



Rob Rennie, Chair
Town of Los Gatos

Daniel Harney, Vice Chair
City of Gilroy

Liz Gibbons
City of Campbell

Rod Sinks
City of Cupertino

Jeannie Bruins
City of Los Altos

Courtenay C. Corrigan
Town of Los Altos Hills

Burton Craig
City of Monte Sereno

Steve Tate
City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Dave Cortese
County of Santa Clara

Howard Miller
City of Saratoga

Jim Griffith
City of Sunnyvale

Silicon Valley Clean Energy Authority Executive Committee Meeting

Tuesday, May 23, 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)

- 1) Approve Minutes of the April 25, 2017, Executive Committee Meeting

Regular Calendar

- 2) SVCE Policy Shift (Discussion)

Committee/Staff Remarks

Adjourn

svcleanenergy.org

333 W El Camino Real
Suite 290
Sunnyvale, CA 94087



**Silicon Valley Clean Energy Authority
Executive Committee Meeting**

Wednesday, April 25, 2017
11:30 am

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

Rob Rennie, Chair
Town of Los Gatos

Daniel Harney, Vice Chair
City of Gilroy

Liz Gibbons
City of Campbell

Rod Sinks
City of Cupertino

Jeannie Bruins
City of Los Altos

Courtenay C. Corrigan
Town of Los Altos Hills

Burton Craig
City of Monte Sereno

Steve Tate
City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Dave Cortese
County of Santa Clara

Howard Miller
City of Saratoga

Jim Griffith
City of Sunnyvale

DRAFT MINUTES

Call to Order

Chair Rennie called the meeting to order at 11:40 a.m.

Roll Call

Present:

Chair Rob Rennie, Town of Los Gatos
Vice Chair Daniel Harney, City of Gilroy
Director Howard Miller, City of Saratoga
Director Liz Gibbons, City of Campbell
Director Rod Sinks, City of Cupertino

Absent:

Director Margaret Abe-Koga, City of Mountain View

Public Comment on Matters Not Listed on the Agenda

Bruce Karney, resident of Mountain View, spoke regarding the City of Mountain View’s environmental sustainability goals for the next two years and his opinion of short-term task forces, encouraged other member cities to consider forming an Environmental Sustainability Task Force, and requested SVCE consider ways to engage the community.

Consent Calendar

1a) Approve Minutes of the March 28, 2017, Executive Committee Meeting

MOTION: Director Sinks moved and Director Miller seconded the motion to approve the Minutes of the March 28, 2017 Executive Committee Meeting as submitted.

The motion carried unanimously with Director Abe-Koga absent.

Regular Calendar

2) Energy Risk Management Policy

CEO Tom Habashi presented the item and responded to Executive Committee questions.

svcleanenergy.org

333 W El Camino Real
Suite 290
Sunnyvale, CA 94087



Rob Rennie, Chair
Town of Los Gatos

Executive Committee members and staff reviewed the energy tolerance tables, discussed the status of power procurement and the need to plan for beyond 2018, and discussed the risks addressed in the draft policy.

Daniel Harney, Vice Chair
City of Gilroy

Executive Committee members requested staff return to the Board with lessons learned and policy decisions that should be revisited for discussion in January 2018.

Liz Gibbons
City of Campbell

Chair Rennie opened public comment.

Rod Sinks
City of Cupertino

Bruce Karney spoke of his opinion of SVCE's 100% greenhouse gas (GHG) free mission and the focus of other CCAs, and proposed what could be done with remaining renewable energy credits at the end of the year.

Chair Rennie closed public comment.

Jeannie Bruins
City of Los Altos

Director Gibbons requested staff review the reporting section of the Energy Risk Management Policy to consider including a clear statement that if something were to go awry, it would be brought to the Board after going to the Risk Oversight Committee.

Courtenay C. Corrigan
Town of Los Altos Hills

3) Introduction to Strategic Plan

Burton Craig
City of Monte Sereno

CEO Habashi introduced the item and responded to Executive Committee questions.

Steve Tate
City of Morgan Hill

Executive Committee and staff discussed the mission and goals of SVCE and potential SVCE programs.

Margaret Abe-Koga
City of Mountain View

Following discussion, CEO Habashi noted staff would bring a list of potential programs to the Board in July. Alan Suleiman, Director of Marketing and Public Affairs, provided additional information on programs.

Dave Cortese
County of Santa Clara

Vice Chair Harney left the meeting at 12:58 p.m.

Howard Miller
City of Saratoga

Executive Committee members requested staff consider including a specific item regarding engaging related industries (architecture, engineering, real estate and developers), and include an item to leverage Board members from agencies across CCAs for legislative advocacy.

