations.

3.4 Middle Office
The Risk Group (Middle Office) is responsible for:
- Ensuring that SVCE’s accounting, financial and treasury function, internal control, risk management and compliance systems satisfy the ERM policies
- Overseeing and monitoring the accountability process and the quality of internal and external reporting
- Reporting regularly to the ROC on each of its purposes and duties and notify the ROC immediately upon findings of discrepancies or breach of limits or procedures that are of material significance or have the potential to result in material significance
- Performing routine internal audits
- Not less than annually, reviewing Front Office resources, including qualifications, skills, experience, funding and equipment
- Developing and approving procedures consistent with ERM policies
- Ensuring that key risk profiles, material changes to the profiles, trends, emerging risks, and the risk management program are reported to the ROC
- Reviewing with the ROC the effectiveness of internal controls, compliance and risk management systems
- Reviewing the controls in place for unusual transactions and significant risk exposures
- Publishing a quarterly risk report that notifies the ROC of any issues of concern and requires an annual assurance from the ROC that effective risk management processes in relation to material business risks are in place

3.5 Back Office
The Settlement Group (Back Office) is responsible for:
• Settling transactions based on agreed upon terms and conditions specified by the agreement governing the transaction
• Receiving amounts owed and paying amounts due, and ensuring that collateral and postings are sufficient to allow the Front Office to effectively perform its functions
• Ensuring that trade details (price, location, product, tenor, counterparty) transacted by the Front Office and recorded by the trade capture system are accurately reflected in the settlement system and reporting any discrepancies to the Middle Office and if necessary, the ROC

4 Hedging
4.1 Hedging Policy and Objectives
SVCE’s hedging policy is designed to satisfy the following objectives:
• Effectively identify and quantify financial and regulatory risks to SVCE
• Accurately monitor those risks
• Execute transactions to appropriately balance risk with minimizing cost and price stability to SVCE’s customers
• Provide transparency of the procurement process as appropriate throughout the SVCE organization

4.2 Net Open Position (NOP) Definition and Assessment
The NOP is defined as the difference between demand obligations and supply relative to market prices over a forward period. The NOP is calculated consistent with Risk Management procedures with the following results:
• NOP capacity, energy, renewable portfolio standards (RPS) and carbon-free volumes by period from prompt month through the next five years
• Conversion of NOP to tradeable products (for example, on-peak and off-peak blocks)
• Expected dollar value of the NOP
• Forward price curves
• Volatility of forward prices
• Load obligation forecast in MW and MWh
• Supply expectation in MW and MWh

4.3 NOP Management
NOP is to be managed to ensure stable, competitive rates to SVCE customers. To achieve that goal, the management of the NOP requires a matching of supply with load at rates designed to minimize exposure to price volatility while ensuring compliance with RPS mandated volumes. NOP shall be closed consistent with percentages established in the ERM Policy over periods as shown below:
• Prompt month
• Prompt quarter
• Remaining quarters over the next 12 months (four quarters)
• Year after the next 12 months
Next five years after the next 12 months

4.4 Measuring NOP
The Middle Office shall calculate SVCE’s NOP based on the following criteria:

- Supply contracts expected delivery
- Failure rate of supply contracts
- Load forecast and customer acquisition/retention outlook
- Forward market prices
- Forward market price volatility
- Optionality of supply and demand contracts (dispatchability based on market prices)
- Contract tenor
- Contract delivery and customer load location
- RPS compliance period requirements
- Greenhouse gas allowances and obligations
- Type of revenue streams (fixed vs. floating)
- Type of contract costs (fixed vs. floating)

4.5 Monitoring NOP
Results of monitoring SVCE’s NOP shall include the following:

- Volume in MWh, MW by standard on-peak and off-peak periods for the following periods:
  - Prompt month
  - Prompt quarter
  - Balance-of-year
  - Prompt calendar year
  - 2-5 years
- Value in dollars
- Impact to rates to SVCE customers
- Renewable Energy Certificates (RECs) by compliance period
- Greenhouse gas emissions-free energy volume

4.6 Closing NOP
There are two processes for closing SVCE’s NOP: the first is a result of the NOP being out of tolerance; the second is implementing a hedging strategy to maintain the NOP within tolerances.

