ATTACHMENT A

SILICON VALLEY
CLEAN ENERGY AUTHORITY

Rod Sinks, Chair
City of Cupertino

Rob Rennie, Vice Chair
Town of Los Gatos

Liz Gibbons
City of Campbell

Daniel Harney
City of Gilroy

Jeannie Bruins
City of Los Altos

John Harpootlian
Town of Los Altos Hills

Burton Craig
City of Monte Sereno

Steve Tate
City of Morgan Hill

John McAlister
City of Mountain View

Joe Simitian
County of Santa Clara

Howard Miller
City of Saratoga

Jim Griffith
City of Sunnyvale

**Silicon Valley Clean Energy Authority**
**Board of Directors Meeting**
Wednesday, June 8, 2016
7:00 pm

Santa Clara County Board Room
70 West Hedding Street, 1st Floor
San Jose, CA

## AGENDA

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda

*The public may provide comments on any item not on the Agenda. Speakers are limited to 3 minutes each.*

Consent Calendar (Action)

1a) Approve Minutes of the May 11, 2016, Board of Directors Meeting

Regular Calendar

2) CEO Report (Discussion)
3) Approve Key Policies to Guide SVCE Implementation (Action)
4) Appoint a Board Executive Committee (Action)
5) Adopt Resolution Approving Operating Rules and Regulations (Action)
6) Approve Alternate Location for July Board of Directors Meeting: Cupertino Community Hall (Action)

Board Member Announcements

Adjourn

svcleanenergy.org

505 W Olive Avenue
Suite 130
Sunnyvale, CA, 94086



Pursuant to the Americans with Disabilities Act, if you need special assistance in this meeting, please contact the Clerk for the Authority at (408) 730-7483. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35.105 ADA Title II).

SILICON VALLEY
CLEAN ENERGY AUTHORITY

**Board of Directors Meeting**
Wednesday, May 11, 2016
7:00 pm
Santa Clara County Board Room
70 West Hedding Street, 1st Floor
San Jose, CA

**DRAFT MINUTES**

**Call to Order**
Interim Chair McAlister called the meeting to order at 7 p.m.

**Roll Call**

**Present:**
Director Jeannie Bruins, City of Los Altos
Director John Harpootlian, Town of Los Altos Hills (arrived at 7:01 p.m.)
Director Rob Rennie, Town of Los Gatos
Director Burton Craig, City of Monte Sereno
Alternate Director Anthony Eulo, City of Morgan Hill
Interim Chair John McAlister, City of Mountain View
Director Joe Simitian, County of Santa Clara (arrived at the time Closed Session was convened)
Director Howard Miller, City of Saratoga
Director Jim Griffith, City of Sunnyvale
Director Liz Gibbons, City of Campbell (by teleconference from 55 Alder Lane, North Falmouth, MA 02556)
Director Rod Sinks, City of Cupertino
Director Daniel Harney, City of Gilroy

**Absent:**
None.

**Public Comment on Closed Session**
No speakers.

The Board adjourned to Closed Session in Room 157 at 7:02 p.m.

**Convene to Closed Session**
Public Employee Appointment (Government Code Section 54957), Title: Chief Executive Officer

The Board returned to the Board Room from Closed Session at 7:53 p.m. with all members present.

**Report from Closed Session**
Interim Chair McAlister stated the Board met in Closed Session and there was nothing to report.

**Special Presentation – Recognition of Communications Manager Erin Cooke**
Interim Chair McAlister recognized Communications Manager Erin Cooke for her contributions to the formation of the Silicon Valley Clean Energy Authority.

**Consent Calendar**

Director Miller requested to pull Item 1a from the Consent Calendar.

**1a) Approve Minutes of the April 13, 2016, Board of Directors Meeting**

Director Miller inquired as to the Board's expectations of the Clerk regarding the procedure for recording direction to staff in the minutes.

The Board discussed the process for including direction to staff in the minutes, either by formal motion or as the Chair's responsibility to summarize the collective direction to staff for inclusion in the minutes and if a member objects, it could be clarified, otherwise the Chair's final summary of the direction would be included in the minutes.

MOTION: Director Miller moved and Director Gibbons seconded the motion to approve the minutes of the April 13, 2016, Board of Directors Meeting as submitted with the expectation that future minutes include direction to staff.

Interim Chair McAlister opened public comment
No speakers.
Interim Chair McAlister closed public comment.

The motion carried unanimously.

**1b) Approve Administrative Services Agreement with the County of Santa Clara**

MOTION: Director Bruins moved and Director Harpootlian seconded the motion to approve the administrative services agreement with the County of Santa Clara.

Interim Chair McAlister open public comment.
No speakers.
Interim Chair McAlister closed public comment.

The motion carried unanimously.

**Regular Calendar**

**2) Elect Chair and Vice Chair**

Operations Manager Melody Tovar provided the staff report and responded to Board questions. General Counsel Stepanicich provided additional information and responded to Board questions.

The Board discussed term lengths and the potential duties and roles of the Chair and Vice Chair.

MOTION: Director Simitian moved and Director Miller seconded the motion proceed with the election of a Chair and Vice Chair from this day forward through the first meeting in January, at which time a Chair and Vice Chair would be elected for calendar year 2017.

Director Miller clarified with the maker of the motion that when the Chair is elected in January, the gavel is passed to the new Chair who runs the meeting from that point forward.

The motion carried unanimously.

Interim Chair McAlister opened nominations from the floor for Chair.

