



DATE: January 12, 2016

CATEGORY: New Business

DEPT.: Community Development

TITLE: **Community Choice Energy Program**

RECOMMENDATION

Approve the following actions related to the formation of, and the City of Mountain View's membership in, the Silicon Valley Clean Energy Authority (SVCEA), an independent Joint Powers Authority, to establish a Community Choice Energy program and find that these actions are exempt from CEQA.

1. Introduce an Ordinance of the City Council of the City Of Mountain View Authorizing the Implementation of a Community Choice Aggregation (CCA) Program, and find that the program is exempt from CEQA pursuant to CEQA Guidelines 15378(a), 15061(b)(3), and 15308, to be read in title only, further reading waived (Attachment 1 to the Council report), and set second reading for January 26, 2016.
2. Adopt a Resolution of the City Council of the City of Mountain View Approving the Joint Powers Authority Agreement Establishing the Silicon Valley Clean Energy Authority, and find that the program is exempt from CEQA pursuant to CEQA Guidelines 15378(b)(5) and 15061(b)(3), to be read in title only, further reading waived (Attachment 2 to the Council report).
3. Appropriate \$450,000 from the General Fund Reserve to the Community Development Department Limited Period Expenditures to support the initial costs of the SVCEA. (Five votes required)
4. Authorize the City Manager to remit up to \$450,000 to the SVCEA to support the initial costs of the SVCEA (including a contingency).
5. Appoint a regular Director and alternate Director to the SVCEA's Board of Directors.

6. Direct staff to return to Council with an update and potential action regarding bridge financing for the SVCEA.
7. Direct staff to return to Council with a proposal to provide interim project and/or staffing support to the SVCEA via a separate services agreement, if needed.

BACKGROUND

Authorized by California law, Community Choice Aggregation (CCA) – also known as 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 Pacific Gas and Electric Company (PG&E) in Santa Clara County. Three CCE programs now operate in California – Marin Clean Energy, Sonoma Clean Power, and Lancaster Choice Energy.

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.

Initial Study

In June 2014, the City Council initiated action to allocate \$20,000 in funding in Fiscal Year 2014-15 to study the feasibility of pursuing a CCE program in collaboration with the City of Sunnyvale (lead agency), City of Cupertino, and the County of Santa Clara (representing its unincorporated areas). With each agency contributing \$20,000, the four agencies formed an interjurisdictional partnership to explore the potential for implementing a CCE program in the South Bay. Known as the Silicon Valley Community Choice Energy Partnership (SVCCEP or Partnership), the agencies commissioned an initial assessment of CCE to help decision makers determine whether to pursue the next steps in establishing a CCE program in the region.

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 Santa Clara County cities in forming a CCE program; (2) benefits of forming a CCE program, including the potential to advance other strategies within city climate action

plans; (3) costs and risks of forming a program; and (4) a framework to guide the formation of a CCE program. The assessment report, *The Potential for CCE in the Heart of Silicon Valley*, was presented to Council on May 26, 2015. It provided a qualitative evaluation of existing programs and the benefits and risks of moving forward. The assessment concluded that market and program conditions are favorable for proceeding to the next step, a detailed Technical Feasibility Study.

In July 2015, the four agencies approved continuing the 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 up to an additional \$450,000 should the results be favorable, for an estimated total contribution of up to \$620,000 for each agency.

ANALYSIS

The current Technical Study phase 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 (JPA) 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 cities 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 led by the Partnership in their jurisdiction (see the Community Engagement Section below) and in the development of the JPA Agreement.

Community Engagement

Led 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) 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 as 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 e-mail listserve from the website. To date, over 225 people have joined this list. In Mountain View, project information was shared via the City's website, Facebook, NextDoor, Twitter, advertisements in the *Mountain View Voice*, and City e-mail lists.

Community Meetings: To further engage residents, the SVCCEP has organized a minimum of 12 community meetings throughout the County. The first round of 6 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 (October 8), 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 CCE. In hearing from the 100 attendees, the partners gained 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 percent) think it is a good idea to create a locally controlled nonprofit to provide cleaner, greener electricity at competitive prices. The majority (77 percent) of attendees noted that their interest in CCE is to help reduce their carbon footprint and most (88 percent) 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 percent) to a CCE program or would be interested in a CCE program (59 percent). Full post-poll results by community are available upon request.

Building on the momentum from the first round of community meetings, the second round of meetings are being held November 2015 through January 2016 in the communities of Campbell, Cupertino, Los Altos, Los Gatos, Morgan Hill, Mountain View (December 10), San Martin, Saratoga, and Sunnyvale. The second round of community meetings are focusing 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 CCE 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 30 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 to 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 CCE program. Attendees had the opportunity to provide feedback on the Partnership's activities to date, express what is 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.

