City of Santa Clara

Proposed 2017 Electric Rate Increase

To: Public Outreach Meeting

November 30, 2016

Silicon Valley Power
CITY OF SANTA CLARA

City of Santa Clara
The Center of What's Possible

Agenda

- Background on Silicon Valley Power (SVP)
  - Services, Resources, Sales/Loads
- Budgets and Projects
- Cost Drivers/Responses
- Proposed Rate Increase
- SVP Value to Customers

Grizzly Powerhouse

What is Silicon Valley Power?

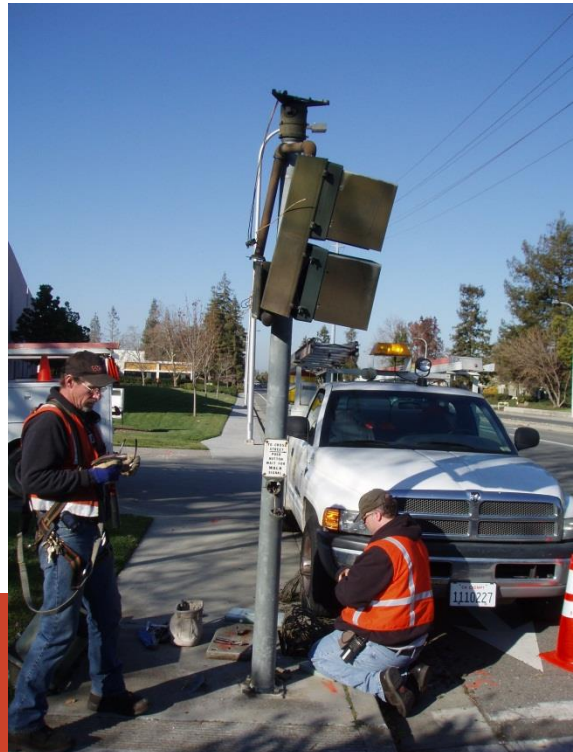
Your locally owned municipal electric utility

- Established in 1896
- Budget and rates set by City Council
- 54,000 customers
- $384.8M annual budget
- ~$30M to City General Fund
- 1% of California's power usage

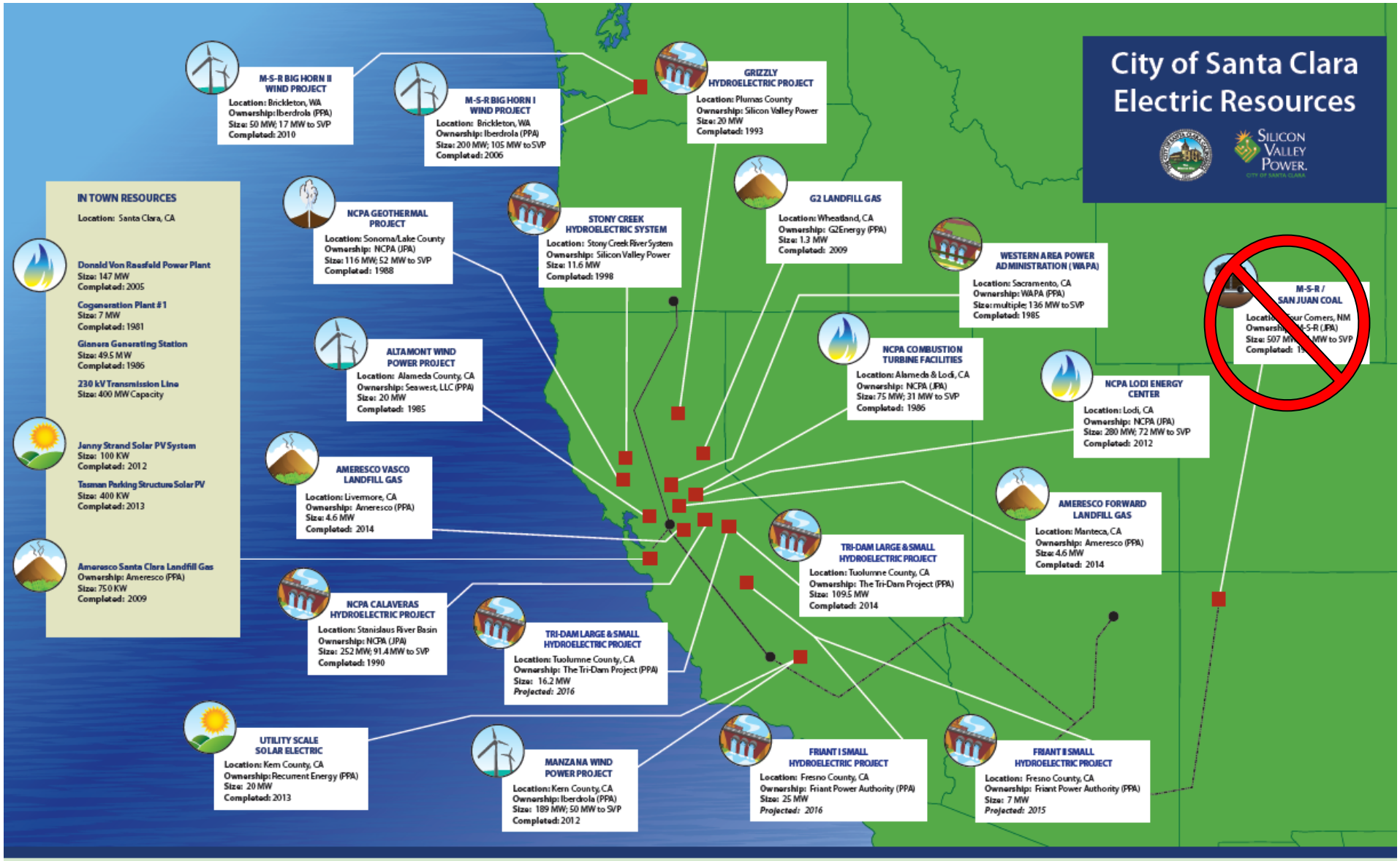
- 540 miles of distribution lines
- 10,500 poles
- 8,000 street lights
- 5,700 transformers and other devices

