

# City of Santa Clara

## Silicon Valley Power Strategic Planning Update

**August 21, 2018**

John Roukema—Chief Electric Utility Officer



### Agenda

- **Strategic Plan Update**
  - Policy and Strategic Issues
- **Operational Update**
  - Financial results
  - Load growth
  - Legislative and Regulatory Update
- **Near Term Council Decisions**
  - Viento Loco
  - Refinancing SVP 2008B Bonds
  - Rate Restructuring
- **Mid Term Council Decisions**



# Purpose of Study Session

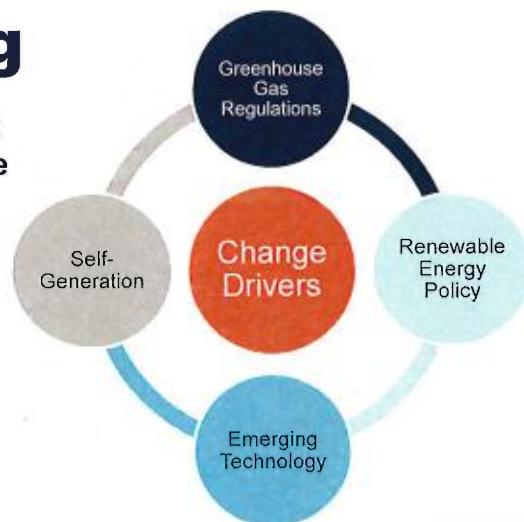
- Finalizing strategic plan for Council approval
- Improving communications is an important initiative
- This study session is the first in an ongoing series
  - Provide utility update
  - Discuss strategic and policy issues
  - Preview coming Council decisions



# Strategic Planning

SVP creating a strategic plan for the next 10 years to address challenges facing the utility.

- Changing energy mix
  - Resilience and sustainability
- Increased customer expectations
- Competitive workforce challenges
  - Attract and retain required expertise
- Cyber security
- Technology and innovation



# Mission, Vision, and Values

## MISSION

We are dedicated to our community, customers, and employees. We provide safe, reliable, affordable, and sustainable energy solutions with exceptional customer service.

## VISION

Innovating creative energy solutions with our customers to create a resilient and sustainable community.

## VALUES

Reliability	Safety	Customer Focus	Customer Value	Respect
Environmental Stewardship	Trust	Collaboration	Innovation	
Continuous Improvement	Partnership	Communication	Risk Management	

