

City of Santa Clara

Silicon Valley Power Strategic Planning Update

March 27, 2018

John Roukema—Chief Electric Utility Officer



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Agenda

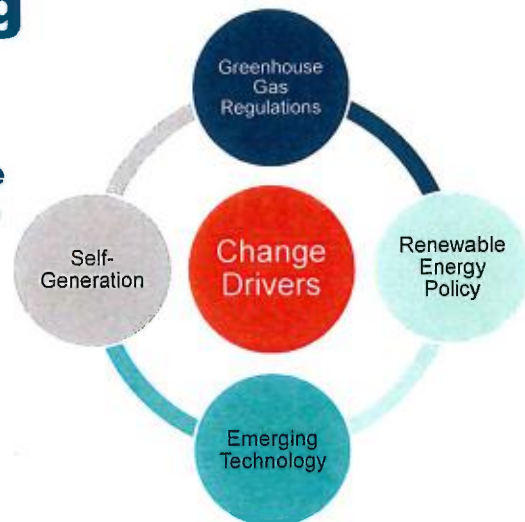
- Strategic Planning Project Overview
- Load Growth and System Capacity
 - Expansion Plan & Infrastructure Reinvestments
- Renewable Resource Procurement
 - New Mexico Wind Project
- City Hall Complex Review



Strategic Planning Project Overview

SVP recently launched a project to define the strategic plan for the next 10 years to address challenges facing the utility.

- Technology and innovation
- Changing energy mix
- Increased customer expectations
- Workforce challenges



3



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Central Focus on Engagement

Navigant Consulting, Inc. (Navigant) was selected to partner with SVP on this project. A central aspect of Navigant's approach is active and continuous engagement with the Santa Clara community.

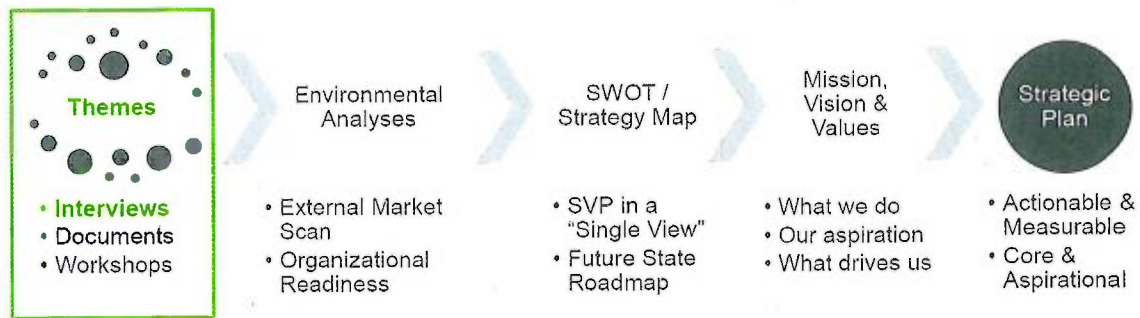
- 1 • Identify and integrate the views of key stakeholders into long-range planning
- 2 • Comprehensively assess the internal and external environment in which the Utility operates
- 3 • Confirm the Vision, Mission, and Values of SVP
- 4 • Design implementation and performance management plans associated with the strategic plan
- 5 • Ensure ongoing communication with key stakeholders across the strategic planning period

4



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Project Status - Themes



5



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Stakeholder Input & Feedback

We are working to understand the current state and discuss the transition to a desired future state.

CURRENT STATE

- Rates & reliability
- Customer service
- What is going well today
- What could be improved

FUTURE STATE

- Mission, Vision, and Values
- New services
- Sustainability & renewable energy
- Community development

6



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Interviews and Main Themes

Navigant completed 26 interviews with a wide array of SVP and external stakeholders. Interviewees included:

- Strategic Planning Steering Committee
- Strategic Plan Core Team
- Additional SVP Staff
- City Council
- City Manager and Staff
- City Department Staff
- Multiple customer groups

The strategic planning process will incorporate additional stakeholder feedback to refine our Mission and setting our collective vision

Navigant distilled interview information into 11 main themes:



7



Project Status Environmental Analyses

TODAY



THIS SUMMER

SWOT / Strategy Map

- SVP in a "Single View"
- Future State Roadmap

Mission, Vision & Values

- What we do
- Our aspiration
- What drives us

Strategic Plan

- Actionable & Measurable
- Core & Aspirational

8



Preliminary Assessment Findings



Organization

- Target Operating Model/Organizational Structure
- Innovation "Center of Excellence" Opportunity
- Organizational Communication (Internal)

Processes

- Targeted Business Process Improvement
- Continuous Improvement Program Framework
- Program Management
- Policy, Protocol, and Decision-Making

People

- Span of Control and Career Paths
- Role Assessment and Job Descriptions
- Training Programs

Performance

- Performance Management Program
- Corporate Metrics and Reporting
- Stakeholder Outreach and Communication
- IT/Technology Strategic Plan

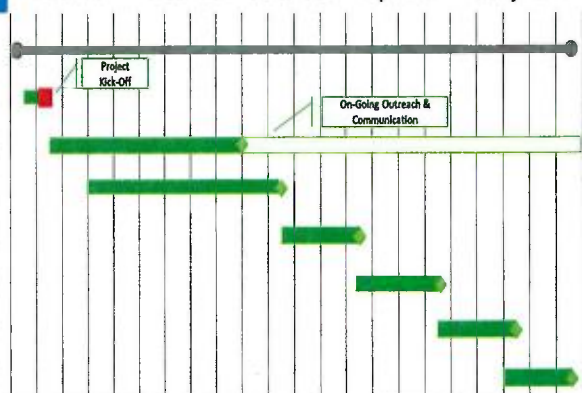
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Schedule & Next Steps

Strategic Planning Activities (week beginning)

Jan 18 Feb 18 Mar 18 Apr 18 May 18

- Strategic Planning
- Project Mobilization
- Lead Facilitation & Gather Stakeholder Input
- Identify Emerging Issues Over the Planning Horizon
- Perform SWOT & Readiness Assessment
- Refine Vision, Mission & Values
- Develop Performance Management & Implementation Plan
- Create Monitoring & Communication Plan



10

Silicon Valley Power Load Growth and System Capacity



Question: What City has the higher power demand per square mile?

Bonus Question: How much more is the power demand?



11



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SVP's Projected Growth & Capacity