MOTION: Director Simitian moved and Director Gibbons seconded the motion that the three self-nominated candidates, Director Griffith, Director McAlister and Director Sinks, be entered as nominees. The motion carried unanimously.

MOTION: Director Simitian moved and Director Bruins seconded the motion to close nominations. The motion carried unanimously.

Interim Chair McAlister opened public comment.
No speakers.
Interim Chair McAlister closed public comment.

Director Sinks provided brief comments regarding his interest in serving as Chair.

Director Griffith provided brief comments regarding his interest in serving as Chair.

Interim Chair McAlister provided brief comments regarding his interest in serving as Chair.

**VOTE FOR THE POSITION OF CHAIR (1st vote):**

Director Bruins: Griffith
Director Harpootlian: Sinks
Director Rennie: Griffith
Director Craig: Sinks
Director Eulo: Sinks
Interim Chair McAlister: McAlister
Director Simitian: McAlister
Director Miller: Griffith
Director Griffith: Griffith
Director Gibbons: Sinks
Director Sinks: Sinks
Director Harney: Sinks

Interim Chair McAlister reported six votes for Sinks, four votes for Griffith and two votes for McAlister.

As there were not at least seven votes for one nominee, the Board proceeded with a second vote for the position of Chair.

**VOTE FOR THE POSITION OF CHAIR (2nd vote):**

Director Bruins: Griffith
Director Harpootlian: Sinks
Director Rennie: Sinks
Director Craig: Sinks
Alternate Director Eulo: Sinks
Interim Chair McAlister: McAlister
Director Simitian: McAlister
Director Miller: Sinks
Director Griffith: Sinks
Director Gibbons: Sinks
Director Sinks: Sinks
Director Harney: Sinks

Interim Chair McAlister reported one vote for Griffith, nine votes for Sinks and two votes for McAlister.
Interim Chair McAlister announced Director Sinks has been selected as Chair.

Interim Chair McAlister opened nominations from the floor for Vice Chair.

Director Bruins nominated Director Rennie.

Director Rennie accepted the nomination and provided brief comments regarding his qualifications.

Director Griffith provided brief comments and withdrew his nomination for Vice Chair.

Interim Chair McAlister opened public comment.
No speakers.
Interim Chair McAlister closed public comment.

Director Rennie was selected to serve as Vice Chair by unanimous roll call vote.

Following selection of the Chair and Vice Chair, Director McAlister exchanged seats with newly appointed Chair Sinks and Chair Sinks presided over the remainder of the meeting.

**3) Appoint a Board Executive Committee**

MOTION: Director Bruins moved and Director Miller seconded the motion to consider Item 3 after Item 5. The motion carried unanimously.

Following action on Item 5, the Board considered the appointment of a Board Executive Committee.

Operations Manager Melody Tovar provided the staff report and responded to Board questions. CEO Habashi provided comments and responded to Board questions.

MOTION: Director Miller moved and Alternate Director Eulo/Director Gibbons seconded the motion to set the term for the Executive Committee to the same term as that of the Chair and Vice Chair, to be reappointed in January.

CEO Habashi provided comments regarding the role of the Executive Committee.

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

The motion carried unanimously.

MOTION: Alternate Director Eulo moved and Director Gibbons seconded the motion to delay the decision until next month.
FRIENDLY AMENDMENT: Director Miller offered a friendly amendment to have the Chair and Vice Chair involved in the meeting with staff to sort out roles for the Executive Committee and to consider a level of finance expertise such as might be valuable for moving forward regarding the bridge financing.
Alternate Director Eulo accepted the friendly amendment.
The motion carried unanimously.

Following final action on Item 3, the Board considered Item 6.

**4) Adopt Amended Conflict of Interest Code**

General Counsel Stepanicich provided the staff report.

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

MOTION: Director Miller moved and Alternate Director Eulo seconded the motion to adopt an amended conflict of interest code.
The motion carried unanimously.

**5) Approve Employment Agreement with Chief Executive Officer**

Outgoing Communications Manager Erin Cooke provided a summary of the Executive recruitment efforts.

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

MOTION: Director Miller moved and Alternate Director Eulo seconded the motion to approve the Ad-Hoc Committee recommendation and employment agreement with the Chief Executive Officer.
The motion carried unanimously.

Chief Executive Officer Tom Habashi provided introductory comments.

Following action on Item 5, the Board considered Item 3.

**6) Authorize the CEO to Execute Agreements up to $25,000**

Operations Manager Melody Tovar provided the staff report.

MOTION: Alternate Director Eulo moved and Director Miller seconded the motion to authorize the CEO to executive agreements for goods and services up to $25,000 provided that (1) the expenditures authorized by these agreements are consistent with the approved budget and (2) agreements are reported at the Board's next meeting.

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

The motion carried unanimously.

**7) Receive Introductory Presentation on Power Supply Procurement and Customer Phasing**

Operations Manager Melody Tovar introduced the presentation and responded to Board questions. John Dalessi, Pacific Energy Advisors, provided a presentation and responded to Board questions regarding the phasing schedule and customer phasing. Kirby Dusel, Pacific Energy Advisors, and CEO Tom Habashi responded to Board questions.

CEO Tom Habashi provided brief comments and stated he will be meeting with Pacific Energy Advisors and coming back to the Board with recommendations, and stated a risk management policy and procedure would come to the Board for approval.

Chair Sinks requested CEO Habashi provide an analysis of the scenarios to find the right balance between capital requirements and risk, and to receive information about what other agencies have done.