5



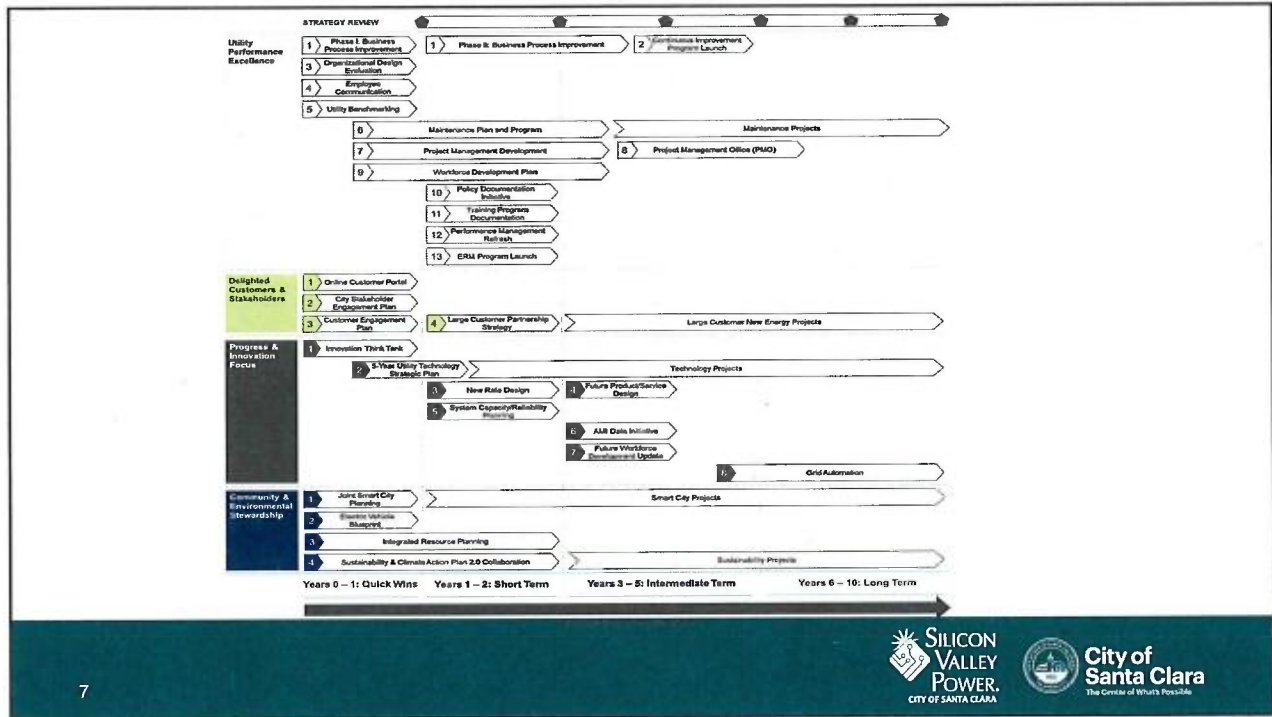
# Strategic Planning Initiative Areas

- Utility Performance Excellence
  - Workforce development and retention
- Customer Engagement and Satisfaction
  - Customer engagement plan
- Progress and innovation
  - Innovation center of excellence
  - Five year technology Plan
- Community and Environmental Stewardship
  - EV Blueprint, Climate Action Plan, Smart City Planning, Integrated Resource Plan



6





# Operational Update

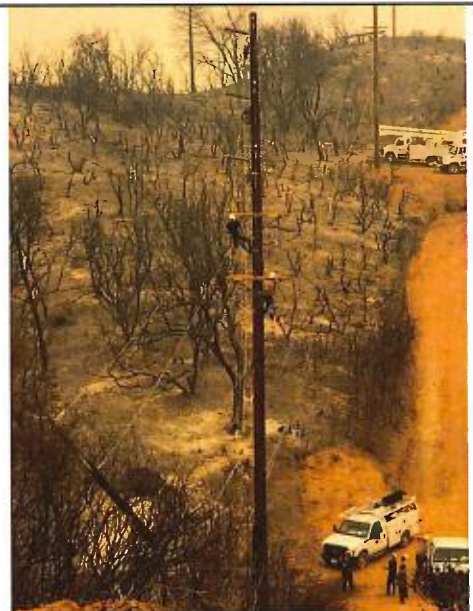
- Carr Fire mutual aid response in support of the City of Redding