Transactions to bring the NOP into tolerance shall be executed by the Front Office as soon as practical upon notification from the Middle Office. The Front Office shall notify the Middle Office that the transactions have been executed no later than the close of business on the day that the transactions were executed.

Transactions that are executed as a result of strategies designed to maintain the NOP within tolerances shall be consistent with the strategies. The resultant NOP shall be
updated to reflect the new transactions as soon as practical but no later than the next business day.

NOP energy tolerances shall be set at the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Tolerance</th>
<th>Maximum Tolerance</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt month</td>
<td>90% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Prompt quarter</td>
<td>85% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Balance-of-year</td>
<td>85% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Prompt calendar year</td>
<td>80% of load</td>
<td>105% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Second calendar year</td>
<td>70% of load</td>
<td>90% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Third calendar year</td>
<td>55% of load</td>
<td>75% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Fourth calendar year</td>
<td>40% of load</td>
<td>60% of load</td>
<td>n/a</td>
</tr>
<tr>
<td>Fifth calendar year</td>
<td>0% of load</td>
<td>50% of load</td>
<td>n/a</td>
</tr>
</tbody>
</table>

NOP RPS tolerances shall be set at the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Tolerance</th>
<th>Maximum Tolerance</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2017 to December 31, 2017</td>
<td>90% of forecast</td>
<td>110% of forecast</td>
<td>25% of 2017 of retail sales</td>
</tr>
<tr>
<td>January 1, 2018 to December 31, 2018</td>
<td>80% of forecast</td>
<td>100% of forecast</td>
<td>25% of 2017 and 2018 retail sales</td>
</tr>
<tr>
<td>January 1, 2019 to December 31, 2019</td>
<td>70% of forecast</td>
<td>90% of forecast</td>
<td>25% of 2017 through 2019 retail sales</td>
</tr>
<tr>
<td>January 1, 2020 to December 31, 2020</td>
<td>55% of forecast</td>
<td>75% of forecast</td>
<td>25% of 2017 through 2019 retail sales + 33% of 2020 retail sales</td>
</tr>
<tr>
<td>Post 2020</td>
<td>40% of forecast</td>
<td>60% of forecast</td>
<td>33% of retail sales</td>
</tr>
</tbody>
</table>

NOP Capacity tolerances shall, at a minimum, be set at the following:

<table>
<thead>
<tr>
<th>Period</th>
<th>Minimum Tolerance</th>
<th>Maximum Tolerance</th>
<th>Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt month +1</td>
<td>100% of req’d</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Prompt month +2</td>
<td>100% of req’d</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Prompt quarter</td>
<td>100% of req’d</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Balance-of-year</td>
<td>75% of req’d system and flex; 100% of req’d local</td>
<td>100% of req’d</td>
<td>115% of peak load</td>
</tr>
<tr>
<td>Prompt calendar year (as of August)</td>
<td>50% of req’d</td>
<td>90% of req’d</td>
<td>n/a</td>
</tr>
<tr>
<td>Prompt calendar year (as of October)</td>
<td>75% of req’d system and flex; 100% of req’d local</td>
<td>100% of req’d</td>
<td>103.5% of summer months peak load for system and flexible capacity; 100% of obligation for local</td>
</tr>
<tr>
<td>Post Prompt Year</td>
<td>0% of req’d</td>
<td>50% of req’d</td>
<td>n/a</td>
</tr>
</tbody>
</table>
5 Authorized Transaction and Trading Limitation

5.1 Energy Trading and Authority Policy Objectives
SVCE’s Energy Trading and Authority (ETA) policy is designed to satisfy the following objectives:

- Ensure that market participation is consistent with SVCE’s customer needs
- Provide SVCE with viable market tools with which to transact without exposing SVCE to undue risk
- Provide SVCE’s traders and origination team with structure upon which to transact
- Ensure that agreements that govern transactions and allow for trading are suitable for transacting and do not expose SVCE to undue risk

5.2 Trader and Origination Team Authorization Process
The Front Office shall request that the Middle Office begin the trader authorization process. The Middle Office shall verify that the trader’s background is consistent with the criteria established by the ERM Risk Oversight Committee and is approved by the ERM Risk Oversight Committee. Criteria for approval shall consist of the following:

- Trader name
- Experience
- Verification that trader is not currently under investigation for market manipulation
- Verification that trader has not been previously investigated for market manipulation
- Verification that trader has read and understands SVCE’s trader policies regarding closing SVCE’s NOP, and prohibition of speculation and market manipulation

Once the trader is authorized by the ERM Risk Oversight Committee to transact on behalf of SVCE, the Middle Office shall then notify the Front and Middle Offices of the ERM Oversight Committee’s decision. For an approved trader, the Middle Office shall add the trader to the trade capture system with the appropriate limits and authorizations. The Middle Office shall maintain documentation indicating SVCE’s authorized traders, origination team members along with markets, trading instruments and term for which they are approved.

5.3 Approved Market Participation
Approved markets in which SVCE authorized traders and origination team members can participate are as follows:

- Bilateral energy and capacity within the WECC
- Bilateral renewable energy within the WECC
- Bilateral transmission and associated services within the WECC
- Bilateral carbon and emissions within California
- California Air Resources Board (CARB) emissions/carbon auctions
- Bilateral financial energy
• California Independent System Operator (CAISO)
  o Day-Ahead energy and ancillary services
  o Real-Time energy and ancillary services
  o Congestion Revenue Rights (CRRs)
  o Virtual bidding

5.4 Trading Instruments
Approved trading instruments in which SVCE authorized traders and origination team members can utilize are as follows:
  • Physical energy, capacity and transmission transactions
  • CAISO energy, ancillary services, inter-scheduling coordinator trades (ISTs), CRRs and virtual bidding
  • Financial energy fixed-for-floating swaps
  • Financial contracts-for-differences
  • Basis transactions
  • Greenhouse gas emissions allowances
  • Renewable Energy Certificates (RECs)
    o Portfolio Compliance Category 1 (PCC1)
    o PCC2
    o PCC3

5.5 Enabling Agreements
Approved enabling agreements under which SVCE transactions are governed are as follows:
  • Western System Power Pool (WSPP)
  • Edison Electric Institute (EEI)
  • CAISO Tariff
  • Individual Power Purchase Agreements approved by the SVCE Board of Directors

5.6 Authorized Trading Limits
The table below lists authorized trading limits for personnel authorized to transact on behalf of SVCE.  

1 Note that except for CRRs and Convergence Bids, all limits are expressed in notional value of the contract, that is price times quantity. For example, 5 MWh x $20/MWh is a notional value equal to $100. CRRs and Convergence Bids are expressed in Value at Risk, that is the amount that the value of the CRR can expected to vary within a confidence interval. The confidence interval for CRRs and Convergence bids is 95%.  

