



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Approve Actions Related to the Formation of, and Sunnyvale's Membership in, the Silicon Valley Clean Energy Authority, an Independent Joint Powers Authority, to Establish a Community Choice Energy Program, Find that these Actions are Exempt from CEQA, and Approve Budget Modification No. 20

REPORT IN BRIEF

Community Choice Energy (CCE) is a process authorized by California law that enables cities to pool customer electricity demand within their jurisdiction to directly procure or invest in electric power supplies. CCE is garnering substantial interest among California communities for its potential to provide greener power at competitive, currently lower, rates, in addition to other community benefits. The two operating multi-jurisdictional CCE programs in Marin and Sonoma counties provide useful benchmarks for program evaluation, development, and operation.

Prompted by the featured role CCE plays as a proposed strategy in Sunnyvale's adopted Climate Action Plan, the City Council prioritized and funded an initial study of a CCE program for the South Bay. The Cities of Cupertino and Mountain View and the County of Santa Clara joined Sunnyvale in a partnership to assess and potentially form a multi-jurisdictional CCE program. The initial Assessment Report was completed in May 2015 and concluded that market and program conditions are favorable for proceeding to the next step - a detailed Technical Feasibility Study.

In July 2015, Council approved continuing the partnership (the Silicon Valley Community Choice Energy Partnership) and conducting the Technical Feasibility Study phase. In parallel, the Partnership also conducted community and business engagement and collaborated to develop the interagency model for prospectively forming a CCE program. The partnership was expanded to include eight additional communities in Santa Clara County, forging the prospect of up to 12 agencies joining a program.

The Technical Study was released in November 2015, and concludes that a program that provides greener power for rates at or below those of PG&E is viable. The report provides detailed analysis based on existing program performance and market conditions. The report also analyzes potential program risks and provides an overview of the resource needs and critical steps to launching a successful program. Based on the study findings, this report to Council recommends proceeding with forming a joint powers agency, the Silicon Valley Clean Energy Authority (SVCEA), and adopting the ordinance required to authorize implementation of a CCE program to include Sunnyvale residents and businesses. The report also seeks approval for and establishes the basis for additional administrative steps needed to support SVCEA and program launch.

BACKGROUND

Authorized by California law, Community Choice Energy (CCE) enables city and county governments to pool the electricity demand within their jurisdictions to directly procure or generate electrical power supplies on behalf of the residents and businesses in their communities. The main driver for interest in CCE programs in California is the opportunity to accelerate the shift to renewable and low greenhouse gas (GHG) emitting energy sources in support of climate action objectives. While electric supply is handled by the CCE program, the electricity grid and customer service remain with the incumbent utility, or PG&E in Santa Clara County. Three CCE programs now operate in California - Marin Clean Energy, Sonoma Clean Power and Lancaster Choice Energy.

In May 2014, the City Council approved Sunnyvale's Climate Action Plan (CAP). The CAP is a GHG emissions reduction plan to address the causes of climate change and reduce the impacts of climate change in the future. It was adopted as a response to the State of California's legislative directive (AB 32) for cities to develop local plans to reduce GHG emissions. Of the more than 130 actions included in the CAP, shifting the energy portfolio to lower GHG sources is the single most impactful action featured, with CCE identified as the key approach to accomplishing the shift.

In 2014, Council prioritized Study Issue [ESD 14-02](#) <http://sunnyvale.ca.gov/Portals/0/Sunnyvale/StudyIssues/Studies2014/ESD%2014-02.pdf>: *Community Choice Aggregation* and approved funding with the FY 2014/15 Budget. Spurred by interest cultivated through the Santa Clara County Cities Association, the Cities of Mountain View and Cupertino and the County of Santa Clara partnered with Sunnyvale to complete this initial assessment, each providing an equal share of the \$80,000 project funding. Sunnyvale led the project team effort for this phase of the work and secured the related consultant services. This initial study included four components: 1) Interest of other communities in forming a South Bay CCE program; 2) Benefits of forming a CCE program, including the potential to advance other strategies within the CAP; 3) Costs and risks to forming a program; and 4) Framework to guide the formation of a CCE program. In June 2015, staff and the project consultant provided a presentation to the City Council on the study results. The Assessment Report, *The Potential for CCE in the Heart of Silicon Valley*, provided a qualitative evaluation programs and the benefits and risks of moving forward. It concluded that market and program conditions are favorable for proceeding to the next step - a detailed Technical Feasibility Study.