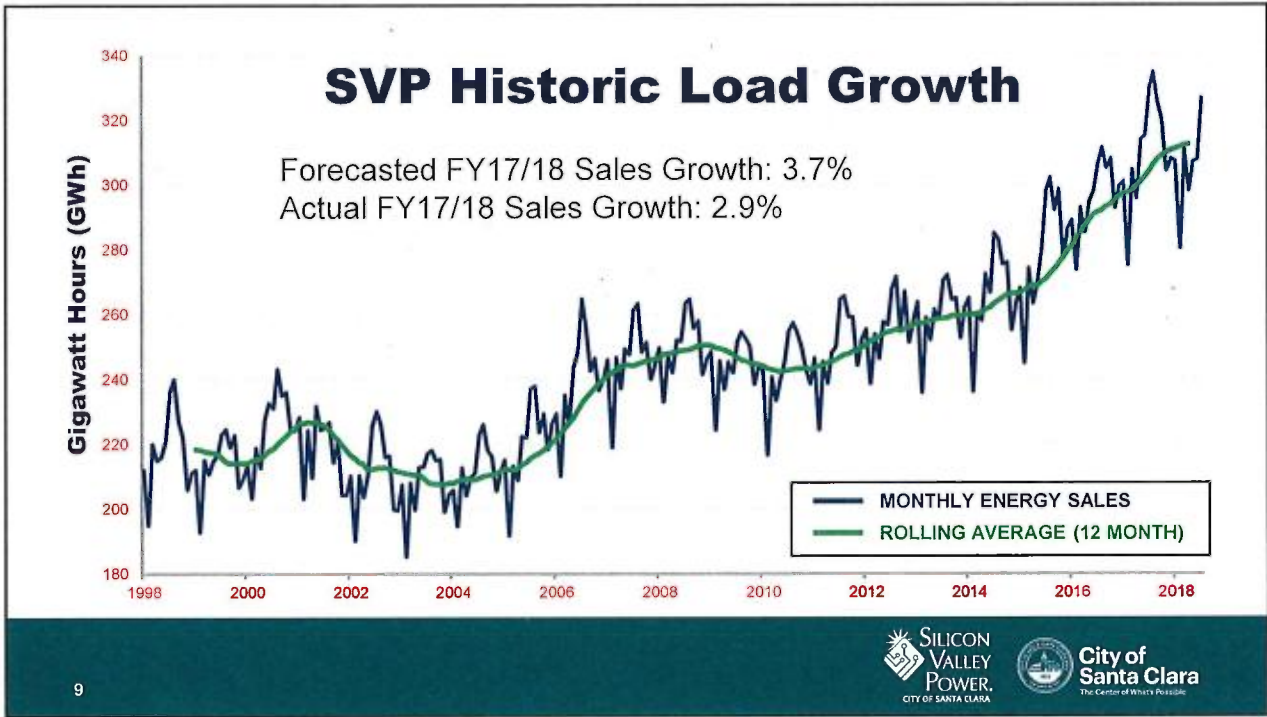
Employees:

- Matt Contreras
- Jesse Murrill
- Larry Orlando
- Chris Guerrero
- Matt Elliot
- Bulmaro Lopez
- Matt Savage
- Charles Bankston
- Bryant Roberts
- Lee Hostetler

Equipment:

- 2 Digger Derricks
- 2 Bucket Trucks
- 1 4x4 Crew truck
- 2 Foreman Trucks





## 2017-18 Electric Budget Summary

### Operating Summary

Fund	Revenues	Expenditures	Difference
091 - Electric Utility	\$ 348,980,862	\$ 348,909,878	\$ 70,983
191 - Electric Operating Grant Trust Fund	11,752,707	6,113,684	5,639,024
491 - Electric Debt Service	21,054,525	19,696,199	1,358,325
<b>Total</b>	<b>\$ 381,788,094</b>	<b>\$ 374,719,761</b>	<b>\$ 7,068,333</b>

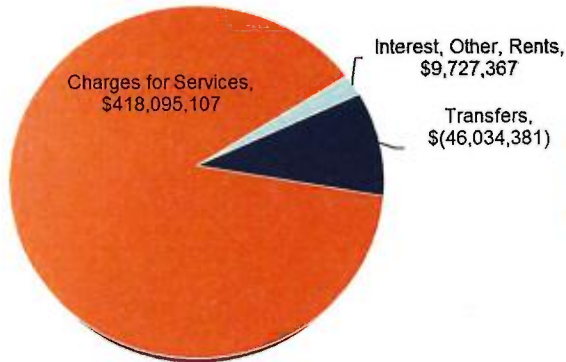
### Capital Summary

Fund	Carryforward	FY 2017-18 Budget	Expenditures	Unexpended Appropriations
534 - Street Lighting	\$ 6,328,873	\$ 5,415	\$ 790,248	\$ 5,544,040
591 - Electric Utility	65,000,824	57,368,667	25,723,576	\$ 96,645,915
<b>Total</b>	<b>\$ 71,329,697</b>	<b>\$ 57,374,083</b>	<b>\$ 26,513,824</b>	<b>\$ 102,189,956</b>