What does SVP do?

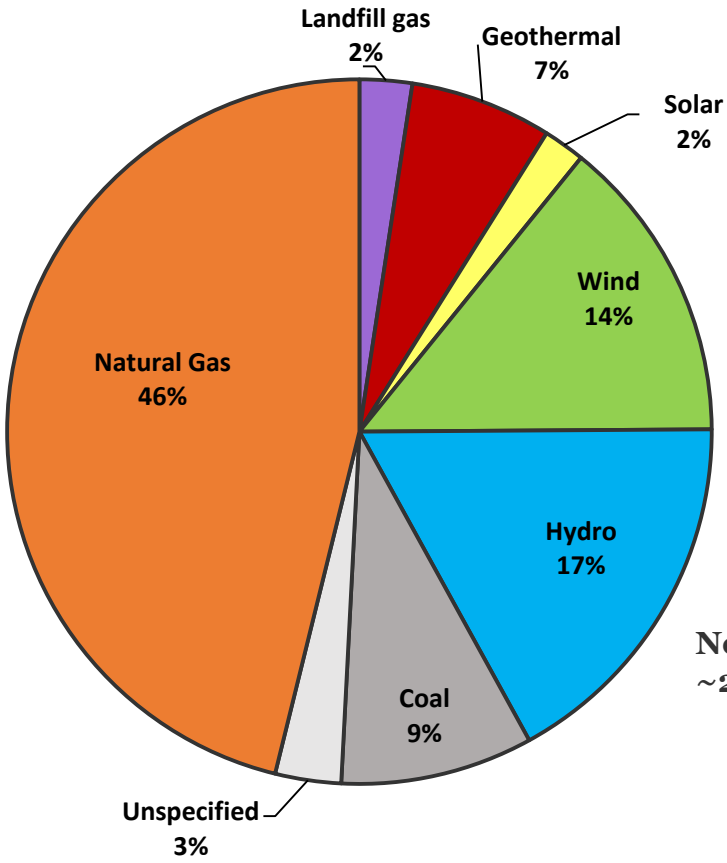
- Provide electricity to our customers in Santa Clara
  - Generate electric energy
  - Bring energy to Santa Clara
  - Distribute energy to customers
  - Provide Energy Efficiency, Solar and Green Power programs
- Other Services
  - Street lighting
  - 24 hour non-public safety dispatch
  - Traffic signal maintenance
  - SVP MeterConnect Wi-Fi
  - Lease dark fiber optics (Commercial)