In July 2015, Council approved continuing the four-agency partnership (the Silicon Valley Community Choice Energy Partnership) and conducting the Technical Feasibility Study phase. This project phase also included community engagement and development of the interagency framework for administering a CCE program. Each of the four agencies contributed an additional \$150,000 for this phase, with a forecast to contribute an additional \$350,000 should the results be favorable.

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 Ordinance to authorize participation in a Community Choice Aggregation program is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to the State CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment. (14 Cal. Code Regs. § 15378(a).) Further,

the ordinance is exempt from CEQA as there is no possibility that the ordinance or its implementation would have a significant effect on the environment. (14 Cal. Code Regs. § 15061(b)(3).) The ordinance is also categorically exempt because it is an action taken by a regulatory agency to assure the maintenance, restoration, enhancement or protection of the environment. (14 Cal. Code Regs. § 15308.)

The Council Resolution and the establishment of the Silicon Valley Clean Energy Authority is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to the State CEQA Guidelines, as it is not a “project” since this action involves organizational and administrative activities of government that will not result in direct or indirect physical changes in the environment. (14 Cal. Code Regs. § 15378(b)(5)). Further, the resolution is exempt from CEQA as there is no possibility that the resolution or its implementation would have a significant negative effect on the environment. (14 Cal. Code Regs. § 15061(b)(3)).

DISCUSSION

Partnership

The Silicon Valley Community Choice Energy Partnership (SVCCEP) was formed when the Cities of Cupertino, Mountain View, and Sunnyvale and the County of Santa Clara (for the unincorporated County), banded to conduct an Initial Assessment and then to proceed to conduct a more robust and quantitative Technical Feasibility Study. The current Technical Study phase also includes community engagement and the development of the interagency framework for administering a CCE program. The Partnership effort has been conducted with staff from the sponsoring agencies, with each serving a role on a Project Team, directed by an Executive Committee comprised of City/County Managers and guided by the advice of the Elected Officials Task Force comprised of Mayors/Supervisor from each of the sponsor agencies. Sunnyvale led the project team, served as fiscal agent, and facilitated the Technical Study and development of the joint powers authority agreement. Cupertino led community outreach and engagement efforts. Mountain View is working to review financing options to cover anticipated program start-up costs and working capital requirements, detailed in the fiscal impact section of this report.

In addition, eight other small and medium sized communities in Santa Clara County have stepped forward and expressed interest in the prospect of a multi-jurisdictional CCE. Campbell, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga all authorized Sunnyvale to request that PG&E provide detailed electrical data for their jurisdictions to incorporate into the Technical Study. Further, these agencies have been engaged through community outreach efforts lead by the Partnership in their jurisdiction (see Community Engagement Section below) and in the development of the JPA Agreement.

Interest in the CCE model is spreading throughout California, with more than 20 communities now evaluating and/or pursuing CCE, including San Mateo County, Alameda County, and a collaboration among Monterey, Santa Cruz, and San Benito Counties.

Technical Study Findings

The Partnership hired Pacific Energy Advisors (PEA) to complete a quantitative evaluation of the viability of a CCE program for Silicon Valley, including benefits and risks. PEA has extensive experience in CCE program development in California and has supported the launch of all three operating CCE programs (Marin, Sonoma, and the recent program in Lancaster). The final report,

shared in **Attachment 1**, reflects the results of PEA's comprehensive analysis, which addresses prospective CCE operations under a range of scenarios over a ten-year planning horizon, including the identification of anticipated rate/cost impacts, environmental benefits, resource composition and economic development amongst other considerations. A summary of this report is provided below.

SVCCE's Prospective Customers: Currently, Pacific Gas & Electric ("PG&E") serves approximately 240,000 bundled customer accounts within communities of the SVCCE Study, representing a mix of residential ($\approx 90\%$) and commercial ($\approx 10\%$) accounts. These customers consume nearly four (4) billion kilowatt hours ("kWh") of electric energy each year. While the majority of customers fall under the residential classification, such accounts historically consume only 34% of the total electricity delivered by PG&E while commercial accounts consume the remaining 66%.

