



Solana Energy Alliance Quarterly Operational Update

JUNE 2018 – SEPTEMBER 2018 RESULTS

Presentation Overview

- ▶ City Manager Opening Remarks
- ▶ Customer Statistics – Dan King
 - ▶ Customer Participation
 - ▶ How to Read a SEA Bill
- ▶ Financial Results – Barbara Boswell
 - ▶ Through September 2018
 - ▶ Projection update through December 2018
 - ▶ Rate Outlook
- ▶ Financial Outlook - Jeff Fuller
- ▶ Regulatory Update – Ty Tosdal
- ▶ City Manager Closing Remarks

Solana Energy Alliance Goals

- ▶ Cleaner Energy
 - ▶ SEA Choice – 50% Renewable/75% GHG Free
- ▶ Local Control
 - ▶ City Council Governing Board
- ▶ Rate Savings
 - ▶ Rates set at 3% Lower than SDG&E
- ▶ Meet Climate Action Plan Goals

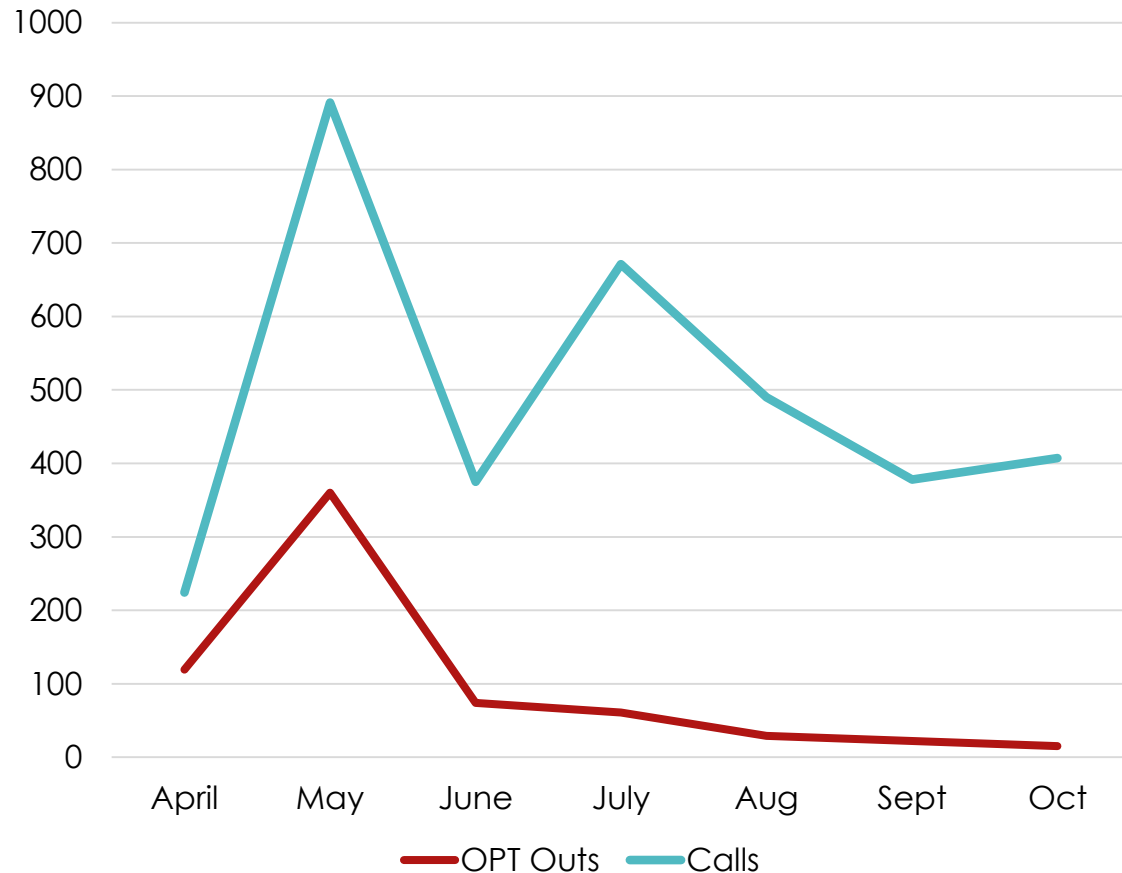


Customer Statistics

Customer Outreach

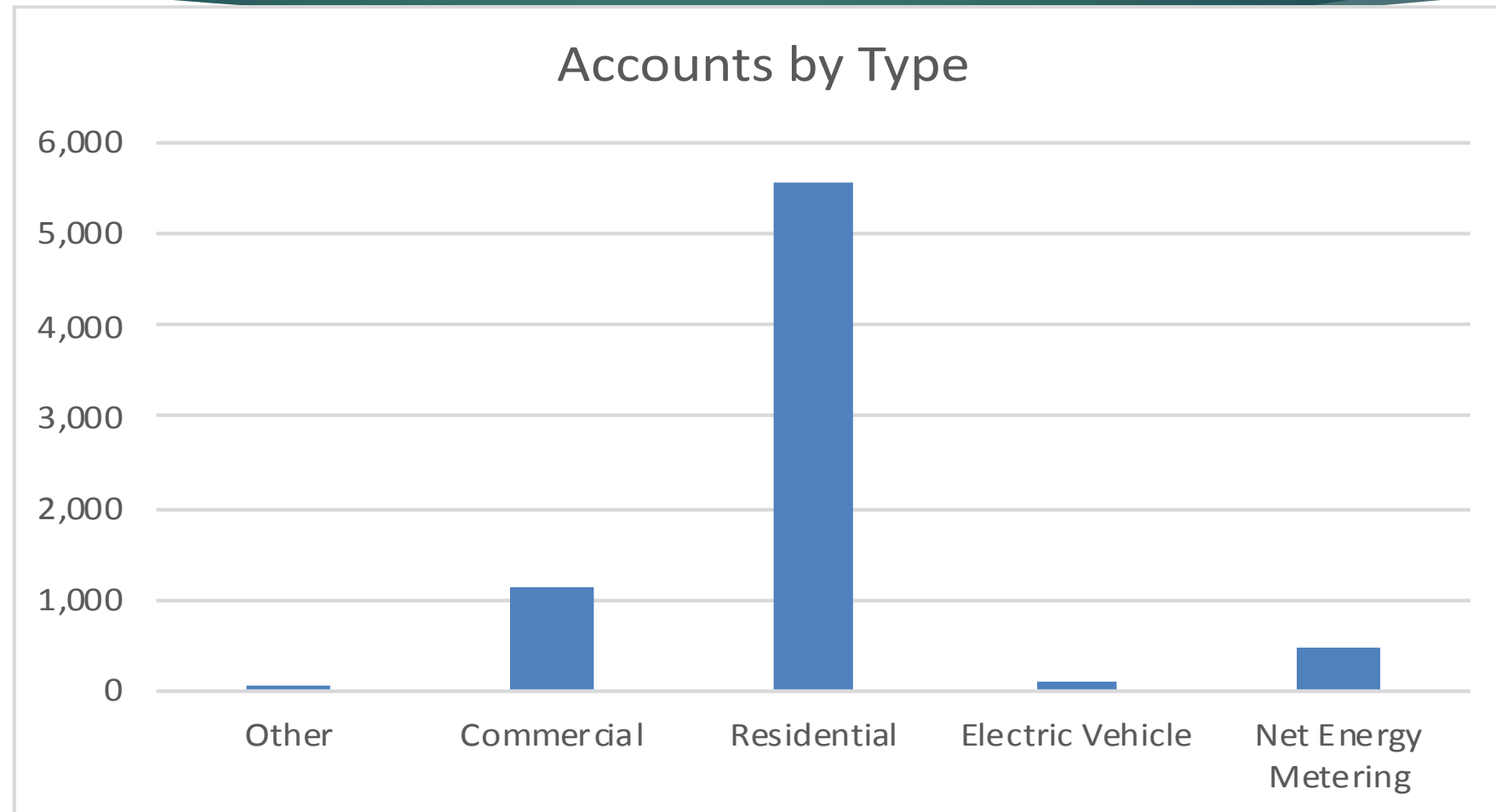
- ▶ Pre-Launch Outreach
 - ▶ Public Workshops
 - ▶ City Event Presence
 - ▶ HOA Meetings
 - ▶ Climate Action Commission
 - ▶ City Council Meetings
- ▶ Pre- & Post- Enrollment Notices
- ▶ Net Energy Metering Customer Outreach

CUSTOMER STATISTICS



- Opt Outs – 8.66%
 - Pro Forma Assumed 10%
 - 92% Residential Participation
 - 99% Commercial Participation
- Opt Ups – 77
- Average Seconds to Answer – 3 Seconds
- Average Call Length – 6:33 minutes