Diverse Portfolio: Type, Location, Ownership



SVP - Generation Mix 2015

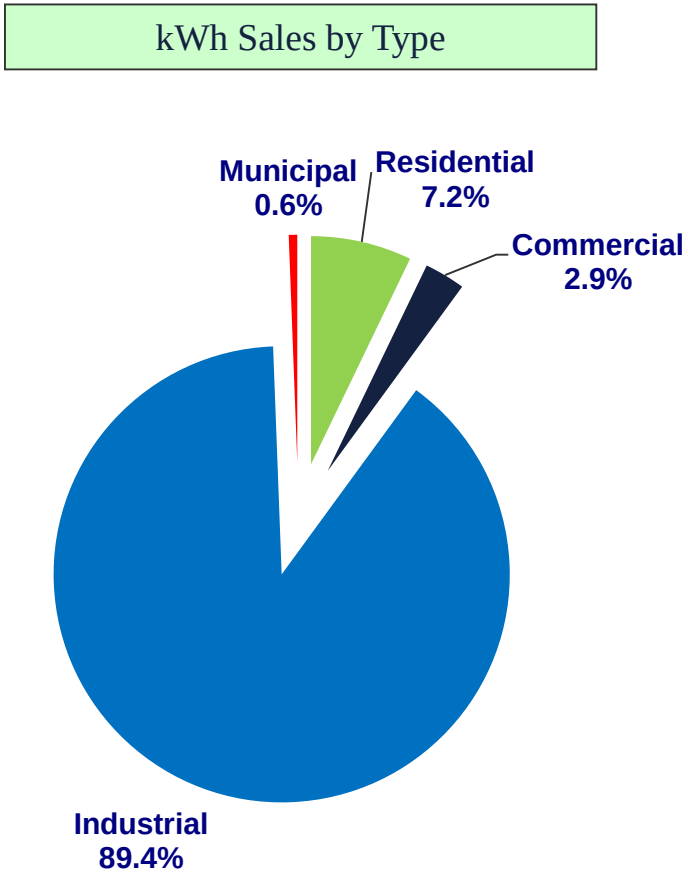


Normal Year Hydroelectric ~22% of SVP's Portfolio

42% GHG Free

* 2015 Power Content Label

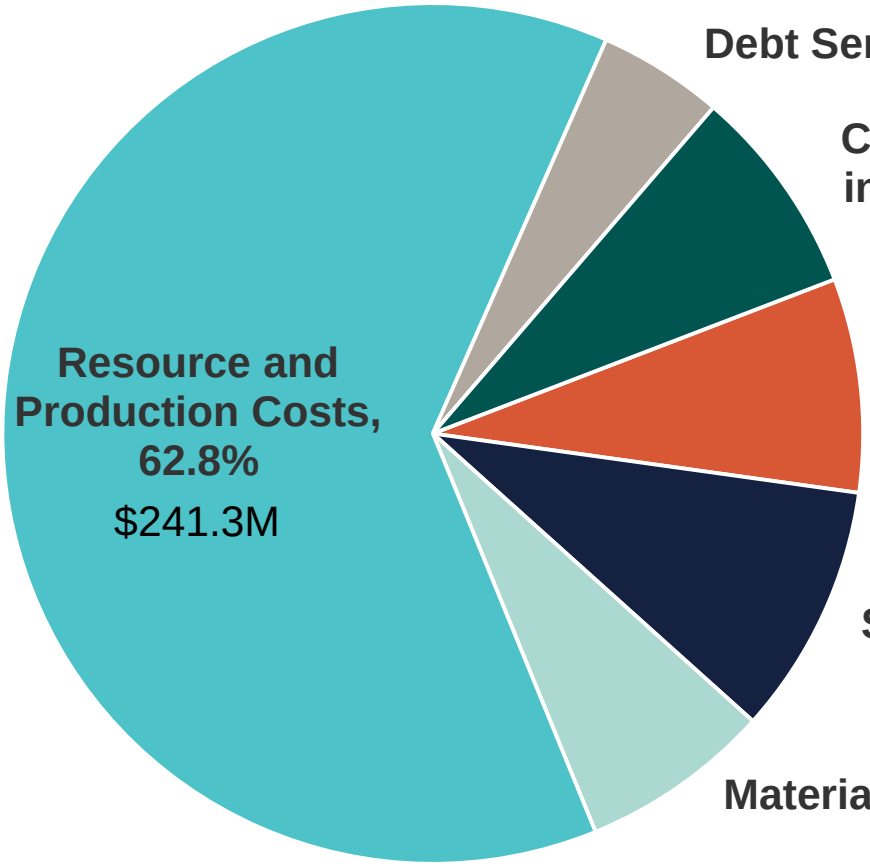
Average Monthly Customer Base – CY 2015



Customer Type	Accounts
Residential	45,139
Commercial	6,266
Industrial	1,688
Municipal	157