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 County, Sonoma County, and the recent program in the City of Lancaster). The final report, shown in

Attachment 3 (including a seven-page Executive Summary), reflects the results of PEA's comprehensive analysis, which addresses prospective CCE operations under a range of scenarios over a 10-year planning horizon, including the identification of anticipated rate/cost impacts, environmental benefits, resource composition, and economic development among other considerations. A summary of this report is provided below and in Table 1.

SVCEA's Prospective Customers: Currently, PG&E serves approximately 240,000 bundled customer accounts within the communities of the SVCCE Study, representing a mix of residential (approximately 90 percent) and commercial (approximately 10 percent) accounts. These customers consume nearly four 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 percent of the total electricity delivered by PG&E while commercial accounts consume the remaining 66 percent.

SVCEA 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 Partnership's interest in significantly reducing GHG emissions through increased use of carbon-free electric energy sources.

- **Scenario 1:** Match the incumbent investor-owned utility's (PG&E) projected GHGs profile while exceeding PG&E's projected renewable energy content.
- **Scenario 2:** Exceed applicable renewable energy procurement mandates by providing SVCEA customers with a minimum 51 percent renewable energy content in Year 1 of program operations, scaling up to 66 percent in Year 10, while also promoting a 20 percent 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 SVCEA Impacts: Based on current market prices and various operating assumptions, the Study indicates that SVCEA 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 percent to 5 percent, relative to projected PG&E rates, over the 10-year study period. Scenario 3, which was designed to maximize clean energy deliveries to SVCEA customers, maintains general rate parity with PG&E.
- **Environmental Benefits:** Scenario 1, which was specifically designed to match PG&E'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 percent relative to PG&E, 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 percent (Year 1 impact) to 86 percent (Year 10 impact) relative to PG&E's projected emission profile.
- **Economic Benefits:** The prospective SVCEA 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 SVCEA 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. SVCEA would 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.

Table 1: Summary of Technical Study Findings, Year 1

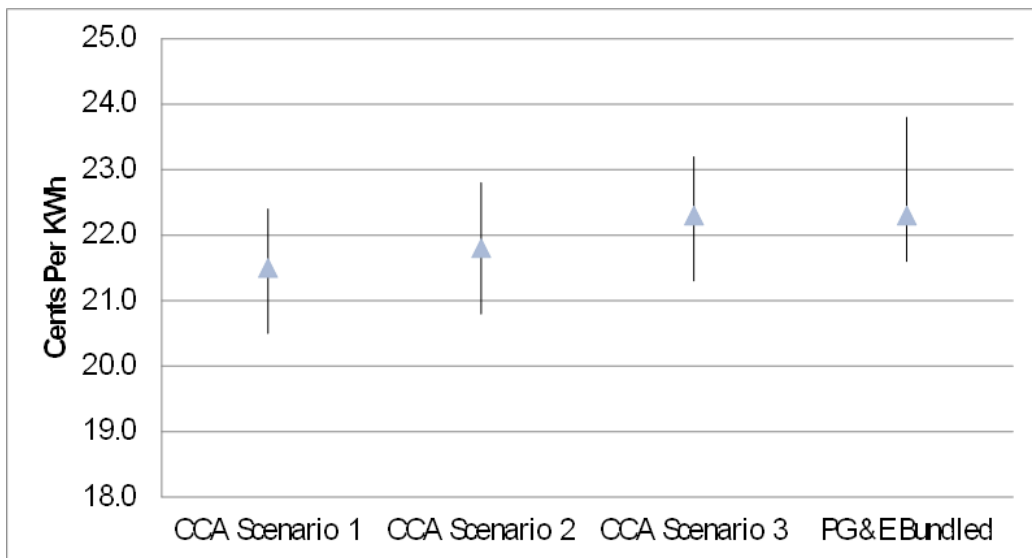
Key Considerations	Scenario 1	Scenario 2	Scenario 3
<u>General Environmental Benefits</u> Renewable energy and GHG content	36% Renewable 63% Total GHG-Free	51% Renewable 70% Total GHG-Free	76% Renewable 85% Total GHG-Free
<u>Rate Competitiveness</u> Incremental renewable/clean energy purchases will impose upward pressure on SVCCE customer rates	Average 4% <u>savings</u> relative to PG&E rate projections	Average 3% <u>savings</u> relative to PG&E rate projections	Average <u>savings</u> of <1% relative to PG&E rate projections
<u>Projected Residential Customer Cost Impacts¹</u> Resource choices will influence monthly energy costs ¹ Average monthly usage for SVCCE res. customers ≈ 510 kWh	Average \$5.09 monthly cost <u>savings</u> relative to PG&E rate projections	Average \$3.49 monthly cost <u>savings</u> relative to PG&E rate projections	Average \$0.76 monthly cost <u>savings</u> relative to PG&E rate projections
<u>Assumed SVCCE Participation</u> Projected rate savings/increases are assumed to impact customer participation levels; medium and large commercial customers are assumed to be highly cost sensitive	85% customer participation rate assumed across all customer groups	85% customer participation rate assumed across all customer groups	85% customer participation rate assumed across all customer groups
<u>Comparative GHG Emissions Impacts</u> GHG emissions impact relative to assumed PG&E portfolio	0.158 metric tons CO ₂ /MWh emissions rate is equivalent to PG&E, resulting in zero incremental GHG emissions impacts in Year 1	0.126 metric tons CO ₂ /MWh emissions rate results in ≈38,000 metric ton GHG emissions reduction (20%) in Year 1	0.064 metric tons CO ₂ /MWh emissions rate results in ≈112,000 metric ton GHG emissions reduction (60%) in Year 1