SVCCE Supply Scenarios: For purposes of the Study, PEA and the Partnership team identified three indicative supply scenarios, which were designed to test the viability of prospective CCE operations under a variety of energy resource compositions, emphasizing the SVCCE Partnership's interest in significantly reducing greenhouse gas emissions ("GHGs") through increased use of carbon-free electric energy sources.

- **Scenario 1:** Match the incumbent investor-owned utility's (IOU), PG&E, projected GHGs profile while exceeding PG&E's projected renewable energy content.
- **Scenario 2:** Exceed applicable renewable energy procurement mandates by providing SVCCE customers with a minimum 51% renewable energy content in year one of program operations, scaling up to 66% in year 10, while also promoting a 20% reduction in electric energy sector GHG emissions relative to PG&E's projected emissions profile by procuring additional GHG-free energy products.
- **Scenario 3:** Maximize renewable energy and GHG-free power supplies while maintaining general parity with PG&E's projected electric rates throughout the Study period.

Projected SVCCE Impacts: Based on current market prices and various operating assumptions, the Study indicates that SVCCE demonstrates the potential for customer cost savings, significant GHG reductions and economic benefits, as outlined below:

- **Cost Savings:** Scenarios 1 and 2 demonstrate the potential for customer cost savings ranging from 1% to 5%, relative to projected PG&E rates, over the ten-year study period. Scenario 3, which was designed to maximize clean energy deliveries to SVCCE customers, maintains general rate parity with PG&E.
- **Environmental Benefits:** Scenario 1, which was specifically designed to match the incumbent utility's projected GHG emissions profile, did not yield any expected emissions savings. Supply Scenario 2, which was framed to achieve specified proportionate GHG emission reductions of at least 20% relative to the incumbent utility, resulted in annual emissions *reductions* ranging from approximately 38,000 (Year 1 impact) to 82,000 (Year 10 impact) metric tons. Scenario 3 yielded the most significant emissions benefits - annual projected emissions *reductions* ranged from approximately 112,000 (Year 1 impact) to 352,000 (Year 10 impact) metric tons, a proportionate annual GHG reduction ranging from 60% (Year 1 impact) to 86% (Year 10 impact) relative to PG&E's projected emission profile.

- **Economic Benefits:** The prospective SVCCE long-term contract portfolio includes approximately 340 MW of new generating capacity, all of which is assumed to be located within California and some of which may be located within communities of the CCE Study Partners. Based on widely used industry models, such projects are expected to generate up to 11,000 construction jobs and as much as \$1.4 billion in total economic output. Ongoing operation and maintenance jobs associated with such projects are expected to employ as many as 185 full time equivalent positions (FTEs) with additional annual economic output approximating \$30 million. SVCCE would also employ a combination of staff and contractors, resulting in additional ongoing job creation (up to 30 FTEs per year) and related annual economic output ranging from \$3 to \$9 million.

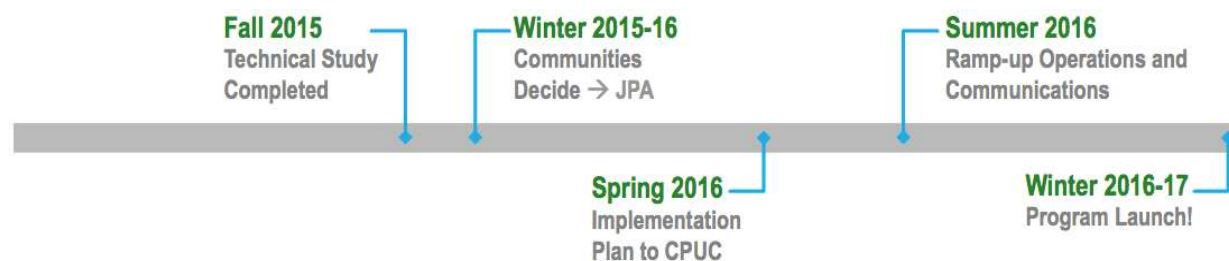
Risks and Sensitivity Analysis: Sensitivity analyses were performed by PEA to examine the range of impacts that could result from changes in the assumed base case. The key variables examined are: 1) power and natural gas prices; 2) renewable energy prices; 3) low carbon energy prices; 4) PG&E rates; 5) PG&E surcharges; and 6) customer participation/opt-out rates. Additionally, a “small JPA” sensitivity case was run reflective of minimal community participation in the SVCCE joint powers agency to test the viability of a much smaller CCE program, and a “perfect storm” sensitivity was run to examine the cumulative impacts of adverse changes to the key variables. The sensitivity analysis produced a range of levelized electric rates for the CCE program and PG&E.

