



Workforce Strategy Update and Power Purchase Agreements Project Selection Standard



SVCE's Vision and Role

Vision: Strong workforce to power the clean energy transition.

SVCE's role: Support broad spectrum of energy jobs - focus on local building and transportation electrification jobs.

1. Spur market demand through programs and policies.
2. Understand and support landscape of workforce development stakeholders.



What have we done to date?

3 areas of focus - building demand, stakeholder outreach, and providing education

Activity	Strategy
Power Purchase Agreements – preference for Project Labor Agreements – prevailing wage and apprenticeship program support.	Building Demand
Policies and Programs – FutureFit Home Rebates, Electric Advisor, reach codes, and existing buildings policy	Building Demand
Programs – Priority Zone DC Fast Chargers, Multifamily EV Charging Installation Incentive Program, single-family direct install require prevailing wage	Building Demand
FutureFit Fundamentals Contractor Training: Online training - \$500 for 5 hours, plus \$500 incentive for installation up to \$5,000.	Workforce Education
Active participation in two regional workforce groups. Met with more than 20 workforce stakeholders.	Stakeholder Outreach



Proposed PPA Project Selection Standard

Key elements

- Maximize regulatory and market value for best fit and value while considering regulatory mandates, reliability, and risk mitigation.
- **Workforce Development:** Requires prevailing wage and supports Skilled and Trained Workforce. Preference for projects that demonstrate this with Project Labor Agreements.
- **Technology Diversification:** Seek to have projects from a variety of technology types.
- **Location:** Preference for projects in SVCE service territory, geographic diversity, and interconnected with deliverability to the CAISO.
- **Environmental Stewardship:** Preference for projects that avoid environmentally sensitive areas and where developer has development agreement that includes mitigation measures for environmentally sensitive areas.



Executive Committee Action

1. Provide feedback on workforce strategy.
2. Recommend the Board of Directors direct staff to adopt the Power Purchase Agreement Project Selection Standard as proposed in Attachment 1.

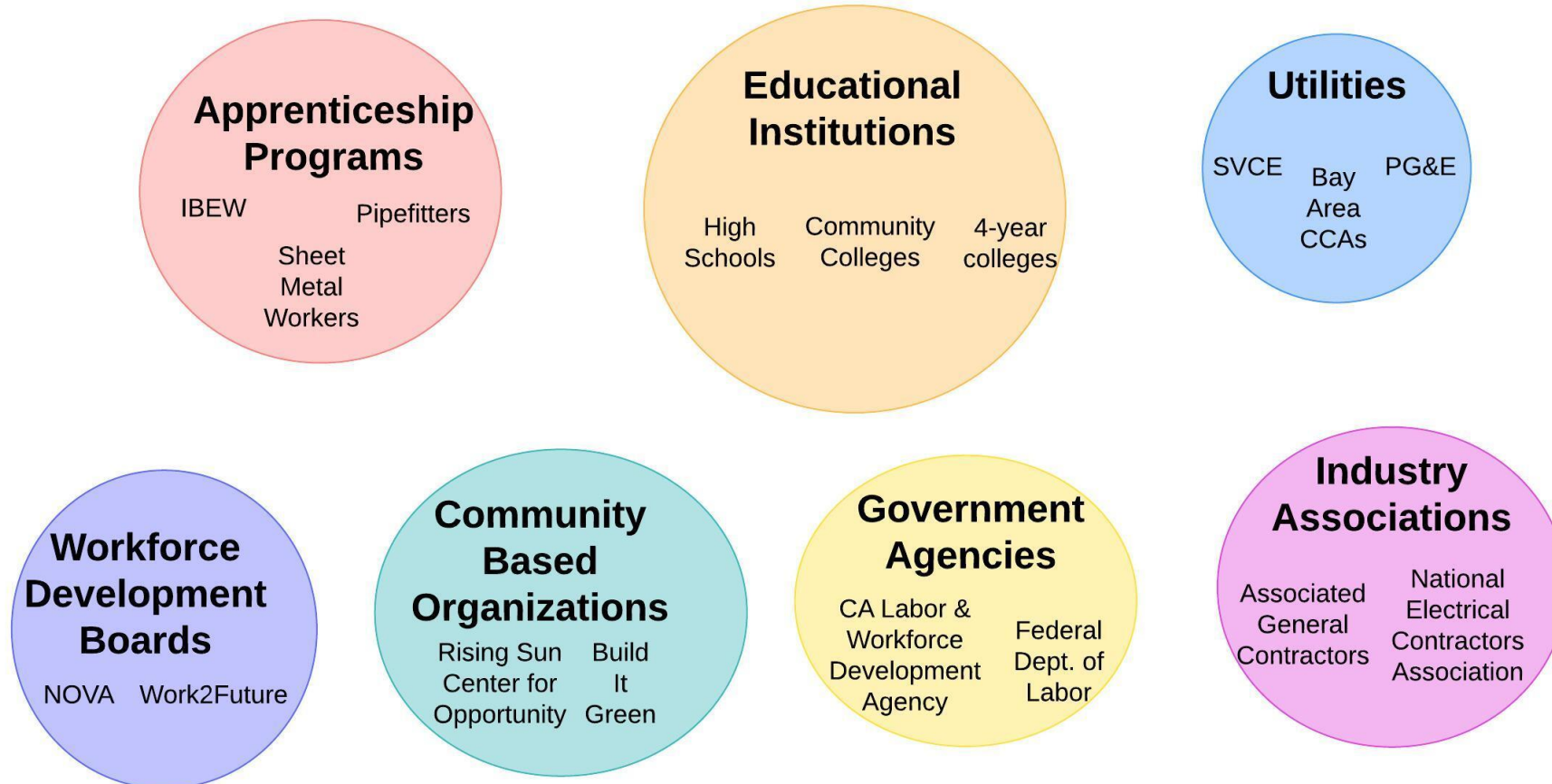
Appendix





SVCE is only one entity in a complex landscape

Strategic partnerships are critical



Accessible On-Bill Financing Pilot Review

Jessamyn Allen, Program Lead
SVCE Executive Committee
June 28, 2024



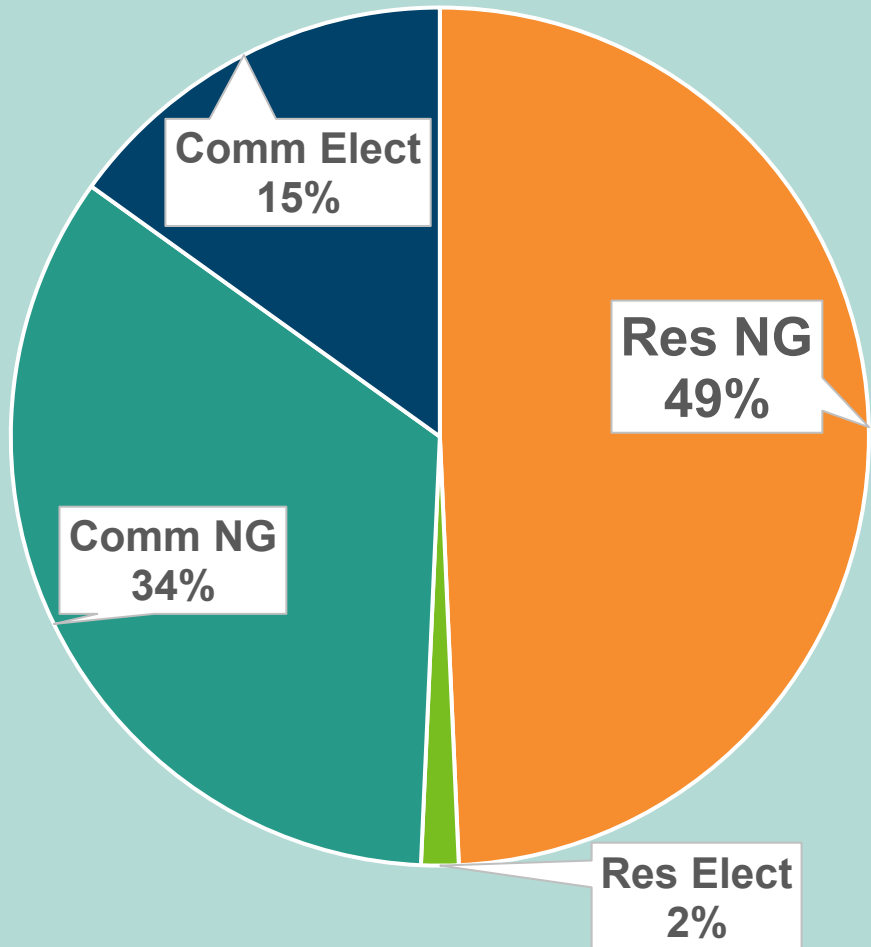
Request for the Executive Committee

- Seek feedback on on-bill financing pilot
- Recommend approval of pilot contracts at August Board of Directors meeting



Decarbonize existing homes – how do we help customers pay for it?