The SVCEA will select which of the three scenarios to use as the “baseline” product for customers, and will also likely offer the option of a “100 Percent Renewable Energy” product at a slightly higher cost.

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 were: (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 to reflect minimal community participation in the SVCEA, 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, as shown in Figure 1. When reviewing this figure, the base case outcomes associated with each scenario are represented by the “arrowheads” that are positioned along each vertical line. To the extent each line extends above (or below) the arrowhead, this represents the potential for customer rates to be higher (or lower) than the base case outcomes. The sensitivity analysis for the Small JPA and Perfect Storm conditions are not included in Figure 1, as they are unlikely to occur. In summary, PG&E rates are estimated to range from \$0.216 to \$0.238 per kWh, while rates under CCE Scenarios 1 through 3 are expected to range from \$0.205 to \$0.232 per kWh.

Figure 1: Sensitivity Analysis Range of Levelized Electric Rates¹



¹ The ranges shown in Figure 1 do not include the Small JPA and Perfect Storm sensitivities.

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

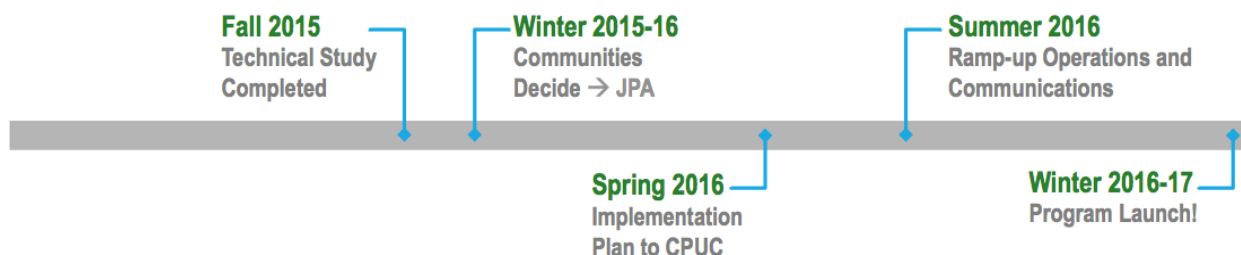
- Financial risks to SVCEA’s member municipalities in the unlikely event of CCE failure;
- Financial risks that may exist in the event that procured energy volumes fall short of or exceed actual customer energy use;
- Reasonably foreseen legislative and regulatory changes, which may limit a CCE’s ability to remain competitive with the incumbent utility, such as the PG&E “exit fee” increase adopted by the CPUC in December 2015;
- Availability of renewable and carbon-free energy supplies required to meet compliance mandates, SVCEA program goals, and customer commitments; and
- General market volatility and price risk.

For more information about the Sensitivity and Risk analysis, see Sections 6 and 7, respectively, of the Technical Study report.

Timeline

Figure 2 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.

Figure 2: Major Milestones for CCE Program Launch



JPA Formation (December 2015 to March 2016)

Municipalities electing to offer or allow others to offer CCE service within their jurisdiction must do so by ordinance (Attachment 1). The two existing multi-jurisdictional CCE programs in Marin and Sonoma counties each employ a JPA 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, engaging mayors and managers of all 12 agencies in this process. The results of this effort are embodied in the JPA Agreement, included as an attachment to the authorizing resolution (Attachment 2). This effort was facilitated by Greg Stepanicich, Esq. (of Richards Watson and Gershon), who supported the launch of Marin Clean Energy. The JPA documents developed for the SVCEA 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 SVCEA Agreement include the following:

- **Effective Date (2.1) and Initial Participants (2.2)**—The Agreement becomes effective on March 31, 2016, if executed by at least 3 of the 12 “Initial Participants” after the adoption of ordinances as required by the Public Utilities Code. Cupertino, Morgan Hill, and Sunnyvale have all formally joined, so the JPA will commence on March 31, 2016.
- **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 SVCEA within four years of the Effective Date. For Mountain View, the initial contribution is up to \$620,000.
- **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 2 to this Council report.

