AGENDA
COMMUNITY ADVISORY COMMITTEE
Wednesday, November 29, 2017
9:00 A.M.

50 Santa Rosa Avenue, 5th Floor, Santa Rosa, California

I. CALL TO ORDER

II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(Comments are restricted to matters within the Committee jurisdiction. The Committee will hear public comments at this time for up to thirty minutes. Please limit your comments to three minutes.)

III. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

1. Review and approve the September 21, 2017 meeting minutes of the Community Advisory Committee

2. Receive Operations Report

3. Receive State Legislative and Regulatory updates

4. Review and provide recommendation on possible budget and rates adjustment

IV. COMMITTEE MEMBER ANNOUNCEMENTS

V. ADJOURN

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation, an alternative format, or requires another person to assist you while attending this meeting, please contact the Clerk at (707) 978-3463, as soon as possible to ensure arrangements for accommodation.

MINUTES
COMMUNITY ADVISORY COMMITTEE
Thursday, September 21, 2017

50 Santa Rosa Avenue, 5th Floor, Santa Rosa, California

I. CALL TO ORDER

The meeting was called to order by Chair Dowd at 9:00 a.m.

Committee members present: Chair Dowd, Como, Fenichel, Brophy, Wells, Mattinson, Nicholls, Deicke and Beeler.

Staff present: Chief Executive Officer Geof Syphers, General Counsel Steve Shupe, Internal Operations Manager Stephanie Reynolds

II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

Public Comment: None

III. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

1. Review and approve the July 11, 2017 meeting minutes of the Community Advisory Committee

Motion to approve: CM Nicholls
Second: CM Mattinson
Motion approved: 7-0-2 (Committee Members Fenichel and Deicke abstained)

2. Receive Operations Report

Internal Operations Manager Stephanie Reynolds updated the CAC on SCP's first ProFIT project in Petaluma. She stated this project benefits the landowner, generates local jobs, and is another local, renewable source for SCP customers. She noted that outreach to Mendocino is going well. She stated that recruitment for the open positions on the CAC has begun and the SCP Board appointed an ad hoc committee (Chair Okrepkie, Vice Chair Hamburg and Directors Kearney and Harrington) to work with staff on this. After a review of the applicants, the ad hoc committee will make recommendations to the Board at the November 2 BOD meeting. She stated that SCP has also completed the annual mailing of the Power Content Label to assist customers on their energy choices and the outside auditor is working on completing the last fiscal year's audit.

CEO Syphers stated that because of the Lavio ProFIT project in Petaluma, by 2019 the Power Content Label will have a mix of EverGreen being 50% solar and 50% geothermal.

CM Beeler asked why the Power Content Label is compared to the whole state instead of PG&E. CEO Syphers stated it is required by law and we cannot change the format of the report.

CM Mattinson asked if there has been any outreach explaining that the label does not reflect customer-owned solar power. CEO Syphers stated in the future SCP can add a note that reads "this does not include customer-owned renewable energy".

CM Wells asked if PG&E gets a separate report card and what are its categories. CEO Syphers stated it shows their default mix and solar option.

3. Receive State Legislative and Regulatory updates

CEO Syphers updated the Committee on community choice programs in California and stated there are now 12 active CCA programs who are members in CalCCA. Chair Dowd asked CEO Syphers what is the percentage of customers that are in a CCA across the state and CEO Syphers stated this snapshot will be brought to the next meeting.

Public Comment: None

4. Receive Programs report and update on Drive EverGreen program

Director of Programs Cordel Stillman updated the Committee on Phase 2 of the Drive EverGreen Program. In addition, he gave a brief report on other programs.

Director of Public Affairs and Marketing Kate Kelly stated an email will be sent out promoting the extension of the Drive EverGreen program.

Public Comment:
June Brashares asked about charging and if SCP can assist with this in the future. CEO Syphers stated SCP is working in this area, and is open to working with PG&E on multi-family sites.

CM Nicholls asked what SCP does to encourage unincorporated parts of the county to install charging equipment. CEO Syphers described the current program for free level 2 charging equipment.

CM Nicholls asked about parks and recreation districts and how can we help facilitate the installation of chargers in parks. CEO Syphers stated the Transportation Authority has been creating standards for zoning and policy on how to make this easier for electrifying transportation.

Director Stillman stated contracts are worked out with Olivine and EMotorWerks to pursue a demand response program.

CEO Syphers stated we are creating a platform for dispatching load of any type and control it in a manner acceptable to the person who owns it. He stated this is the missing link to get to 100% renewable energy.