The Technical Study also highlights risks that may be faced by the CCE program as well as related risk-mitigation measures, including, but not limited to, the following:

- Financial risks to SVCCE’s member municipalities in the unlikely event of CCE failure;
- Financial risks that may exist in the event that procured energy volumes fall short of or exceed actual customer energy use;
- Reasonably foreseen legislative and regulatory changes, which may limit a CCE’s ability to remain competitive with the incumbent utility;
- Availability of renewable and carbon-free energy supplies required to meet compliance mandates, SVCCE program goals, and customer commitments; and
- General market volatility and price risk.

Timeline & Next Steps

The graphic below provides a high level summary of the timeline for the principal milestones involved in forming a CCE program that culminates in the provision of service to enrolled customers. Key implementation activities envisioned for SVCCEP include those related to 1) CCE entity formation; 2) regulatory requirements; 3) procurement; 4) financing; 5) organization; and 6) customer noticing.



JPA Formation:

December 2015 - March 2016

Unless the municipal organization that will legally register as the CCE entity already exists, it must be legally established. Municipalities electing to offer or allow others to offer CCE service within their jurisdiction must do so by ordinance (**Attachment 2**). The two existing multi-jurisdictional CCE programs each employ a Joint Powers Authority structure for program governance. Such a structure offers centralized administration of the operations and typically representation from each community on the Board of Directors. The JPA structure also offers a legal and fiscal firewall so that the assets and liabilities of the CCE program are completely separate from the general funds of member cities.

Over the past year, the project team facilitated the development of a governance structure for a CCE program, led by Sunnyvale staff and engaging all twelve agencies in this process. The results of this effort are embodied in the JPA Agreement, included as an attachment to the authorizing resolution (**Attachment 3**). This effort was facilitated by Greg Stepanich, Esq. (of Richards Watson and Gershon) who supported the launch of Marin Clean Energy. The JPA documents developed for the “Silicon Valley Clean Energy Authority” build from those of the two existing multi-jurisdictional programs, which also have many similarities, with Sonoma having used the Marin agreement as a model for its own structure. Key features of the Silicon Valley Clean Energy Authority Agreement include the following:

- **Effective Date (2.1) & Initial Participants (2.2)** - The Agreement becomes effective on or prior to March 31, 2016 if executed by at least three of the 12 “Initial Participants” after the adoption of Ordinances as required by the Public Utilities Code.
- **Purpose (2.4)** - To study, promote, develop, conduct, operate and manage energy and energy-related climate change programs
- **Board of Directors (4.1)** - The Board is comprised of one Director from each Party. The governing body of each Party appoints a regular Director (from among the governing body) and an alternate (which need not be from among the governing body).
- **Board Voting (4.9)** - actions of the Board on all matters shall require an affirmative vote of a majority of all Directors on the entire Board, unless a supermajority is specified. Two or more Directors may request that a voting shares vote also be held (4.9.2) which is based upon the Party’s proportional annual energy use (4.9.3). In such cases, both the vote by Directors and the voting shares vote must be affirmative for an action to be approved by the Board.
- **Funding of Initial Costs (6.3.2)** - Exhibit E details the initial cost contribution for each Party. The contribution required to be committed by each Party includes a contingency intended to ameliorate the effects to initial funding should several Initial Participants not agree to become Parties to the JPA. In the event that the CCE Program becomes operational, these Initial Costs shall be reimbursed by the Authority within four years of the Effective Date.
- **Withdrawal (7.1)** - The agreement provides opportunities for a Party to withdraw and describes their ongoing obligations and liabilities where applicable. Such obligations can include losses to the Authority for the power contracted to serve a Party’s jurisdiction. An additional provision for early withdrawal allows that a Party may withdraw should the procurement process not yield successful results (cleaner energy for rates at or below that of PG&E).

