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SUSTAINABILITY DIVISION
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CITY COUNCIL STAFF REPORT

Meeting: December 1, 2015

Subject

Approve actions related to the formation of, and Cupertino's membership in, the Silicon Valley Clean Energy Authority, an independent joint powers authority, which will provide a Community Choice Aggregation Program to offer clean energy alternatives for Cupertino residents and businesses; and related CEQA action.

Recommended Action

1. Accept the Silicon Valley Community Choice Energy Technical Study Draft Report, and find that the proposed actions are exempt from CEQA; and
2. Conduct the first reading of the Ordinance No. 15-2138: "An Ordinance of the City Council of the City of Cupertino Authorizing the Implementation of a Community Choice Aggregation Program" to create and participate in the Silicon Valley Clean Energy Authority; and
3. Adopt Resolution No. 15-111 of the City Council of the City of Cupertino Approving the Joint Powers Agreement Establishing the Silicon Valley Clean Energy Authority; and
4. Authorize the City Manager to remit up to $450,000, as previously budgeted, to the Silicon Valley Clean Energy Authority to support the initial costs of the Authority; and
5. Approve an increase to the Fiscal Year 2015-16 Sustainability Division Special Project Budget of $100,000 for project contingency as outlined in the JPA; and
6. Direct staff to return to Council with an update and potential action regarding bridge financing for the Authority; and
7. 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
8. Direct staff to return to Council for appointment of a regular Director and alternate Director to the Authority's Board of Directors.

Description

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 January 2015, the City Council approved Cupertino's Climate Action Plan (CAP). The CAP provides a blueprint for the City and its community members to respond to the sources of and challenges posed by climate change by outlining a menu of actions to reduce both operational and community greenhouse gas emissions (GHG). 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. CAPs provide a process through which communities can contribute to the state's climate protection efforts, recognizing that cities are the population and business centers where emissions are generated, and local governments can serve as a direct connector to policies, programs, and infrastructure to reduce these emissions at their source. Of the more than 200 actions included in Cupertino's CAP, shifting the energy portfolio to lower GHG sources is the single most impactful action featured, with Community Choice Energy identified as the key approach to accomplishing the shift.

Following CAP adoption, the City Manager prioritized the study issue of Community Choice Energy by utilizing approved funding with the FY 2014/15 Budget to initiate an initial assessment of a CCE program with three other South Bay agencies: Sunnyvale, Mountain View and Santa Clara County. The 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 May 2015, staff and the project consultant provided a presentation to the City Council on the study issue results. The Assessment Report, The Potential for Community Choice Energy in the Heart of Silicon Valley, was completed by LEAN Energy US. The full report, which was provided to Council at that May meeting, is also available to the public at www.cupertino.org/svcleanenergy.

The Partnership

Spurred by discussions among elected officials at the Santa Clara County Cities Association, the Cities of Sunnyvale, Cupertino and Mountain View and the County of Santa Clara (for

its unincorporated areas) contributed funding to the aforementioned collaborative study. With each agency contributing $80,000, the four agencies formed the Silicon Valley CCE Partnership (SVCCEP – www.svcleanenergy.org), with each serving a project role as guided by executive leadership. Sunnyvale staff led the project team, and procured the consultant services needed to support the partnership and to conduct an initial assessment to assist decision-makers with determining whether and how to move forward with a CCE program. Cupertino led community outreach and engagement efforts outlined below. 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.

Upon learning the positive results of the Initial Study, each agency returned to its elected bodies to request additional funding to complete a Technical Study, the results of which are shared in Attachment A. Each agency contributed $170,000 and has made a commitment to fund an additional $350,000 to SVCCEP's pre-launch activities through their respective FY15/16 Budget. These funds, and associated SVCCEP staff and contracted activities, have been carefully reviewed by the partner's Executive Committee, comprised of City Managers from each of the four agencies, and Mayor's Task Force, comprised of Mayors from each of the four partner agencies.