Chair Sinks opened public comment.

Michael Clausen, Center for Climate Protection, spoke regarding the advantages of moving rapidly and requested the Board consider the marketing advantages of rolling the program out by City. Clausen encouraged a goal of a 95% participation rate, stated Peninsula Clean Energy is considering an early adopter strategy, and stated the importance of having a rate slightly below PG&E's rate.

James Tuleya, Sunnyvale resident, spoke regarding Peninsula Clean Energy's phasing and commented on phasing by neighborhood and the importance of municipal accounts signing up early. Tuleya spoke regarding flexibility in the use of surplus funds.

Chair Sinks closed public comment.

On behalf of the Board, Chair Sinks provided direction to CEO Habashi to work with the consulting team and staff to come back with recommendations and more information based on the capabilities of contractors that could be used to ramp up, the capacity and the risk involved, in order for the Board to weigh in more definitively at the next Board meeting. Director Gibbons added consideration of risk factors and phasing options.

The Board recessed at 10:49 p.m.
The Board reconvened at 10:56 p.m. with Director Simitian absent.

Kirby Dusel, Pacific Energy Advisors, provided an overview regarding the RFP and the timeline and responded to Board questions.

**8) Receive Report on SVCEA Financing and Authorize RFP for Credit and Banking Services**

Patty Kong, Finance and Administrative Services Director, City of Mountain View, presented information regarding the credit and financing plan. Shawn Marshall, LEAN Energy US, provided additional information and responded to Board questions. General Counsel Stepanicich provided additional information.

Director Bruins noted on page 2 of the RFP, Section B, second paragraph, "Executive Committee" should read "CEO."

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

MOTION: Alternate Director Eulo moved and Director Miller seconded the motion to authorize the City of Mountain View to finalize and release a RFP for banking and credit services.

The motion carried unanimously.

**9) Receive Communications and Operations Update**

Communications Manager Misty Mersich introduced herself, provided a communications update and responded to Board questions.

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

Operations Manager Melody Tovar provided an operations update and responded to Board questions.

Chair Sinks opened public comment.
No speakers.
Chair Sinks closed public comment.

**Board Member Announcements**

Director Miller requested digital copies of all reports prior to meetings.

Director Miller requested of the Chair and Vice Chair regarding agenda preparation, a standing CEO Report/Update item to include a timeline and feedback on any issues.

Director Miller requested of the Chair and Vice Chair a process for nominating items to be placed on the agenda for future discussion.

Director McAlister recommended Public Comment on matters not on the agenda be moved to after the Consent Calendar.

Director McAlister requested staff reports be provided on Friday before the Wednesday meeting.

Director McAlister requested Board questions be submitted to staff in advance and a written staff response be provided to all members.

**Public Comment on Matters Not Listed on the Agenda**

No speakers.

**Adjournment**

Chair Sinks adjourned the meeting at 11:50 p.m.

SILICON VALLEY
CLEAN ENERGY AUTHORITY

**Staff Report – Item 3**

| | |
|---|---|
| To: | Silicon Valley Clean Energy Authority Board of Directors |
| From: | Tom Habashi, Chief Executive Officer |
| **Item 3:** | **Approve Key Policies to Guide SVCE Implementation** |
| Date: | 6/8/2016 |

## RECOMMENDATION

This requests Board approval of key policies to guide the initiation of the Silicon Valley Clean Energy program. These key policies will address: 1) SVCE program roll out; 2) the establishment of customer generation rates during the first year of SVCE operation; 3) the size and source of a working capital fund; 4) the share of revenues allocated to repaying SVCE startup contributions and fund working capital and rate stabilization reserves; and 5) the type of power sources that the Authority will acquire in pursuit of its mission. Board approval of these policies should guide the Authority's in its conduct of day-to-day business operations. The Board may re-visit and amend these policies at its discretion.

### Summary of Recommendations

1- *SVCE program roll out*: A three-phase SVCE customer phase-in plan is recommended as shown in Table 1. The first phase will commence in April 2017 to all small and medium commercial customers located within SVCE's service territory as well as 20% of prospective residential accounts. The second phase will commence in July 2017, to large commercial and industrial customers and an additional 35% of prospective residential accounts. The third and final phase will commence in October 2017, including the remaining 45% of SVCE's prospective residential accounts, agricultural, street lighting and any other accounts not previously enrolled in phases 1 or 2.

2- *SVCE customer generation rates*: For the first year of program implementation and subject to future wholesale power supply pricing received by the Authority, it is recommended that the SVCE Authority set customer generation rates at level 1% below PG&E's generation rates in place as of January 2017. To promote SVCE customer rate stability, it is also recommended that SVCE generation rates remain unchanged, subject to unusual volatility in wholesale power pricing, until January 2019.

3- *Initial working capital requirements*: It is recommended that the SVCE Authority secure initial working capital in the amount of $20 million for the first year of program operations. This amount would be subject to annual updates thereafter in consideration of rise in demand. With regard to requisite working capital, it is recommended that the Authority raise such working capital by working with willing SVCEA members, which could facilitate the accumulation of working capital amounts by offering direct

loans or contributions to the Authority which would be repaid within the first 5 years of program operation. Such transactions should be beneficial to both the Authority and the member municipalities, which will receive mutually agreeable interest payments during the term of the loan in addition to full principal repayment.