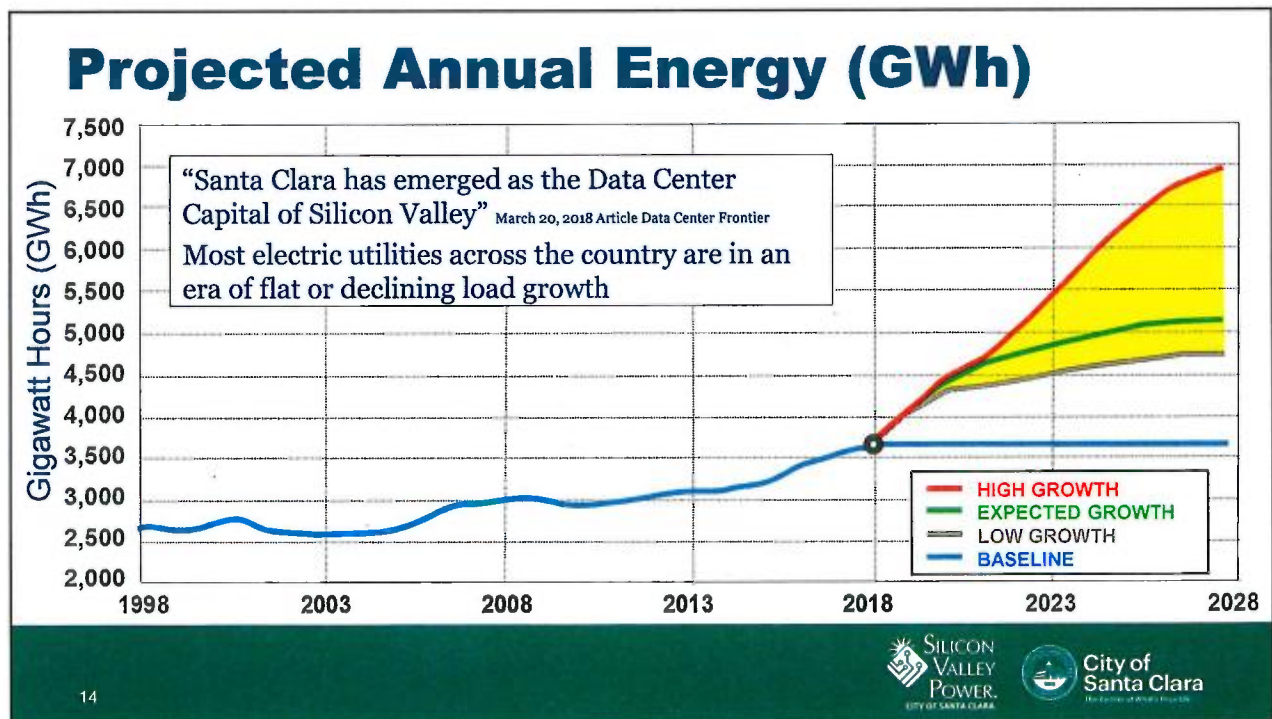
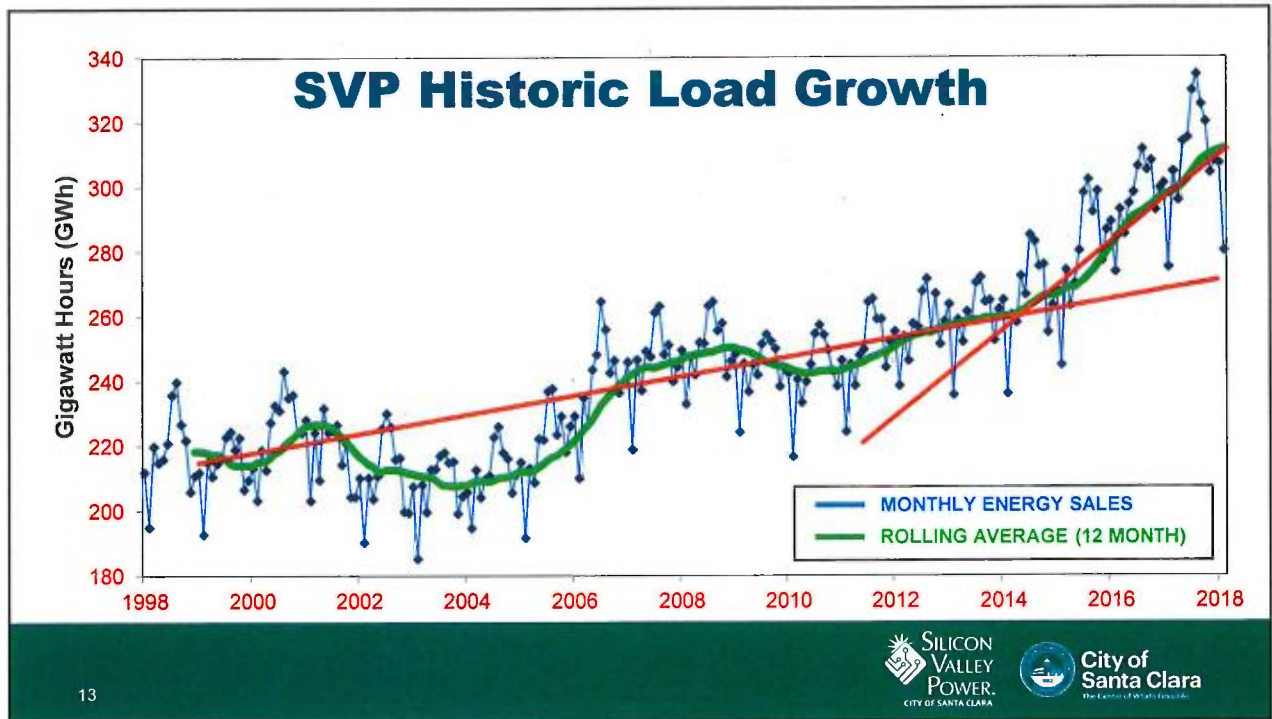
- Load Growth Has Been Averaging up to 5% per Year
- Set System New Peak Load on 9/1/17: 586 MW
- Four New or Expanded Substations: 215 MW
 - More Data Centers still requesting connections
- City Place Esperanza Substation: 60 MW
- Basic business approach:
 - New load pays upfront for required system improvements
 - New load pays for additional variable costs and contributes toward fixed costs through rates