Stony Gorge Hydro Project

FY2016-17 Budget



Debt Service, 4.7% $18.1M

Contribution In Lieu and interfund services, 7.9% $30.2M

Capital Improvement, 8.0% $30.9M

Salaries and Benefits, 9.4% $36.3M

Materials, Supplies and Services, 7.2% $27.6M

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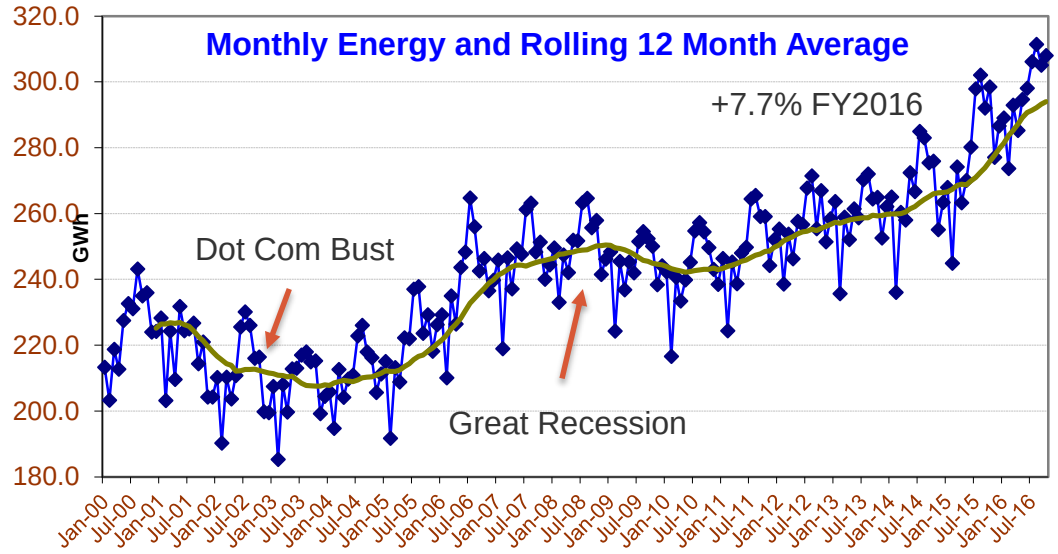
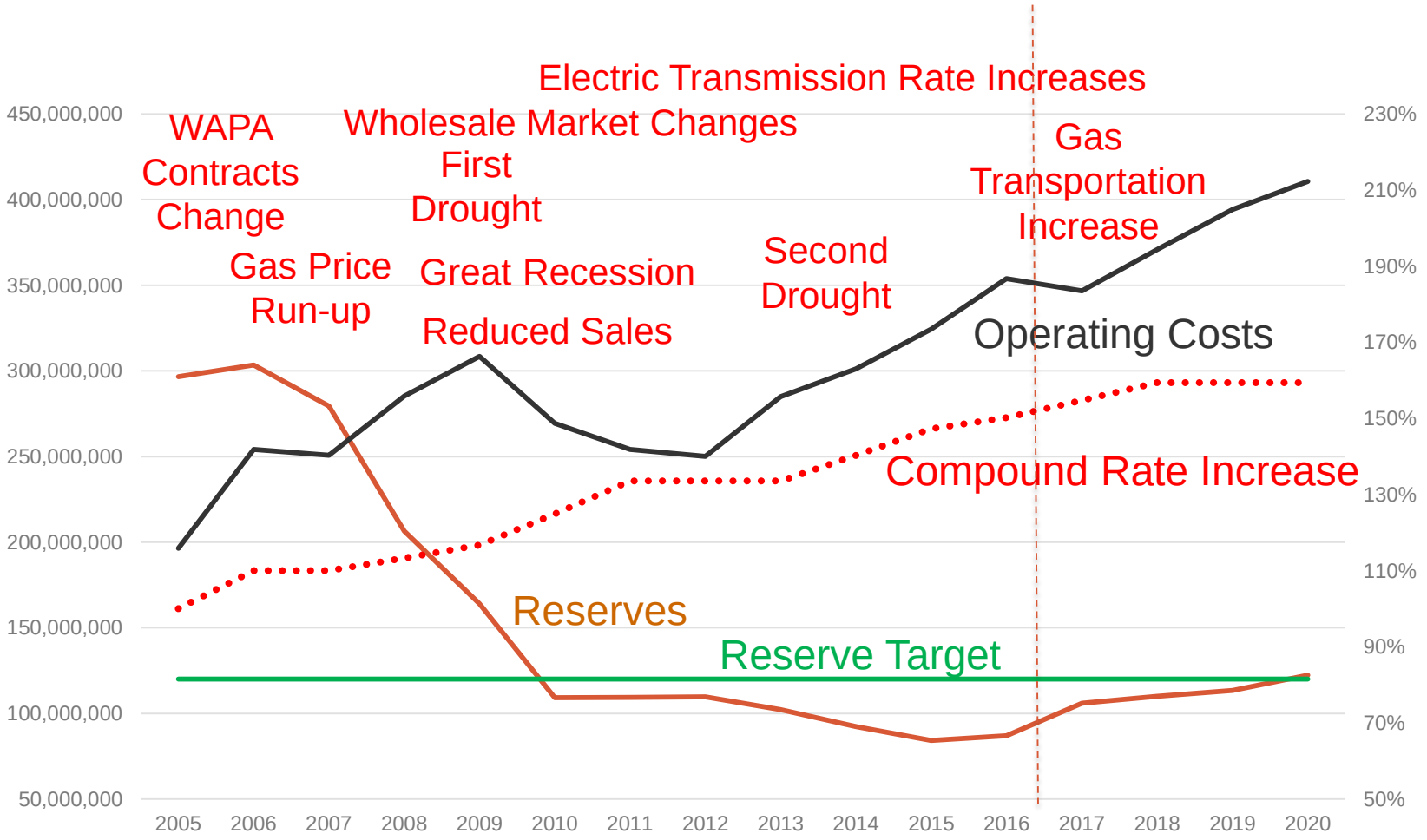
Financial Impact of Load Growth