Building Emissions



# of Appliances		Cost / Appliance
230,000 Water Heaters	X	\$6,000
165,000 Furnaces		\$15,000



\$3.8 Billion

(total, not incremental cost)



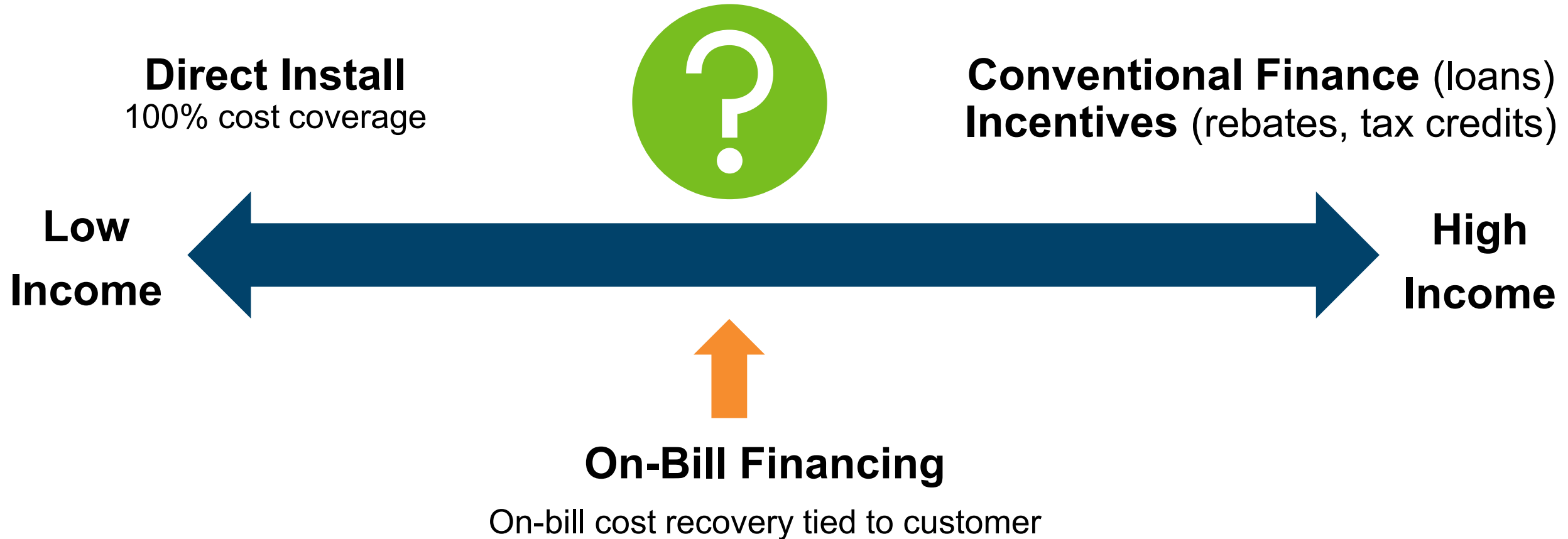


Covering the costs of electrification – different customers need different support





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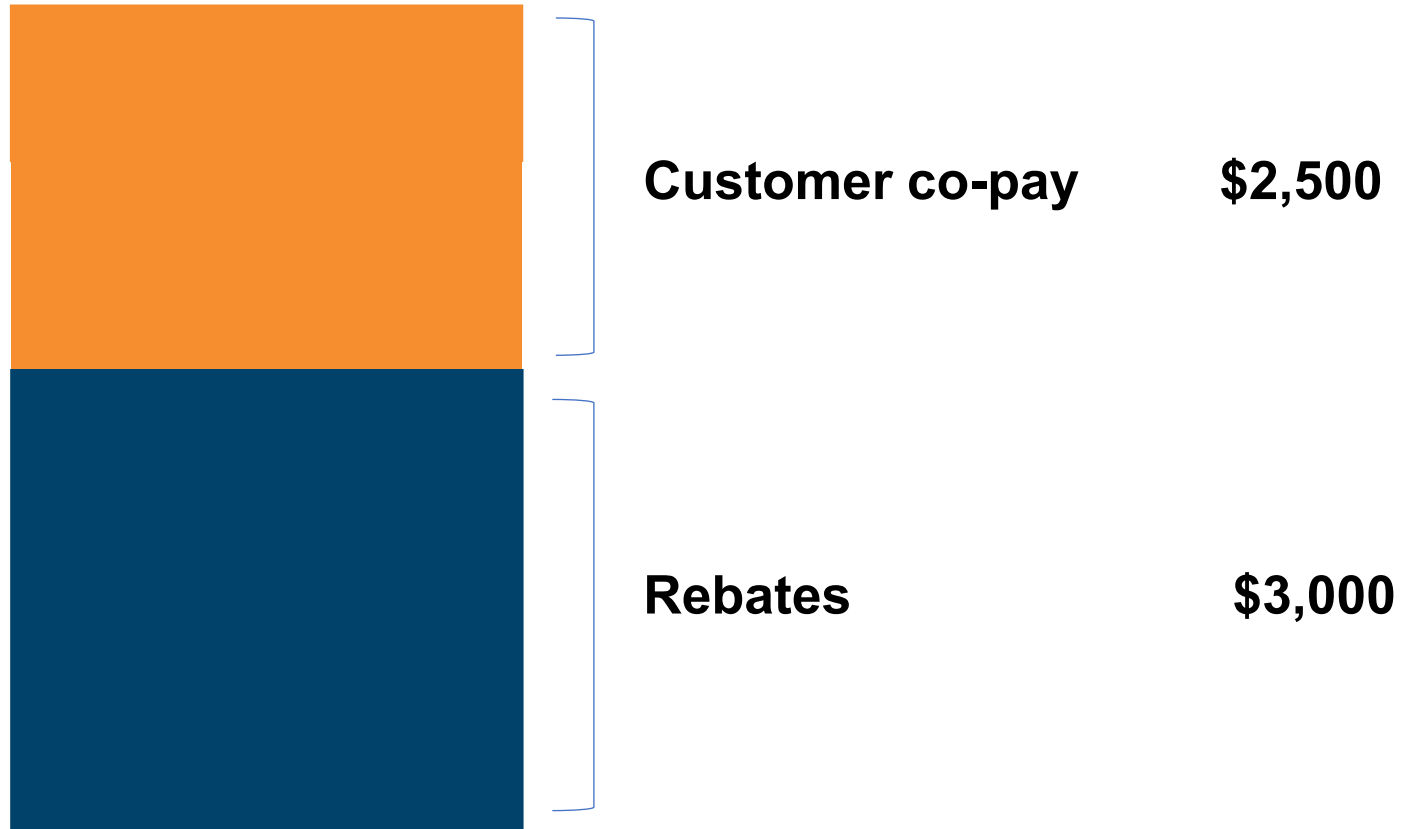