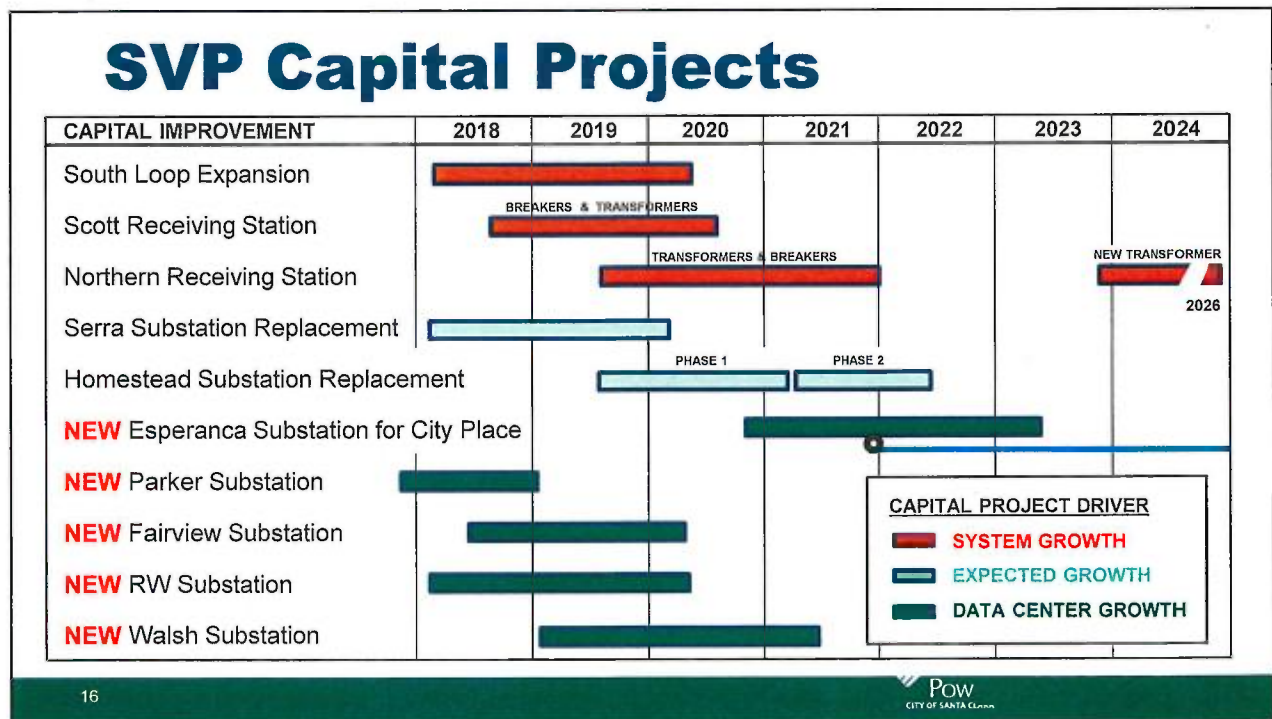
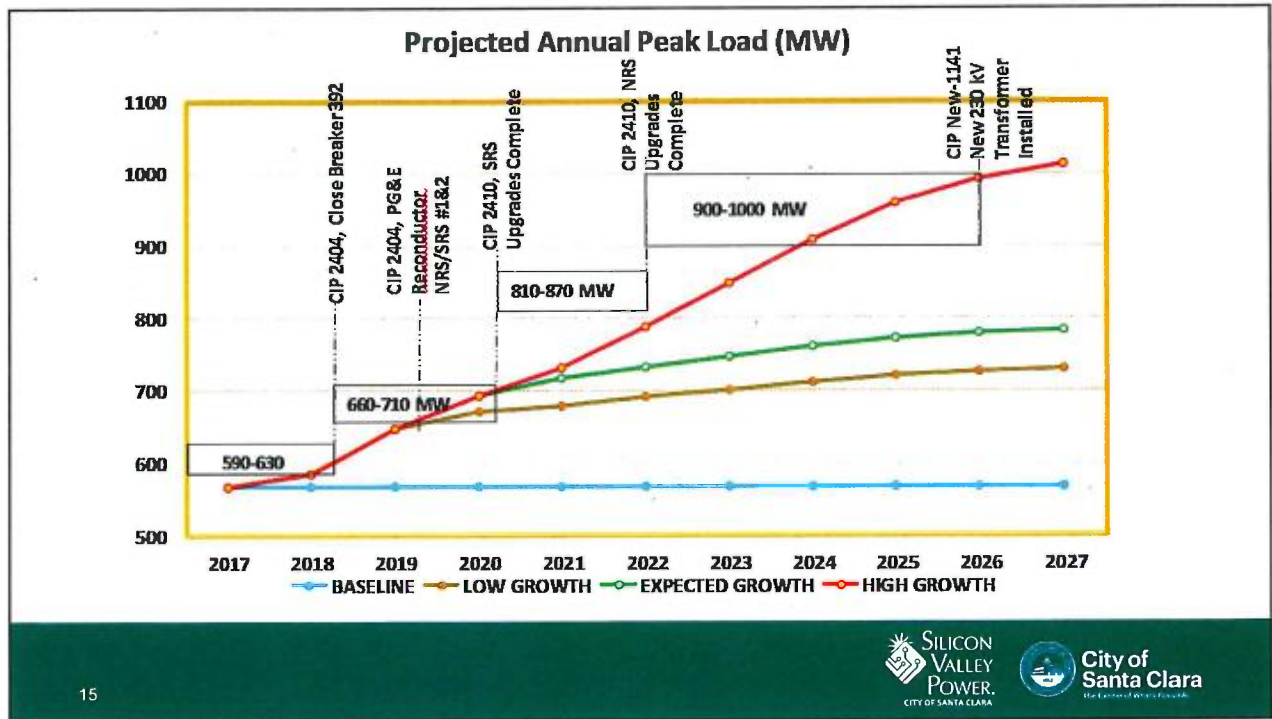