- Direct investment to serve new loads
  - Paid through connection and load increase fees
- Increased revenue contributes to recovery of fixed costs
  - Shared system transmission and distribution costs
  - Shared cost of purchased or generated electricity

Cash Reserves and Rate increases



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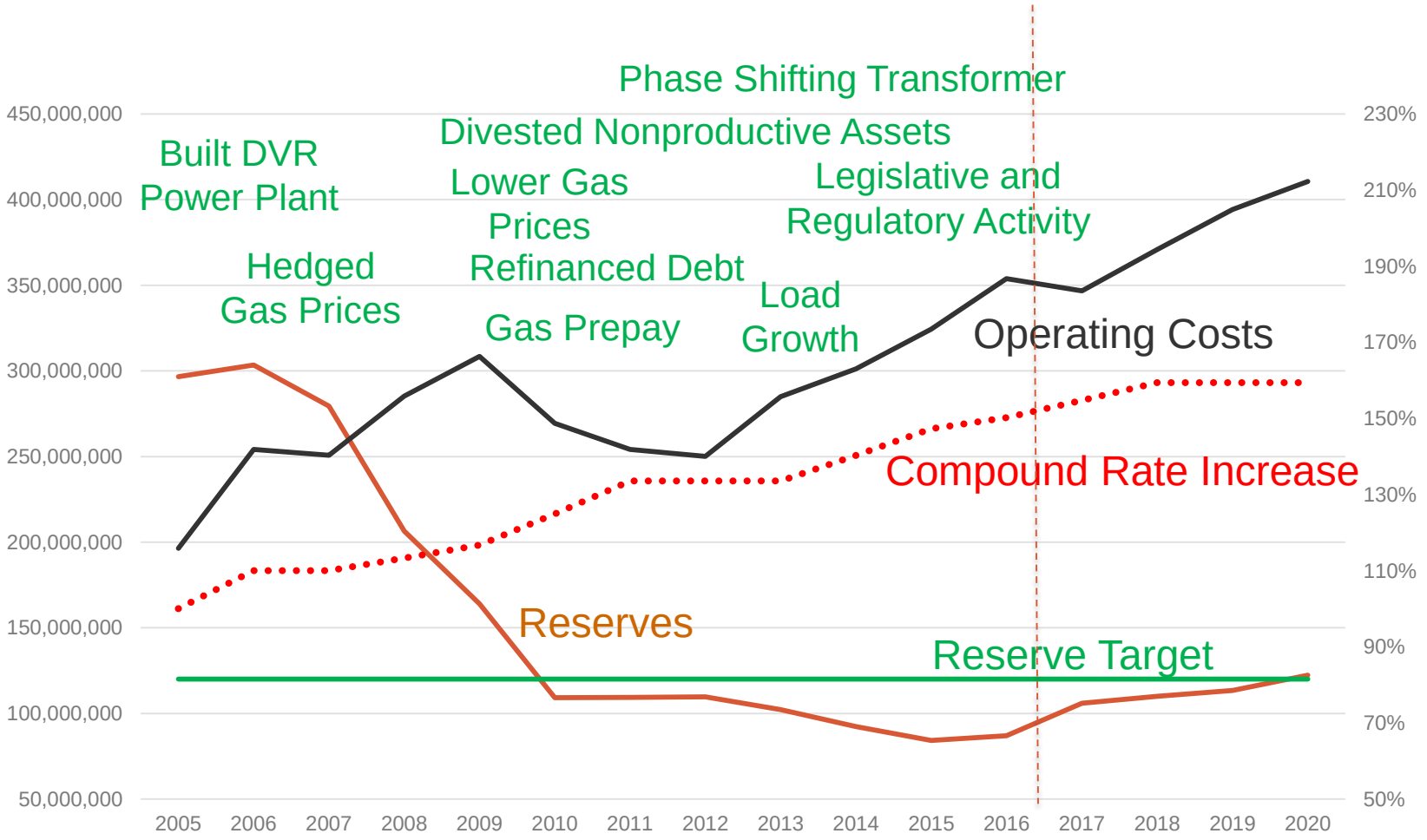
Cash Reserves and Rate increases