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 Gatos, Los Altos, Los Altos Hills, Monte Sereno, Morgan Hill, and Saratoga have all taken a requisite preparatory step of authorizing Sunnyvale to request that PG&E provide detailed electrical data for their jurisdictions. This was essential for conducting the Technical Feasibility Study, as shared in Attachment A. 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 through the existing network channels including the Santa Clara County Cities Association (elected participants) and the Santa Clara County City and County Manager's Association (executive leadership).

Interest in the CCE model is spreading beyond Santa Clara County, with more than 20 communities throughout California 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 Results

Based on the experiences of the Marin and Sonoma programs (launched in 2010 and 2014, respectively), the Assessment Report found that CCE programs offer many benefits and programs that can be designed to achieve a variety of public policy and program objectives. Both CCE programs offer electricity supply portfolios with lower GHG emissions than that

of PG&E, with customer options for a standard service (with higher renewable energy ratios than PG&E) and a voluntary program to pay a moderate premium for 100% renewable energy supply. CCE programs also offer competitive rates. While they are careful to not promise to always have rates lower than PG&E, both programs are currently providing lower rates for baseline, greener electricity supply (e.g. 50 percent in Marin and 36 percent in Sonoma).

CCE programs can be designed to also achieve other climate action objectives. Local investments can be directed to incentivizing solar installations and energy conservation programs, in addition to promoting innovative approaches that incorporate new technologies. Both operating programs offer favorable terms for existing and new rooftop solar installations. Marin Clean Energy has invested in local and in-state renewable projects totaling more than 225 megawatts (MWs) of new clean power, and resulting in construction and related vendor jobs. In this way, CCE programs also provide local economic development benefits. Sonoma is taking a similar path and is also investing in an innovative 12 MW "floatovolatic" solar array installation atop local irrigation ponds. Marin recently launched a partnership with Tesla to promote on-property battery storage. Marin also secured more than $5M from state public purpose programming funds (paid by all electricity ratepayers) to expand their local energy conservation programs. As such, CCE programs offer strong opportunities to meet CAP objectives for energy conservation and local solar programs. Here in the South Bay, there is also enhanced potential for synergies with Silicon Valley technology companies.

These Assessment Report findings were shared with Council in May and its results served as the driver for advancing community engagement efforts and commissioning a more detailed Technical Study, each outlined below.

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) 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. For the benefit of Cupertino residents, two CCE stories have been featured in the Cupertino Scene and

Mayor Sinks hosted a Periscope session on the issue in October. In addition, information about CCE is being shared via NextDoor, the Cupertino Chamber newsletter, Block Leader newsletter, on the City's website, in the City's Senior Center newsletter, and with other relevant stakeholders (Sierra Club's Cupertino COOL, schools, Kirsch Center for Environmental Studies, etc.).

- **Community Meetings**: To further engage residents, the SVCCEP has organized a total 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 second 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^{t} 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. Topics included how CCE works, where it's been launched successfully, and what it means for commercial energy customers. 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 17th, 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.

Technical Study Findings

In November 2014, the City of Sunnyvale on behalf of SVCCEP issued a Request for Qualifications for technical services to complete a Technical Study for purposes of describing the potential benefits and liabilities associated with forming a CCE program in Santa Clara County. Following the outcome of the Initial Assessment Report and Council's budget authorization for continued CCE efforts, the Partnership hired Pacific Energy Advisors (PEA) to complete this work. PEA has extensive experience in CCE program development in California and has supported the launch of all three operating CCE programs (Marin, Sonoma, and recent program in Lancaster). The final report, shared in Attachment A, 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 customer accounts within communities of the CCE Study Partners, representing a mix of residential (≈90%) and commercial (≈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 CCE Study Partners 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"), Pacific Gas & Electric Company ("PG&E"), projected greenhouse gas emissions ("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 ("O&M") 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.

