



Agenda Report

21-1487

Agenda Date: 11/16/2021

REPORT TO COUNCIL

SUBJECT

Action on a Resolution Establishing Silicon Valley Power (SVP) Large Customer Renewable Energy (LCRE) Program - A Voluntary Program for Large Customers to Purchase Additional Renewable Energy Above the Amount of Renewable Energy Already Required in SVP's Energy Delivery Portfolio

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

The City of Santa Clara's electric utility, Silicon Valley Power (SVP) maintains a portfolio of energy supplies that collectively assure economic and reliable electric service to all customers. Per Senate Bill 100, SVP has an escalating annual Renewable Portfolio Standard (RPS) compliance requirement to add California eligible renewable energy (RE) as a percentage of the retail sales mix. The current requirement for compliance year 2021 is 36 percent, escalating to 60 percent in 2030 and beyond.

Since 2004, SVP has offered the voluntary Santa Clara Green Power (SCGP) program to residential and commercial customers who want to offset their electric usage with 100 percent renewable energy credits (RECs). The SCGP program relies on the use of independently validated Green-e qualified RECs that are separate or unbundled from the energy delivered and do not impact California greenhouse gas (GHG) emissions reduction goals. SVP is retiring the residential SCGP program at the end of the calendar year 2021.

In recent years, SVP received inquiries from a number of large customers (as defined below) that wish either for SVP to provide additional RE, or for customers to provide their own additional RE. Customers were losing interest in unbundled REC offsets from the SCGP and preferred a RE product that was directly tied to emissions reductions in California. This additional RE would be generated from specified eligible renewable projects in California or delivered into California - a bundled RE product to meet the customer's higher corporate renewable and sustainability goals. This type of RECs is known as Portfolio Content Category 1 (PCC1) which is specified in Section 3023 (a) of California Code of Regulations, Title 20, Division 2, Chapter 13.

DISCUSSION

Staff started working on a new program in February of 2020 and took a comprehensive approach to address the complexities of developing and implementing a new program that not only met all the regulatory requirements, but also to design a program customers would want to participate in. Following 16 months of in-depth conversations with several customers and regulatory agencies, SVP is proposing that the City Council establish the Large Customer Renewable Energy (LCRE) Program. The LCRE Program is a voluntary program available to large customers with demands over 3,000 kilowatts per month, or with billing demands over 1,000 kilowatts per month and enrolled in SVP's

Green Program as of October 1, 2021. Typical land uses that meet these criteria are data centers, manufacturing, R&D, and Class A office space. There are two LCRE options available:

1. Option A, SVP will procure supplemental RE on customers' behalf; and
2. Option B, customers can procure supplemental RE directly by either developing their own RE facility or obtaining RE from a third party. If customers choose to provide their own RE, SVP will purchase this supplemental RE from customers and sell such energy to customers for its energy usage in City.

Option A

Under Option A, SVP procures supplemental RE for customers as a percentage of their monthly energy consumption for a one (1) calendar year (Program Year) subscription term. SVP will post the contract price, which includes the cost of PCC1 RECs and the Program administrative fee, during an open enrollment period. Program participants must remain in the program during the Program Year. In each following Program Year participants will be automatically re-enrolled unless participants submit written termination request to SVP during the open enrollment period. Under Option A, the customer's payment obligations include charges under the customer's otherwise applicable rate schedule, the cost of RECs associated with the supplemental RE delivered by SVP and the Program administration fee.

Option B

Under Option B, customers will be responsible for securing their own RE power resources and offering the energy from such resources into the CAISO market for energy payment. SVP and the customer will enter into a five (5) year or ten (10) year agreement wherein SVP will purchase this RE from the customer at a mutually agreed price and sell such energy back to customer at the same price. This exchange is necessary so that SVP and customer can document, trace, and retire RECs related to customer's SVP energy usage.

Due to the complexity of the structure and to limit administrative costs, the magnitude of which is not fully known at this time, participation is initially limited to eight (8) customers, on a first come, first served basis. Customer's payment obligations under Option B include charges under customer's otherwise applicable rate schedule and the Program administrative fee. Customer will receive a credit for the market value of the RECs included in SVP's energy deliveries to customer only if SVP is able to exclude customer's energy usage from SVP's retail sales in determining renewable energy delivery obligation under Section 3024 (b) (9) of California Code of Regulations, Title 20, Division 2, Chapter 13.

Typical Cost for Program

Prior experience and review of similar programs indicate that customer's cost will increase above their current applicable rate schedule in the range of \$0.013 to \$0.025 per kiloWatt-hour (kWh) of electricity procured. This will vary from year to year depending on market conditions and demand, number of participants, and customer's ability to self-procure California eligible renewable energy under Option B.

Implementation Schedule

If Council approves the Resolution, then SVP will have an inaugural open enrollment period from December 2021 through March 2022. Deliveries under the LCRE Program would begin on July 1, 2022. Future open enrollment periods would be in September of the given year for deliveries starting

the following January 1st.

Delegation of Authority

Staff is proposing that the City Council delegate authority to the City Manager, or designee, to revise Program procedures as necessary to assure effective Program operation, and to execute on behalf of City all LCRE Program-related agreements, including but not limited to, any RE-related commodity contract or credit enhancement document, for up to 10 years in length, because 1) timely execution of LCRE Program-related agreements by SVP is important to Program participants and RE suppliers, 2) the long term agreements between SVP and customers (a sleeved PPA structure under Option B) has minimal financial risk for both the City and other SVP customers. Additional staff support may be required, as the LCRE Program will require significant additional staff time for resource procurement, managing, tracking, and reconciling participants' energy usage, and monthly billing calculations. This staff expense will become part of the LCRE program administrative cost which will be allocated to Program participants. Request for additional specific staff positions will be made during the budget process.

Future Climate Action Plan Requirements

As part of the discussion on the Climate Action Plan, the City Council is considering a requirement that all new Data Centers in the City be Carbon Neutral. If this requirement is included and adopted by Council, an option could be that future Data Centers be required to participate in the LCRE program or similar successor program.

Sustainability and Power Content Label

Introduction of the LCRE Program will assist SVP's large customers to accelerate their corporate renewable and sustainability goals and link the GHG emissions directly to the customer's Santa Clara facilities. Renewable energy provided under the LCRE Program will augment the renewable energy reported in SVP's power content labels that would otherwise appear as unspecified market purchases of energy.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15273 in that it is an approval of a change in rate that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

LCRE Program participants pay standard full-service retail rates under their applicable rate schedules, as well as costs associated with the additional RE they will receive from the Program. The cost of administering the LCRE Program will be fully funded by participating customers. Therefore, there is no net fiscal impact on SVP or any of its other customers.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City

Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Adopt a Resolution of the City of Santa Clara establishing Silicon Valley Power Large Customer Renewable Energy Program to allow large customers to purchase additional Renewable Energy above the amount of Renewable Energy already required in Silicon Valley Power's Energy Delivery Portfolio to be effective January 1, 2022; and
2. Delegate authority to the City Manager, or designee, to revise Program procedures as necessary to assure effective Program operation, make adjustments to the Program language on the forms and agreements as needed or as regulatory conditions change, and to execute on behalf of City all Large Customer Renewable Energy Program-related agreements.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution Establishing Large Customer Renewable Energy (LCRE) Program
2. Large Customer Renewable Energy (LCRE) Program to be Effective January 1, 2022
3. Initial Open Enrollment and Participation Procedure
4. Sample Large Customer Renewable Energy (LCRE) Program Customer Agreement (for Option A)
5. Sample Large Customer Renewable Energy (LCRE) Program Standard Form of Customer Agreement (for Option B)