4- *General SVCE Authority reserve policy*: It is recommended that the Authority set aside 5 percent of annual revenues during the first 5 years of SVCE program operation for the following primary purposes: 1) repayment of the initial start-up investment made by SVCE Authority members (an amount equal to $2.73 million); 2) repayment of other loans/contributions made by SVCE Authority members to fund initial working capital requirements; and 3) fund a rate stabilization reserve.

5- *SVCE Authority power resource preferences*: It is recommended that the Authority give strong preference to clean energy resources for purposes of fulfilling the ongoing electric energy requirements of SVCE customers. Such resource preferences will result in the SVCE Authority substantially exceeding applicable compliance mandates, including California's Renewables Portfolio Standard program, while promoting reductions in electric-sector greenhouse gas emissions.

## BACKGROUND AND DISCUSSION

### Program rollout

There are several options that could be pursued to facilitate successful implementation of the SVCE program. Such options vary in terms of timing, requisite working capital requirements, communications planning, and administrative workload among other considerations. More specifically, SVCE could pursue a single-phase implementation strategy under which all customers would be enrolled over the course of a single month. Alternatively, SVCE implementation could occur over a more prolonged schedule, such as the 25-month term reflected in the SVCE Technical Study that was recently completed by Pacific Energy Advisors, Inc. – under this approach 1/3 of SVCE's prospective customer base would be enrolled during the first month of program operation, another 1/3 would be enrolled in the 13th month of program operation, and the final 1/3 would be enrolled during the 25th month of program operation. There are myriad alternative phase-in approaches that could be pursued as well with each option having its own distinct advantages and drawbacks.

The fastest, single-phase implementation approach assures that all customers within the SVCE service territory are being treated equally (in terms of implementation timing) and recognizes certain benefits related to transitioning all customers at a single point in time (particularly, avoided confusion regarding customer inclusion over a multi-phase approach). However, a single-phase implementation approach doesn't allow any time to handle problems that may arise during early-stage operations. Slower approaches, which would enroll customers over a period of multiple years, would allow more time to "debug" operational issues prior to subsequent customer enrollments but would also expose the Authority to resource planning, procurement and policy risks that could introduce uncertainty for future enrollment phases.

One advantage that SVCE has is being the fifth community choice aggregation program within the greater Bay Area. Therefore, many of the potential implementation issues and lessons learned will be revealed by the time that SVCE is ready to initiate the program. In addition, if SVCE utilizes qualified, highly experienced vendors that are well equipped to handle large amounts of data, it will further minimize risks associated with SVCE service commencement and early stage operations. Fortunately, there are several energy product and service providers that have demonstrated a successful track record of supporting aggregation program implementation and, to the

extent that the Authority engages the services of such vendors, it is reasonable to assume that implementation issues should be virtually avoided.

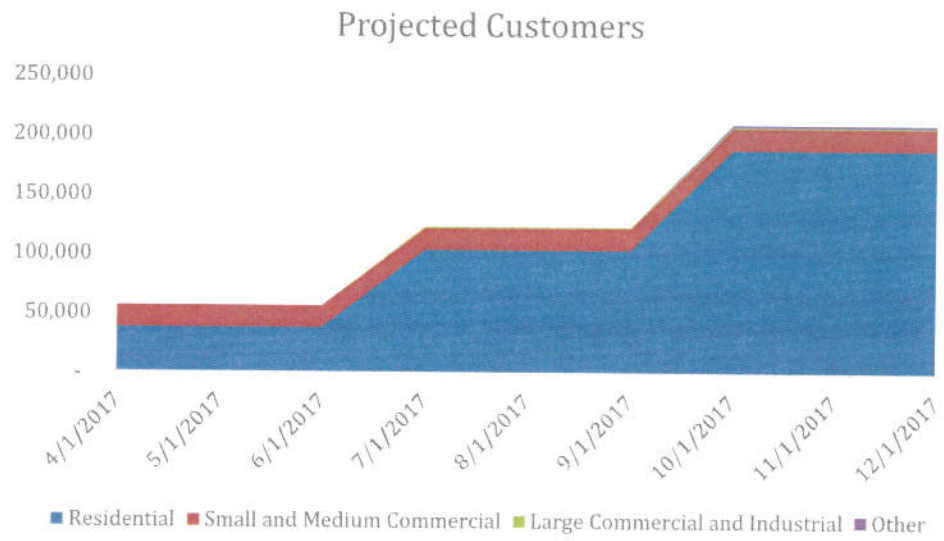
In light of the significant experience that now exists with regard to community choice aggregation implementation support, it is recommended that SVCE pursue program implementation over a seven-month schedule. This timeline is relatively aggressive but will allow for an expedited launch of the SVCE program, promoting both communication and financial benefits to the organization while avoiding the aforementioned uncertainties and risks associated with longer-term implementation schedules.

