CECAC MEETING

9/17/2020

SAN JOSE CLEAN ENERGY

A Program of the City of San José

AGENDA

- 2021 Power Mix and Rates Recommendation - (Action) – 20 min
- DAC Green Tariff - (Action) –10 min
- Direct Renewables: Green Tariff Program - (Discussion) – 10 min

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2021 POWER MIX AND RATES

Options considered:

1. Meet Climate Smart goal: 45% RPS; 100% carbon-free
   - 1% discount
2. No additional carbon-free procurement: 45% RPS
   - 1% discount
3. **Lower RPS GreenSource; no additional carbon-free purchases**

40% RPS, 53% carbon-free (+ PG&E allocation TBD)

- **1% discount for CARE/FERA, 0.25% for others (with flexibility to price at 0-1% discount for others, based on PCIA outcome)**

4. Lower RPS GreenSource; launch “middle” TotalTeal product
   - GreenSource @ 1% discount; TotalTeal at 5-7% premium
   - Option rejected

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CY2021 PCIA UNCERTAINTY

- PCIA likely to change on Jan 1st or later (currently ~$33/MWh). Possibilities include:
  - $47/MWh per PG&E's July Application (next update 11/20; SJCE's forecast)
  - $38/MWh. If the CPUC raises the 2020 capped rate by only $5/MWh, the capped increase.
    - *+$36M Net Income vs the current forecast*
  - $56/MWh. If the CPUC rules that the PUBA under-collection should be paid to $0 by end of 2021
    - *-$36M Net Income vs the current forecast*

- Other local CCAs have a range of estimates for 2021 PCIA
  - ($36-$45/MWh)

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CY 2021 PCIA COMPARED TO 2020 PCIA

Impacts on 2021 SJCE revenue relative to CY 2020 (PCIA = $33)

2021 PCIA ($/MWh)	2021 SJCE revenue reduction ($M)	Note
47	56	SJCE forecast
38	20	2020 capped + $5/MWh cap
56	92	SJCE forecast + full PUBA repaid

CCA APPROACHES TO PCIA INCREASE

1. Set rates higher than PG&E
2. Use reserves
3. Benchmark on renewable instead of carbon-free content
4. Lower renewable and carbon content

SJCE recommends using options 2-4

SJCE doesn't recommend option 1 at this time due to COVID impacts

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CURRENT CCA BASE PRODUCTS

CCA	Base Product	% Renewable	% Carbon-free	Anticipated pricing relative to PG&E 2021
SJCE	**GreenSource**	**40%**	**53%**	**-1%**
East Bay Community Energy	Bright Choice	39.5%	49.5-54.5%	-1%
Clean Power Alliance	Lean	40%	Not advertised (50% last year)	-1-2%
Clean Power SF	Green	50%	Not advertised (96% last year)	-1%
Peninsula Clean Energy	ECOplus	50%	95%	-5%
Silicon Valley Clean Energy	Green Start	50%	Not advertised (100% last year)	-4%
Central Coast Community Energy	3C Choice	35%	66%	-2%
MCE	Light Green	60%	Not advertised	+3%
Sonoma Clean Power	Clean Start	50%	97%	+6%

PCIA ADVOCACY UNDERWAY FOR BETTER OUTCOMES

- Increased transparency to understand costs
  - AB 2689 (Kalra) next session; standard reporting templates from IOUs to streamline auditing of cost data
- Allocation of PCIA resources (RA, GHG-free)
- Longer amortization period of PUBA to reduce PCIA volatility
  - PUBA is cap-caused undercollection. Exploring multiyear amortization/balancing accounts to smooth year to year PCIA movement.
- Expanding coalition beyond CCAs

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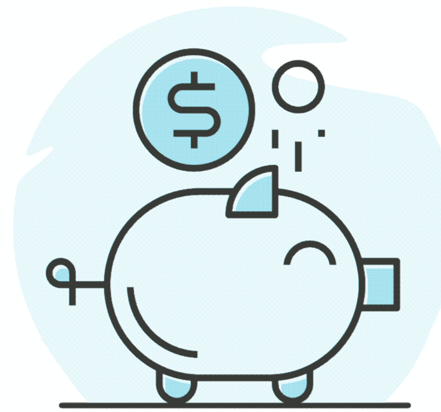
ADDITIONAL POTENTIAL STEPS IF NECESSARY