The Resolution to approve the Joint Powers Authority Agreement establishing and authorizing participation in the Silicon Valley Clean Energy Authority is included as **Attachment 3** to this

staff report.

The Board of Directors is targeted to have its first meeting in April 2016. Staff will return to Council regarding the appointment of a general Director and alternate Director to the Board.

Regulatory Compliance: **January 2016 - November 2016**

Before aggregating customers, the CCE program must meet certain requirements set forth by the California Public Utilities Commission (CPUC). In the case of SVCCE, an Implementation Plan must be adopted by the JPA, and that Implementation Plan must be submitted to the CPUC. The Implementation Plan must include the following:

- An organizational structure of the program, its operations, and its funding;
- Rate setting and other costs to participants;
- Provisions for disclosure and due process in setting rates and allocating costs among participants;
- The methods for entering and terminating agreements with other entities;
- The rights and responsibilities of program participants, including, but not limited to, consumer protection procedures, credit issues, and shutoff procedures;
- Termination of the program; and
- A description of the third parties that will be supplying electricity under the program, including, but not limited to, information about financial, technical, and operational capabilities.

A Statement of Intent must be included with the Implementation Plan that provides for: universal access, reliability, equitable treatment of all classes of customers, and any requirements established by law or the CPUC concerning aggregated service. The CPUC has 90 days to complete a review and certify the Implementation Plan. Following certification of the Implementation Plan, the CCE entity must submit a registration packet to the CPUC, which includes:

- An executed service agreement with PG&E, which may require a security deposit; and
- A bond or evidence of sufficient insurance to cover any reentry fees that may be imposed against it by the CPUC for involuntarily returning customers to PG&E service. The current CCE bond amount is \$100,000.

The CCE program would be required to participate in the CPUC's resource adequacy program before commencing service to customers by providing load forecasts and advance demonstration of resource adequacy compliance. More specifically, a start-up CCE program would be required to file a formal load forecast with the CEC upon execution of a primary supply contract, which triggers a 100% commitment to program launch.

Procurement: **May 2016 - November 2016**

Power supplies must be secured several months in advance of commencing service. Power purchase agreements, with one or more power suppliers, would be negotiated, typically following a competitive selection process. Services that are required include provision of energy, capacity, renewable energy and scheduling coordination.

Financing: **April 2016 - October 2016**

Funding must be obtained to cover program and Agency start-up activities and working capital

needs. Start-up funding is typically secured early in the implementation process, as these funds are needed to conduct due diligence, planning and program development, and other critical activities leading up to service commencement. Working capital lender commitments should be secured well in advance, but actual credit drawdown need not occur until 4-6 months prior to program launch and customer enrollment.

Organizational Formation:

April 2016 - February 2017

Initial staff positions would be filled several months in advance of service commencement to conduct the implementation process. On an interim basis, one or more of the JPA parties are envisioned to provide some functional services to the JPA under separate service agreements. Initially, internal staff of the CCE program may be relatively small but this would likely change in the event that the CCE decides to insource various administrative and operational responsibilities and/or develops and administers new programs for its customers. Contracts with other service providers, such as for data management services, would be negotiated and put into effect well in advance of service commencement.

Community Engagement & Customer Noticing**January 2017 - ongoing**

Particularly as the commencement of service nears, the JPA will intensify its outreach efforts. By law, every customer being enrolled into the CCE program must receive a minimum of four written notifications prior to program launch. For study purposes, the Technical Feasibility Study assumes that customers will be enrolled in three phases, each comprising a third of the total customer base, over a 25-month period. Such notices must contain program terms and conditions as well as opt-out instructions and must be sent to prospective customers at least twice within the sixty-day period immediately preceding automatic enrollment. These notices are referred to as “pre-enrollment” notices. Two additional “post-enrollment” notices must be provided within the sixty-day period following customer enrollment during the statutory opt-out period. This direct mail campaign will also be paired with more cost-effective social media, collateral development, traditional advertising, and grassroots organizing (e.g. tabling at farmers markets, festivals, etc.). The partnership’s cost-share proposal (Attachment 3: JPA Agreement, Exhibit E) anticipates these approaches, which will be assimilated into a next-phase Outreach Plan, should participation in the JPA be approved.