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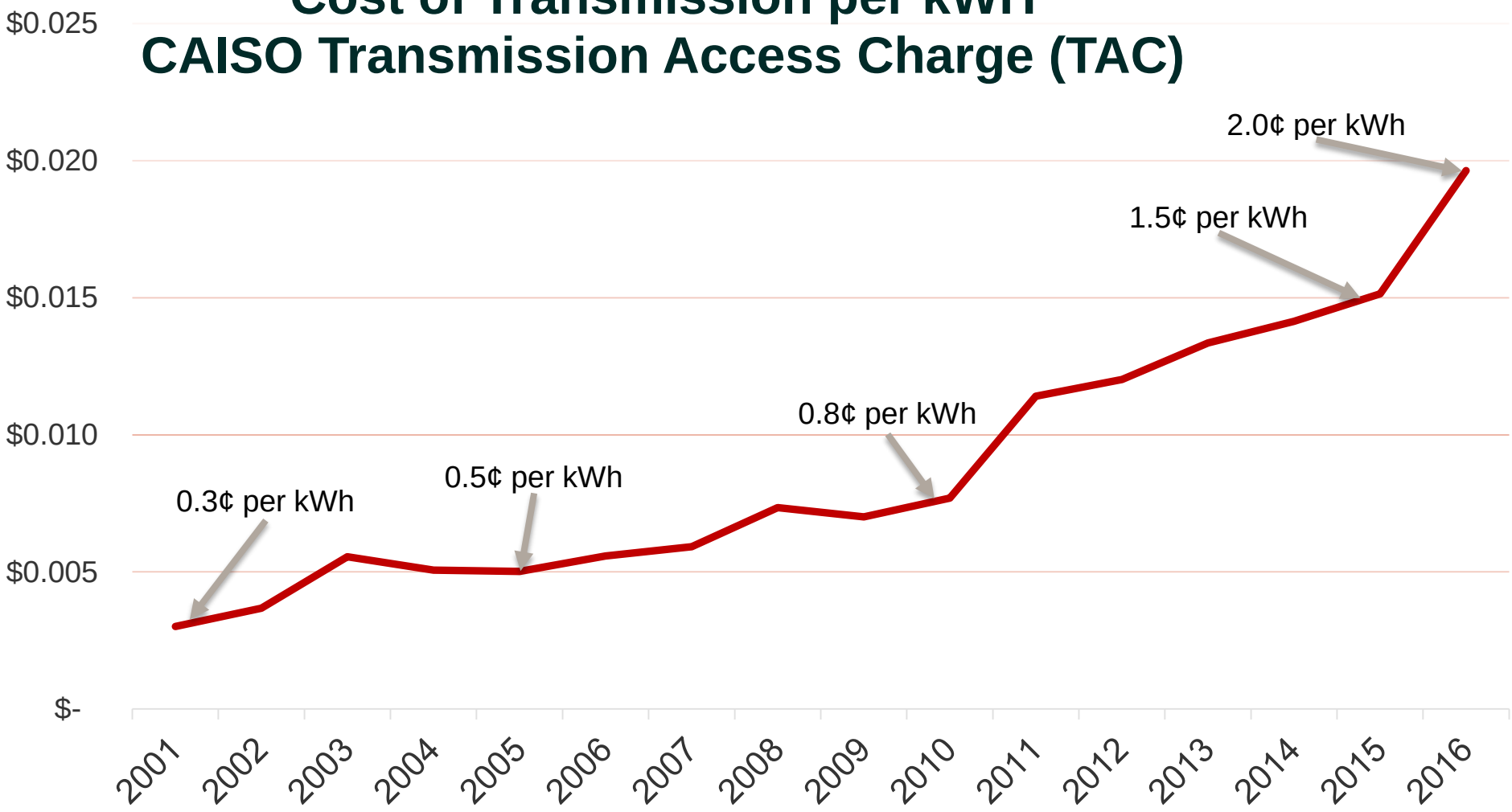
Cost of Transmission per kWH
CAISO Transmission Access Charge (TAC)