- Raise rates (1% ~ $4.5M/yr)
- Bring Calpine call center in-house: $270,000
    - Possible savings of $30k/month beginning April 2021
    - 1-time cost for training/transfer of $50-75k
    - May need to hire 1 FTE
- Further trimming travel, training, professional services: $500,000-$1M



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DAC GREEN TARIFF

DAC-GREEN TARIFF PROGRAM BASICS

- Program funded by public purpose funds, per CPUC D.18.06.027 (covers SJCE customer discounts and program expenses)
- SJCE allocated 1.4 MW for a solar site
  - Will serve ~500 households
  - Solar site must be located in a disadvantaged community in PG&E service territory
- PPA to be signed between solar developer and SJCE
- Program provides 20% discount to CARE/FERA (low-income) customers
- Advice Letter due to file at the CPUC by end of 2020

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DAC-GREEN TARIFF PROGRAM BENEFITS

- Strong equity focus – 500 low-income families save additional 20% on electricity
- Program aligns with Climate Smart San Jose goals
- Program funds SJCE staffing costs
- Streamlined start-up: Leverage filed Advice Letter documents from other CCAs
- Potential to collaborate with other CCAs for joint solar site
- Recommend to proceed with program subject to Council approval

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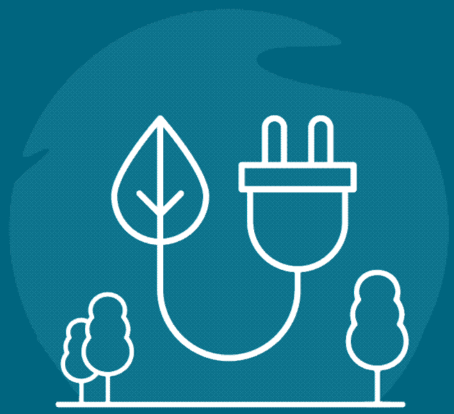

DIRECT RENEWABLES

DIRECT RENEWABLES PILOT

- Green Tariff: an electricity rate that allows a customer to source their electricity through a specified renewable resource
  - Typically long-term contracts, customers buy bundled product (electricity + REC)
  - Customers get price certainty, “higher quality renewables,” perhaps a discount
  - SJCE gets long term commitment (~10+ yrs), load stability, more long-term renewables, reduces defection to Direct Access
- SJCE pilot work:
  - Expect to limit to 1-2% of total load; customers with at least 10,000 MWh annual usage
  - Must be financially neutral, no cost shift to other customers. Exact model to be determined based on customer input and technical assistance from WRI.
  - Will return to ROC with concrete proposals prior to seeking Council approval in late 2020/early '21