*Table 1: SVCE Enrollment Phases*

| Phase | Composition | Date | Accounts | Annual Energy |
|---|---|---|---|---|
| **Phase 1** | 20% of residential<br>All small and medium commercial | April 2017 | 37,600 residential<br>18,700 non-residential | 1,100 GWh |
| **Phase 2** | 35% of residential<br>All large commercial and industrial | July 2017 | 65,900 residential<br>1,045 non-residential | 1,750 GWh |
| **Phase 3** | 45% of residential<br>All agricultural, street lighting and other | October 2017 | 84,600 residential<br>2,190 non-residential | 595 GWh |

In terms of implementation timing, SVCE has broad discretion when determining the month in which each phases commences. Key considerations related to implementation timing include proximity to known PG&E rate changes, season rate differentials for certain customer classifications, and requisite customer notification timelines (prior to and after SVCE service commencement). Related to these items, PG&E's generation rates are re-set annually with associated changes taking effect on January 1st of each year; subsequent rate changes may intermittently occur thereafter. Because PG&E's January 1st rates are not certain until late December, the Authority should consider the risks associated with an early-year SVCE launch, which would necessitate the distribution of customer communications (which must be sent twice within the 60-day period prior to customer enrollment) in advance of the release of PG&E's final 2017 rates. This timing would limit the Authority's ability to definitively communicate with customers regarding the SVCE/PG&E rate relationship prior to customer enrollment, increasing uncertainty and, potentially, customer opt-outs. Furthermore, assuming that the Authority adopts rate schedules that resemble similar tariff options offered by PG&E, winter rates to be paid by SVCE customer will be meaningfully lower than summer rates. To the extent that customer enrollment occurs at a time of year when rate revenue will be relatively low, as will be the case during the winter season (when compared to the summer season), the organization's initial financial performance (in terms of the operating margin: the difference between rate revenues and costs) will not be as strong as it could be under a spring or summer implementation schedule. For these reasons, it is recommended that the first phase of SVCE implementation occur in April 2017 with phases 2 and 3 occurring thereafter in July 2017 and October 2017, respectively. This schedule will promote improved financial performance through the accumulation of early-stage revenue surpluses while achieving expedited customer enrollment.

*Figure 1: Projected Customers Served by SVCE during Phase-In Period*




**Rate Setting**

One of the most important elements in promoting customer satisfaction is the establishment of competitive and stable electric generation rates. Generally, rate design follows a lengthy process of calculating costs of service, a revenue requirement, cost allocation and finally rate setting. Since the Authority is currently in an incubation stage, following a conventional rate setting approach may be premature. A preferred approach would be to set initial SVCE rates at a level that would offer some savings to SVCE customers, ensure financial stability for the Authority in its first 21 months of operation and provide customers, especially the medium and large commercial customers, with rate stability.

Alternatively, the Authority could follow a more conventional approach and set rates as a function of cost of service. This could be a risky option, giving the Authority's lack of operational history and uncertainty surrounding the impact on customer opt outs that may result from the creation of rate levels that meaningfully deviate from PG&E, complicating rate and cost comparisons for SVCE customers. Another option would be to maximize customer rate discounts (relative to PG&E) to the extent supported by pro forma operating projections. However, there appears to be no data available that substantiates a correlation between the level of customer rate savings and opt outs. In addition, any revenues available after paying for operating expenses will be used to buy cleaner energy resources, which is the primary purpose for forming the Authority.

In consideration of these observations, it is recommended that the Authority set initial rates that would offer a modest 1% discount relative to similar rate structures offered by PG&E as of January 1, 2017. The discount would reflect a reduction in generation-related charges for SVCE customers, inclusive of the PG&E cost surcharge known as the Power Charge Indifference Adjustment (PCIA).

**Working Capital**

Working capital is necessary to pay for power supply and operating expenses while awaiting payment from SVCE customers (for generation services previously rendered). Most utilities are accustomed to maintaining 6 weeks of operating expenses as working capital. Provided that the Authority can negotiate favorable terms with

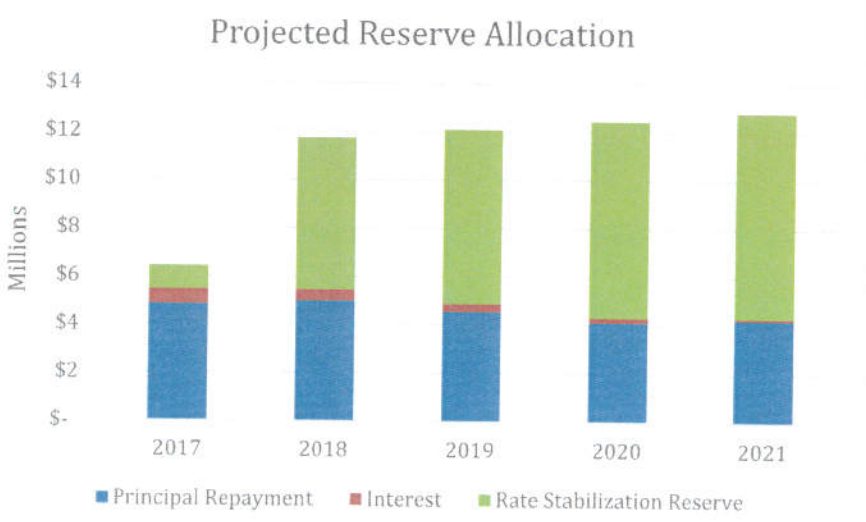
its power supplier(s), it may be able to limit working capital requirement to 4 weeks of operating expenses, or roughly $20 million when the Authority is fully operational.

It is recommended that the Authority pursue raising requisite working capital funding by entering into loan agreements with its members, provided that such transactions are mutually beneficial. Several of the Authority's member municipalities regularly invest some of their reserves in low interest bearing accounts. We believe that the Authority will be better positioned if it can obtain loans or lines of credit from certain member municipalities, avoid bank indebtedness during the early stage of operations while offering mutually beneficial loan terms to such members. In the event that this recommendation is supported by the Board, staff would pursue related lending discussions with the Authority's members.