Typical project with rebates still has substantial cost to customer

HPWH project cost: \$5,500



Project cost coverage



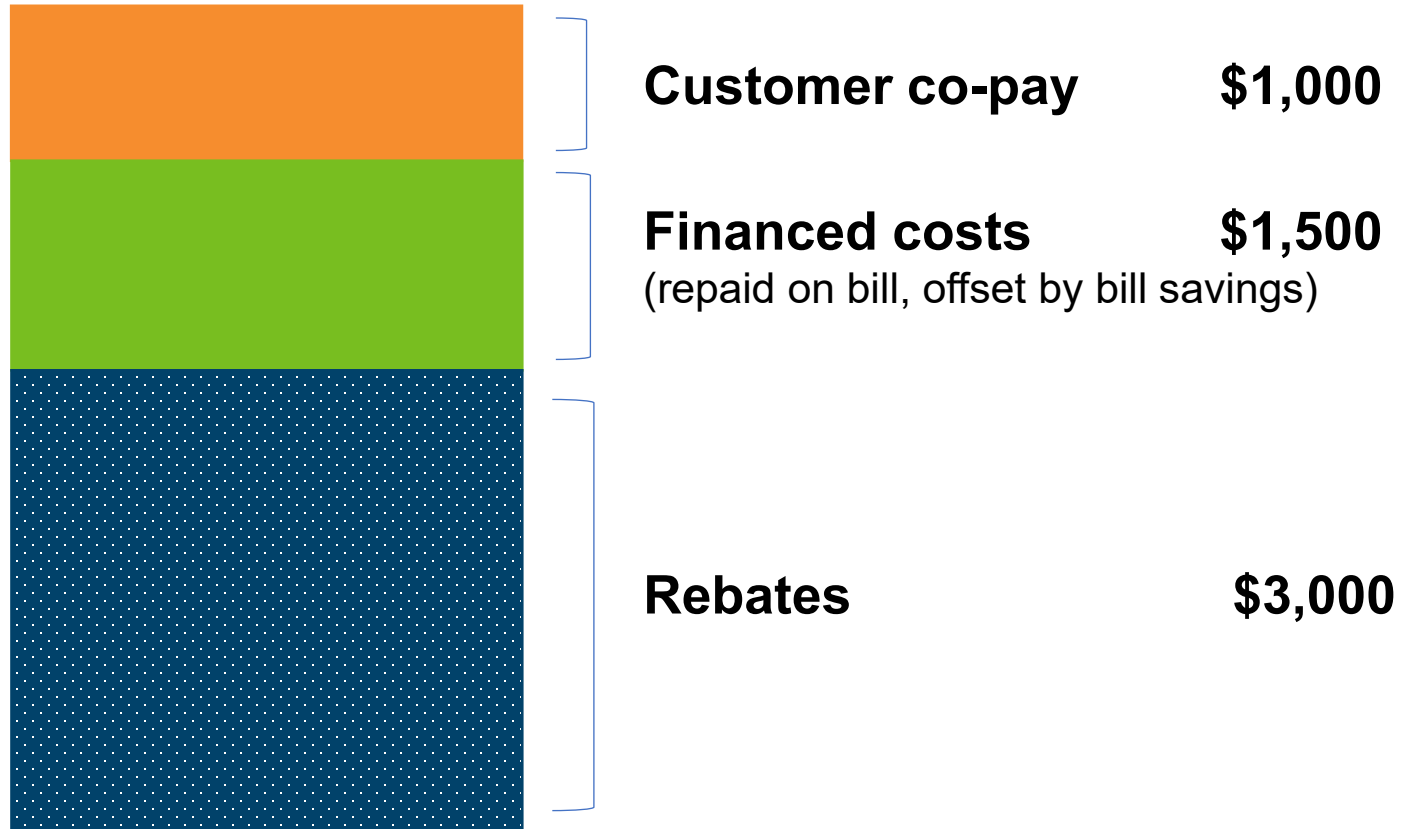


Factoring in lifetime bill savings, we can reduce up-front costs through financing

HPWH project cost: \$5,500
Lifetime bill savings: \$1,875



Project cost coverage





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- **Financial offering:** loan (consumer debt), 0% interest, 10-year term
 - No-to-low out-of-pocket cost to customer
 - Loan repayment fully offset by (gas + electric) bill savings due to project



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- Equipment warrantied + customer service available throughout payback period

Versions of OBF have been offered by other LSEs (e.g., IOUs, PCE, SCP)



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 - No net ongoing cost: loan repayment covered by bill savings
 - Reduced/no upfront cost
 - Target moderate-income customers
 - Strong customer protections



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 - Strong customer protections
- **Inform broader financing roadmap**
 - Ongoing SVCE analysis of capital requirements
 - SVCE has been informing statewide financing discussions with IOUs and CPUC; SVCE's proposal was commended by Commission
 - SVCE's OBF will test many key elements of the statewide pilot proposal



Sounds complicated – how can we do this?

We have help!



- Statewide initiative to accelerate heat pump market; program implementers & finance advocates
- Role: Advisory & co-management



- Program implementer with extensive experience in performance-based programs
- Role: customer acquisition & project origination, 10+ year contract to provide customer support



Pilot Funding Sources

Our TECH collaborators have a significant financial contribution

Entity	\$ Contribution	Funded Expenses
SVCE	\$5.2M (max contribution, already allocated program \$)	Loan capital Project incentives Equipment warranties Operating budget
TECH	\$2.9M (+ In-Kind Labor)	Risk mitigation funds Operating budget
Other	\$2.6M	State & federal incentives to reduce project costs



Risk Considerations



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Bill savings do not materialize	<ul style="list-style-type: none">• Detailed estimation and evaluation of realized savings• Risk mitigation budget• Guarantee of savings excludes exogenous factors (e.g., occupancy, rates)



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Equipment or contractor issues	<ul style="list-style-type: none">• Increase vendor insurance requirements• Equipment warranties & customer support throughout repayment term• Robust customer agreements



Pilot contracts overview

- **TECH Contract**

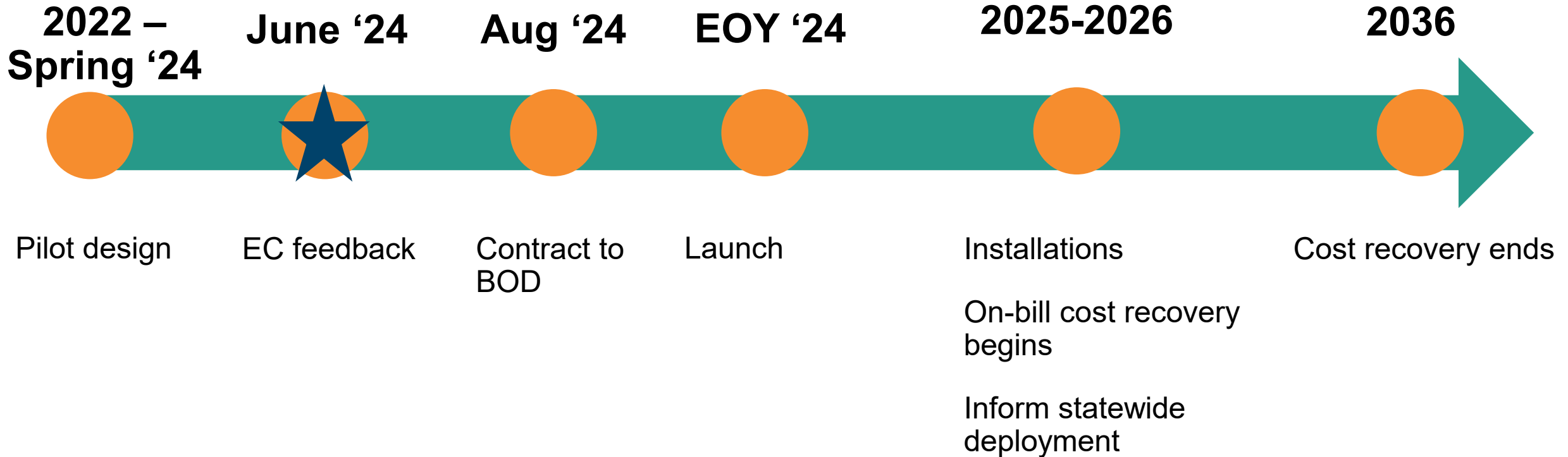
- **Entity:** Energy Solutions (TECH lead)
- **Term:** EOY 2026
- **Value:** \$2.65M (\$ flowing to SVCE)
- **Services covered:** SVCE's use of TECH funds for risk mitigation & operations. TECH's supporting role in pilot