Rate Setting & Program Development:

November 2016 - ongoing

As a California CCE, SVCCE would have independent rate setting authority with regard to the electric generation charges imposed on its customers. Prior to service commencement, SVCCE would need to establish initial customer generation rates for each of the customer groups represented in its first operating phase or for all prospective customers within the CCE’s prospective service territory. SVCCE may decide to create a schedule of customer generation rates that generally resembles the current rate options offered by PG&E as has been the case with existing programs. This practice would facilitate customer rate comparisons and should avoid confusion that may occur if customers were to be transitioned to dissimilar tariff options. SVCCE would need to establish a schedule for ongoing rate updates and changes for future customer phases and ongoing operations.

SVCCE may also choose to offer certain customer-focused programs, such as Net Energy Metering (NEM), voluntary green pricing and/or feed-in tariff (FIT) programs, at the time of service commencement. To the extent that SVCCE intends to offer such programs, specific program design would need to be completed in advance of service commencement.

Sustainability Program Impacts

Implementing a CCE program is the single most impactful and efficient strategy for reducing community greenhouse gas emissions. Staff has worked with the Climate Action Plan consultants to review the contribution of this single strategy to overall CAP goals - CCE remains the single largest contributor to the overall goals, accounting for approximately 25% of the overall targeted reductions. This is lower than that original CAP estimate as a result of a closer alignment of the CAP consultant's assumptions to that of the CCE Technical Study and updated information about what reductions would already be achieved through statewide or regional action. Final outcomes will be dependent on the electricity portfolio eventually procured by SVCEA.

On October 16, the Sustainability Commission received a presentation on the Technical Study results and a draft set of recommendations for Council action that closely mirror those of this report. The Commission voted unanimously to enthusiastically recommend that Council adopt a CCE ordinance, and that the City Council evaluate the terms of the JPA agreement to ensure that the JPA is constrained to meet the GHG reduction goals of the Sunnyvale CAP. As described in this report, the JPA agreement includes a provision for early withdrawal of a Party should the procurement process not yield successful results (cleaner energy for rates at or below that of PG&E). The JPA Board will make final decisions about program parameters such as targeted GHG reductions and price competitiveness.

FISCAL IMPACT

The Technical Feasibility Study concludes that ~\$2.9M would be needed to support the launch of the CCE program, inclusive of initial staff hires, implementation plan development, procurement, community outreach, utility bond requirement, and the initial customer notification and enrollment process. A summary of program cost components is shown below. The JPA will refine these estimates after formation. Included in the Internal Staff estimates are positions phased in over time and dedicated to the overall leadership of the JPA as well as legal and regulatory support, community outreach, and program development. Similarly, the proposed budget includes proactive advocacy in legislative and regulatory developments that can impact CCE programs, including approaches to community outreach and program development.

Cost Item	Amount
Internal Staff	\$730,000
Technical Consulting and Legal Services	\$620,000
Marketing and Communications	\$280,000
Customer Noticing and Mailers	\$120,000
Security Deposits	\$40,000
Miscellaneous Administrative and General	\$95,000
CCE Bond	\$100,000
Debt Service	\$720,000
Other Pre-launch Activities	\$180,000
Total	\$2,885,000

It is intended that approximately \$2M of this amount will be funded by contributions from participating jurisdictions (shown as Initial Costs in Exhibit E of the JPA Agreement, Attachment 3) with the remaining \$900,000 financed through a bank line of credit or municipal term loan in conjunction with the additional financing needed to address the purchase of electricity in advance of customer revenues (as described later in this section). Note that these initial costs would be recovered over a period time from the operating revenue of CCE program if launched.

Up until now, the Partnership efforts have been funded by the Cities of Cupertino, Mountain View, and Sunnyvale and County of Santa Clara, with each contributing a total of \$170,000 to date. These four lead agencies are envisioned to contribute an additional \$350,000 to support program launch with an additional \$100,000 being requested as a contingency to supplement the Initial Costs of the JPA should multiple Parties decline to join. The JPA also requires funding contributions, generally also with a contingency, from the other eight Initial Participants in lesser amounts. The contingency is being built into the required actions of each Initial Partner at this time based on feedback provided by the Partners at a November forum, in order to provide for efficient decision making by each governing body.

