



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Discuss Status and Provide Direction Related to Financing Options for the Silicon Valley Clean Energy Authority (SVCEA)

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). SVCEA will operate a Community Choice Energy (CCE) program to pool the electricity demand within the twelve participating jurisdictions to directly procure or generate electrical power supplies on behalf of their residents and businesses.

The December 2015 report to Council (RTC 15-0952) detailed the next steps for forming SVCEA and the early operational steps to develop and launch a CCE program. The report discussed that SVCEA would require operating capital and significant credit capacity for its initial power supply purchases until sufficient ratepayer revenues are received, and it also described that such financing would likely require some form of limited term guaranty typically provided by one or more member agencies. The report also noted that staff would return to Council with an update and potential action regarding this bridge financing.

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 action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines sections 15378(b)(4) and (5) in that it is a governmental fiscal, organizational or administrative activity that will not result in direct or indirect changes in the environment.

DISCUSSION

Since formation, SVCEA has convened its Board of Directors, hired a Chief Executive Officer, and made significant progress toward launch of a CCE program. In July, SVCEA submitted its Implementation Plan for certification by the California Public Utilities Commission, and it established a tentative customer rollout approach that seeks a swift implementation of all customers between April and October 2017. Actions in progress related to staffing the organization, procuring energy and additional support services, and community engagement are all geared toward that launch window.

The City of Mountain View has taken the lead in evaluating financing options for SVCEA to provide

the essential financing that bridges the early operations and electricity purchases until sufficient revenues are received. The financing team has initiated a request for proposal (RFP) for credit and banking services on behalf of SVCEA, and Sunnyvale staff is currently participating as part of the team reviewing the RFP responses.

Initially, it was anticipated that the member agencies may need to provide some form of limited guarantee to a bank, or provide direct financing to SVCEA. A preliminary review of the proposals indicates that the credit terms provided by the banks are such that direct loans from the member agencies may not be required. However there still is likely some level of short-term (1-2 years) guarantee that will be required. At the August 9, 2016, meeting, staff will provide an update on the RFP process, and will provide a recommendation for Council discussion regarding how Sunnyvale can best support the financing needed to launch SVCEA's program.

The financing team has determined that in order to meet SVCEA's timeline for program launch, it is valuable for member agencies involved in the financing to take action in September. This report seeks Council's feedback on financing options, as well as providing parameters for negotiation on both direct loans or guarantees. Staff will return to Council in September for approval of financing agreements.

FISCAL IMPACT

There is no fiscal impact associated with this status update.

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. Provide City Manager and staff with feedback on the recommended options for supporting SVCEA's financing needs.
2. Provide direction to City Manager with respect to negotiating an agreement to provide either a direct loan to or loan guaranty for SVCEA.

STAFF RECOMMENDATION

Alternatives 1 and 2: 1) Provide staff with feedback on the recommended options for supporting SVCEA's financing needs; and 2) Provide direction to City Manager with respect to negotiating an agreement to provide either a direct loan to or loan guaranty for SVCEA.

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