Jim Griffith
City of Sunnyvale

Chair Rennie opened public comment.

Bruce Karney spoke regarding his opinion on *Goal 4) Work with the community to achieve GHG reduction of 30% from baseline by 2021* and sales growth targets, SVCE's vision, and provided information received from Alternate Director Steve Schmidt on a meeting that was held with sustainability representatives from various SVCE communities.

James Tuleya, Sunnyvale resident, spoke regarding reducing GHG emissions, his belief that SVCE is able to provide programs that can benefit the community that other agencies cannot, and his opinion that SVCE should do everything it can to serve the community and meet the state's goals; Tuleya answered Executive Committee questions.

svcleanenergy.org

333 W El Camino Real
Suite 290
Sunnyvale, CA 94087



Rob Rennie, Chair
Town of Los Gatos

Chair Rennie closed public comment.

Daniel Harney, Vice Chair
City of Gilroy

Executive Committee members suggested co-branding opportunities for electric vehicle chargers and other non-direct mailing pieces, and paying into search engines to ensure SVCE's website is the first to display.

James Tuleya commented on Peninsula Clean Energy's goals.

Liz Gibbons
City of Campbell

Committee/Staff Remarks

No comments.

Rod Sinks
City of Cupertino

Adjournment

Jeannie Bruins
City of Los Altos

Chair Rennie adjourned the meeting at 1:18 p.m.

Courtenay C. Corrigan
Town of Los Altos Hills

Burton Craig
City of Monte Sereno

Steve Tate
City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Dave Cortese
County of Santa Clara

Howard Miller
City of Saratoga

Jim Griffith
City of Sunnyvale

svcleanenergy.org

333 W El Camino Real
Suite 290
Sunnyvale, CA 94087



Staff Report – Item 2

To: Silicon Valley Clean Energy Authority Executive Committee

From: Tom Habashi, CEO

Item 2: SVCE Policy Shift

Date: 5/23/2017

BACKGROUND

During the June and July 2016 Board meetings, staff recommended several key policies to address:

- **Enrollment of customers into SVCE:** The Board approved three phase-in periods: April, July and October 2017, for the bulk of SVCE customers. The Board later approved the addition of a fourth period in January 2018, to accommodate some of the Net Energy Metering customers.
- **Power supply mix:** The Board approved to source 100% of SVCE’s demand from carbon free resources and further agreed to allocate these resources to 50% large hydro, 25% type 1 renewables (PCC1) and 25% type 2 renewables (PCC2).
- **Product offerings:** The Board adopted two product offerings: GreenStart, comprised of 50% large hydro and 50% eligible renewable resources, and GreenPrime, comprised of 100% eligible renewables.
- **Rates:** The Board approved to set rates at 1% below PG&E generation rates for all customer classes as published in January 2017, and to hold these rates steady until the end of 2018.
- **Reserve Policy:** The Board approved to set aside 5% of SVCE revenues for the first 5 years of operation to fund operating reserves, the rate stabilization fund and to pay off the initial funds that the member cities contributed to the start of SVCE’s operation.
- **Funding line of credit for the initial phase-in period:** The Board approved to explore the possibility of borrowing from the member cities to fund operating expenses and to address the expected negative cash flow for the first few months arising from power acquisition.

As staff proceeded to implement the program, it became clear that some revisions to the program policies were warranted. For example:

- The bulk of customer enrollment was condensed to two periods instead of three: April and July 2017
- The power supply mix had to be revised to temporarily include a small percent of type 3 renewables (PCC3) to account for the shortage and higher costs of PCC2
- The Board adopted a sweep-in method to deposit all net revenues in 2017 and 2018 into reserves, allowing SVCE to accumulate nearly 40% of operating expenses in CYs 2017-18, far exceeding the intent of the reserve policy as initially drafted
- The Board abandoned the idea of having the member cities provide additional loans or lines of credit to SVCE in favor of establishing two lines of credit with River City Bank, the larger of which was offered without a guarantee

ANALYSIS & DISCUSSION

While the revisions of two of the six adopted policies are concluded, namely customer phase-in and borrowing during the initial program rollout, the other four policies will require further review and a permanent fix.

Following are ideas to alter these policies:

1- Rate design for 2019 and beyond

One option for SVCE rates starting in 2019 and beyond is to offer a small discount (i.e. 1-3% percent) to the equivalent PG&E rate, as well as offer SVCE customers an annual dividend. After ample budgeting for programs, rebates and incentives, and satisfying the reserve policy, any surplus available at the end of the operating year will be returned to customers in the form of an annual dividend.

