May 2020 Rate Update

SVCE Board of Directors
April 8, 2020
Recommendation

- Direct CEO and Staff to maintain 4% discount to PG&E rates and allocate the revised FY2020 budget surplus of $30MM between reserves and customer relief and community resiliency efforts.
- Direct CEO to present a plan for the customer relief & community resiliency efforts at the May Board meeting.
Background and Recommendations

• New PG&E rates expected late April, effective May 1:
  o PCIA up 21%, and gen rates up 0.4%
  o combined impact to SVCE rates of -8%

• If SVCE takes no action, SVCE’s current rates will be at a 4% premium to PG&E

• To limit customer impact, the SVCE BOD should move to lower generation rates by pre-approving (in April) a new SVCE discount to PG&E’s May 1 rates

• New discount and reserve targets should reflect major market changes and uncertainty

• Recommend SVCE maintain its current discount of 4%, effective May 2020
  o 8% decrease in SVCE gen rates
  o ‘Guard rails’ if PG&E rate changes vary
Uncertainty, Risk, and COVID-19

- **SUPPLY**
  - Project delays and financing issues due to COVID-19

- **LOAD LOSS**
  - 15% load loss for C&I customers, excess supply, contribution impacts in 2H 2020

- **PAYMENTS**
  - Customer defaults, payment issues due to COVID-19

- **RELIEF MEASURES**
  - Reserve ‘set aside’ planned for customer relief, resiliency

- **DIRECT ACCESS**
  - Potential for additional DA market expansion

- **PCIA**
  - PCIA uncapped later in 2020, 10+M reserve call in 2021

- **RESERVES**
  - Reserve 'set aside' planned for customer relief, resiliency
Budget Impact of Load & PCIA Changes

Alternative Discount Scenarios

$50.6 MM
Adopted Budget Net Surplus
Budget passed in Sept ‘19 assumed no changes to PCIA, PG&E Rates, or MWh sales

$19.9 MM
Gross Revenue Impact of Load Loss
SVCE assuming 15% reduction in C&I load for March through September

$8.5 MM
Power Supply Reduction
The reduced load also reduces power supply costs

$9.2 MM
Impact of PCIA
Impact of 21% weighted average increase in the PCIA beginning May 1st

$30 MM
Projected Surplus
Maintain the 4% discount to PG&E Rates (reduction in SVCE rates)
Staff recommends adding a net $20MM reserves for FY20 & setting aside $10 million for customer relief and community resiliency.
Balancing act in rate setting

**SVCE**

*Sustainability of the Agency*
- Adequate resources to continue the business and avoid rate shocks

**RATEPAYERS**

*Creating ratepayer value*
- Maintain a discount to PG&E
- Community resiliency and customer relief
- Continue to bend the carbon curve
Utilize this SVCE Discount Framework if PG&E Gen or PCIA changes move more negatively

If actual PG&E gen or PCIA rates published for May 1 move still more negatively for SVCE . . .

the recommended 4% SVCE discount would be decreased according to this framework, resulting in a similar contribution to reserves

<table>
<thead>
<tr>
<th>Net Rate Impact PG&amp;E Gen &amp; PCIA (Range)</th>
<th>May 1 SVCE Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>-8% or less</td>
<td>4%</td>
</tr>
<tr>
<td>-8 to -9%</td>
<td>4%</td>
</tr>
<tr>
<td>-9 to -10%</td>
<td>3%</td>
</tr>
<tr>
<td>-10 to -11%</td>
<td>2%</td>
</tr>
<tr>
<td>-11% or greater</td>
<td>1%</td>
</tr>
</tbody>
</table>
Recommendation

• Direct CEO and Staff to maintain 4% discount to PG&E rates and allocate the revised FY2020 budget surplus of $30MM between reserves and customer relief and community resiliency efforts

• Direct CEO to present a plan for the customer relief & community resiliency efforts at the May Board meeting
Authorize the Chief Executive Officer to Execute a Confirmation Agreement with PG&E to Receive Carbon-free Allocation for 2020 Deliveries (Action)

April 8, 2020
Girish Balachandran – Chief Executive Officer
Request:

Authorize the Chief Executive Officer ("CEO") to execute a Confirmation Agreement with Pacific Gas and Electric (PG&E) to receive an allocation of greenhouse gas free ("GHG or carbon-free") attributes paid for by SVCE customers and associated with PG&E’s large hydroelectric plants and its nuclear plant (Diablo Canyon Power Plant ("DCPP")) for deliveries to start in mid-2020 and go through the end of 2020.
What is the PCIA?