---

1 Attachment 1
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Real-Time</td>
<td>Balance-of-period until next unscheduled Day-Ahead Period</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
</tr>
<tr>
<td>Capacity</td>
<td>Day-Ahead</td>
<td>Balance-of-period until next unscheduled Day-Ahead Period</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
<td>Amount necessary to balance SVCE load and resources</td>
</tr>
<tr>
<td>Transmission</td>
<td>Balance-of-Month</td>
<td>Next unscheduled Day-Ahead Period until end of current month</td>
<td>$5,000,000</td>
<td>100</td>
<td>$2,500,000</td>
<td>50</td>
</tr>
<tr>
<td>Financial Energy</td>
<td>Prompt Month</td>
<td>One Month</td>
<td>$7,500,000</td>
<td>200</td>
<td>$2,000,000</td>
<td>50</td>
</tr>
<tr>
<td>Energy</td>
<td>Balance-of-Year</td>
<td>One Year</td>
<td>$25,000,000</td>
<td>250</td>
<td>$6,250,000</td>
<td>50</td>
</tr>
<tr>
<td>Capacity</td>
<td>Current Month through 36 Months</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td></td>
</tr>
<tr>
<td>Transmission</td>
<td>Through Next CAISO Day-Ahead Period</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td></td>
</tr>
<tr>
<td>Financial Energy</td>
<td>Current Month through 60 Months</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td></td>
</tr>
<tr>
<td>CAISO Energy</td>
<td>Through Next CAISO Day-Ahead Period</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td>Amount necessary to schedule SVCE load and resources</td>
<td></td>
</tr>
<tr>
<td>CAISO Ancillary Services</td>
<td>Day-Ahead</td>
<td>24 Hours</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>CAISO Convergence Bids</td>
<td>Month</td>
<td>Approval Required by SVCE CEO</td>
<td>Approval Required by SVCE CEO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAISO CRRs</td>
<td>Quarter</td>
<td>3 Months</td>
<td>$15,000,000</td>
<td>1,000 MW per on-peak and off-period</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
6 Counterparty Credit

6.1 Credit Risk Policy Objective
SVCE’s Energy Credit Risk policy is designed to satisfy the following objectives:
- Ensure that counterparty risk is recognized and managed to prevent financial loss and regulatory noncompliance due to nonperformance
- Provide SVCE with a broad range of viable counterparties
- Provide SVCE with enough counterparty diversity to obtain market-representative products, prices and location

6.2 Credit Authorization Process
For each potential new counterparty, the Middle Office will develop a counterparty credit template that will be used as the basis for vetting the counterparty’s suitability for transacting with SVCE. The counterparty credit template shall consist of the following:
- Counterparty name
- Investment grade
- Financial measures such as assets-to-liability ratio and debt-to-equity ratio
- Organization’s size (personnel, assets, dollars)
- Payment history
- Reputation in industry
- Depth of resources
- Enabling agreement type (WSPP, EEI, or custom)
- Litigations in progress and concluded
- Government entity
- Counterparty limits as described in Section 6.5 below (if counterparty is approved)

Once the credit template is completed, the Middle Office is responsible for determining whether the counterparty is suitable for transacting with SVCE and if so, corresponding limits and collateral if necessary. The recommendation and credit template are then provided to the ERM Risk Oversight Committee for final approval, rejection or modification of limits. The Middle Office shall then notify the Front and Middle Offices of the ERM Risk Oversight Committee’s decision. For approved counterparties, the Middle Office shall add the counterparty to the trade capture system with the appropriate limits.

6.3 Counterparty Credit Limits
Counterparty credit limits that are entered in the trade capture system and monitored are as follows:
- Total dollars owed or are owed
- Total volume sold or purchased (MW and MWh) remaining to be delivered or received
Prior to entering into any new transaction, the effect of the potential transaction shall be incorporated to ensure that limits prescribed to the potential counterparty shall not be breached. If any of the limits are breached, the transaction shall not be executed.

### 6.4 Counterparty Credit Monitoring

Counterparty credit monitoring shall be originated using the counterparty credit monitoring template. All pertinent information shall be included and updated using the counterparty credit template. The counterparty credit template shall be used by Middle Office personnel to enter relevant information into the trade capture system for tracking against transactions and settlements.

The transaction capture system shall compare the effect of potential transactions prior to executing a transaction. Transactions that are within limits can then be executed. Transactions that exceed limits shall not be executed.