Green tariff model: sleeved PPA

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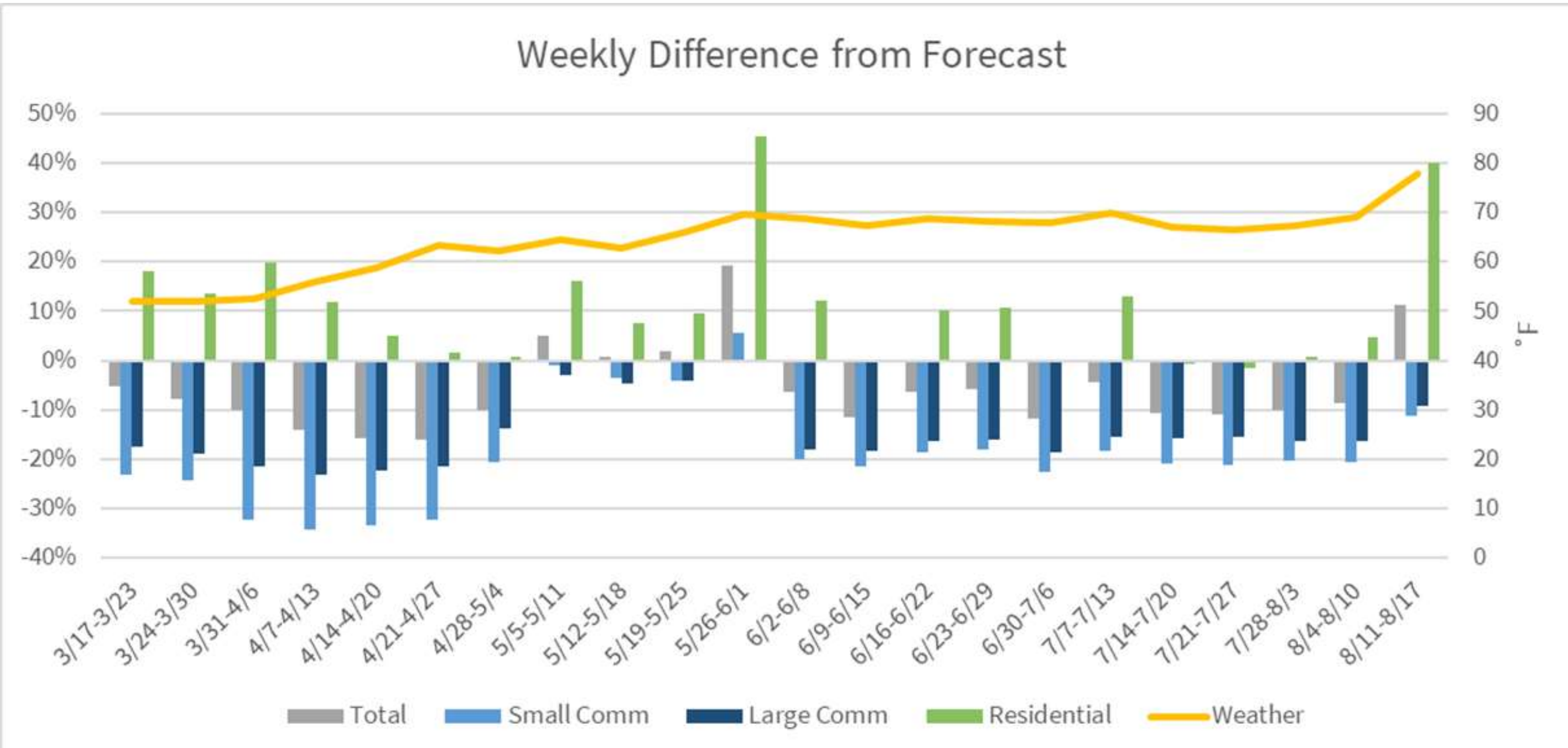
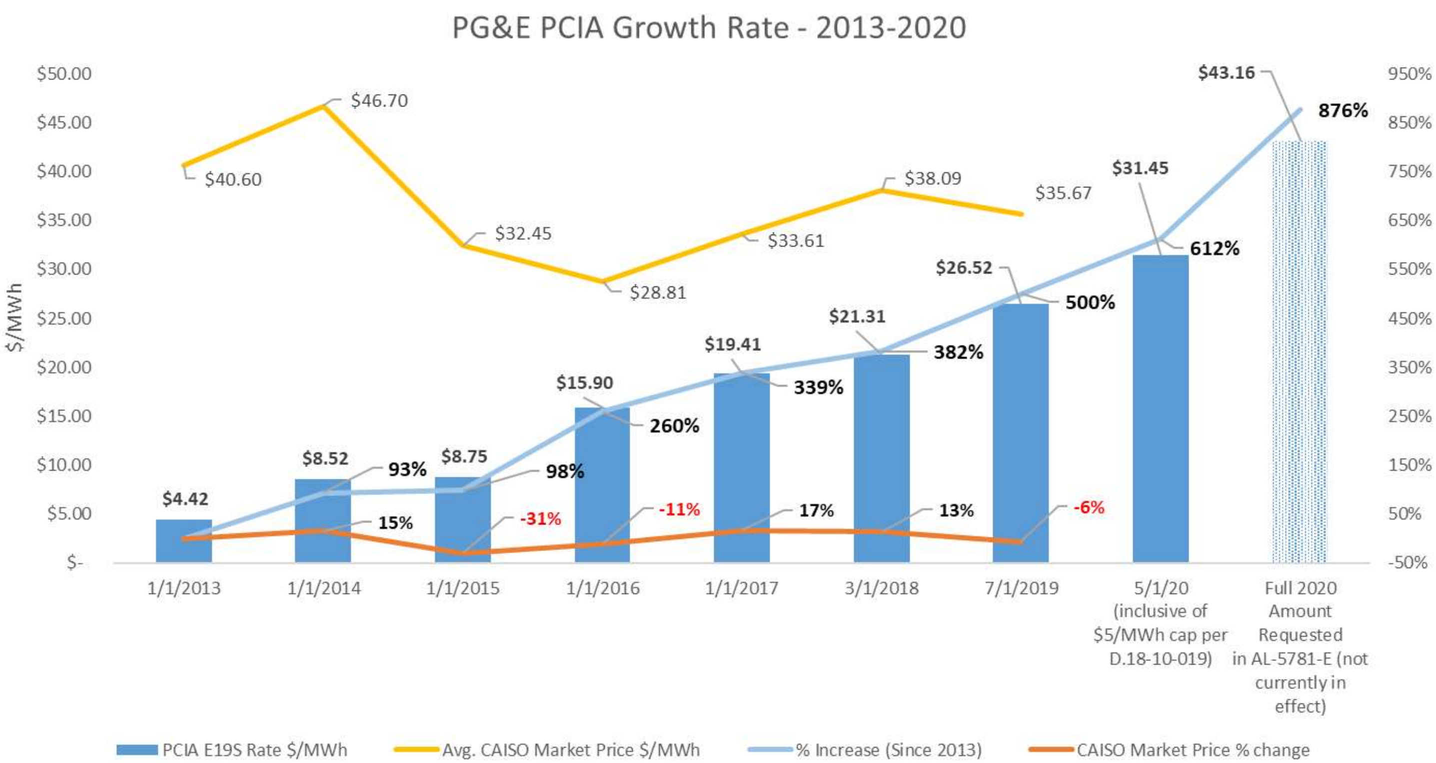
APPENDIX