Power Cost Indifference Adjustment =

Cost of PG&E’s Resources (based on Portfolio Vintage) minus

Market Value of the Resources
PG&E’s Carbon-free PCIA History

- SVCE pays above market cost of PG&E hydro and nuclear via PCIA
  - *SVCE purchases carbon-free attributes from other suppliers*
- PG&E valued carbon-free attributes as worthless
- CPUC ordered working group to examine value; recommendation later in 2020
2020 Interim Proposal

• Alternatives
  1. Large Hydro and Nuclear
  2. Large Hydro only

*Neither alternative alters the actual operation of the nuclear or hydro plants, as only the carbon free attribute is being allocated*
Alternatives

#1: Take the GHG-free allocation of large hydro and nuclear (Recommendation)

- Alternative #1 allows us to stop paying twice for carbon-free resources
- Adds $2 to $3 million to reserves
- GreenStart 2020 Power Supply Mix: 48% RPS, 40% Hydro and 12% Nuclear

#2: Take the GHG-free allocation of large hydro only

- Alternative #2 adds $0.6 to $1.2 million to reserves
- GreenStart 2020 Power Supply Mix: 48% RPS, 52% Hydro

GreenPrime Power Supply Mix remains at 100% RPS
Recommendation:

• Accept the hydro and nuclear allocation and add approximately $2-$3 million to SVCE’s reserves
Request:

Authorize the Chief Executive Officer ("CEO") to execute a Confirmation Agreement with Pacific Gas and Electric (PG&E) to receive an allocation of greenhouse gas free ("GHG or carbon-free") attributes paid for by SVCE customers and associated with PG&E’s large hydroelectric plants and its nuclear plant (Diablo Canyon Power Plant ("DCPP")) for deliveries to start in mid-2020 and go through the end of 2020.
Clean Energy Procurement Update:
Execute a 15-Year Power Purchase Agreement with Rabbitbrush Solar, LLC for Renewable Solar PV Supply (PCC1) and Energy Storage (Action)

Monica Padilla, Director of Power Resources
April 8, 2020
Spring 2019 Request for Proposals

• Goals & Requirements
  • RPS Eligible Resources
  • Contract for Minimum of 10% of SVCE’s needs – 400 GWh/year
  • Meet Long-term RPS procurement mandate for CP #4 26%
  • Diversify technology, location and suppliers
  • Contract start date no later than January 1, 2023

April 2019
Issued Joint RFP

May - July 2019
Evaluate, Scoring, Rank & Analyze

July – August 2019
Shortlist & Exclusivity Agreements

September 2019 - now
Negotiation of PPAs – Terms & Conditions

Item 6
PRESENTATION

SILICON VALLEY CLEAN ENERGY

• Jan 2020: Approved Ormat Geothermal
• Mar 2020: Approved Coso Geothermal
• April 2020: Seek Approval of Rabbitbrush Solar + Storage
• Negotiating: 3 new Solar with Storage
# RFP Implementation Update

<table>
<thead>
<tr>
<th>Project/Technology</th>
<th>~ % of load</th>
<th>Term (years)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ormat Geothermal</td>
<td>1.4%</td>
<td>10</td>
<td>Executed</td>
</tr>
<tr>
<td>Coso Geothermal</td>
<td>9.6%</td>
<td>15</td>
<td>Executed</td>
</tr>
<tr>
<td>Rabbitbrush Solar + Storage</td>
<td>3.0%</td>
<td>15</td>
<td>Pending Approval</td>
</tr>
<tr>
<td>Solar+Storage</td>
<td>6.3%</td>
<td>20</td>
<td>Under negotiation</td>
</tr>
<tr>
<td>Solar+Storage</td>
<td>3.9%</td>
<td>20</td>
<td>Under negotiation</td>
</tr>
<tr>
<td>Solar+Storage</td>
<td>1.1%</td>
<td>15</td>
<td>Under negotiation</td>
</tr>
</tbody>
</table>