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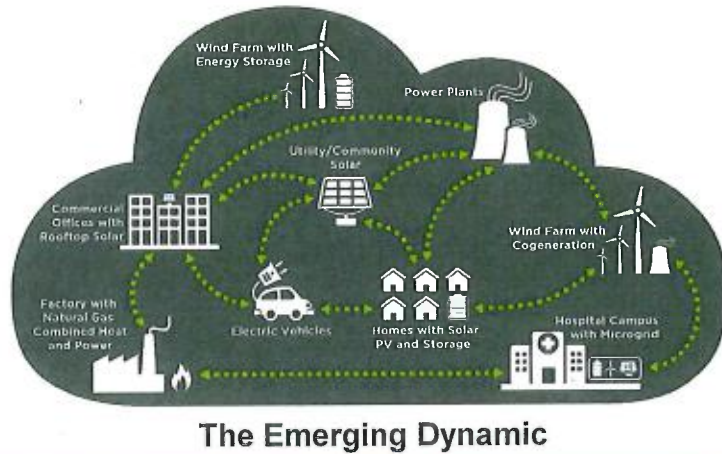


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Changing Customer Relationship



17



Changing Customer Relationship

- Customers are asking for more variety of rate structures
 - Needs vary with self-generation/standby, time of use, renewables desired, electric vehicle charging, etc.
- Rates should reflect cost of providing services
 - High proportion of SVP's fixed cost are recovered in variable energy rates.
 - Need to rebalance rate structures for health of utility
- Will be proposing to Council for consideration
 - System Capacity fee for new load
 - Rate structure redesign