COVID & WEATHER IMPACTS



Since March, load has been -116,000 MWh vs February forecast

PCIA COSTS CONTINUE TO RISE



- >600% increase in 7 years
- Energy markets have been relatively stable over the same period (~15% change)
- Market value of PG&E resources have been relatively stable over this same period
- Total PCIA fee without "cap" equals $43.16/MWh in 2020 (not in effect, unlikely to be enacted in 2020)

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PG&E ALLOCATIONS

- IOUs may be required to allocate PCIA resources to LSEs on a voluntary or mandatory basis
- The IOUs have not provided definite information about the magnitude of these resources, but CalCCA has distributed preliminary information on the allocation of low-carbon and RPS resources
- If Resources are allocated; this would increase SJCE's GHG-free and RPS content
- Obtaining Council approval for a portfolio that doesn't include allocated resources and allowing for a power mix that could be cleaner than the minimum approved resource mix

SURVEY RESULTS: RES/SM. COMMERCIAL

1. Lowest cost
2. Good customer support
3. Transparency & accountability
4. Overall reputation
5. Renewable energy content
6. Minimizing fossil fuels
7. Availability of incentives/programs
8. Small, local provider vs larger corporate provider

	Do nothing	Contact provider to learn more	Contact provider to switch to this/another option	Switch providers
Raised rates by 6% (~$3/mo)	38%	36%	N/A	21%
Offered new carbon-free service option that costs 4% more (~$2/mo)	32%	30%	22%	12%
Decreased renewable content from 45% to 36%	44%	32%	18%	6%

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LARGE COMMERCIAL

- Customers Surveyed
  - Adobe
  - SJ Airport
  - Cadence Design Systems
  - PayPal
  - Equinix
  - Foxconn
  - SJSU
  - Xilinx

- Takeaways
  - All wanted low cost
  - Most tech companies are likely willing to pay a little more for superior (more RE) product, but not all.
  - Most look at both emissions factor and renewable content.
  - "Specifics matter" and customers would have to evaluate the specific offerings.

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