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REPORT TO COUNCIL

SUBJECT

Authorize the City Manager to Upgrade the City's Municipal Electricity Accounts to Silicon Valley Clean Energy's 100% Renewable Energy "Green Prime" Service; Find that the Action is Exempt from CEQA

BACKGROUND

On December 15, 2015, the Sunnyvale City Council unanimously approved the actions required to form and participate in the Silicon Valley Clean Energy Authority (SVCEA). Comprised of twelve local government agencies, SVCEA (generally known as Silicon Valley Clean Energy, or SVCE) was established to launch and operate a community choice energy (CCE) program. SVCE will source clean, competitively-priced electricity on behalf of residents and businesses within participating jurisdictions.

Since formation in March 2016, SVCE has convened its Board of Directors, hired a Chief Executive Officer, and made significant progress toward launch of a CCE program. The Board has approved the agency's organizational structure and has begun to fill key positions. SVCE's Implementation Plan was certified by the California Public Utilities Commission in September 2016; this plan included a customer rollout approach that seeks a swift implementation of all customers between April and October 2017. Additional actions underway include relocating the SVCE team to its own offices, securing vendors to provide key services such as a customer call center, and updating community engagement tools, all geared toward the 2017 launch window. Recently, SVCE has begun selection of and negotiations with energy suppliers, to procure renewable and carbon free electricity at costs competitive with what customers pay for PG&E power.

With the program nearing launch, customers will have new choices; this includes new choices for the City regarding its municipal electricity accounts. SVCE will offer customers two power supply mixes. The GreenStart service will be 100% carbon-free, sourced from 50% renewable power sources and 50% hydroelectric power. Customers are automatically enrolled on a planned schedule into SVCE and will receive GreenStart service as the default. By comparison, PG&E's current electric service is approximately 30% renewable and 60% carbon-free. The estimated cost for GreenStart service is expected to be set to be approximately \$0.001/kWh less expensive than PG&E service. As such, SVCE's GreenStart will provide cleaner, greener electricity at a cost lower than PG&E. SVCE will also provide a 100% renewable energy, carbon free service called GreenPrime. SVCE customers will have the option to upgrade ("opt up") to GreenPrime service, at an estimated premium of \$0.008/kWh compared to PG&E's current service, or \$0.009/kWh compared with SVCE GreenStart. As an example, an average residential customer account uses approximately 460 kWh per month. The additional cost of participating in GreenPrime would be \$4.14 per month.

EXISTING POLICY

Climate Action Plan, *Provide a Sustainable Energy Portfolio (EP)*, Reduction Measure EP-1.1: Create or join a community choice aggregation (CCA) program to take control of power generation for city residents and businesses.

ENVIRONMENTAL REVIEW

The City's purchase of electrical service is an administrative activity of local government that is exempt from environmental review under the California Environmental Quality Act (14 Cal. Code Regs. § 15378(b).)

DISCUSSION

Formal notification of the SVCE program will begin in January for the first phase of customers who are scheduled to begin receiving service in April 2017. All of SVCE's member agency (municipal) electricity accounts are included in this first phase. The City Councils of Mountain View and Campbell have directed their staffs to upgrade their municipal account enrollment to GreenPrime for 100% renewable energy and several other member agencies are considering similar action.

As previously described, SVCE will be offering two new options for local residential and commercial electricity customers at competitive rates. Exact program rates will be approved by the SVCE Board of Directors in January of 2017. Both GreenStart and GreenPrime are 100% carbon free services. Either service helps the City to significantly reduce carbon emissions from its municipal operations, and address important sustainability goals. By upgrading from GreenStart to GreenPrime for municipal operations, the City of Sunnyvale is demonstrating additional environmental leadership. GreenPrime is generated from 100% renewable, carbon free sources, primarily solar and wind farms in California and elsewhere on the western grid. Buying GreenPrime further expands demand for generation from these new and competitive renewable energy sources and supports a more durable path to carbon-free electricity. Municipal adoption of GreenPrime serves as the highest leadership example for local residents and businesses considering their energy sourcing options, which is especially timely as customer notifications are distributed in January 2017.

FISCAL IMPACT

As discussed above, SVCEA is in Phase 1 of customers receiving service in April 2017 and currently active in obtaining information relative to establishing municipal accounts. These actions cannot wait for the upcoming 2017-2018 budget deliberations and, therefore, staff is presenting this budget request and policy decision outside of our normal schedule.

SVCE has received consumption data from PG&E for the 12-month period ending August 2016. The City of Sunnyvale's total electric consumption from its municipal accounts for that period totals approximately 15,700,000 kWh for all uses, including City buildings, streetlights, and utility operations. With the cost premium for GreenPrime expected to be \$0.009/kWh, the total cost of selecting GreenPrime is approximately \$141,000 per year. This cost will fluctuate as electricity consumption increases or decreases in the various operations. For example, electricity consumption will decrease with implementation of the LED streetlight conversion and solar installation projects. Electricity consumption is projected to increase in some operations, for example with implementation of newer treatment technologies at the Water Pollution Control Plant.

Funding for the City's electric utility services is budgeted in the various funds which support the operations serviced, including the General Fund and the various enterprise funds. Funding for this recommendation will be absorbed in the FY 2016/17 Budget as it includes only four months of

service (April-June), and funding will be budgeted in the Operating Budget for future years. With each Operating Budget cycle, staff will evaluate which of SVCE's electric services best meet the City's needs at that time.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Find that the action is exempt from CEQA and authorize the City Manager to upgrade municipal electric service to SVCE's GreenPrime 100% Renewable Electricity program.
2. Do not authorize the City Manager to upgrade to GreenPrime and allow enrollment to default to GreenStart for municipal electric service.

STAFF RECOMMENDATION

Alternative 1: Find that the action is exempt from CEQA and authorize the City Manager to upgrade municipal electric service to Silicon Valley Clean Energy's GreenPrime 100% Renewable Electricity program.

Selecting SVCE's GreenPrime maximizes the benefits of the City's participation in SVCE by providing for carbon-free electricity and supporting investment in renewable electricity supplies in support of achieving the City's climate action objectives. Selecting GreenPrime positions the City to lead by example to local businesses and residents as SVCE enrollment notifications launch in January 2017.

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