18



Renewable Resource Procurement

Diverse Portfolio

- Type
- Location
- Ownership

LEGEND



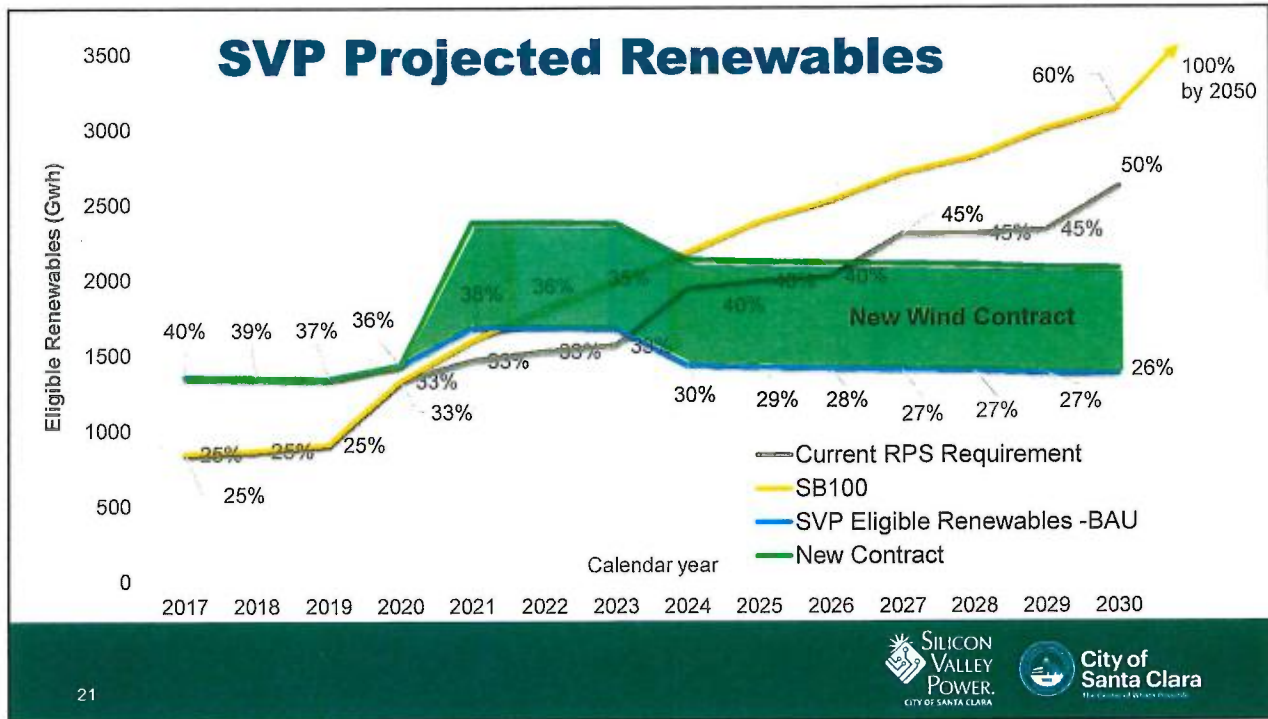
19

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% by 2050
- SVP is constantly evaluating long term renewable contract opportunities:
 - Some existing contracts are coming to end of term
 - Currently evaluating 150 MW New Mexico Wind Farm which will be commercial in 2021. Will be coming to Council for approval soon.
- Residential use is being served 100% carbon free in 2018.



20



Existing City Hall Site

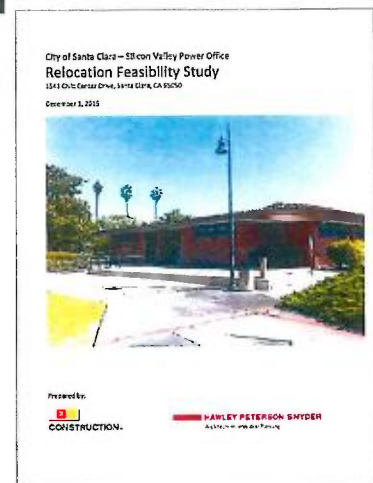
- City has limited space in existing City Hall Buildings – Since 2007, SVP has grown 29.2% (42 positions) and the City as a whole has grown 8.4% (86 positions)
- SVP has rented office space for nearly 20 years – Cost benefit analysis needed to determine the use of public funds for renting in a high economy vs investing in our land/facilities
- SVP Staff Located at Multiple Locations
 - City Hall
 - 881 and 705 Martin
 - Yards and Field Facilities
- Collaboration will be required to meet objectives of the Strategic Plan – Facilities and a more centralized workforce is needed to help meet future objectives