### Revenue Allocation to Reserves

Key to the financial stability and credit worthiness of SVCE are the reserves that it holds for purposes of addressing fluctuations in customer energy usage and power supply spikes. Such funds are commonly held in the form of a "Rate Stabilization Fund." There is no set rule for the appropriate balance needed within the rate stabilization fund, although, the higher the balance, the better the financial stability and potential credit rating of the organization. To achieve a healthy financial position, staff recommends retain 5% of its operating revenues for the first 5 years of SVCE operation to pay back the initial investments made by the Authority members, build working capital and create a rate stabilization fund.

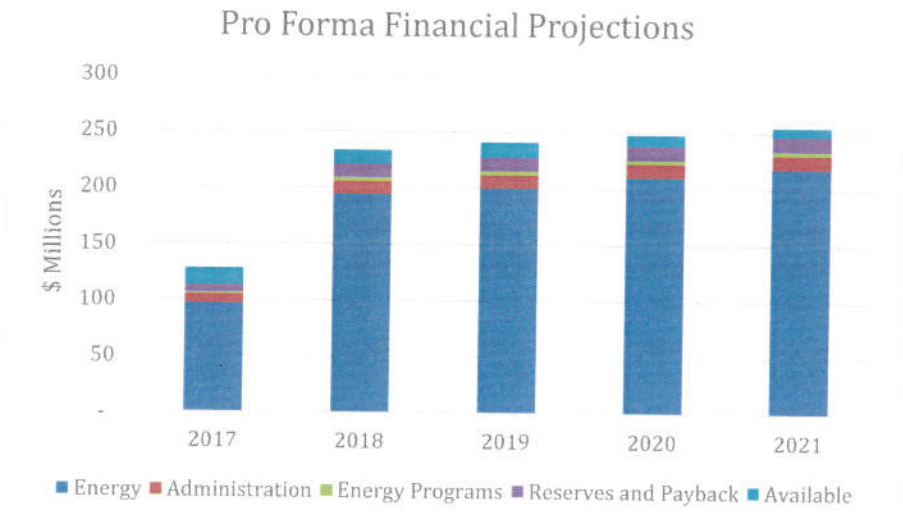
*Figure 2: Allocation of Revenues to Reserves and Repayment of Funds*




Alternatively, we could achieve the same reserve accrual in a shorter period of time, but such an approach may compromise the Authority's ability to acquire cleaner resources and/or achieve the Authority members' desired level of GHG reductions. Also, we could set aside lesser funds and eventually reach healthier financial position in a longer time frame; however, this may delay our ability to achieve the necessary credit that may be required to invest in local renewable generation.

Based on the recommended rate setting policy and prevailing conditions in the wholesale energy market, it is anticipated that sufficient funds will be generated to cover all program costs and fully fund the targeted reserve contribution.

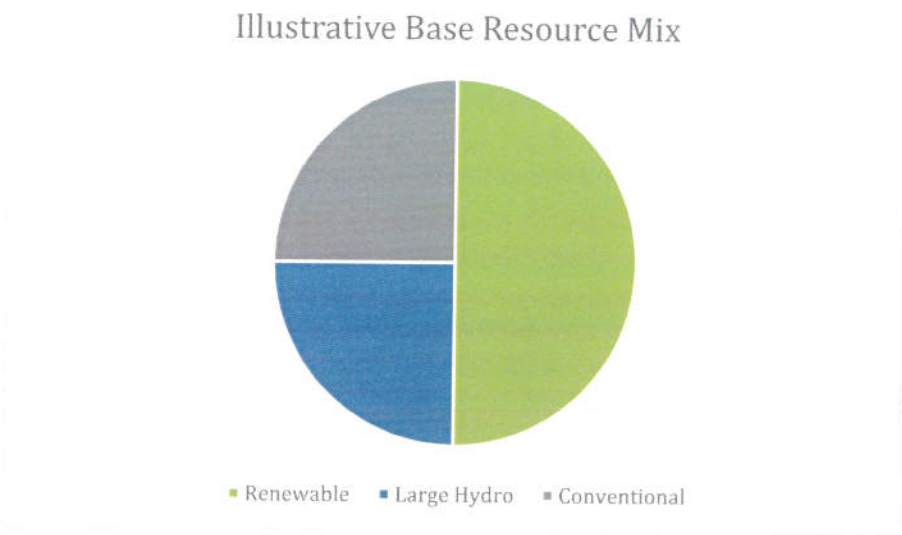
*Figure 3: SVCE Five Year Pro Forma Financial Projections*




**Supply Portfolio Mix**

The primary mission of the Authority is to maximize the use of clean energy resources when meeting the electricity requirements of SVCE customers. To that end, the Authority should consider power supplies that will meet applicable legislative mandates, increase GHG-free resources (through the use of large and medium hydroelectric generators), expand the use of renewable energy and invest in customer-sited and other local clean energy resources. The Authority can be more definitive regarding the size and type of resources after receiving proposals from prospective suppliers. It is also anticipated that a voluntary 100% renewable energy option will be made to SVCE customers, and participation in this option will increase the proportion of renewable energy reflected in the overall SVCE resource mix.

*Figure 4: Illustrative Resource Mix for SVCE Default Service Offering*




## Conclusion

SVCE was formed to meet the interests of the community it serves, and these stakeholder interests can, at times, offer competing priorities. The recommendations described above strike a measured balance of 1) the consumer's desire for low and steady rates; 2) the Authority's requirement to build and maintain a financially viable organization; 3) the members' desire to maximize reductions in greenhouse gas emissions within their jurisdictions; and 4) the environmentalists desire to rapidly accelerate the transition away from fossil fuels toward a more sustainable resource mix. Board approval of these key policies will help guide the initiation of the Silicon Valley Clean Energy program.