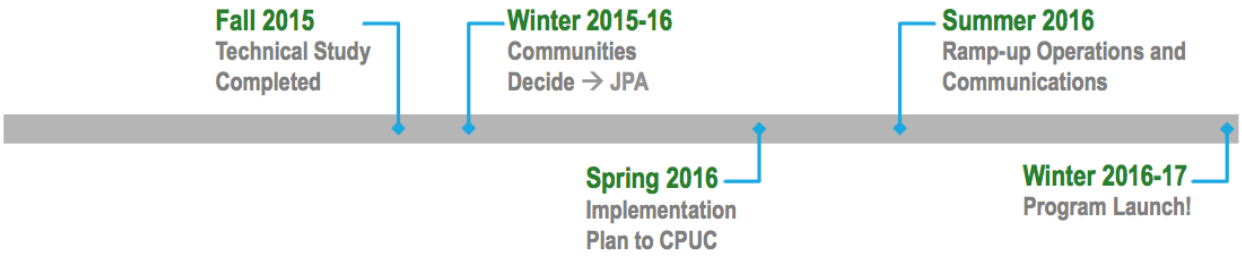
- **Risks and Sensitivity Analysis:** Sensitivity analyses were performed by PEA to examine the range of impacts that could result from changes in the assumed base case. The key variables examined are: 1) power and natural gas prices; 2) renewable energy prices; 3) low carbon energy prices; 4) PG&E rates; 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 main steps 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. 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, engaging all twelve agencies in this process. The results of this effort are embodied in the attached JPA Agreement **(Attachment D**). 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 "Silicon Valley Clean Energy Authority" build from those of the two existing 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 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)** - In the event that the CCE Program becomes operational, these Initial Costs paid by the Initial Participants 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 be procurement process not yield successful results (cleaner energy for rates at or below that of PG&E).

The Board of Directors is targeted to have its first meeting in April 2016.

- **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;
- Ratesetting 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, 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 determines 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**
  If authorized by agency's elected bodies to move forward into SVCCE's pre-launch activities, the partnership 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 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 costly 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 D: JPA Agreement, Exhibit E) anticipates these approaches, which will be assimilated into a next-phase Outreach Plan, should participation in the JPA be approved.

- **Ratesetting & Program Development: November 2016 – ongoing**
  As a California CCE, SVCCE would have independent ratesetting 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 done in advance of service commencement.

Sustainability Impact

Cupertino's Climate Action Plan identifies a suite of measures to achieve targeted emissions reductions for 2020 (20%), 2035 (50%) and 2050 (80%). This Plan specifically points to Community Choice Energy as the most impactful and cost-effective measure to achieve

these emissions targets for our community. Measure C-E-7 specifically identifies the formation of a Community Choice Energy program and defines a pathway to achieve this goal and associated emissions reductions. Upon launch, the SVCCEP will enable our agency to achieve 50 percent of its 2020 greenhouse gas emissions goals.

The decision to proceed with the Joint Powers Authority is exempt from environmental review because it involves organizational and administrative activities that will not result in any direct or indirect physical change to the environment. (CEQA Guidelines 15378(b)(5), 15061(b) (3).)

Fiscal Impact

The Technical Feasibility Study concludes that ~$2.9M would be needed to support the development of SVCCEP, 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.

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, and included here as Attachment D) with the remaining $900,000 financed through a bank line of credit or municipal term loan. Note that these initial can be recovered over a period time from the operating revenue of CCE program if launched.

Up to 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 from the other eight Initial Participants in lesser amounts.

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.

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. Should Scenario 2, which offers a modest 3% savings/year over PG&E rates, be achieved by the program, the City of Cupertino could save up to ~$24,000 on its annual electricity bills. Such rates would also allow the Cupertino Union School District to achieve ~$60,000 in annual savings. 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.

Prepared by: Erin Cooke, Assistant to the City Manager & Sustainability Manager
Approved for Submission by: David Brandt, City Manager

Attachments:

A. Technical Study Draft Report
B. Community Choice Energy Ordinance
C. Joint Powers Authority Resolution
D. Joint Powers Authority Agreement