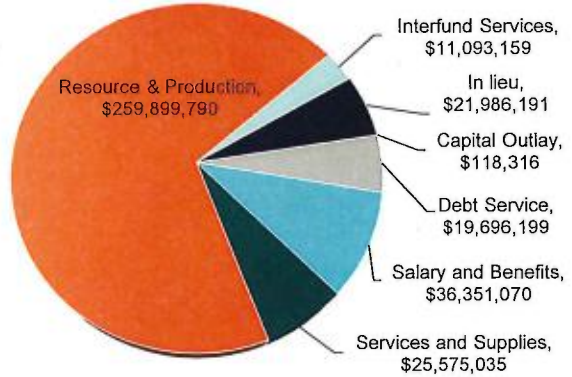
10

# 2017-18 Electric Operating

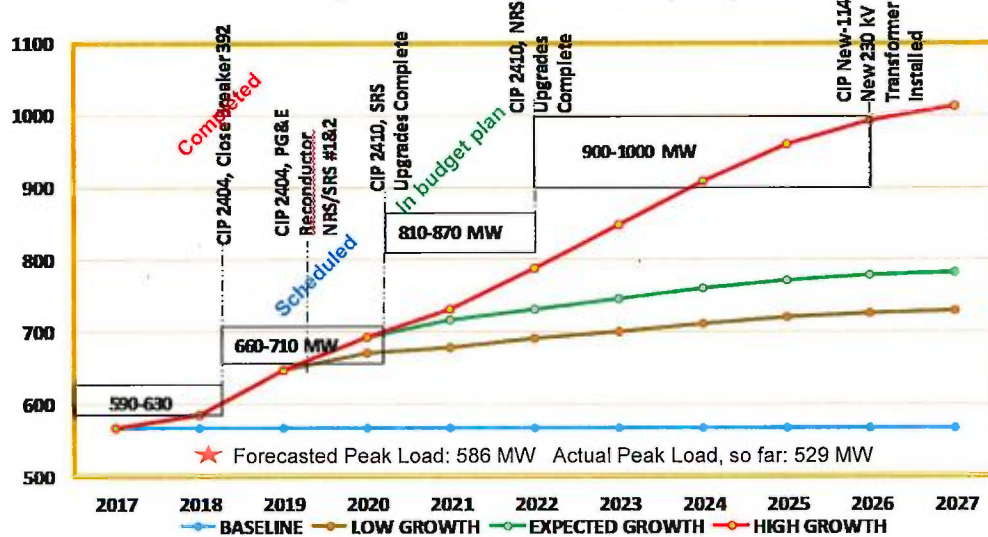
Revenue Summary



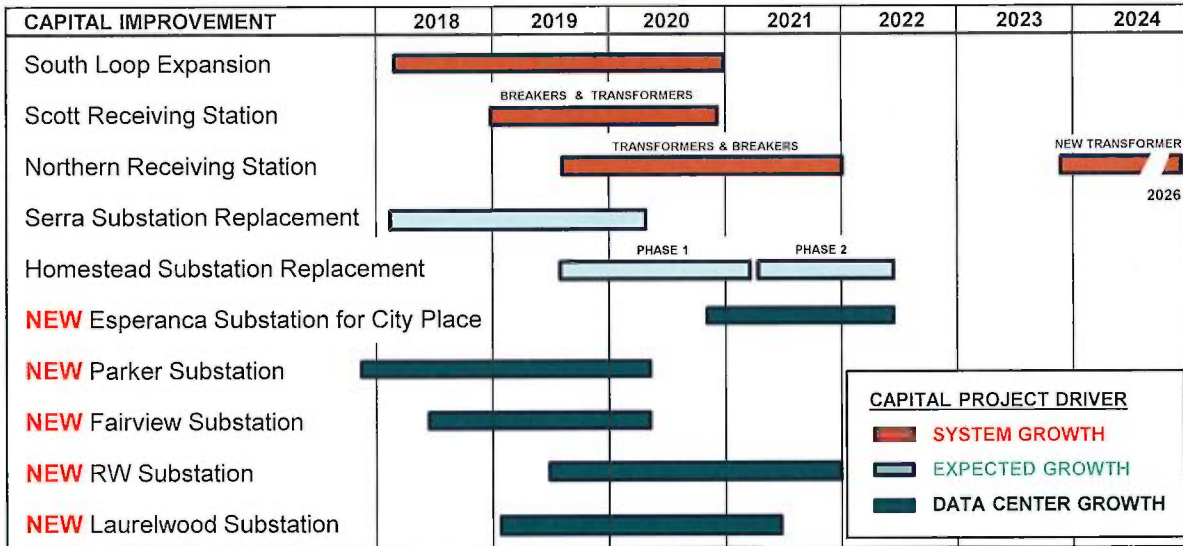
Expenditure Summary



Projected Annual Peak Load (MW)