Director Stillman updated the Committee on DIY tool kits, TNC Incentives, contracts with Tierra Resource Consultants, a pilot with a limited number of heat pumps, on-bill financing, indoor agriculture, energy audit services, ProFIT, SWITCH EV's, and the Education Program.

CM Deicke stated it is a County requirement to be 100% renewable with cannabis growing operations and more should be done with programs to offer incentives and systems to get power to growing facilities. Director Stillman stated work is being done to have a relationship with this industry and the focus is on efficiency and to try to make these operations save money. CEO Syphers stated the AG rate that PG&E is offering is also available through SCP. Our cost of 100% renewable energy is currently lower than PG&E's cost and the message needs to get out.

Public Comment:
<u>June Brashares</u> asked the name of the company for the heat pump pilot.
Director Stillman stated the consultant is Tierra Resource Consultants.

<u>Woody Hastings</u> thanked Director Stillman for participation in a webinar on EVs and stated that a series of webinars were started in June related to energy issues and community choice.

5. Review and recommend amendment to contract between Center for Sustainable Energy (CSE) and Sonoma Clean Power (Drive EverGreen Phase II)

Director Stillman updated the Committee on the amendment to the contract.

Chair Dowd stated on CM Williamson's behalf that he questions if this is a conflict of interest by CSE evaluating their own performance and suggests staff do this with CSE's data for less money and for potential conflict of interest.

Director Stillman stated CSE is not evaluating their own performance, but evaluating their performance with the program via a survey process with questionnaires and emails.

CM Brophy asked why this was not included in the original contract. Director Stillman stated that at the time the original contract was presented, we were moving quickly to get the program in place before the end of the year. This addition will make the total amount of the contract over $100,000 and therefore, needs Board approval.

CM Deicke asked about the supplemental services on the contract. Director Stillman stated that these are time and materials basis and he will get back to the Committee on what was needed.

Public Comment: None

Motion to approve amendment to contract between Center for Sustainable Energy and Sonoma Clean Power (Drive EverGreen Phase II) by CM Mattinson
Second: CM Brophy
Motion approved: 9-0-0

6. **Review and recommend approval of contract with Center for Sustainable Energy (CSE) for administration and technical support of the Multi-family Clean Charge Program**

Programs Manager Rachel Kuykendall updated the Committee on the contract with CSE and stated that SCP has been working closely with PG&E's EV Charge Network. She stated staff is proposing to create a sister program to PG&E's efforts that would help target what is realistic for our multi-family housing stock.

Chair Dowd stated on behalf of CM Williamson that it is not clear how Phase 1 will unfold into Phase 2 and somewhere in the process there should be an independent evaluation.

CM Deicke asked for description on how the selection process will take place.

Programs Manager Kuykendall stated SCP will initially target the approximately 40 projects that have already completed energy savings programs since they already show a desire to invest in energy efficiency.

CM Mattinson asked which programs are involved. Manager Kuykendall stated there are two and they are the Bay Area Multi-Family Building Enhancement Program which covers Sonoma County and the sister program which is Multi-Family Upgrade Program which covers both Sonoma and Mendocino counties.

CM Deicke stated the compensation rate sheet is 2017 and all rates have increased significantly and has staff looked at this. Manager Kuykendall stated this will be clarified.

Public Comment: None

Motion to approve contract with Center for Sustainable Energy for administration and technical support of the Multi-family Clean Charge Program with the amendment to include information on salaries by CM Mattinson
Second: CM Fenichel
Motion approved: 8-0-0 (CM Deicke left meeting)

IV. COMMITTEE MEMBER ANNOUNCEMENTS

Chair Dowd reminded the Committee of reapplication process for the CAC. CM Deicke stated he is pleased that this is being looked at as a diversity issue.

CM Como stated his daughter started a Director position with 8MinuteEnergy and gave a shout-out for women in management.

V. ADJOURN

Chair Dowd adjourned the meeting at 10:54 a.m.

Respectfully Submitted,

Braiden Gugel
Executive Assistant

Sonoma Clean Power

Local. Renewable. Ours.

Staff Report – Item 02

To: Sonoma Clean Power Authority Communications Advisory Committee

From: Stephanie Reynolds, Internal Operations Manager

Issue: Operations Report

Date: November 29, 2017

WILDFIRE RECOVERY EFFORTS

At the November Board meeting, the directors formed an ad hoc to donate $1 million towards fire relief assistance. SCP has also been working with the County of Sonoma, the City of Santa Rosa and staff from Mendocino County on the start of recovery efforts, including permitting issues and the possibility of obtaining funding for net zero homes in advance of the 2020 state code mandate. SCP has also lent its Director of Programs, Cordel Stillman, to manage the County's stormwater protection efforts.