SILICON VALLEY
CLEAN ENERGY AUTHORITY

**Staff Report – Item 4**

| | |
|---|---|
| To: | Silicon Valley Clean Energy Authority Board of Directors |
| From: | Tom Habashi, CEO |
| **Item 4:** | **Appoint an Executive Committee of the Board of Directors** |
| Date: | 6/8/2016 |

## RECOMMENDATION

Appoint an Executive Committee of the Board of Directors to provide in-depth review of certain operational and policy matters of Silicon Valley Clean Energy Authority, as may be directed by the Board from time to time. The Executive committee will be comprised of 5 board members who can serve the anticipated term of at least one year.

## BACKGROUND

The SVCEA Joint Power Agreement Section 4.6 specifies that the Board may establish an executive committee comprised of a smaller number of Directors and that the Board may delegate to the executive committee such authority as the Board might otherwise exercise, subject to limitations specified in the Agreement or in the Operating Rules and Regulations.

The purpose of the SVCEA Executive Committee is to provide input and support to the CEO on operational and policy matters that benefit from more focused discussion and vetting prior to coming before the full Board for action. Existing community choice energy organizations also utilize executive committees.

## ANALYSIS & DISCUSSION

One example of the tasks that SVCE must perform is to establish employment procedures, organization chart, job classifications, compensation and benefit package. This task is critical and can make a huge difference in the future success of SVCE. A focused effort by an executive committee that may meet more often than once a month could be very helpful to staff and board.

Another example that could benefit from the guidance of the executive committee is the establishment of energy risk management policy and procedures. In the long-term, power supply expenses will constitute more than 90% of SVCE's annual expenses. Ensuring that power transactions are strictly done in adherence to established policies and to the full knowledge of the board is key to reducing supply price risks.

In the future, the Board may decide to delegate the oversight of certain issues to the executive committee as they deem appropriate.

SILICON VALLEY
CLEAN ENERGY AUTHORITY

**Staff Report – Item 5**

| | |
|---|---|
| To: | Silicon Valley Clean Energy Authority Board of Directors |
| From: | Greg Stepanicich, General Counsel |
| **Item 5:** | **Adopt Resolution Approving Operating Rules and Regulations** |
| Date: | 6/8/2016 |

## RECOMMENDATION

Adopt resolution approving Operating Rules and Regulations.

## BACKGROUND

The SVCEA Joint Powers Agreement provides for the adoption of operating rules and regulations. The Agreement defines operating rules and regulations to mean the rules, regulations, policies, bylaws and procedures governing the operation of the Authority. The initial operating rules and regulations being provided to the Board for its consideration primarily serve the function as the bylaws of the Authority.

## ANALYSIS & DISCUSSION

The proposed operating rules and regulations being presented to the Board provide the basic operating procedures for the board of directors and address the rules that typically are found in the bylaws of a joint powers authority. The key provisions include the following:

1. Establishes the initial term for board officers and provides for an annual meeting in January 2017 and each January thereafter for the board appointment of the board officers and committee members.
2. Provides the grounds and procedures for the removal of a board member as required by the JPA Agreement.
3. Establishes a one-year term of office for committee members that can be renewed without limits on the number of terms served by a director and authorizes committees to establish their own standing and ad hoc committees.
4. Establishes the executive committee including its composition and general duties.
5. Establishes the meeting date, time and location for regular board meetings. Provides that the board may designate alternate locations for particular meetings in the event that the County Board Room is not available.

6. Provides the procedure for amending the operating rules and regulations. A majority vote of the entire board is required for an amendment compared to a two-thirds affirmative vote for the amendment of the Joint Powers Authority agreement. An amendment to the operating rules and regulations must be proposed at a regular board meeting and then acted upon at the next or later regular meeting. The Directors must receive the final text of the amendment at least ten days prior to the date of the meeting when final action is taken.

The staff recommendation is to provide for relatively simple operating rules and regulations initially which then can be expanded as the board further addresses its operations and policies at subsequent meetings. At this time, the proposed operating rules and regulations serve as the bylaws of the Authority. The JPA Agreement contemplates but does not require the operating rules and regulations to include not only the bylaws but also the rules, regulations, policies and procedures governing the operation of the Authority. In the future, the Board can decide how comprehensive it wants the operating rules and regulations to be and whether certain matters should be adopted as separate Authority documents.

## ATTACHMENTS

1. Resolution
2. Proposed Operating Rules and Regulations

**RESOLUTION NO. _____**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY APPROVING OPERATING RULES AND REGULATIONS**

**THE BOARD OF DIRECTORS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY DOES HEREBY FIND, RESOLVE, AND ORDER AS FOLLOWS:**

Section 1. Recitals.

(a) The Silicon Valley Clean Energy Authority Joint Powers Agreement authorizes the Board to adopt Operating Rules and Regulations consisting of the bylaws and other rules, regulations and procedures governing the operation of the Authority that the Board considers appropriate to include in this document.

(b) The Board desires to adopt the initial Operating Rules and Regulations for the Authority that may be expanded in the future to more comprehensively address the operations of the Authority.

Section 2. Adoption. The Board of Directors hereby approves the Operating Rules and Regulations attached hereto.