- **Franklin Energy**

- **Entity:** Franklin Energy
- **Term:** Initial 3-5 year term with provisions to extend through 2036
- **Value:** \$4.1M (max)
- **Service covered:** Project & loan origination, contractor oversight, incentive coordination, quality control, ongoing customer support



Finance Pilot Timeline



 = We are here



Extra Slides



Finance – Decarb Program Priority



Building Decarbonization Joint Action Plan, November 2020

- Identified 'Accessible Financing' as a cornerstone focus area



Programs Double Down, March 2022

- Added \$5M to Accessible Financing allocation

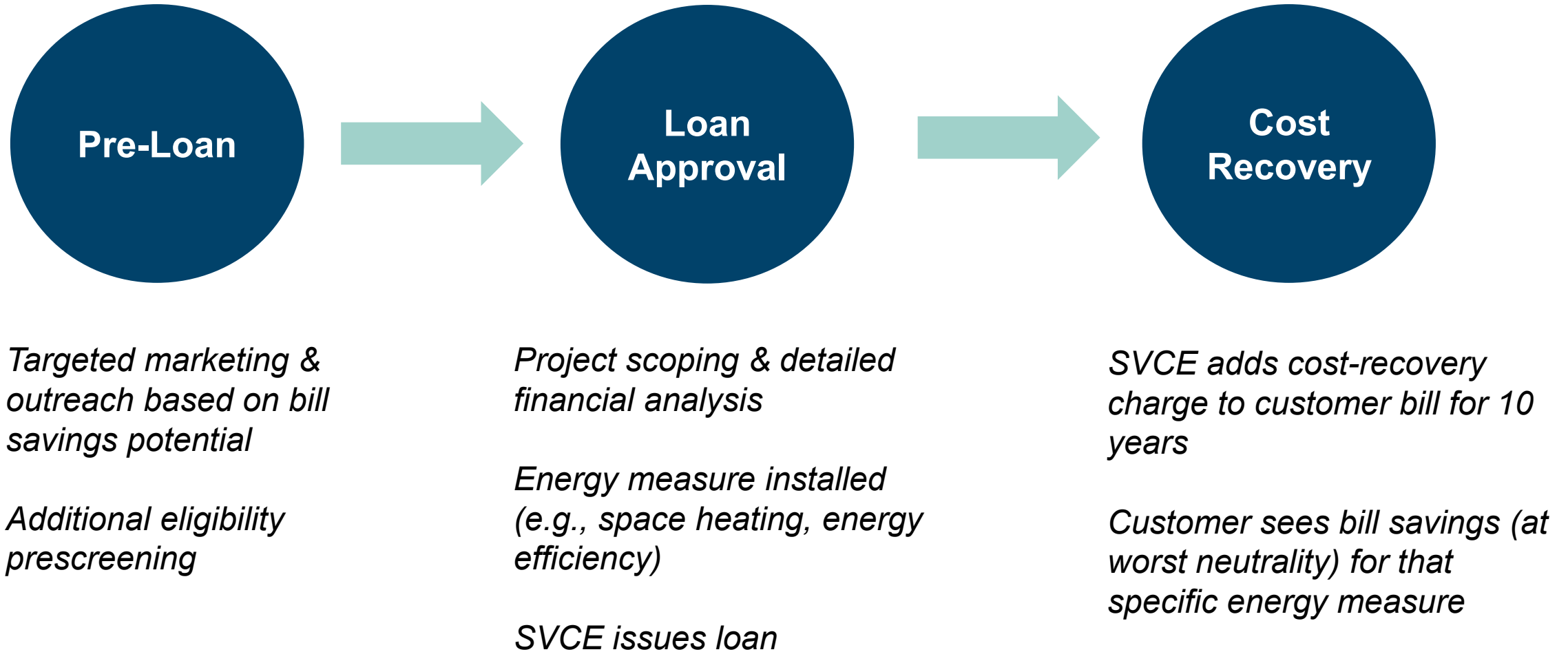


Innovative Finance Whitepaper

- Funding sources and finance mechanisms (incl. OBF) for decarb in SVCE territory



OBF Customer Journey





SVCE OBF Pilot

Involved parties

TECH

SVCE

**Franklin
Energy**

**Contractors
(x2-3)**

Customers (few hundred)



Roles & responsibilities

SVCE	TECH	Franklin Energy
<ul style="list-style-type: none">• Cross-team coordination (e.g., ESCR, and A&F)• Legal & financial due diligence• Hire and supervise Program Operator (Franklin Energy)• Steer marketing & outreach• Administer on-bill charges (coordinate with Calpine)	<ul style="list-style-type: none">• 3-year oversight & advisory role• Start-up needs• Customer targeting analyses (what customers are good candidates?)• Financial & data quality control (are we charging customers the right amount?)• Pilot evaluation - measurement & verification (what are realized bill savings?)	<ul style="list-style-type: none">• 12-year operations & customer service role• Hire & manage installer contractors• Handle marketing and customer acquisition• Conduct all phases of project origination & QA/QC• Manage pilot operations, customer service



Risk Considerations

Risk	Description	Mitigation Tactics
Bill savings do not materialize	Customer does not see bill savings that we calculated to determine loan principal	<ul style="list-style-type: none">• Robust evaluation of estimated & realized bill savings• Risk mitigation funds• Not guaranteeing bill savings against rate changes or other exogenous factors (e.g. changes in occupancy)
Nonpayment of on-bill charge	Customer closes SVCE account without paying off loan balance	<ul style="list-style-type: none">• Evaluating recourse options: collections, equipment liens, remote disconnect• Estimating housing owner & account turnover• Using already allocated program \$
Equipment or contractor issues	Performance or damage issues due to equipment or installing contractors	<ul style="list-style-type: none">• Increase vendor insurance requirements• Equipment warranties & customer service through repayment terms (i.e., 10 years)• Robust customer agreements



Types of on-bill financing

- **On-Bill Financing:** *Loan tied to the customer with cost recovery charge on the CCA portion of bill.*
 - Requires CCA billing provider (e.g. Calpine) support
 - Available now
- **Tariffed On-Bill (TOB) Financing:** *Utility investment tied to the meter with cost recovery charge on the IOU portion of the bill.*
 - Requires regulatory approvals & PG&E billing system upgrades
 - Available in 3+ years (?)
 - SVCE supporting TOB in statewide proceeding



SVCE OBF to inform TOB financing

Waiting for CPUC authorization and PG&E billing updates for TOB

- With learnings from OBF pilot, SVCE may be able to deploy larger TOB pilot leveraging outside funding
- SVCE's OBF pilot will test critical elements for TOB including bill savings methodology, customer targeting, customer acceptance & repayment rate when financing limited to bill savings, solar + storage benefits, and customer protections
- Key difference between SVCE OBF and TOB – TOB cost recovery charge *is tied to the meter* & automatically applies to successor occupants

Authorize the CEO to Negotiate and Execute an Office Lease Agreement

June 28, 2024



Seek Executive Committee feedback and support for office space strategy

- Background and decision timeline
- Office space needs and consideration
- Merits of Lease vs Own
- Recommended strategy
- Executive Committee Request



Current Situation

SVCE has leased space at 333 W. El Camino since 2017.