Customer Composition



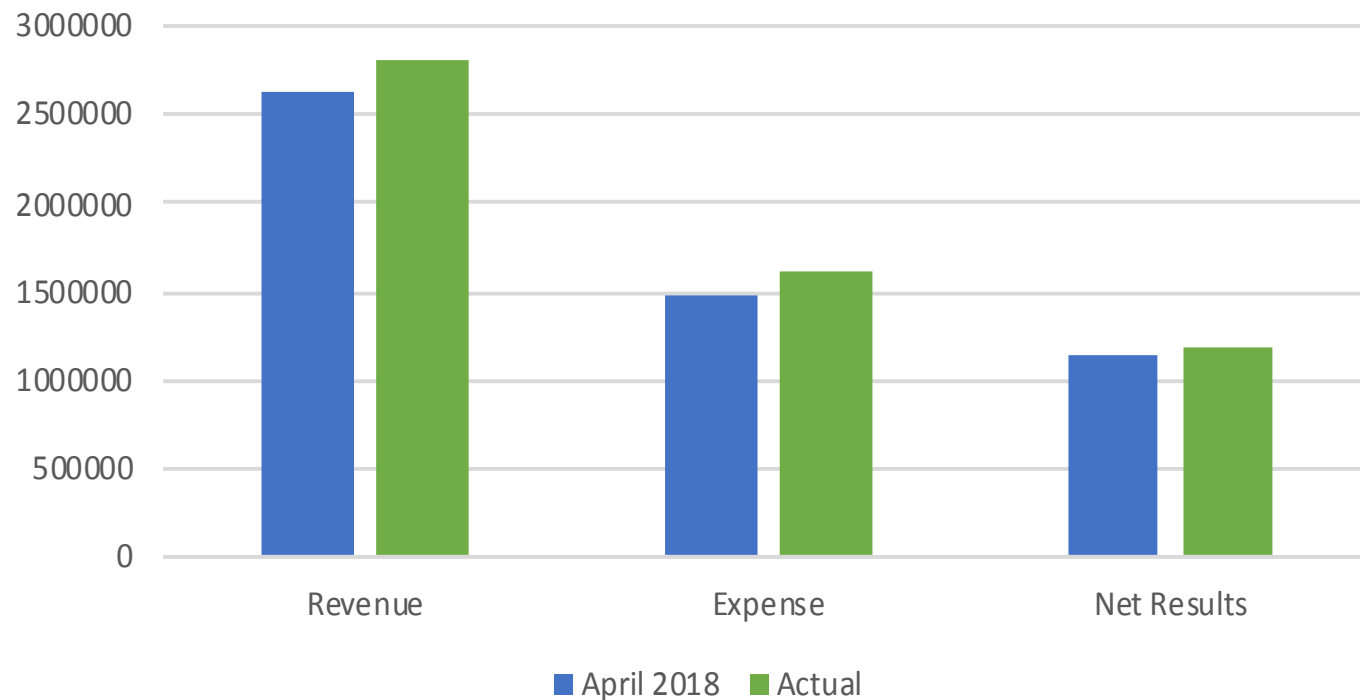
How to Read a SEA Bill

- ▶ SEA Charges on SDG&E Bill
- ▶ NEM Billing
- ▶ Open & Review Sample Bill

Financial Results

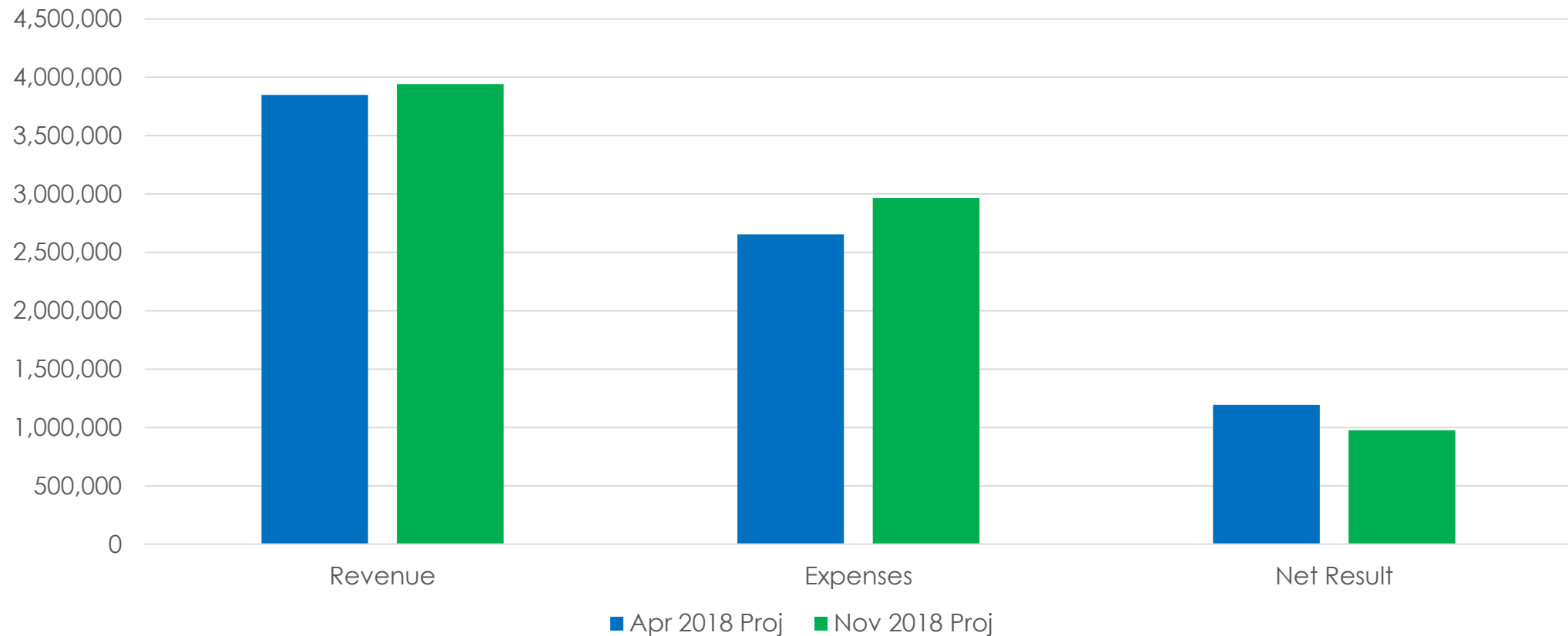
Financial Results through September 2018