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Previous Council Action

- Multiple Council actions to begin a funding strategy for SVP facilities, but delays have occurred
- In 2007, Council approved capital budget to explore the design of a new utility building
- Capital Project originally established with \$200,000 funding to explore a City/SVP “Green Building”
- Project description - “needed office space for City/SVP Employees” and “potential shared uses”
- Project was placed on hold due to budget/fiscal constraints caused by the economic downturn
- Completed Relocation Feasibility Study (2015) – No Council review



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Relocation Feasibility Study

Performed Space Needs Assessment

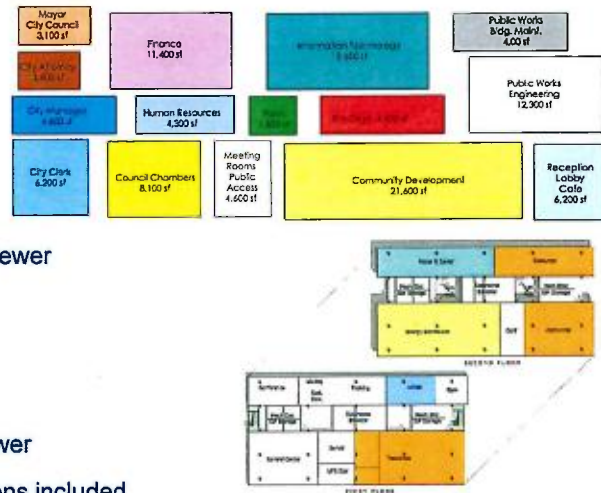
- Hawley Peterson Snyder (HPS)

Existing Civic Center Site

- 95,600 Square feet,
 - Not including old Police Building
 - Includes ~12,000 for SVP, Water and Sewer
- SVP leasing 33,000 square feet

Anticipated needs

- 110,000 sq. ft., Not including utilities
- 40,000 to 50,000 sq. ft., SVP, Water and Sewer
 - Depending on Control and other functions included



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Recent Council Actions

- During the Budget Process in FY16/17, the Preliminary Design Phase was started and the CIP 2126 funding was increased to \$25,700,835.
- During Budget Study Sessions and Infrastructure Update Sessions, utilizing land sales (Reed Street and Loyalton) have been discussed to help finance the Utilities Building
- Staff desires to begin exploring strategy for building and funding new SVP facilities



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Potential Alternative

We want to begin a discussion as we advance the Strategic Plan completion to integrate these two efforts.

Construct Utility Building on Civic Center site

- Frees City Hall space for other departments
- Supports phased reconstruction of City Hall in future
- Fund partially from sale of land

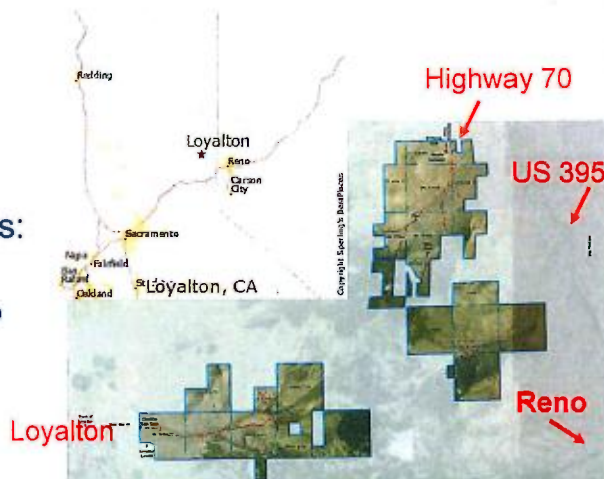
Threshold Questions / Issues

- Is City Hall Complex going to remain on current site?
- How do we Engage the Community?
- Funding from Sale of Property (Reed Street & Loyalton?)



Loyalton Overview

- Acquired in 1977 for \$1,613,850
 - Electric utility funds
 - Potential geothermal development
- 10,310 acres
- Property is broken up into 3 sections:
 - Main Ranch Section
 - Access from highway 70 near Reno Junction
 - A section near Loyalton California
 - A landlocked section



Next Steps

Start Working Threshold Questions / Issues

- Is City Hall Complex going to remain on current site?
- How do we Engage the Community?
- Funding (Reed Street & Loyalton?) – Do we sell property to help establish budget and funding needs as a previous City Council had contemplated?
- Does Loyalton property have other value to City?

29



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