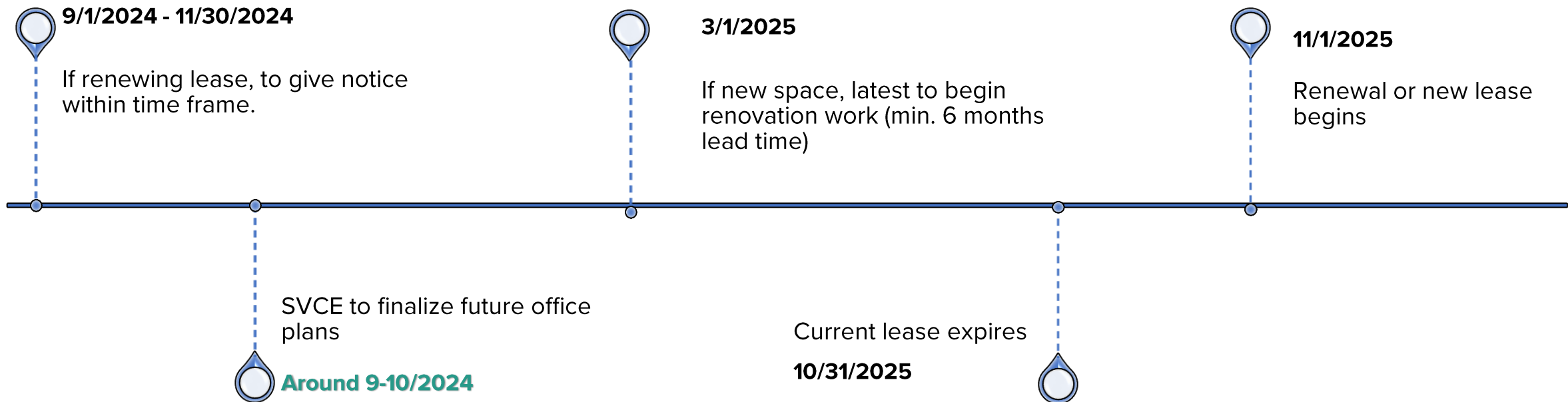
- Started with small suite and expanded to current larger space of 7,900 square feet to accommodate ~30 staff
- Staff has grown to 65+ with an expectation to grow to 75
- Post COVID staff is mostly remote
 - ~20% of employees come into office on a weekly (at least 2 days) basis; 50% employees on a monthly basis; and 100% employees on a quarterly basis.
- Quarterly retreats are held off-site
- Board of Director meetings are held off-site
- BOD committee meetings are held on-site
- Community meetings/events are held off-site
- As part of FY 23-24 Budget, the BOD set aside \$20M for the purchase of a new office building



Decision Deadlines

Current Office Lease Expires **Oct'25**

Renewal Decision Must Be Made By **Oct'24**



5-year lease signed in 2020, pre-COVID for Class B office space, signed at lease rates now considered high.



Office Space Strategy

Timeline and growing needs of the organization are forcing a strategic decision/parameters around office space, including:

1. Amount of space needed given remote/hybrid workforce, community needs and public meetings.
2. Purchase vs lease of a new building.
3. Upgrade from Class B to Class A for leased space.
4. Min and max term of new lease space.
5. Location of new office space.



Office Expansion Considerations

- **Growing Team:** SVCE has experience significant growth in personnel over the past few years, and current office space is at its capacity.
- **Encouraging Collaboration:** an expanded office space will provide more room for collaboration and teamwork, fostering creativity and innovative discussions among employees.
- **Enhanced Stakeholder Experience:** With a modernized office space, SVCE will be better equipped to host board meetings, community events and training thus ensuring a more comfortable experience that highlights our missions, projects, and fosters increased community engagement.
- **Future Growth:** Anticipating further growth, expanding office size will ensure that SVCE can scale up seamlessly as the business continues to grow.
- **Employee Well-being:** Enhancing office space to include a wider range of amenities prioritizes the well-being of SVCE's employees, leading to increased job satisfaction and greater retention rates.



Analysis: Ideal Office Size

- Current Space is **7,913 Sqft**
- Ideal Hybrid Work Space for 75 employees is **8,000 – 10,000 Sqft**
- If Adding a Large Conference Room for Board and Community Meetings is **11,000 – 15,000 Sqft**

Office Space Considerations	Calculation
Number of Employees	75 Employees
Desk Space – Average Density (200 sqft/employee)*	15,000 sqft
Large Common Area Space (60 sqft/employee)*	4,500 sqft
Total Sqft for 75 people	19,500 sqft
Hybrid Work Environment (50% usage for desk space but keeping large common area space)	12,000

* Source: [Squarefoot.com/office-space-calculator](https://www.squarefoot.com/office-space-calculator)



Office Space Alternatives Explored

Should SVCE increase/expand it's office space and if so, should we buy or continue to lease?

1. Status Quo: stay in current space no expansion or improvements and extend lease 3 to 5 years
2. Stay in current space and expand into larger space next door, if available
3. Lease new Class A office space, with increased square footage and enhanced amenities
4. Purchase a building
 1. When to purchase?



Analysis: Office Options Leasing vs. Purchasing

Represent bookends of options for illustrative purposes only. Actual cost, terms etc. will be based on specific locations.

Alternative	Description	Class Type	Size (Sqft)	Estimated Annual Recurring Cost*	Estimated Projected 5-Yr Cost**	Notes
Status Quo	Current SV Office	Class B	7,913	\$600k	\$3-4M	Current space is not enough for all-hands and large meetings. Required to rent off-site locations.
#2	Current SV Office With 3,000 Sqft Expansion	Class B	11,000	\$800k	\$3.5-4.5M	With additional expansion to accommodate current headcount. Will still need to rent off-site.
#3	Lease New Office	Class A	14,000	\$1-1.5M	\$5-7M	Shell condition, possible to build a Board/Community room
#4	Buy New Office	Class A	14,000	\$3-500k	\$13-15M	Cost dependent on location and initial capital expenses. Assumes paying cash.

- Alts #2 and #3 - Lease option for expansion or new require 6 mos to one year to make necessary improvements.
- Alt #4 requires 1-2 years to find, procure and renovate a new office space.

* Annual Recurring Cost (property insurance, common area maintenance, utilities, janitorial, management fees, external event space rental as needed)