2016 cost uplift alone = approx. $10 million (2.5%)

Phase-Shifting Transformer

- Phase-Shifting Transformer in Service
  - Reduces Transmission Access Charges (TAC)
  - Funding coordinated with TAC savings (5-7 yr. simple payback)
  - Commissioned April 2016, Testing with PG&E and CAISO to optimize value

Natural Gas Delivery Cost Has Increased Dramatically

- Gas transportation rate increase
  - August 1, 2016
  - Increase production cost by $0.74 per MMBtu
    - Natural Gas Prices ~$3 per MMBTU
    - Use 8 million MMBTU of gas/year, or $24 million/year
- $6 million cost impact
  - Translates to about a 1.5% customer rate increase impact
    - (all other things being equal)

Cash Reserves are Crucial for SVP's A+ Bond Rating

- Most important rating agency metrics
  - Rate changes that closely track cost changes
    - Revenue covers expenses
  - Cash reserves to absorb timing differences
    - $120 to 160 million target range
- SVP's customers prefer predictable rate increases
  - Gradual, concurrent with their budget years, and known well in advance
  - Cost impacts and making rate increases gradual
    - Caused RSF to go below $120 million
- Significant factor in recent S&P "negative outlook" for SVP
  - Reinforces need to reach $120 million minimum target sooner rather than later

FitchRatings

S&P Global Ratings

To Summarize: What's really driving the increases this time?

- Two 2016 cost increases stand out:
  - Electric transmission rate increases - $10 million/year
  - Natural Gas transportation cost for generation - $6 million/year

- Other costs that are increasing
  - Multiple capital projects
  - Continuing drought impacts
  - Renewable resources
  - Replenishing the Reserves (Rate Stabilization Fund)
  - Lower contributions from interest income and wholesale energy sales

Proposed Increase

- 3% increase effective January 2017
  - Equal across all rate schedules/classes
  - Yields ~$12 million/year in added revenue
  - Increases Rate Stabilization Fund (RSF) Balance
    - $120 million at end of FY 2020,
      - Assumes another 3% increase in January 2018
- Continue all other cost reduction efforts

Monthly Bill Comparisons

Residential Customer Impacts

	Low User (300 kWh)	Average (428 kWh)	High User (1,000 kWh)
Before	$34.24	$49.39	$117.07
Proposed	$35.27	$50.87	$120.57
Difference	$1.03	$1.48	$3.50

Low User = gas heating, or very small apartment with electric heating, no laundry…

Average = gas heating, electric dryer, or gas dryer with other high usage appliances/practices…

High User = electric heating, electric water heater, hot tub or pool, gaming station, 2nd refrigerator…

Commercial Customer Impacts

	Small Business (1,000 kWh)	Large Business (500,000 kWh)	Large Business (1,000,000 kWh)
Before	$175.77	$66,450.53	$132,835.11
Proposed	$181.05	$68,441.05	$136,813.96
Difference	$5.28	$1990.42	$3,978.85

Rate Assistance Programs

- 25% discount on electric portion of the municipal utilities bill for residents who qualify for:
  - Financial Rate Assistance Program (FRAP)
    - Under 80% of County Median Income
  - Medical Rate Assistance Program (MRAP)
    - High energy use medical device(s)
    - Requires Doctor Certification
- Other Assistance Programs are also available (LIHEAP)

Residential Programs

- Free in-home energy audits
- ENERGY STAR™ Appliance Rebates
  - Ceiling fans, electric clothes dryers, pool pumps, and heat pump water heaters
- PV (Solar) system rebates
- Energy information & education programs
  - Visit www.siliconvalleypower.com/tips for energy tip sheets
- Santa Clara Green Power
  - Provides a 100% green, renewable energy