Sunnyvale's portion of the funding is provided in the FY 2015/16 Budget, and is funded by the General Fund. However, the budget does not include the contingency portion discussed above. Budget Modification No. 20 has been prepared to appropriate an additional \$100,000 from the Budget Stabilization Fund to the project.

**BUDGET MODIFICATION NO. 20
FISCAL YEAR 2015/16**

	Current	Increase (Decrease)	Revised
General Fund			
<u>Expenditures:</u>			
Project 830990 - Community Choice Aggregation Program	\$512,680	\$100,000	\$612,680
<u>Reserves:</u>			
Budget Stabilization Fund	\$50,273,334	(\$100,000)	\$50,173,334

In addition, the JPA will require operating capital and significant credit capacity for its initial power supply contract. The amount is currently projected between \$10M-\$15M and will depend on the size of initial program roll out. This credit requirement may be met through a bank or municipal term loan, with a repayment/refinancing period of 3-5 years. It is important to note that a portion or all of the initial loan amount will require a credit guaranty, most often provided by a single or multiple member agencies of the JPA. This guaranty stays in place until the program is operational, revenues begin flowing into JPA, and the creditor removes the guaranty requirement. The process for identifying potential banking partners and securing working capital and the necessary credit for the first energy contract is beginning under the direction of the current Partnership for presentation and decision making by the JPA Board. Staff will return to Council for an update and potential action regarding this bridge financing for the Authority.

Beyond the costs associated with forming and operating Silicon Valley Clean Energy, it should be noted that, based upon the scenarios provided in the Technical Study, this program has the potential to reduce operational costs for its member agencies, in addition to the community at large. While rate savings cannot be guaranteed at all times, it is the stated goal of the proposed CCE to offer competitive rates to PG&E, striving for stable and lower electrical rates over the life of the program.

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.

SVCCEP Community Engagement

Lead by staff from the City of Cupertino and with support from MIG, Inc., the SVCCEP prepared a comprehensive outreach plan to inform and orient residents, businesses, and community stakeholders in the work of the Partnership. The goals of this process are to educate the community about CCE and gather feedback on community priorities and concerns related to a potential CCE program.

Initial Efforts: In the first phase of the project, a website (www.svcleanenergy.org <<http://www.svcleanenergy.org/>>) was created to disseminate information about the partnership, the process towards implementation, news, events, and resources. Resources available on the website now include the initial assessment report, an animated presentation that serves a primer for CCE, a fact sheet, and frequently asked questions. Those interested in keeping up to date with SVCCEP activities and progress can join an email list-serve from the website. To date, over 225 people have joined this list. In Sunnyvale, project information was shared via the City's website, Facebook, Next Door and Quarterly Report channels as well as advertisements in the Sunnyvale Sun.

Community Meetings: To further engage residents, the SVCCEP has organized a minimum of 12 community meetings throughout the County. The first round of six community meetings introduced the community to the concept of CCE and presented results from the SVCCEP's Initial Assessment Report. These introductory meetings were held in October in Cupertino, Mountain View, Campbell, Sunnyvale, Gilroy, and San Martin. During the meeting, attendees were invited to participate in a short pre-and-post poll related to their comfort with the concept of Community Choice Energy. In hearing from the 100 attendees, the partners have a better understanding of the community's preferred outcomes, main concerns, and level of interest in a CCE program. Based upon the survey results, the vast majority of attendees (96%) think it is a good idea to create a locally controlled nonprofit to provide cleaner, greener electricity for you at competitive prices. The majority (77%) of attendees noted that their interest in CCE is to help reduce their carbon footprint and most (88%) are willing to pay a premium to have all of their electricity generated by renewable sources. Also encouraging to the partnership was the insight that most attendees reported thinking that their friends, family and neighbors would respond either enthusiastically (35%) to a CCE Program or would be interested in a CCE Program (59%). Full post-poll results by community are available upon request.

Building on the momentum from the first round of community meetings, the next round of

meetings are being held November through January in the communities of Cupertino, Morgan Hill, Sunnyvale, Mountain View, San Martin, and Los Altos, with additional interest from Campbell, Los Gatos, and Saratoga to also host events. This round of community meetings will focus on the preliminary results of the partnership's Technical Study and provide an update on the partnership's activities to date and decision making in the months ahead.