**ADOPTED AND APPROVED this 8th day of June, 2016.**

_____
Chair

**ATTEST:**

_____
Secretary

# SILICON VALLEY CLEAN ENERGY AUTHORITY

# OPERATING RULES AND REGULATIONS

## ARTICLE I

### FORMATION

The Silicon Valley Clean Energy Authority (the "Authority") was established on March 31, 2016 pursuant to the execution of the Silicon Valley Clean Energy Authority Joint Powers Agreement (the "Agreement") by the County of Santa Clara, the Cities of Campbell, Cupertino, Gilroy, Los Altos, Monte Sereno, Morgan Hill, Mountain View, Saratoga and Sunnyvale and the Towns of Los Altos Hills and Los Gatos. The members of the Authority are referred to as Party or Parties in these Operating Rules and Regulations. As defined by the Agreement, these Operating Rules and Regulations consist of rules, regulations, policies, bylaws and procedures governing the operation of the Authority.

## ARTICLE II

### PURPOSES

The Authority is formed to study, promote, develop, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing this purpose. These programs include but are not limited to the establishment of a Community Choice Aggregation Program known as Silicon Valley Clean Energy in accordance with the terms of the Agreement.

## ARTICLE III

### BOARD OF DIRECTORS

Section 1. Appointment of Chair and Vice-Chair. The Board shall appoint from among themselves by majority vote a Chair and Vice-Chair. The initial term of office for the Chair and Vice-Chair shall expire at the regular January meeting of the Board held in 2017. Thereafter, the Chair and Vice-Chair shall be appointed for full one-year terms expiring at the regular January meeting of each year. As provided by the Agreement, there are no limits on the number of terms that a Board member may serve as Chair or Vice-Chair.

Section 2. Appointment of Secretary and Treasurer. The Secretary and Treasurer shall be appointed by the Board for an initial term expiring at the regular meeting in January 2017. Thereafter, the Secretary and Treasurer shall be appointed for full one-year terms expiring at the regular January meeting of each year.

Section 3. Extension of Term of Office. If for any reason, the appointment of a Board officer is not made in January of any year, such officer shall continue to serve in his or her position until an appointment is made at a meeting of the Board.

Section 4. Removal of Officers. An officer of the board shall be subject to removal at any time for any reason by a majority vote of the entire Board.

Section 3. Removal of Board Members for Cause. A Director may be removed by the Board for cause. Cause shall be defined for the purposes of this section as follows:

a. Unexcused absences from three consecutive Board meetings.

b. Unauthorized disclosure of confidential information or documents from a closed session or the unauthorized disclosure of information or documents provided to the Director on a confidential basis and whose public disclosure may be harmful to the interests of the Authority.

Written notice shall be provided to the Director proposed for removal and the governing body that appointed such Director at least thirty days prior to the meeting at which the proposed removal will be considered by the Board. The notice shall state the grounds for removal, a brief summary of the supporting facts, and the date of the scheduled hearing on the removal. The Director proposed for removal shall be given an opportunity to be heard at the removal hearing and to submit any supporting oral or written evidence. A Director shall not be removed for cause from the Board unless two-thirds of all Directors on the Board (excluding the Director subject to removal) vote in favor of the removal.

## ARTICLE IV

### COMMITTEES

Section 1. Establishment of Committees. The Executive Committee and all other Committees of the Board shall be selected as provided by Sections 4.6 and 4.7 of the Agreement. Each duly established Committee may establish any Standing or Ad Hoc Committees determined to be appropriate or necessary. The duties and authority of all Committees shall be subject to the approval and direction of the Board. The term of office for each Committee established by the Board shall be one year, except that any Committees established in 2016 shall have an initial term expiring in January 2017. There are no limits on the number of terms that a Director may serve on a Committee. If for any reason, the appointment of Committee members is not made in January of any year, such Committee members shall continue to serve in their positions until an appointment is made at a meeting of the Board.

Section 2. Executive Committee. There shall be an Executive Committee consisting of five Board members. The duties of the Executive Committee shall be to review and provide advice to the Chief Executive Officer and the entire Board on policy, operational and organizational matters and perform such other responsibilities, tasks or activities as delegated to it by the Board.

## ARTICLE V

### MEETINGS

Section 1. Regular Meetings. The regular meetings of the Board shall be held on the second Wednesday of each month at 7PM. The regular meetings shall be held at the County of Santa

Clara Board Room located at 70 West Hedding Street, San Jose, California or such other location as may be designated by the Board for a particular meeting.

Section 2. Special Meetings. Special meetings of the Board may be called at any time and may be held in any location within the jurisdiction of the Authority as provided by the notice for the special meeting.

Section 2. Annual Meeting. Commencing in 2017, the Board shall hold an annual meeting in January of each year at which time it will appoint Board officers and Committee members.

Section 3. Open Meeting Requirements. The meetings of the Board, the Executive Committee and all other committees established by the Board shall be governed by the provisions of the Ralph M. Brown Act (Government Code Section 54950 et seq.).

## ARTICLE VI

## AMENDMENTS

These Operating Rules and Regulations may be amended by a majority vote of the full membership of the Board but only after such amendment has been proposed at a regular meeting and acted upon at the next or later regular meeting of the Board for final adoption. The proposed amendment shall not be finally acted upon unless each member of the Board has received written notice of the amendment at least 10 days prior to the date of the meeting at which final action on the amendment is to be taken. The notice shall include the full text of the proposed amendment.