25%
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product</td>
<td><strong>New Solar plus Battery Storage</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bucket 1 (PCC1) Renewable Energy</td>
</tr>
<tr>
<td>2</td>
<td>Delivery Term</td>
<td><strong>15 years</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>June 2022 through June 2037</td>
</tr>
<tr>
<td>3</td>
<td>Location</td>
<td>Kern County, CA</td>
</tr>
<tr>
<td>4</td>
<td>Average Annual Contract Capacity</td>
<td><strong>40 MW Solar</strong> Photovoltaic (PV)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>8 MW Battery</strong> (2.5-hour discharge duration)</td>
</tr>
<tr>
<td>5</td>
<td>Percentage of Retail Load Served</td>
<td>3%</td>
</tr>
<tr>
<td>6</td>
<td>Contract Price Structure</td>
<td>Fixed price ($/MWh) for PV plus fixed battery capacity payment ($ per kW-month). No escalator. <strong>Total amount not-to-exceed $64,323,500.</strong></td>
</tr>
</tbody>
</table>
## Compliance with State Mandate

<table>
<thead>
<tr>
<th>Compliance Period →</th>
<th>2021-2024</th>
<th>2025-2027</th>
<th>2028-2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. State Mandated</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RPS per Compliance Period - % of Retail Sales</td>
<td>40%</td>
<td>50%</td>
<td>57%</td>
</tr>
<tr>
<td><strong>2. State Mandated</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Mandated RPS (Row #1) to be Contracted Under RPS Long-term Contracts</td>
<td>65%</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td><strong>3. State Mandated</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Sales % with Long-term Contracts (Row 2 * Row 1)</td>
<td>26%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td><strong>4. SVCE Compliance with (Row #3): CURRENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29%</td>
<td>33%</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td><strong>5. SVCE Compliance with (Row #3): PROPOSED</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31%</td>
<td>36%</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>
## 2019 RFP Implementation

### Overall Annual & Nominal Cost

<table>
<thead>
<tr>
<th>Project/ Technology</th>
<th>~ % of load</th>
<th>Lifetime Nominal contract cost (M$)</th>
<th>Average Annual Cost (M$)</th>
<th>Nominal cost as % of power supply expenses</th>
<th>Expected Board date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Ormat Geothermal</td>
<td>1.4%</td>
<td>$43</td>
<td>$4</td>
<td>2%</td>
<td>Feb-20 ✓</td>
</tr>
<tr>
<td>2 Coso Geothermal</td>
<td>9.6%</td>
<td>$331</td>
<td>$22</td>
<td>9%</td>
<td>Mar-20 ✓</td>
</tr>
<tr>
<td>3 Rabbitbrush Solar + Storage</td>
<td>3.0%</td>
<td>$64</td>
<td>$4</td>
<td>2%</td>
<td>Apr-20</td>
</tr>
<tr>
<td>4 Solar+Storage</td>
<td>6.3%</td>
<td>$180</td>
<td>$9</td>
<td>4%</td>
<td>Jun-20</td>
</tr>
<tr>
<td>5 Solar+Storage</td>
<td>3.9%</td>
<td>$82</td>
<td>$4</td>
<td>2%</td>
<td>Jun-20</td>
</tr>
<tr>
<td>6 Solar+Storage</td>
<td>1.1%</td>
<td>$32</td>
<td>$2</td>
<td>1%</td>
<td>Jun-20</td>
</tr>
<tr>
<td>Total</td>
<td>25%</td>
<td>$730</td>
<td>$46</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>
Request

Authorize the Chief Executive Officer (CEO) to Execute Power Purchase Agreement (PPA) with Rabbitbrush Solar, LLC ("Rabbitbrush") in substantial form and any necessary ancillary agreements and documents with the following key terms:

• 40 MW of Solar photovoltaic (PV) supply with 8 MW of energy storage qualifying as Portfolio Category Content One (PCC1) renewable resource;
• 15-Year term power delivery from June 30, 2022 to June 29, 2037; and
• Total amount not-to-exceed $64,323,500.
Questions?