SEA Financial Results through Sept 2018



- Revenues 6.94% above April projections, June 50% above expected
- Expenses exceeding forecast by 9%, due to higher than anticipated energy costs
- Net results 4% ahead of forecast

Revised SEA Financial Projection Thru December 2018



Start-Up & Deferred Costs

	General Fund Loan – Approved \$117,000	TEA Deferred Costs Est. \$125,000	Calpine Financing CCA Bond \$100,000	Deferred TEA Energy Weekly (CAISO) Invoices	Deferred TEA Monthly Invoices
Actual Cost	\$107,434	\$50,045	\$100,000	\$66,827.95	\$1,908,934
Balance	\$87,434	\$46,781	\$100,000	\$0.00	\$488,230 Due 12/17/18
Terms	\$10,000 per month beginning 9/2018	\$1,088/month through 5/2022	Due 12/2018	Deferred payment up to 60 days through 8/2018; SEA current now	Deferred payment 30-60 days through 12/2018; SEA will be current beginning 1/2019

SEA Administrative Costs Adopted FY 2018/19 Budget

Line Item:	Adopted Budget:
Professional Svcs	\$15,000
Legal Svcs	\$10,000
Printing/Postage	\$8,400
Other Prof. Svcs	\$3,200
CalCCA Membership	\$30,000
Staff Salaries/Benefits	\$121,500
Gen Fund Overhead	\$19,800
Loan Payt to Gen Fund	\$65,260
TOTAL EXPENSES	<u>\$273,160</u>
Funding Source:	
SEA Revenue	<u>\$273,160</u>

Reserves

-	Required Minimum Lockbox Balance \$200,000 per Agreement	Required Operating Reserve \$50,000 per month up to \$550,000
Per Agreement	\$200,000	\$550,000
Balance	\$1,200,000	\$150,000

SEA Current Net Position

	April 2018 Projection	Actual Results through September 2018	Variance to Projection
Revenue	\$2,613,297	\$2,808,044	7.45%
Expenses:			
Power Supply	\$1,290,341	\$1,446,220	12.08%
Other Expenses	\$182,714	\$140,112	(23.32%)
Admin Costs		\$70,184	
Net Results:	\$1,140,242	\$1,152,528	0.99%

Rate Update

	6/1/2018- 11/15/2018	2018	2019	2020	2021	2022
Residential Savings	\$103,263	\$122,810	\$100,209	\$98,790	\$101,302	\$104,909
Commercial Savings	\$94,890	\$113,831	\$103,343	\$101,879	\$104,471	\$108,190
Other Savings	\$685	\$819	\$1,118	\$1,102	\$1,130	\$1,171
Total Savings	\$198,839	\$237,461	\$200,960	\$198,110	\$203,152	\$210,386

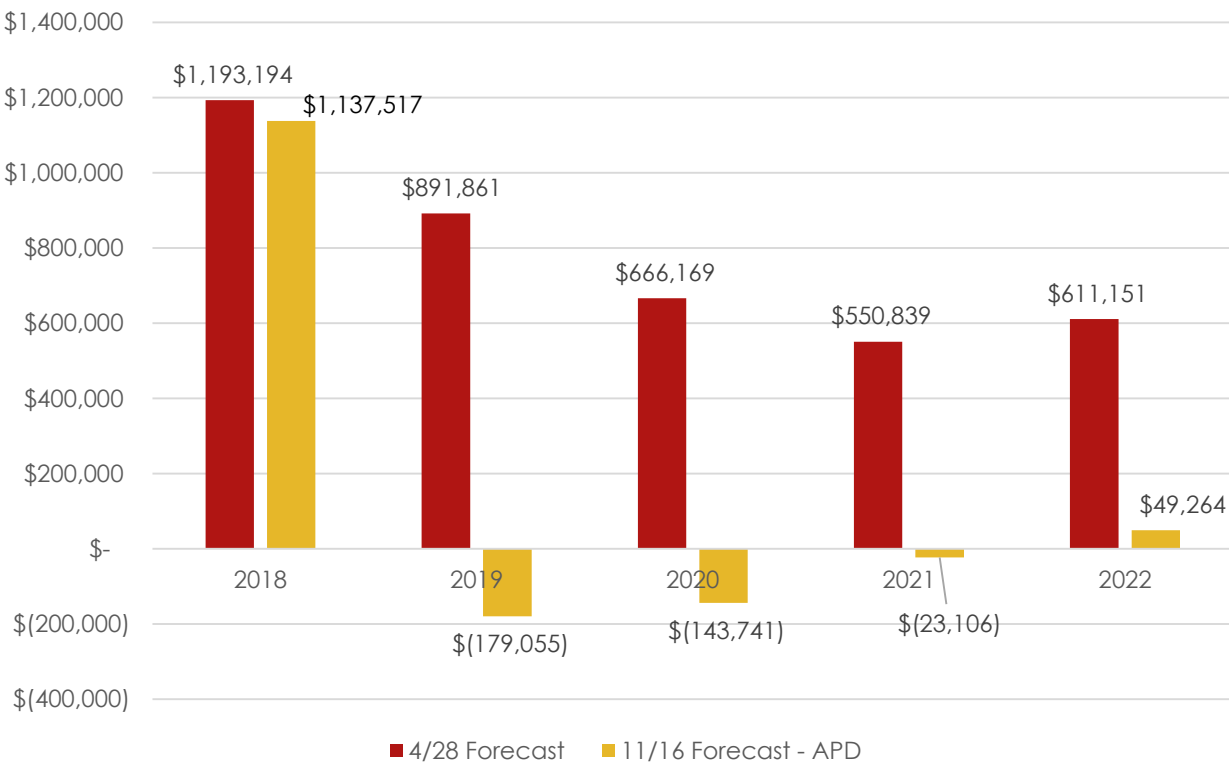
Maintaining a 3% Savings through 2022:

\$1.0M Savings over 5 years

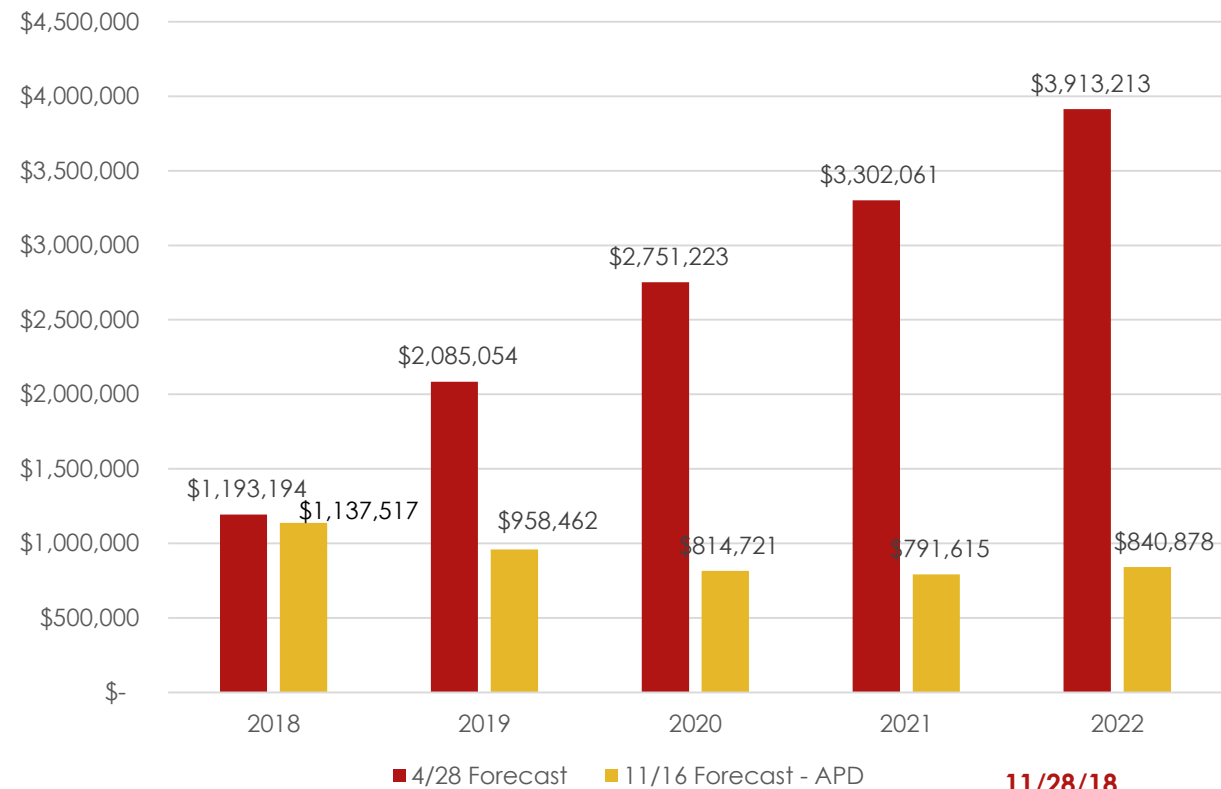
Financial Outlook

5 Year Projection

Forecasted Annual Net Revenue



Forecasted Cumulative Net Revenue



Impacts to Financial Projection

- ▶ Increase in Energy Costs
- ▶ CPUC's PCIA Decision APD vs PD
- ▶ SDG&E Generation Rates

Factors Impacting 5 Year Projection

Factor	5 year Cumulative Impact
Decrease in SDG&E Generation Rate	\$327,000
Increase in PCIA	\$391,000
Increase in Energy Supply Costs	\$2,400,000
Increase in Administrative Costs	\$55,000