### 6.5 Counterparty Credit Limit Exceedances

Counterparty credit limit exceedances shall result in immediate suspension of trading with that specific counterparty. Should that occur, the following actions to remedy shall be performed:

- No new transactions shall be executed with the affected counterparty
- Middle Office shall be notified immediately
- Middle Office shall investigate and identify the root cause of the exceedance
- Middle Office shall notify the ERM Risk Oversight Committee
- The exceedance shall be rectified as soon as possible via actions recommended by the Middle Office and approved by the ERM Risk Oversight Committee
- A comprehensive report shall be developed by the Middle Office and provided to the ERM Risk Oversight Committee and subsequently the SVCE Board of Directors

### 7 Reporting

As described in the ERM procedures, the Middle Office will develop reports to provide feedback to the SVCE Risk Oversight Committee regarding NOP management, risk management and pertinent issues affecting SVCE. They will also develop reports for the Front Office to state how well the contracts and transactions performed relative to expectations. At a minimum, reports shall consist of the following:

- Summary of energy risk management meetings
- NOP summary
  - NOP by period and type (energy, capacity, RPS, and carbon-free)
  - Value of NOP in dollars
- Transactions executed and resultant change to NOP during the month
- Strategies for closing NOP
- Transactions that were required to close NOP as a result of tolerance exceedance
- Result of transactions on NOP

Contract performance

Summary of new transactions

Financial report (costs and revenues associated with load obligations, contracts, resources and resultant NOP)

Identification of violations of the Risk Policy along with mitigation measures

Counterparty summary
- List of counterparties
- Credit limits (approved values)
- Current dollar and volume amounts and remaining limits
- Current credit rating
- Total dollar value and quantity of transaction by counterparty
- Ratio of contract value per counterparty to all contracts
- Transactions that exceeded limits
  - Counterparty
  - Transaction type
  - Dollar amount of transaction
  - Quantity of transaction
  - Limit that was exceeded
  - Root cause of exceedance
  - Resolution

RPS status

Transaction Summary Report (quarterly or as requested by CEO to Risk Oversight Committee)
- List of transactions
- Volume and dollar amounts of transactions
- Types of transactions
- Effect of transactions on NOP

Exceptions (as requested by CEO to Risk Oversight Committee)
- Transactions that exceeded limits
- Counterparty
- Transaction type
- Dollar amount of transaction
- Quantity of transaction
- Limit that was exceeded
- Root cause of exceedance
- Resolution
Reviewed and Approved by:

Tom Habashi – CEO, SVCE

Date

<table>
<thead>
<tr>
<th>Policy History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Version: 2.0</td>
</tr>
<tr>
<td>Established:  January 11, 2017</td>
</tr>
<tr>
<td>Last review:  April 20, 2017</td>
</tr>
<tr>
<td>Last updated: April 20, 2017</td>
</tr>
</tbody>
</table>
Strategic Plan Development
Goals, Strategies & Tactics

MISSION STATEMENT: Reduce dependence on fossil fuels by providing carbon free, affordable and reliable energy and innovative programs for the SVCE community.

BEST PLACE TO WORK

Goal 1: Be a high performing team with 90% employee engagement and less than 10% employee turnover per year

Strategy 1.1: Build an environment that encourages creativity and innovation
  1.1.1) Support professional development by paying for memberships, conferences and other continuing education mechanisms
  1.1.2) Encourage staff to attend conferences and networking events

Strategy 1.2: Support employee health and wellness
  1.2.1) Promote healthy habits
  1.2.2) Provide flexible schedules to accommodate family needs

Strategy 1.3: Build a fun company culture
  1.3.1) Monthly, arrange for staff lunch outings and social hours
  1.3.2) Annually, sponsor family events (e.g. holiday celebration, summer picnic, etc.)
  1.3.3) Promote team building through volunteer work
  1.3.4) Maintain an open-door policy for CEO and directors

Strategy 1.4: Provide effective and safe feedback processes
  1.4.1) Research and develop an annual feedback process to be implemented in 2018, promoting an open and safe performance assessment
  1.4.2) Conduct an annual survey to measure employee engagement

Strategy 1.5: Provide opportunities for cross team interaction and collaboration
  1.5.1) Establish a monthly all hands meeting

Strategy 1.6: Reward staff to keep them happy
  1.6.1) Annually, update compensation schedule to account for cost of living adjustment
  1.6.2) Continue to provide great benefits
  1.6.3) Ensure that staff has the tools to effectively do the job
FINANCE AND FISCAL RESPONSIBILITY