COMMUNITY ADVISORY COMMITTEE (CAC) RECRUITMENT

At the November 2, 2017 meeting, the ad hoc committee of the Board of Directors tasked with reviewing CAC applicants presented three nominations for upcoming seats on the CAC, starting in January 2018. The ad hoc committee consists of Chair Okrepkie, Vice Chair Hamburg, Director Kearney, and Director Harrington. The nominated applicants were Dick Dowd, Joel Chabin and Helen Sizemore. The vote was unanimous to accept all three and also stated that the CAC would be charged with appointing the new Chair and Vice Chair of the committee in 2018.

Some information on the newly appointed members:

Joel Chabin: Since 2013, Joel Chaban has been one of the principal advocates to bring Sonoma Clean Power to Mendocino County. He was born and raised in San

Francisco, lived in Marin County for 26 years, and moved to Gualala in 2003 with his wife of 40 years, Pat. He recently retired after 30 plus years as a software developer, writer, and teacher. He has served on several boards including the Redwood Coast Land Conservancy, Friends of the Gualala River, and the San Francisco Hearing Dog Program. He continues to be an environmental activist, especially as an advocate for advances in renewable energy.

Helen Sizemore: Helen was born in White Plains, NY, the oldest of four children. She is a collage artist, and involved in county and state politics. She studied philosophy and art history at Ohio University, met her husband and moved to Berkeley in the early 1970's. They purchased & renovated a condemned house in downtown Ukiah, which she continues to occupy. She has two grown and married children (both PhD's) and three young granddaughters.

Due to the abundance of experienced applicants, the ad hoc committee was asked by the Board to choose up to two additional members to serve starting in 2018. This recommendation will be brought to the Board at the December meeting. The additional two applicants will bring the number of CAC members to 11, which is the maximum allowed by the JPA.

The ad hoc was also given direction to discuss and recommend whether or not to create a student advisor position and to appoint a current applicant. The applicant is a 9th grader that applied for the open committee positions. The recommendation whether or not to accept the applicant as the first student advisor will be brought to the Board at the December meeting.

DRIVE EVERGREEN PROGRAM UPDATE

As of November 20th, the Drive EverGreen 2.0 program has helped put over 428 electric vehicles on the roads in 2017, adding to the 206 vehicles discounted in the 2016 pilot program. Preliminary numbers will be provided at the meeting as two weeks remain in the program (program ends November 30, 2017) and dealers have until December 15, 2017 to submit final paperwork.

The sales and leases of electric vehicles have now more than doubled the number of vehicles put on the road by the Drive EverGreen pilot (1.0). Anecdotal analysis seems to indicate the larger selection of vehicles with longer ranges have enticed more customers to drive electric, even with a smaller SCP Incentive. Overall the program has been an incredible success to date!

Standard vs. CARE/FERA Customer Breakdown
Drive EverGreen participants

Certificates Issued	Count	Share of Certificates
Standard	1,139	84%
CARE/FERA	125	16%
Totals Certificates	1,264	100%

Rebates Issued	Count	Amount	Share of Funds
Standard	386	$759,000	88%
CARE/FERA	29	$100,000	12%
Total Rebates	415	$859,000	100%

MONTHLY COMPILED FINANCIAL STATEMENTS

AUGUST:

Sonoma Clean Power continued to add to a strong net position in August. The year-to-date growth in net position is above projections due primarily to lower than anticipated energy costs. Year-to-date operating revenues reached 35,336,000.

Electricity sales (as reported on the Statement of Revenues, Expenses and Changes in Net Assets) is being offset by our estimate of uncollectible accounts, which is currently set at approximately 0.5% of electricity sales. As historical data is gathered on the collection patterns specific to SCP customers, this rate will be revisited and adjusted as necessary. Note that the accounts receivable line on the Statement of Net Position is presented net of allowance for uncollectibles.

SCP continues to procure electricity from multiple sources. Net position increased to a positive $67,456,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Of this net position, approximately $19,990,000 and $3,528,000 is considered set aside for operating and project reserves, respectively.

SEPTEMBER

The summer rate season continues to be in effect in September, a period where aggregate rates are greater than in the winter season. Year-to-date operating revenues reached $51,976,000.

SCP continues to procure electricity from multiple sources. Net position increased to a positive $69,911,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Of this net position, approximately $20,003,000 and $3,530,000 is considered set aside for operating and project reserves, respectively. These reserves will be officially increased after the completion of the 2016/17 financial statement audit.

Overall, other operating expenses continued near or slightly below planned levels for the year.

BUDGETARY COMPARISON SCHEDULE

AUGUST:

The accompanying budgetary comparison includes the 2017/18 budget approved by the Board of Directors in May 2017.