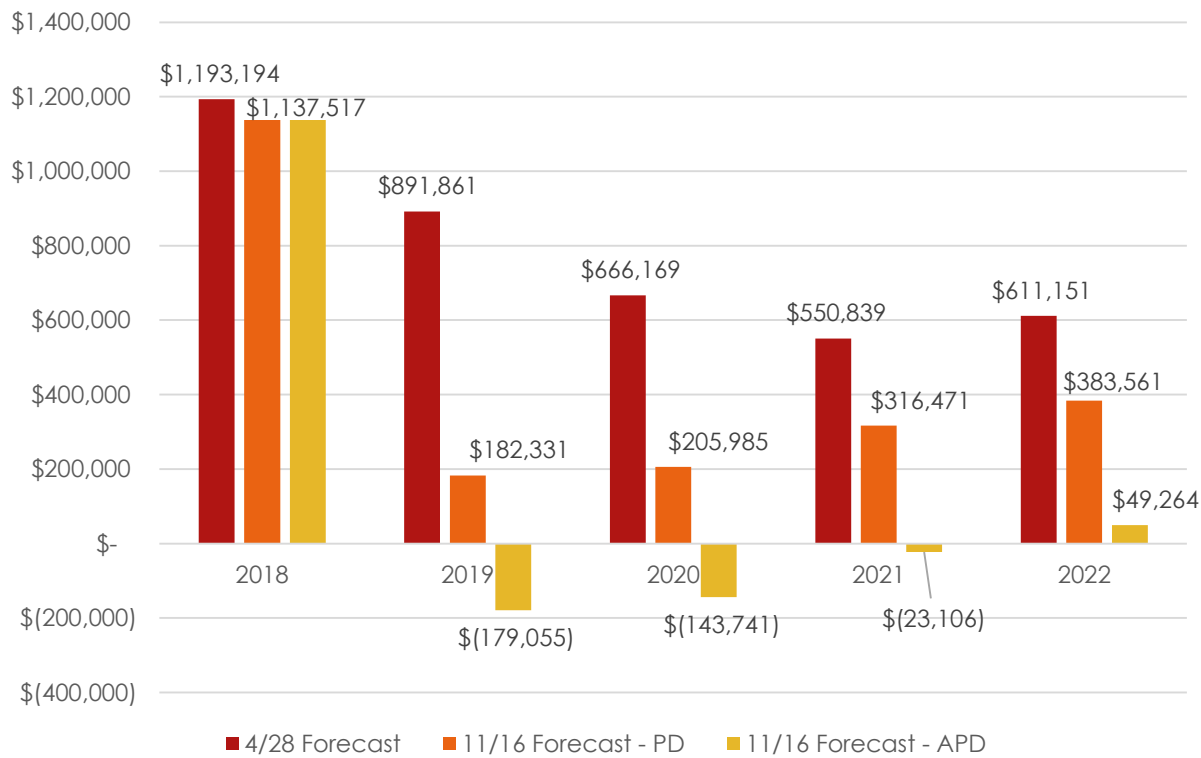
Results Summary

4/28/2018 FiMo	2018	2019	2020	2021	2022
Forecasted Annual Net Revenue	\$1,193,194	\$891,861	\$666,169	\$550,839	\$611,151
Forecasted Cumulative Net Revenue	\$1,193,194	\$2,085,054	\$2,751,223	\$3,302,061	\$3,913,213
Forecasted Revenue	\$3,859,794	\$5,094,781	\$4,868,197	\$5,031,706	\$5,326,255
Forecasted Annual Power Supply Expenses	\$2,260,873	\$3,402,314	\$3,515,813	\$3,776,639	\$3,990,983
SDG&E Generation Rate	\$0.13542	\$0.10517	\$0.10275	\$0.10425	\$0.10536
SDG&E PCIA Rate	\$0.02411	\$0.02727	\$0.02420	\$0.02466	\$0.02359