Goal 2: Achieve an A or higher credit rating by 2020

Strategy 2.1: Develop and maintain comprehensive policies for the governance of SVCE financials

2.1.1) Develop SVCE dashboards that include key financial metrics by September 2017
2.1.2) Develop an annual budget and update mid-fiscal year
2.1.3) Annually, develop 10-year financial forecasts to predict rate adjustments
2.1.4) Frequently monitor discretionary expenses (non-power supply) to ensure that they remain within 5% of budget

Strategy 2.2: Establish a Rate Stabilization Fund (RSF) to hedge unexpected variation in power supply costs

2.2.1) Hold retail rates at 1% below PG&E’s rates for 2017-18 and sweep net operating margins into the RSF
2.2.2) Establish a range of 30-70% of operating expenses for the RSF balance and a target of 50%
2.2.3) Retire lines of credit by December 2017; pay back loan from member agencies by the end of FY 2017-18
2.2.4) Maintain a debt-to-equity ratio of 0.5 or less and debt service coverage ratio of 2.0 or higher

Goal 3: Preserve and enhance SVCE’s competitiveness within its service area

Strategy 3.1: Maintain rate and price competitiveness

3.1.1) By Fall 2018, conduct a study comparing power supply cost of SVCE to PG&E and other regional CCAs
3.1.2) Annually, identify major shifts in key cost components and recommend an approach to minimize risks associated with those shifts

CUSTOMER AND COMMUNITY

Goal 4: Maintain competitive rates to acquire and retain customers

Strategy 4.1: Provide carbon free and renewable electricity to additional customers in the SVCE service area and increase market share

4.1.1) Communicate competitive rates to all customers
4.1.2) Annually, communicate rates and power content mix of the SVCE electric supply in a joint rate comparison mailer with PG&E
4.1.3) On an on-going basis, engage with selected DA customers and large bundled customers who have opted out, to review options and benefits of service from SVCE
Goal 5: Achieve Customer Awareness of 50% by 2019

**Strategy 5.1:** Update baseline customer awareness measure and build trusted brand

5.1.1) Conduct customer survey in Q1 of 2018 and biannually thereafter

**Strategy 5.2:** Build awareness and trust through continuous interaction with the SVCE community

5.2.1) Hold an annual community meeting, one per member agency, highlighting the value that SVCE brings to its customers
5.2.2) Annually, place booth/table at 6 regional events that emphasize energy efficiency, sustainability, and efficient use of natural resources
5.2.3) Sponsor community and industry events that promote resource efficiency, alternative transportation and clean energy
5.2.4) Create a Speakers Bureau to present to community groups, environmental organizations, trade allies, large commercial customers and neighborhood schools at their respective meetings

**Strategy 5.3:** Engage the media to inform the community of SVCE product offerings

5.3.1) Submit quarterly news features to all local papers
5.3.2) Monthly, draft an op-ed on behalf of each board member for submission into their local newspaper
5.3.3) Quarterly, pitch one story for earned media

**Strategy 5.4:** Leverage the SVCE member agencies’ sustainability and communication staff to disseminate information to the communities we serve

5.4.1) Organize and conduct monthly calls for the Communications Working Group for SVCE member agency sustainability and communication staff
5.4.2) Attend bi-monthly regional PIO meetings
5.4.3) Provide updates at council meetings once a quarter via board of directors or other SVCE representative
5.4.4) Organize quarterly meeting between commercial and industrial customers and various interest groups to promote renewable resources, decarbonization and advanced technologies for energy storage

**Strategy 5.5:** Leverage partnerships with other CCAs to increase general CCA “brand recognition” among consumers

5.5.1) Promote the undertaking of joint marketing campaigns with Peninsula Clean Energy and other regional CCAs
5.5.2) Co-brand publicly visible energy service infrastructure (e.g. EVSE, solar carports, etc.)