# SVP Capital Projects



# Renewable Resource Procurement

## Diverse Portfolio

- Type
- Location
- Ownership

**LEGEND**

Wind

Solar

Geothermal

Hydroelectric

Landfill

Natural Gas

**SVP Jointly Owned Transmission Projects**

California-Oregon Transmission Project

Tesla-Midway Transmission Service

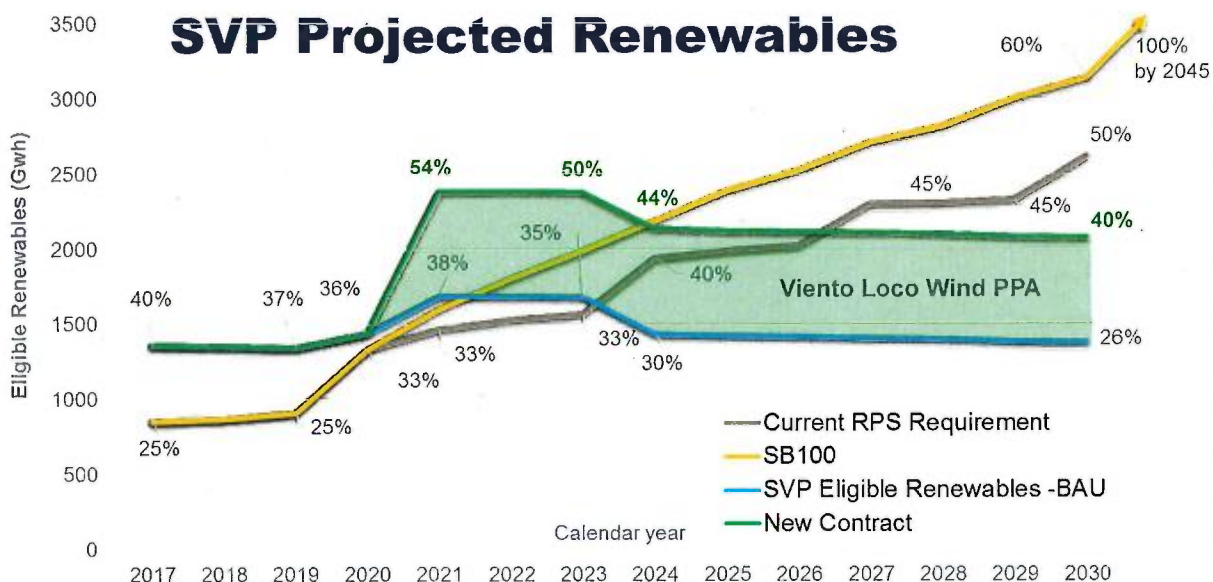


## SVP's Renewable Requirements

- SVP is required to be at 50% renewables by 2030
- SVP is currently at 39% renewables
- SB 100 is targeting to be at 100% zero carbon by 2045
- SVP is constantly evaluating long term renewable contract opportunities:
  - Some existing contracts are coming to end of term in 2024
  - Currently have 80 MW of California Wind and Solar coming on line in 2021. Additional 200 MW New Mexico Wind Farm. Will be coming to Council for approval soon.
- **Residential use is being served 100% carbon free in 2018.**



15



16





# Legislative Update

## SVP tracking 161 Energy Bills

- Working with state municipal electric utilities
  - Northern California Power Agency (NCPA)
  - California Municipal Utilities Association (CMUA)
- Wild Fire Legislation
  - Insurance Pool, Forest Management, Utility liability/Inverse Condemnation, Jurisdiction
- SB100 (de Leon) 100% carbon free by 2045
  - SVP is well positioned to meet the increased RPS Target of 60% by 2030 (old target is 50%)
  - CMUA working on amendments regarding stranded assets and large hydro.