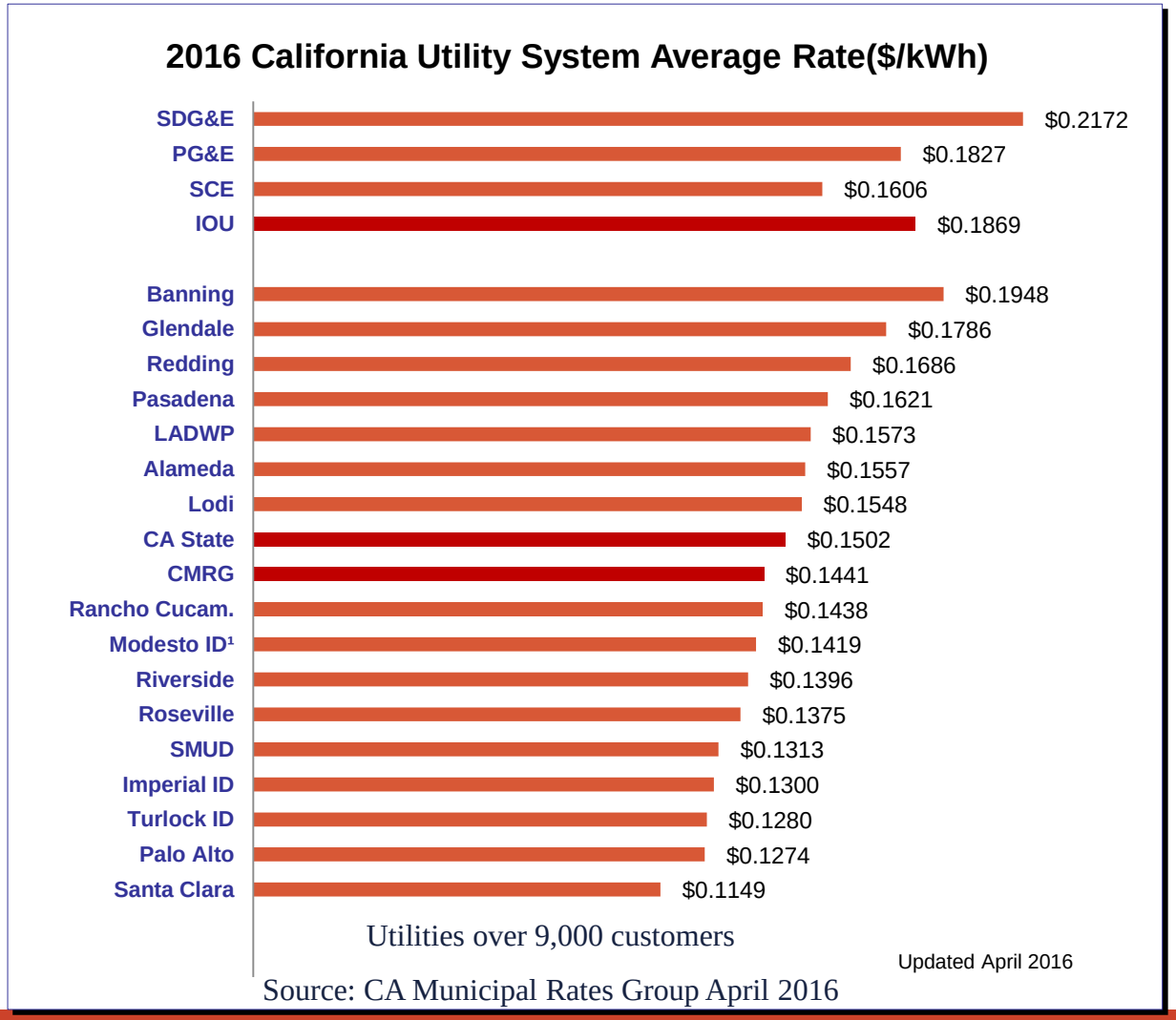
Rate Comparisons

SVP vs PG&E Average Rates
Projected 1/1/2017

Class of Service	SVP Projected AVG Rates ($/kWh)	PG&E Projected AVG Rates ($/kWh)	SVP Lower ($/kWh)	SVP Lower (%)
Residential (SVP D-1 vs PG&E E-1)	$0.119	$0.221	$0.102	46%
Small Commercial (SVP C-1 vs PG&E A-1)	$0.179	$0.229	$0.050	22%
Large Commercial (SVP CB-1 vs PG&E A-10S)	$0.130	$0.198	$0.068	34%
Small Industrial (SVP CB-1 vs PG&E E-19S)	$0.130	$0.174	$0.044	25%
Large Industrial (SVP CB-3 vs PG&E E-20P)	$0.118	$0.148	$0.030	20%

CA Utilities Rate Comparison

Projected 2016 AVG System Rates ($/kWh)



Source: CA Municipal Rates Group April 2016

Thank you, Questions?

For more information, question or comments:

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