Goal 6: Achieve 95% customer satisfaction by 2020

**Strategy 6.1:** Establish measurement methodology and baseline

6.1.1) Develop methodology by Q4 of 2017
6.1.2) Establish baseline in 2018

**Strategy 6.2:** Create a customer-centric culture

6.2.1) Ensure that customer contact center reps are trained and deliver pleasant and effective customer experiences
6.2.2) Randomly monitor and listen to calls, live or recorded, each quarter
6.2.3) Monitor customer service stats to ensure adherence to Service Level Agreements
6.2.4) Offer a post-transaction survey to customers

**Strategy 6.3:** Recognize GreenPrime customers’ added contribution to SVCE’s mission

6.3.1) Biannually, conduct an event to recognize large commercial customers participating in the GreenPrime program
6.3.2) Quarterly, pitch customer stories featuring residents and businesses who have upgraded to GreenPrime

**Goal 7:** Work with the community to achieve GHG reduction of 30% from baseline by 2021

**Strategy 7.1:** Utilize local GHG data and key ‘clean electric’ operating measures to guide SVCE program activities

7.1.1) Working with member agencies, establish/document baseline GHG inventory for SVCE service territory by Q1 2018
7.1.2) Working with member agencies, identify and document common CAP goals and measurement methods relevant to SVCE, and quantify penetration of related ‘clean electric’ infrastructure by Q1 2018
7.1.3) Establish and document an initial set of SVCE ‘clean electric’ operating metrics and targets, where related to an SVCE program by Q1 2018
7.1.4) Support local GHG accounting efforts and customer GHG accounting (e.g. Power Content Label, emissions intensity, recognized certifications, etc.)

**Strategy 7.2:** Maintain an SVCE decarbonization program roadmap, and related processes

7.2.1) Establish high-level evaluation criteria and weighting to assess relative program impact and value by June 2017
7.2.2) Identify and document candidate programs that promote decarbonization via fuel switching to clean electricity, and more efficient uses of energy by July 2017
7.2.3) Generate an initial ranking of candidate programs vs evaluation criteria, and confirm top-ranked ‘starter programs’ by Q3 2017
7.2.4) Establish process and mechanisms for ongoing stakeholder input and review by August 2017
**Strategy 7.3:** Develop and conduct SVCE programs that promote decarbonization via fuel switching to clean electricity, and more efficient uses of energy

7.3.1) Plan and launch initial ‘starter programs’ as prioritized in Q4 2017
7.3.2) Engage built environment trade allies (e.g. architects, engineers, builders, developers and realtors) and member agency building officials in creating a roadmap addressing and encouraging the advancement of decarbonization technologies and measures (e.g. expediting/subsidizing building permits, adding codes and ordinances beyond existing building codes, etc.)

**REGULATORY & LEGISLATIVE**

**Goal 8:** Engage regulators and legislators to promote least-cost carbon neutrality while maintaining electric grid reliability

**Strategy 8.1:** Use strategic lobbying to foster a regulatory and legislative environment that supports SVCE’s existence and GHG mitigation efforts

8.1.1) Coordinate with CalCCA lobbyists to maximize legislators’ awareness of CCA issues
8.1.2) Leverage the voices of **SVCE’s Board of Directors and other** community leaders within SVCE’s territory by arranging for them to contact and meet with their legislators to discuss CCA issues
8.1.3) Ensure that climate and CCA stewardship are part of the conversation during local elections for municipal and state legislative positions

**Strategy 8.2:** Help build CalCCA into a stable, resilient institution and a respected political brand that can advocate for SVCE values regionally

8.2.1) Take an active role in the conversation about what CalCCA should look like as an institution in its “mature” state, and help build a roadmap for how to get there
8.2.2) Support CalCCA staff in facilitating and hosting CalCCA conference calls, meetings, and other forms of communication
8.2.3) Contribute to the development of protocols and procedures to govern CalCCA activity
8.2.4) Develop orientation materials to be distributed to staff of new CalCCA member CCAs that pass on knowledge from existing members
8.2.5) Author comments, testimony, articles for the media, and other documents to be released under the CalCCA name as necessary until CalCCA has its own staff
8.2.6) **Facilitate Board participation in CalCCA advocacy activities in order to maximize advocacy efficiency and effectiveness**