The Board of Directors is targeted to have its first meeting in April 2016. Council is requested to appoint a Councilmember to the Board and an alternate (who does not have to be a Councilmember).

Regulatory Compliance (January 2016 to November 2016)

Before aggregating customers, the CCE program must meet certain requirements set forth by the California Public Utilities Commission (CPUC). 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 shut-off 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 California Energy Commission (CEC) upon execution of a primary supply contract, which triggers a 100 percent commitment to program launch.

Power Procurement (May 2016 to 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 to 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 four to six months prior to program launch and customer enrollment. Mountain View is taking the lead in exploring financing options.

Organizational Formation (April 2016 to 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 and Customer Noticing (January 2017 and 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 60-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 60-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 2: 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 and Program Development (November 2016 and Ongoing)

As a California CCE, SVCEA would have independent rate-setting authority with regard to the electric generation charges imposed on its customers. Prior to service commencement, SVCEA 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. SVCEA 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. SVCEA would need to establish a schedule for ongoing rate updates and changes for future customer phases and ongoing operations.

SVCEA 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 SVCEA intends to offer such programs, specific program design would need to be completed in advance of service commencement.

Environmental Benefits

Mountain View's community Climate Protection Roadmap (CPR) and Municipal Operations Climate Action Plan (MOCAP) both identify a series of measures to achieve the City's long-term emissions reduction target of 80 percent below 2005 levels by 2050. These two plans specifically point to CCE as the easiest, most cost-effective and impactful mechanism for reducing community and municipal GHG emissions in the short and long term. Specifically, the MOCAP estimated that joining a CCE could reduce municipal operations emissions 1,960 metric tons of CO₂e per year in 2050, which equates to 50.4 percent of the reductions needed to achieve the City's 2050 GHG reduction target.

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 SVCEA is exempt from the requirements of 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)).

FISCAL IMPACT

The Technical Feasibility Study concludes that approximately \$2.9 million 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.

Table 1: Costs Associated with CCE Program Launch

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 Prelaunch Activities	\$180,000
Total	\$2,885,000

It is intended that approximately \$2 million of this amount will be funded by contributions from participating jurisdictions (shown as Initial Costs in Exhibit E of the JPA Agreement, Attachment 2) 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 of time from the operating revenue of the CCE program if launched, so each agency should be “made whole” within approximately four years of the Effective Date.

Up until now, the Partnership efforts have been funded by the cities of Cupertino, Mountain View, and Sunnyvale, and the 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. This would bring the City’s total potential commitment to \$620,000. As noted above, these funds would be returned to the City within approximately four years of the CCE’s operation. 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 2015 forum, in order to provide for efficient decision making by each governing body.

As part of the recommended action, if Council wishes to join the CCE, an appropriation of \$450,000 is requested. Funding would come from the General Fund Reserve and would be replenished as revenue is generated by the SVCEA.

In addition, the JPA will require operating capital and significant credit capacity for its initial power supply contract. The amount is currently projected between \$10 million and \$15 million and will depend on the size of the initial program roll-out. This credit requirement may be met through a bank or municipal term loan, with a repayment/ refinancing period of three to five 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 with an update and potential action regarding the guaranty and bridge financing for the Authority.

The City currently spends approximately \$2.4 million annually (Fiscal Year 2014-15) on PG&E energy for municipal operations. Beyond the costs associated with forming and operating SVCEA, 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.

NEXT STEPS

Bearing in mind the overall timeline of CCE activities described earlier in this report, if the City Council approves the recommendations, staff will return to Council on January 26, 2016 for a second reading of this item. Staff will also return to Council in 2016 with an update and potential action regarding bridge financing needed for the SVCEA.

CONCLUSION

Community Choice Aggregation (or Community Choice Energy—CCE) allows local governments to pool electricity demand and directly procure power on behalf of residents and businesses. Mountain View has been working with the cities of Sunnyvale and Cupertino, as well as the County of Santa Clara, to explore the feasibility of forming a CCE in Silicon Valley. A technical study has been completed showing it to be viable, outreach has occurred to residents and businesses throughout the region, and three cities have already authorized forming a Joint Powers Authority CCE, known as the Silicon Valley Clean Energy Authority. Funding of \$450,000 is required for startup costs, which would be repaid as revenue is generated. The Council is also asked to appoint a Director and alternate to serve on the Board of Directors.

ALTERNATIVES

1. Do not introduce the ordinance or authorize joining the Silicon Valley Clean Energy Authority.
2. Provide other direction.

PUBLIC NOTICING

Agenda posting and emails sent to community members interested in environmental sustainability.

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- Attachments:
1. Community Choice Aggregation Ordinance
 2. SVCEA Joint Powers Authority Resolution and Agreement
 3. [Draft SVCCE Technical Study Report](#)