This approach has the advantage of saving time and money expensed in conducting a cost of service study and rate design. It would also enhance loyalty and continued support in anticipation of higher dividends in the form of a lump sum payment at the end of each fiscal year. Customers will see a cost savings each month, and then receive additional savings that will further establish and maintain SVCE's priorities of returning net revenues to the community.

Alternatively, the conventional approach to rate setting is to calculate the cost of service for our service territory, allocate the cost amongst customer classes and design rates that are responsive to the various special interest groups that actively participate in the process. This is the standard approach used by all utilities, including the incumbent regional utility, PG&E. This approach will lead to a smaller number of rate schedules and will likely lead to cost allocation that differs from that adopted by PG&E. While the net revenue surplus, provided it continues for the foreseeable future, guarantees that every customer class served by SVCE will have an advantage over the same class in the PG&E service territory, the advantage may be higher for one class than another.

A third option is to offer customers the same rates as PG&E. This would eliminate any differentiation between customers in any service class in our service territory from similar customers in PG&E's service territory and then disburse an annual dividend in one lump sum payment for all customers. Customers will see their savings returned at the end of the fiscal year, and not a monthly savings on their bill.

2- Power supply mix

The legislation that mandated Renewable Portfolio Standards (RPS) was designed to promote building renewable resources in California (PCC1). That same legislation also discouraged acquisition of unbundled renewables (PCC3) to meet RPS obligations. In addition, it's becoming all too obvious to those engaged in the power supply acquisition in California that PCC2 is no longer available at a reasonable price. It's also clear that PCC3 is highly disliked by state legislators and labor unions alike. Therefore, a mix of PCC1 and large hydro may be our best option to meet the RPS obligation, satisfy community activists, political representatives and labor unions, and solidify our commitment to 100% carbon free at a reasonable cost. That mix should be comprised of sufficient PCC1 to satisfy RPS (31% in 2019 increasing steadily to 50% by 2030), and large hydro to meet the remainder of demand obligations.

SVCE will maintain a power supply mix that is 100% carbon free from non-polluting PCC1 sources such as wind and solar.

3- Product Offerings

Provided the Board approves of the new power mix, it will be necessary to change product offerings to reflect the fact that GreenStart is no longer comprised of 50/50 eligible renewables and large hydro mix. Also, GreenPrime was intended to be 50% PCC1 and 50% PCC2. The scarcity of PCC2 and the fact that a higher ratio of PCC2 in the mix increases the carbon content in that product, which in effect makes it "less green" than GreenStart, warrants a change in product offerings.

One option is to market GreenStart as 100% carbon free and GreenPrime as 100% California carbon free. This approach begins the process of eliminating the word "renewable" from our marketing vocabulary

along with the confusion that accompanies that expression. In addition, this approach promotes California carbon free resources which would be more appealing to the more vocal interest groups (labor unions, TURN, etc.). While SVCE will always promote renewable resources and abide by the mandates of state legislation, we should, to the best extent possible, design our products and marketing approach to simplify our message and lessen the confusion that customers face in selecting their electric supply option.

Staff is researching the possibility of adding a third product that would appeal to certain commercial customers who seek to comply with RPS and meet other self-imposed standards such as Green-e certification.

4- Reserve Policy

Reserves are necessary to provide for unexpected large expenditures, provide for rate stability and enhance SVCE's credit worthiness as we begin making long-term investments. Several months ago, the Board acted to sweep all net revenue into reserves for CYs 2017-18. A more durable policy is needed to define the proper level of reserves. One option, often used by municipal utilities, is to set three levels for reserves: a minimum, target and maximum. This approach would have SVCE set rates and allow for the accumulation of funds until the target level is met. Once the target level is met, rates would be adjusted to meet SVCE's operating expenses, with no expectation of deposits or withdrawals from reserves. At the end of the fiscal year, deposits to or withdrawals from reserves may be necessary to balance the budget. To the extent that withdrawals are made causing reserve levels to drop below the minimum level, a rate increase would be warranted. Likewise, if deposits cause reserve levels to rise above the maximum level, then rate reduction should be implemented.

There is no scientific formula to define the reserve levels, since SVCE has yet to invest in power generating facilities. Therefore, staff recommends to set the minimum, target and maximum levels of operating reserves at 25%, 50% and 75% of operating expenses, respectively.

CONCLUSION

The policies that guided the formation of SVCE require adjustments. This report offers new approaches to guide the operation of SVCE for the next several years.