**Estimated 5-Year cost includes initial cost and all recurring costs. NPV at 5% discounted rate.



Leasing vs. Purchasing Considerations

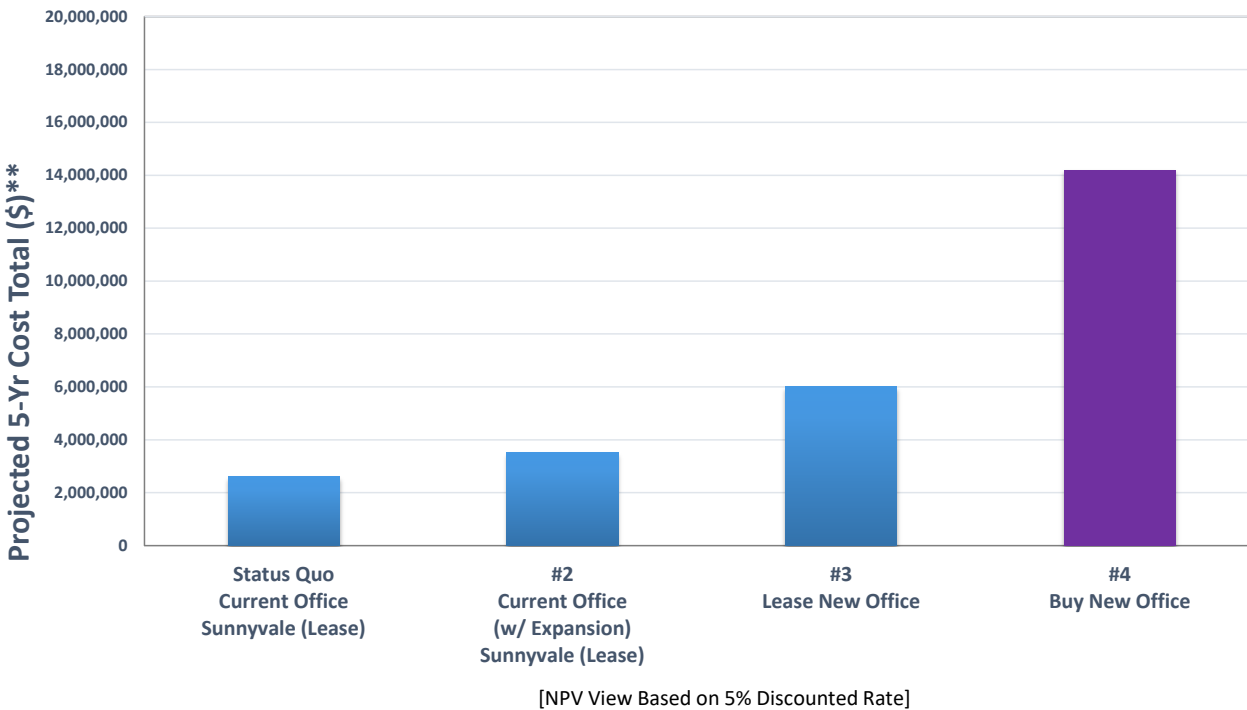
	PROS	CONS
Leasing	<ul style="list-style-type: none">• Landlord maintains facility• Do not need a facilities team or manage external property managers• Flexibility to move (lease or buy later) based upon needs of business• Can negotiate lease rate and terms• Financial savings for the first 16 years	<ul style="list-style-type: none">• If expanding/improving space may have employee concerns regarding in office frequency• Monthly leasing payments (no possibility of capital gain)• Limited by landlord's rules (such as limited EV chargers, space to utilize as we wish or demonstrations)• Coordinating logistics and equipment movement poses challenges when using shared working space for large meetings
Purchasing	<ul style="list-style-type: none">• Potential property value gain over the course of ownership• Do not have rent hikes• Financial savings starting 17th year	<ul style="list-style-type: none">• Low utilization rate due to hybrid work environment• Employee concerns regarding in-office frequency• Cost of furniture (est. \$500K to double what we currently have), and Tenant Improvement (~\$100/sq ft)• Additional fees and staff hours managing property managers or facilities team (electrical, plumbing, janitorial staff) (\$5k-\$10k/month)• Insurance cost may increase• May be difficult to sell/liquidate quickly, if needed.



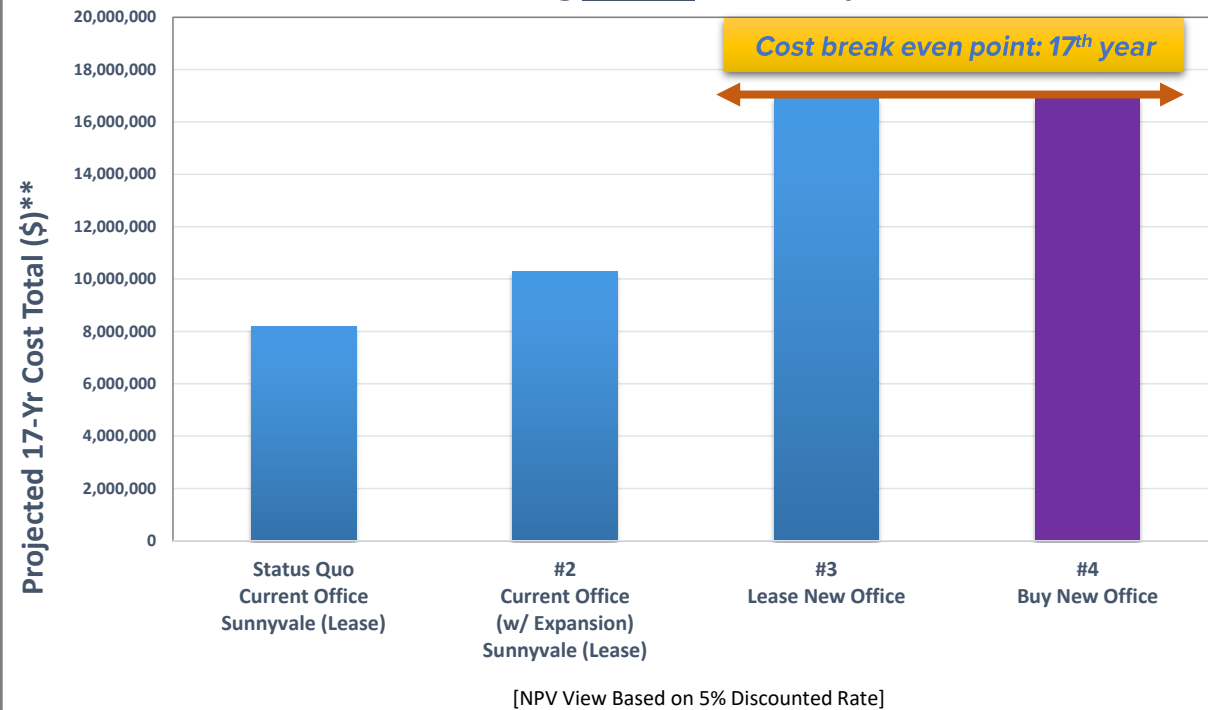
Analysis: Cost Comparison

Owning a building is a net benefit starting in Year 17

Office Building 5-Year Cost Comparison



Office Building 17-Year Cost Comparison



**Estimated 5-Year cost includes initial cost and all recurring costs. NPV at 5% discounted rate.



Board “set aside” \$20 Million towards the purchase of a new office space

Purchasing Steps	Purchase Timeline Option 1	Purchase Timeline Option 2
1. Office Building Research (6m)	7/2024	12/2026 Need an office to lease for additional 3.5 years.
2. Sign Purchase Agreement	12/2024	6/2027
3. Renovation Contractor Research (6m)	6/2025	12/2027
4. Renovation (1.5y)	11/2026 Need an office to lease for additional 1 year.	5/2029
5. Move-in to New Office	12/2026	6/2029

Given other agency priorities, timeline under Option 1 may not be feasible.



Summary

- SVCE has outgrown current space and expanded space will accommodate changing needs of organization
- Investing in a building may be a good financial decision however staff is not prepared to move in the next 2 years
- Current space is Class B and rental rate is considered high and not firm, that is it is subject to negotiation
- Class A lease spaces have many more amenities and may attract employees back to the office on a more frequent basis (still predominately remote)
- Expanding current space and/or moving to a new space may increase office space cost by \$300K per year or \$1.5M over five years
- Any space under consideration should be in SVCE service territory, near public transportation and central to our member agencies



Proposed Plan Forward

- Staff to continue to research office building leasing options, as follows:
 - 3-7 year lease term, flexible lease terms
 - Will explore option to opt-out early
 - Staff to target office space around 11,000 to 14,000 to accommodate growing staff and Board/Community room
 - Target Sunnyvale, Mountain View, Campbell and Cupertino
 - Allow for reasonable initial capital expenditure cost on renovation and furniture
 - May need to consider a temporary extension of current lease to accommodate new lease agreement
- Revisit office building purchase options in 2028
 - Likely to enter an office building purchase agreement in FY28-29
 - The Board allocated funds for purchasing a building will remain allocated in the Building Fund.



Request

- Staff requests the Executive Committee recommend the Board of Directors authorize the CEO to pursue an office space with the following parameters:
 - 3-5 year lease with target start date of October 2025
 - Seek 11,000 to 14,000 square feet of a Class A building
 - Located within SVCE's service territory
 - If new lease is not able to start by October 2025, authorize extension of current lease for up to 6 months

Actual lease and terms will be brought to the Board for consideration and approval in closed session by October 2024

Overview of SVCE's Data Analytics Platform (DAISY)

Sangeetha Kumar, Decarbonization Data Engineer
June 28, 2024



Intro to DAISY

Data Analytics In SVCE Territory

Internal data analytics platform hosted on Google Cloud Platform (GCP) that contains key datasets to support the day-to-day functions at SVCE.

INTERNAL DATA ANALYTICS PRESENTATION

EXAMPLES: Targeted marketing and communications, program evaluation, forecasting revenue, load forecasting

Available Data

Who are SVCE's customers?