Business Partnership: With assistance from Joint Venture Silicon Valley, the partnership has also engaged the business community since January 2015 when it hosted a Business Forum on Community Choice Energy at NetApp in Sunnyvale. A follow-up webinar on November 4 provided a primer on CCE and an update on the Silicon Valley CCE Partnership's formation process and key milestones. The webinar was designed specifically for a business audience, including facilities, energy and sustainability professionals at local corporate and commercial organizations. The thirty registrants offered unique perspectives during the session's Q&A pertaining to program design and rate structures most compelling to this sector. In addition to a series of workshops open to all businesses, the partnership proposes to work through its next phase of outreach to directly engage with the largest 100 commercial and industrial energy users through one-on-one or small group meetings with the help of Joint Venture. In addition, a total of 5-10 presentations on CCE are being scheduled with Chambers and other interest groups.

Targeted Outreach: Finally, on November 17, the SVCCEP hosted a productive dialogue with key community and organizational leaders to gain their ideas and learn their concerns regarding the prospect of a Community Choice Energy program. Attendees had the opportunity to provide feedback on the partnership's activities to date, express what's most exciting about currently operating CCE programs in California, and describe issues for consideration as the partnership proceeds. A total of 20 attendees from several environmental and community organizations participated in the meeting. This audience may serve as a successful conduit for future outreach activities.

Further, presentations upon request have been given to Sunnyvale Cool, the Moffett Park Business Group, the Sunnyvale Democratic Club, the JVSV Smart Energy Enterprise Development Zone (SEEDZ) working group, Cupertino Rotary, and the Santa Clara County Cities Association.

ALTERNATIVES

1. Introduce an Ordinance to authorize the implementation of a Community Choice Aggregation program and find that the project is exempt from CEQA pursuant to CEQA Guidelines 15378(a), 15061(b)(3), and 15308.
2. Adopt a Resolution to approve the Joint Powers Authority Agreement establishing and authorizing participation in the Silicon Valley Clean Energy Authority, and find that the project is exempt from CEQA pursuant to CEQA Guidelines 15378(b)(5) and 15061(b)(3).
3. Authorize the City Manager to remit up to \$450,000 to the Silicon Valley Clean Energy Authority to support the initial costs of the Authority.
4. Approve Budget Modification No. 20 for \$100,000 to support funding the initial costs of the Authority.
5. Direct staff to return to Council with an update and potential action regarding bridge financing for the Authority.
6. Direct staff to return to Council with a proposal to provide interim project and/or staffing support to

the Authority via a separate services agreement.

7. Direct staff to return to Council for appointment of a regular Director and alternate Director to the Authority's Board of Directors.
8. Other action as directed by Council.

STAFF RECOMMENDATION

Alternatives 1, 2, 3, 4, 5, 6, and 7:

1. Introduce an Ordinance to authorize the implementation of a Community Choice Aggregation program and find that the project is exempt from CEQA pursuant to CEQA Guidelines 15378(a), 15061(b)(3), and 15308;
2. Adopt a Resolution to approve the Joint Powers Authority Agreement establishing and authorizing participation in the Silicon Valley Clean Energy Authority, and find that the project is exempt from CEQA pursuant to CEQA Guidelines 15378(b)(5) and 15061(b)(3);
3. Authorize the City Manager to remit up to \$450,000 to the Silicon Valley Clean Energy Authority to support the initial costs of the Authority;
4. Approve Budget Modification No. 20 for \$100,000 to support funding the initial costs of the Authority;
5. Direct staff to return to Council with an update and potential action regarding bridge financing for the Authority;
6. Direct staff to return to Council with a proposal to provide interim project and/or staffing support to the Authority via a separate services agreement; and
7. Direct staff to return to Council for appointment of a regular Director and alternate Director to the Authority's Board of Directors.

This action will allow the City to participate in a multi-jurisdictional Community Choice Energy program in support of climate action objectives.

Prepared by: Melody Tovar, Regulatory Programs Division Manager

Reviewed by: John Stufflebean, Director, Environmental Services

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Draft SVCCE Technical Study Report
2. Community Choice Aggregation Ordinance
3. SVCEA Joint Powers Authority Resolution and Agreement