17



# Legislative Update

- AB 813 Regionalization
  - Lacks details that protect California Consumers
  - Exposure to Federal pre-emption of California Energy and Environmental Policies
  - Regional market solutions exist today with the Energy Imbalance Market
- Legislation impacting Local Control
  - 15 different bills mandating specific energy acquisitions such as geothermal, biomass, wind, green hydrogen, biomethane, etc. regardless if a utility is already fully resourced
  - SB 237 – Direct Energy Transactions (Direct Access)
  - SB64 – Duplicative reporting requirements for natural gas generation plants



18



# Regulatory Update

- Climate Adaptation and Resiliency Planning focus increasing
- Wild Fires Requirements
  - Governing Board to determine the risk of Utility Assets (in a high fire area)
    - Create a Wildfire Mitigation Plan
  - SVP has hydroelectric facilities and properties in the Plumas, Tehama and Glenn Solano, Alameda, Lassen and Sierra Counties
  - Two hydroelectric facilities and the property near Loyalton are in Threat Areas
    - 2018 California Public Utilities Commission Fire Map
  - Will bring recommendations to the City Council for action

19



# Regulatory Update

- Low Carbon Fuel Standard (LCFS) Program
  - SVP receives credits/funding due to electric vehicle charging
  - California Air Resources Board proposing rules
    - Take LCFS funds for direct point of sale rebate
    - State will market and administer the rebate to dealerships on behalf of the utilities, like SVP.
  - Proposed compromise:
    - 20% of SVP credits to statewide program
    - Local rebates branded to SVP

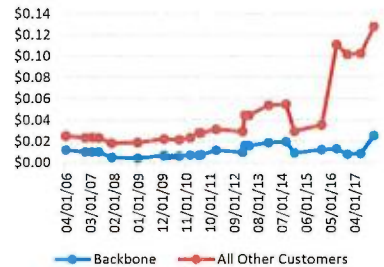
20



# Regulatory Update

- **Natural Gas Transmission Rates**
  - PG&E files rate cases with CPUC on 3 year Cycle
  - SVP intervenes as a large gas user on behalf of our customers
    - Three SVP and three NCPA power plants use natural gas
  - Work as part of Northern California Gas Coalition (NCGC)
    - SVP, NCPA, Redding, MID, TID, and Roseville

PG&E Gas Transportation  
Rate LT system vs. Backbone  
System



21



# Near Term Council Decisions

- **Viento Loco Wind Energy**
  - Power Purchase Agreement
- **Refinancing SVP 2008B Bonds**
  - Letter of Credit and Reimbursement extension
  - Refinancing resolution
- **Rate Restructuring**
  - New proposed rate tariffs

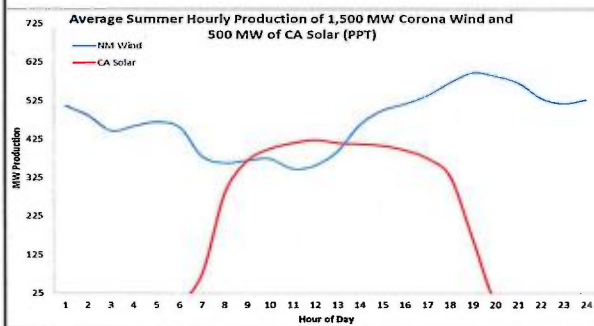
22



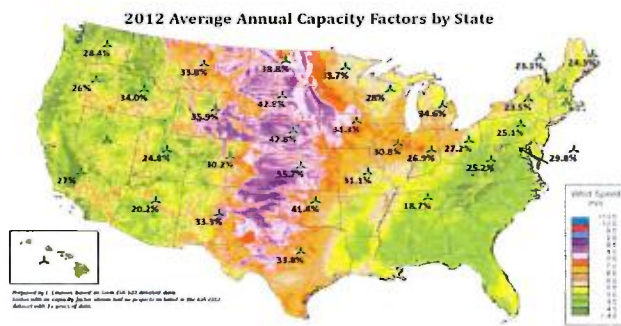
# Viento Loco Wind Energy Purchase

- 200 MW New Mexico Wind Resource
  - Interconnection into the California Independent System Operator (CAISO)
  - New Mexico Wind has a higher capacity factor (CA 27% vs. NM 33%)
  - NM Wind Profile Ramps Up in Critical Evening Hours
    - Compliments solar resources
- Twenty year term
  - About \$30M