Customer attribute data

Census tract level equity metrics

Public Safety Power Shutoff (PSPS) data

Email marketing engagement data

Program participation data

What are current decarbonization trends in SVCE territory?

Vehicle registration data

Tax assessor data

Interconnection data

How do our customers consume energy?

Customer-level electricity reading data

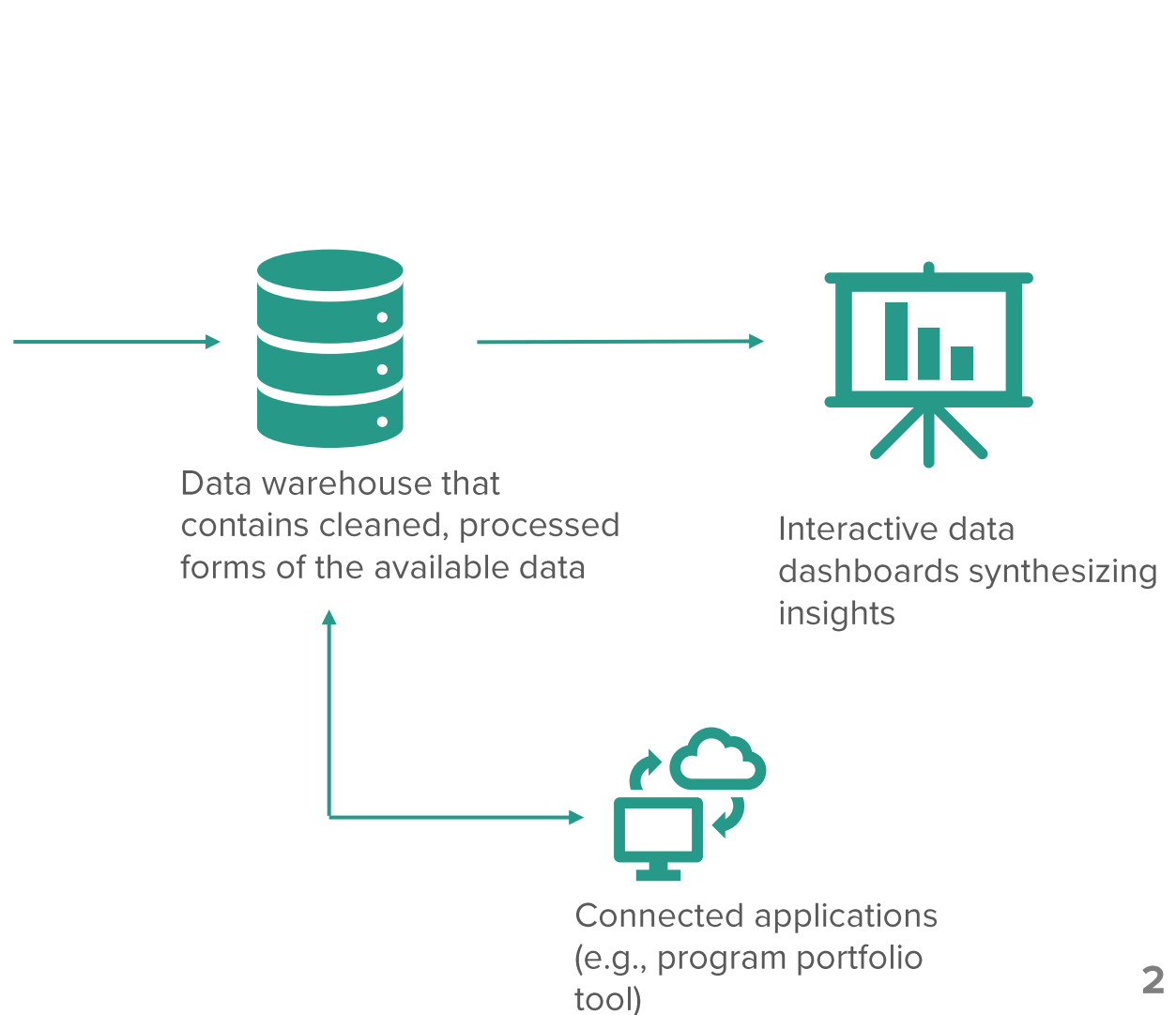
Customer-level gas reading data

What does our overall load look like?