**Strategy 8.3:** Foster support for CCAs and least-cost carbon neutrality among key community stakeholder organizations
8.3.1) Quarterly, attend or cohost a community meeting or event to engage individual community leaders and groups
8.3.2) Reach out to members of local organizations to participate in broad lobbying by calling and emailing legislators

**Strategy 8.4:** Conduct comparative research to quantify the impact of the CCA model and the benefits CCA members receive under CCA operation

- 8.4.1) Annually, use data collected during SVCE operations to provide quantitative evidence of the qualitative benefits of CCA membership (e.g. rate stability, carbon savings, community engagement, etc.)
- 8.4.2) Publish results in peer-reviewed journals or industry publications where they can be seen and shared
- 8.4.3) Share results with other CCAs and encourage them to do the same in order to identify best practices and opportunities for improvement

**POWER SUPPLY**

**Goal 9:** Annually, acquire sufficient renewable type 1 resources (PCC1) to meet 100% of the state’s annual mandates for renewable resources regardless of the allowance that the state makes for type 2 or type 3 renewables

**Strategy 9.1:** Stagger acquisitions to accommodate regulatory and supply price risks

- 9.1.1) Hedge PCC1 at 100% for 2017, reduce the hedge by 10% every year for the next 5 years
- 9.1.2) Starting in 2018, acquire the equivalent of a minimum of 10% of the state renewable mandate through long-term project participation agreements

**Strategy 9.2:** Diversify the use of technologies to meet PCC1 resource needs

- 9.2.1) Ensure that supply acquisitions would limit any single technology to no more than 50% of the renewable resources needed to meet state mandates
- 9.2.2) Annually, invest up to 2% of expected supply resource cost in storage capacity

**Goal 10:** Acquire sufficient carbon free credits to ensure that SVCE’s demand will be sourced from 100% carbon free resources

**Strategy 10.1:** Strike a balance between hydro and other unbundled renewable resources to meet the remainder of SVCE demand following the acquisition of the type 1 renewable resources

- 10.1.1) Annually, conduct an analysis to determine the most effective and economical way to acquire sufficient renewable and carbon free credits to support the 100% carbon free resource goal
10.1.2) Consider acquiring additional unbundled renewable credits to exceed 100% of SVCE’s needs to contribute to the region’s decarbonization efforts

**Strategy 10.2:** Promote regionalization to enhance the value of out-of-state renewable resources and speed the timeline for achieving carbon neutrality

10.2.1) Support the CAISO’s effort to establish a western-wide balancing authority and promote the development of renewable resources throughout the Western interconnected grid

10.2.2) Conduct a study to compare the value of investing in-state versus out-of-state for renewable resources by March 2018

**INFORMATION TECHNOLOGY**

**Goal 11:** SVCE’s Information Technology infrastructure must be secure, reliable and disaster resilient to provide 24/7/365 online access

**Strategy 11.1:** Information to be easily available anytime-anywhere

11.1.1) Implement qualitative and quantitative metrics to gauge the overall information technology

11.1.2) Provide 24/7/365 continuous support, 100% system reliability and 0% data breaches by third parties

11.1.3) Maintain up-to-date capabilities of systems with software version upgrades

11.1.4) Ensure that all applications and services work on mobile devices

11.1.5) Implement cloud-based computing and storage cycles

**Strategy 11.2:** Maintain secure, integrated access in the cloud and/or SVCE servers

11.2.1) By September 2017, complete a strength, weakness, opportunities, and threats (SWOT) analysis to identify and analyze the internal and external factors that have an impact on the IT infrastructure

11.2.2) By August 2017, inventory all hardware and software used in SVCE to include program name, manufacturer and version number

11.2.3) By October 2017, identify and map SVCE’s network routes, including cable, routers and switches