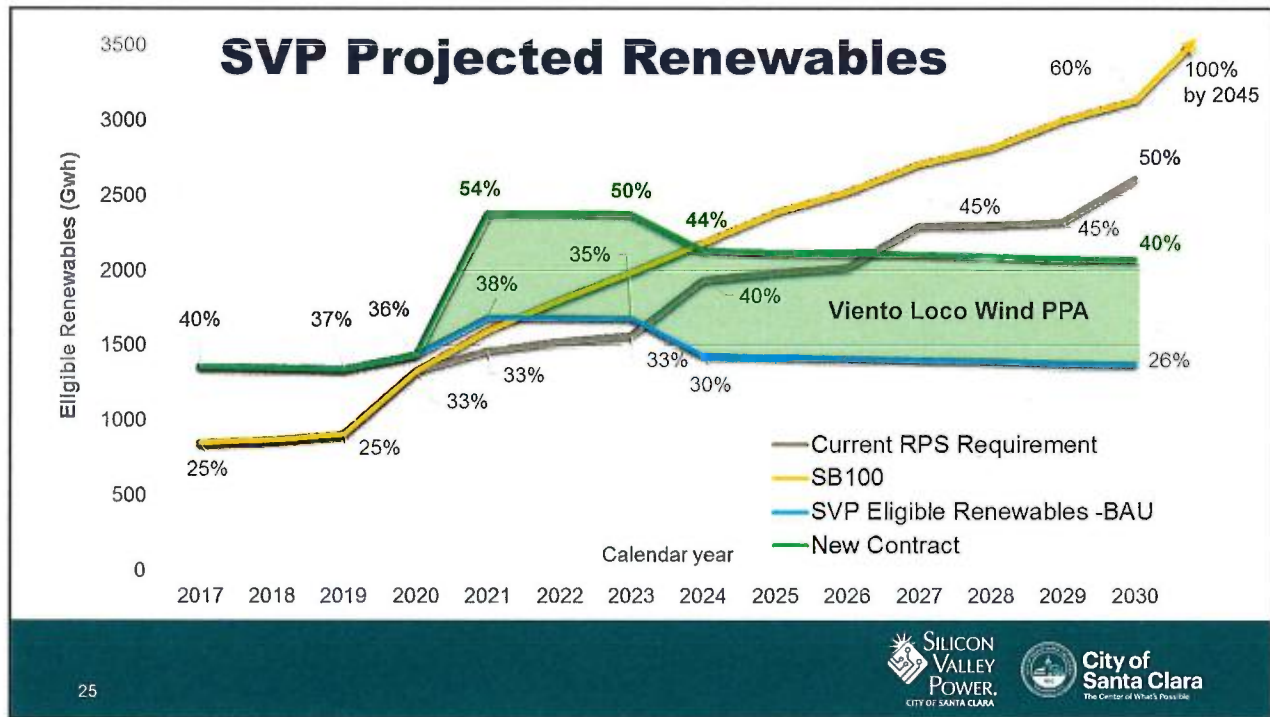
# Viento Loco Wind Energy Purchase



New Mexico wind compliments California Solar



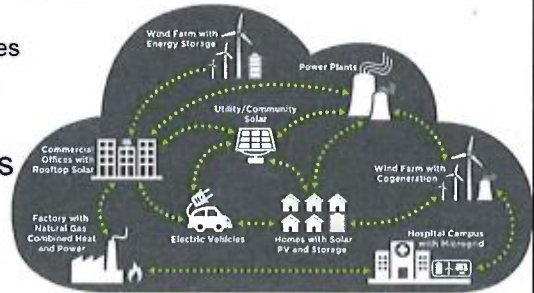
New Mexico Resource Among Best in the Country



- ## Refinancing SVP 2008B Bonds
- SVP participated in two refinancings at Joint Power Agencies
    - MSR: Expected average annual cash flow savings to SVP ~ \$450,000
    - NCPA: Expected average annual cash flow savings to SVP ~ \$490,000
  - SVP 2008B Variable Rate Demand Bonds
    - Terminate rate swap eliminating associated risk
    - Reduces variable rate risk and daily administrative burdens and costs
    - Taking advantage of high demand for quality California municipal bonds
    - Savings are modest, but positive; Value is in the risk reduction
  - Extend an Letter of Credit which terminates in the end of October
  - Expect to seek Council resolution and approvals in October
- 26
-