Weather data

Settlement quality meter data

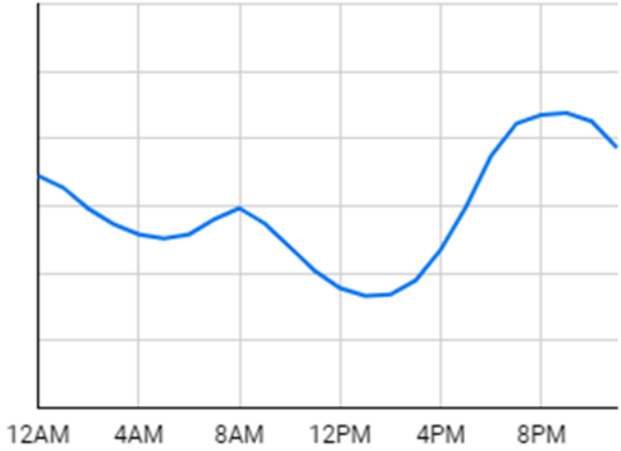
Rate-class level electricity data



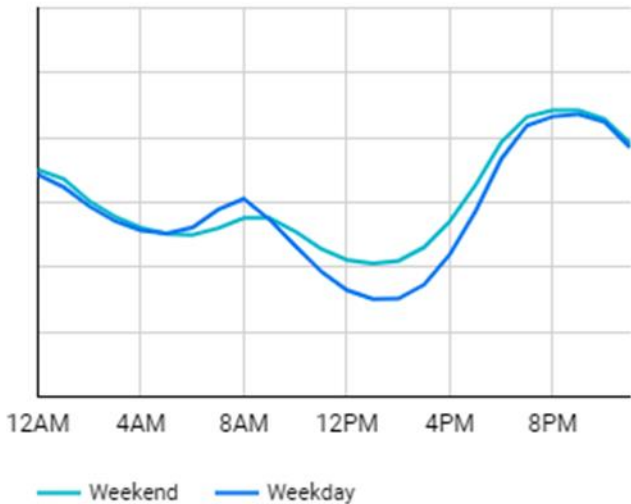


2023 Residential Load Shapes

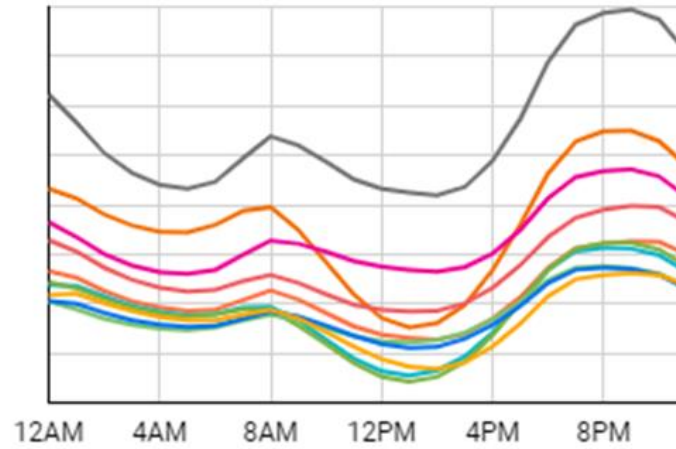
Overall Load



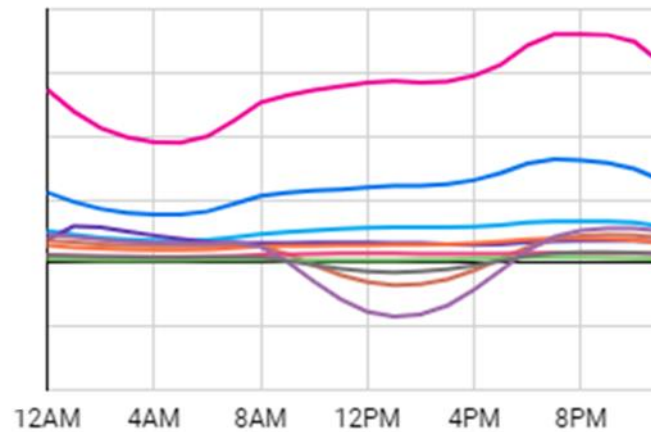
Weekend/Weekday



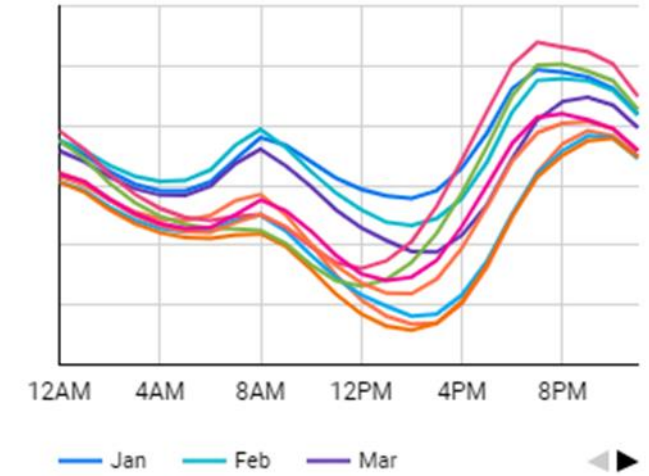
By Jurisdiction



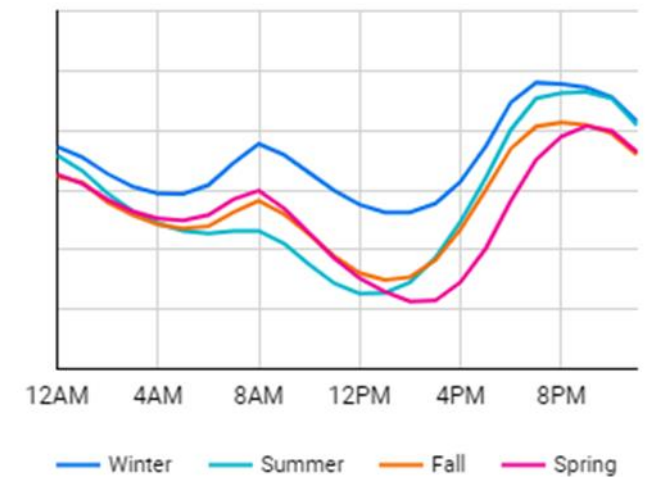
By Rate



By Month



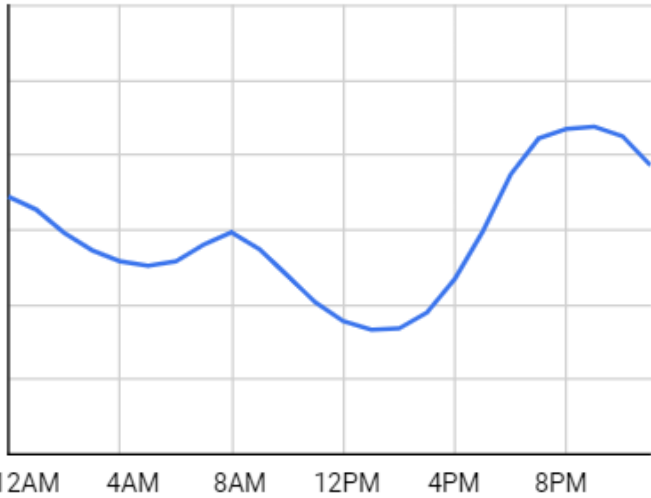
By Season





Comparing Residential Load Shapes

All Residential



- Rate load shapes exclude NEM customers
- How does differences in rate drive our residential load profile?
- How are customers responding to peak periods within their rates?

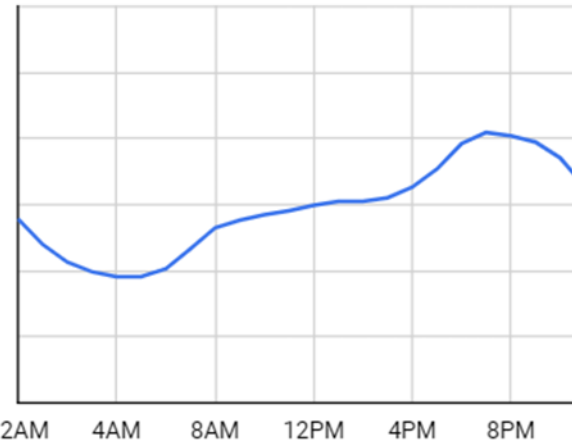
Time-of-Use (TOU) Periods

Off-peak

Peak

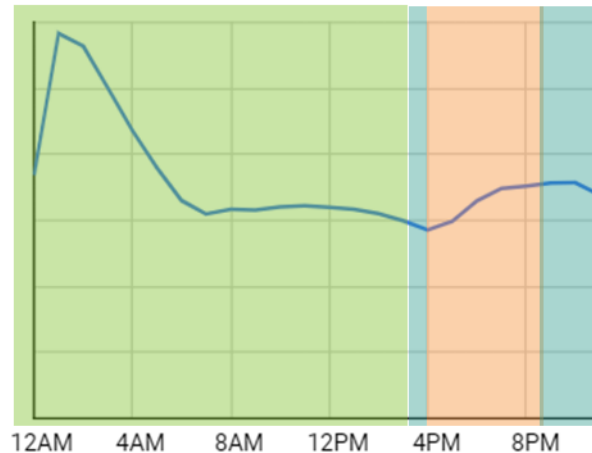
Partial peak

E1 – Tiered Rate Plan



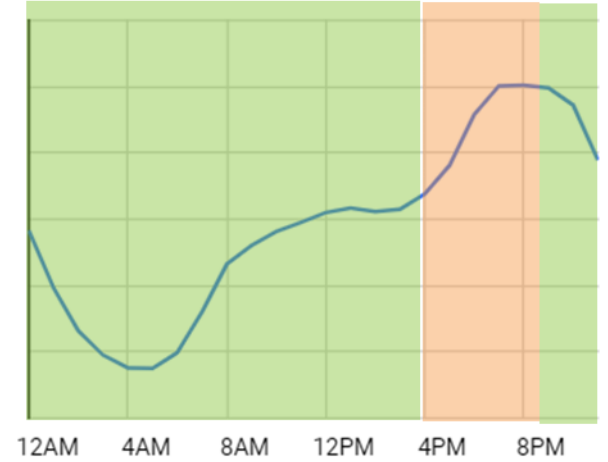
12AM 4AM 8AM 12PM 4PM 8PM

EV2A – Home Charging



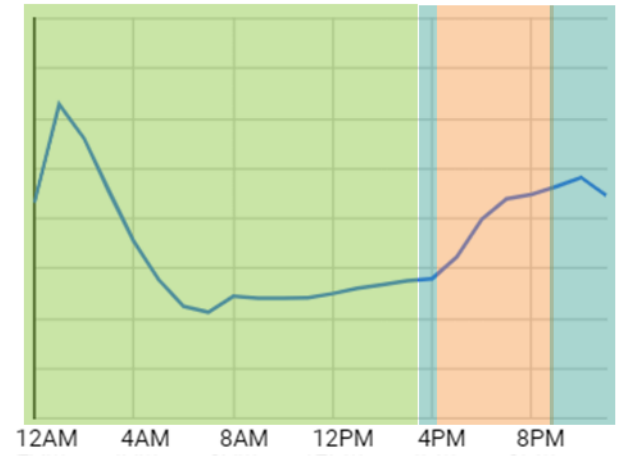
12AM 4AM 8AM 12PM 4PM 8PM

ETOUC – TOU Everyday



12AM 4AM 8AM 12PM 4PM 8PM

ELEC – Electric Home Rate



12AM 4AM 8AM 12PM 4PM 8PM