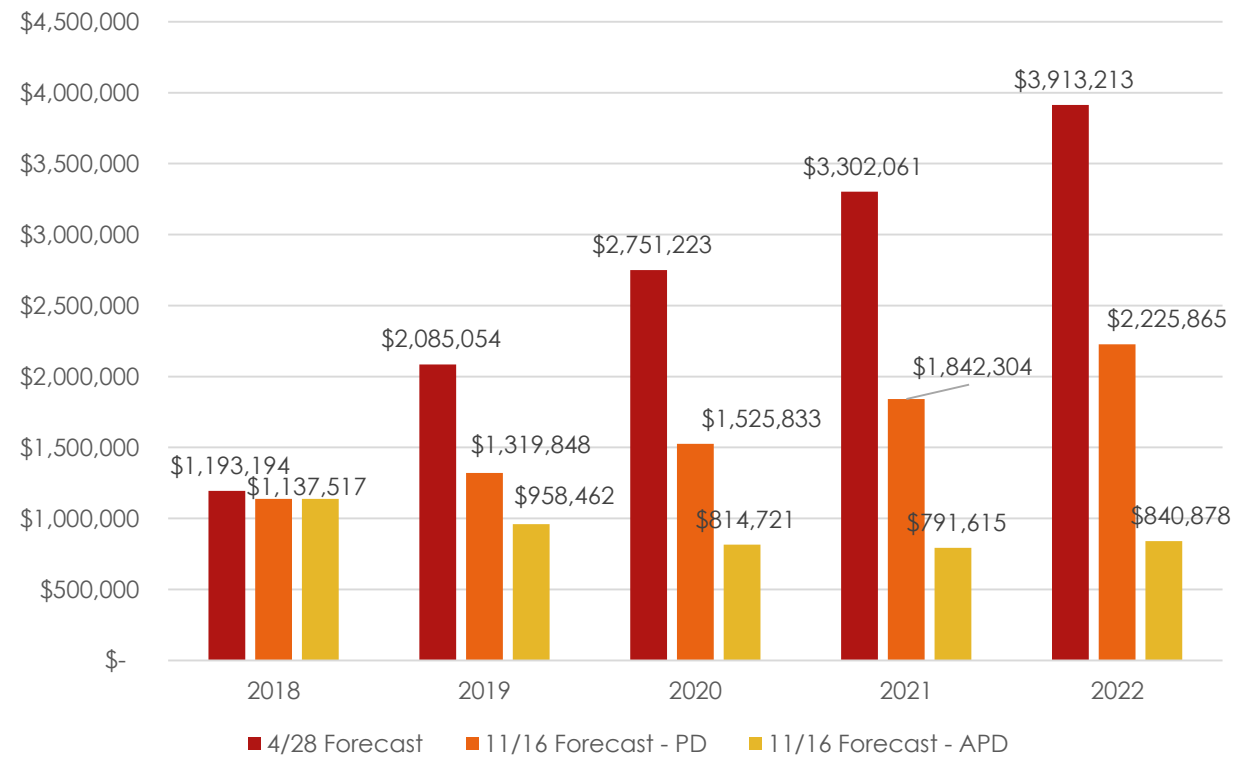
11/16/2018 FiMo - APD	2018	2019	2020	2021	2022
Forecasted Annual Net Revenue	\$1,137,517	-\$179,055	-\$143,741	-\$23,106	\$49,264
Forecasted Cumulative Net Revenue	\$1,137,517	\$958,462	\$814,721	\$791,615	\$840,878
Forecasted Revenue	\$3,946,093	\$4,731,747	\$4,695,884	\$4,911,760	\$5,174,543
Forecasted Annual Power Supply Expenses	\$2,796,737	\$4,896,607	\$4,825,537	\$4,920,131	\$5,109,756
SDG&E Generation Rate	\$0.12955	\$0.10535	\$0.10293	\$0.10443	\$0.10555
SDG&E PCIA Rate	\$0.02147	\$0.02784	\$0.02673	\$0.02566	\$0.02463

5 Year Projection

Forecasted Annual Net Revenue



Forecasted Cumulative Net Revenue



Energy Risk Management

- ▶ Compliance with Energy Risk Management Policy
- ▶ Monthly Meetings
 - ▶ Energy Market
 - ▶ Future Procurements
 - ▶ Regulatory Compliance
- ▶ Identify Strategies for Addressing Projected 2019/2020/2021 Challenges



Regulatory Update

Regulatory Activity

- ▶ PCIA Decision
- ▶ SDG&E Rate proceedings
 - ▶ ERRA
 - ▶ GRC
- ▶ Financial Security Requirement
 - ▶ CCA Bond
- ▶ Resource Adequacy

Regulatory Activity – Legal Services

- ▶ SEA's participation in these and other proceedings is vital
- ▶ Staff is seeking Council authorization to enter into a Professional Services Agreement (PSA) with Tosdal Law Firm
- ▶ Proposed PSA for a not-to-exceed amount of \$75,000 for FY2018-19 for continuing legal services necessary to serve the interests of SEA and its customers
- ▶ Costs will be paid by SEA revenues through the SEA lockbox

Closing

- ▶ SEA meeting program goals
 - ▶ Cleaner energy
 - ▶ Local Control
 - ▶ Rate Savings
 - ▶ Supporting Climate Action Plan Goals
- ▶ Sufficient Resources to meet near term challenges

Recommendation

- ▶ Staff Recommends that the City Council:
 - ▶ Receive and file the first quarterly report on Solana Energy Alliance (SEA) Activities and Operations and provide comment and/or direction; and
 - ▶ Consider adoption of Resolution 2018-150 authorizing the City Manager to enter into a Professional Services Agreement with Tosdal Law Firm for legal services not to exceed \$75,000 in support of SEA.