# Large Customer Rate Options

- Utility and Customer relationship is changing
  - More interactive
    - changeable loads / more variable market prices
    - on-site generation
  - Aligning energy purchases to corporate goals
- Largest Customers seek variety of rates
  - Partner together in energy markets and actively controlling load or demand to benefit the system
  - Green tariff option
- Shift from tailored contracts to rate schedules
- Will be coming to Council with new rate options



27



City of Santa Clara  
The Center of What's Possible.

# Mid Term Council Decisions

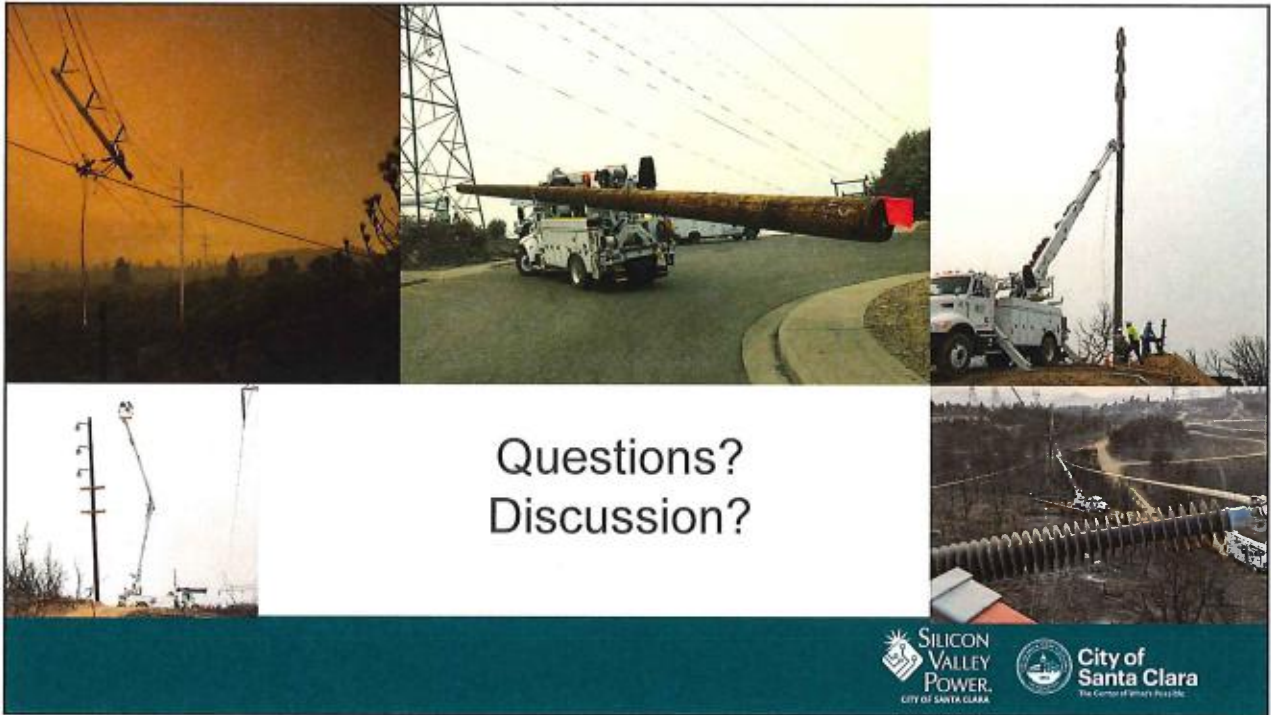
- Rate adjustments
  - 2% increase January 1 included in budget projections
- Approval of Strategic Plan
- Approval of Integrated Resource Plan
- Utilities Administration Building funding



28



City of Santa Clara  
The Center of What's Possible.



Questions?  
Discussion?



City of  
Santa Clara  
The Center of Smart Progress.