Questions

Results Summary

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Forecasted Annual Power Supply Expenses	\$2,655,021	\$4,187,636	\$4,187,423	\$4,465,772	\$4,699,125
SDG&E Generation Rate	\$0.13542	\$0.10544	\$0.10300	\$0.10451	\$0.10562
SDG&E PCIA Rate	\$0.02411	\$0.02727	\$0.02420	\$0.02466	\$0.02359

11/16/2018 FiMo - PD	2018	2019	2020	2021	2022
Forecasted Annual Net Revenue	\$1,137,517	\$182,331	\$205,985	\$316,471	\$383,561
Forecasted Cumulative Net Revenue	\$1,137,517	\$1,319,848	\$1,525,833	\$1,842,304	\$2,225,865
Forecasted Revenue	\$3,946,093	\$5,094,220	\$5,046,662	\$5,252,359	\$5,509,846
Forecasted Annual Power Supply Expenses	\$2,796,737	\$4,896,607	\$4,825,537	\$4,920,131	\$5,109,756
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CalCCA Members	Customer Accounts	Peak Load (MW)	Unbundled RECs	Minimum RPS	Annual Load 2016 (GWh)	Annual Load 2017 (GWh)	Annual Load 2018 (GWh)
Apple Valley Choice Energy	29,000	70	8%	35%	N/A	235	235
CleanPowerSF	114,000	372	0%	43%	241	1,225	2,907
Clean Power Alliance	34,000	325	0%	36%	N/A	N/A	887
East Bay Community Energy	550,000	700	TBD	38%	N/A	N/A	6,200
Lancaster Choice Energy	50,400	198	8%	35%	590	590	600
MCE	470,000	1,100	3%	57%	2,102	2,900	5,052
Monterey Bay Community Power	307,000	680	TBD	29%	N/A	N/A	3,394
Peninsula Clean Energy	290,980	774	0%	50%	305	3,055	3,800
Pico Rivera Innovative Municipal Energy	17,597	50	20%	50%	N/A	35	215
Pioneer Community Energy	79,458	250	TBD	33%	N/A	N/A	1,030
Rancho Mirage Energy Authority	14,910	75	9%	35%	N/A	N/A	185
Redwood Coast Energy Authority	62,000	128	0%	44%	N/A	428	698
San Jacinto Power	14,569	50	9%	35%	N/A	N/A	130
San Jose Clean Energy	2,000	25	0%	40%	N/A	N/A	150
Silicon Valley Clean Energy	275,000	800	0%	50%	N/A	2,123	3,731
Solana Energy Alliance	7,339	12.5	0%	50%	N/A	N/A	37
Sonoma Clean Power	223,340	510	0%	46%	2,187	2,381	2,536
Valley Clean Energy	57,728	232	0%	42%	N/A	N/A	758
CalCCA Member Totals	2,599,321	6,352	3.35%	44%	5,425	12,972	32,545

*All figures are projections for 2018 unless otherwise noted. Figures for Clean Power Alliance, CleanPowerSF, East Bay Community Energy and San Jose Clean Energy reflect partial enrollment. N/A means the CCA was not yet operational in that year.

CAP Reduction Targets

Year	2010	2020	2035
	Metric tons of carbon dioxide equivalent		
2010 Baseline	139,216		
Reduction Target (Percent below 2010)		15%	50%
Target Emissions		118,334	69,608
Legislative-Adjusted Emissions Forecast		116,837	115,683
Reductions from CAP Measures			46,026
Emissions with CAP Measures			69,659
Additional Reductions Needed to meet Target			51

CAP Mitigation Measures

Table 3-4 Summary of Electricity and Natural Gas Measures

Measure Number	Measure Description	GHG Reductions (MTCO ₂ e)
		2035
E-1	Implement a Community Choice Aggregation program, subject to City Council approval	10,466
E-2	Achieve 10.8 MW residential rooftop solar photovoltaic systems	5,858
E-3	Achieve 2 MW commercial rooftop solar photovoltaic systems	1,085
E-4	Solar hot water heating at 20% of existing commercial spaces	2,811
E-5	Solar hot water heating at 25% of new homes and home retrofits	539
E-6	Reduction in non-space/water heating residential natural gas use by 15%	359
E-7	Residential energy efficiency retrofits to achieve 15% reduction	59
E-8	Commercial energy efficiency retrofits to achieve 15% reduction	37
TOTAL		21,214

Notes: Columns may not add to totals due to rounding.
MTCO₂e = metric tons of carbon dioxide equivalent; MW = megawatts
Source: EPIC 2017.

Table 3-3 Summary of Transportation Measures

Measure Number	Measure Description	GHG Reductions (MTCO ₂ e)
		2035
T-1	Increase EVs and AFVs VMT to 30% of total VMT	17,495
T-2	Increase commuting by vanpools to 20% of labor force	608
T-3	Reduce average commuter trip distance by 1 mile	464
T-4	Increase commuting by mass transit to 10% of labor force	429
T-5	Increase preferred parking for EVs and AFVs to 20% of eligible parking spots	325
T-6	Retime four traffic signals	144
T-7	Promote telecommuting to achieve 10% participation	86
T-8	Convert municipal gasoline fueled vehicle fleet to EVs to achieve 50% gasoline reduction	56
T-9	Increase commuting by walking to 5% of labor force	16
T-10	Increase commuting by bicycling by achieving approximately 17 bike lane miles	11
T-11	Promote alternative work schedule to achieve participation from 1% of labor force	9
TOTAL		19,643

Notes: Columns may not add to totals due to rounding.
AFV = alternative fuel vehicle; EV = electric vehicle; GHG = greenhouse gas; VMT = vehicle miles traveled
MTCO₂e = metric tons of carbon dioxide equivalent
Source: EPIC 2017.