The budget is formatted to make comparisons for both the annual and the year-to-date perspective. The first column, 2017/18 YTD Budget, allocates the Board approved annual budget at expected levels throughout the year with consideration for the timing of additional customers, usage volumes, staffing needs etc. This column represents our best estimates and this granular approach was not part of the Board approved budget.

Revenue from electricity sales to customers exceeded year-to-date budget by approximately 5%.

The cost of electricity is around 99% of budget-to-date. Variation in this account is typically due to fluctuating market cost of energy on open position purchases.

Major operating categories of Data Management fees and PG&E Service fees, which are tied to the customer account totals, are closely aligned to the annual budgeted amount.

SEPTEMBER

Revenue from electricity sales to customers exceeded year-to-date budget by approximately 3%.

The cost of electricity is around 101% of budget-to-date. Variation in this account is typically due to fluctuating market cost of energy on open position purchases.

Major operating categories of Data Management fees and PG&E Service fees, which are tied to the customer account totals, continue to be closely aligned to the annual budgeted amount.

In addition to the items mentioned above, SCP continues its trend of remaining near or under budget for most of its operating expenses.

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Management
Sonoma Clean Power Authority

Management is responsible for the accompanying financial statements of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the statement of net position as of August 31, 2017, and the related statement of revenues, expenses, and changes in net position, and the statement cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
October 9, 2017

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SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of August 31, 2017

ASSETS	
Current assets	
Cash and cash equivalents	$ 55,827,759
Accounts receivable, net of allowance	17,293,105
Other receivables	30,400
Accrued revenue	10,284,880
Prepaid expenses	120,018
Deposits	323,961
Total current assets	83,880,123
Noncurrent assets	
Capital assets, net of depreciation	229,247
Deposits	3,714,666
Total noncurrent assets	3,943,913
Total assets	87,824,036
LIABILITIES	
Current liabilities	
Accounts payable	663,523
Accrued cost of electricity	14,145,366
Other accrued liabilities	272,835
User taxes and energy surcharges due to other governments	486,247
Total current liabilities	15,567,971
Noncurrent liabilities	
Supplier security deposits	4,800,000
Total liabilities	20,367,971
NET POSITION	
Net investment in capital assets	229,247
Unrestricted	67,226,818
Total net position	$ 67,456,065

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

July 1, 2017 through August 31, 2017

OPERATING REVENUES		
Electricity sales, net	$	35,165,972
Evergreen electricity premium		53,059
Electricity sales for resale		117,050
Total operating revenues		35,336,081
OPERATING EXPENSES		
Cost of electricity		25,844,109
Staff compensation		440,613
Data manager		533,286
Service fees - PG&E		200,164
Consultants and other professional fees		176,202
Legal		45,371
Communications		240,470
General and administration		104,677
Program rebates and incentives		248,623
Depreciation		8,971
Total operating expenses		27,842,486
Operating income		7,493,595
NONOPERATING REVENUES (EXPENSES)		
Interest income		57,826
CHANGE IN NET POSITION		7,551,421
Net position at beginning of period		59,904,644
Net position at end of period	$	67,456,065

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2017 through August 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from electricity sales	$ 31,950,507
Receipts from electricity sales for resale	270,827
Receipts from supplier security deposits	2,325,000
Tax and surcharge receipts from customers	443,294
Payments to purchase electricity	(23,518,596)
Payments for staff compensation	(531,460)
Payments for contract services	(989,323)
Payments for communications	(226,613)
Payments for general and administration	(212,401)
Payments for program rebates and incentives	(319,123)
Tax and surcharge payments to other governments	(430,041)
Net cash provided (used) by operating activities	8,762,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(56,020)
CASH FLOWS FROM INVESTING ACTIVITIES	
Return of certificate of deposit	7,028,428
Interest income received	57,826
Net cash provided (used) by investing activities	7,086,254
Net change in cash and cash equivalents	15,792,305
Cash and cash equivalents at beginning of year	40,035,454
Cash and cash equivalents at end of period	$ 55,827,759

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2017 through August 31, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$	7,493,595
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		8,970
Revenue reduced for uncollectible accounts		176,981
(Increase) decrease in net accounts receivable		(1,854,105)
(Increase) decrease in other receivables		153,777
(Increase) decrease in accrued revenue		(1,591,400)
(Increase) decrease in prepaid expenses		(73,227)
(Increase) decrease in current deposits		(47,607)
Increase (decrease) in accounts payable		(71,719)
Increase (decrease) in accrued cost of electricity		1,402,092
Increase (decrease) in accrued liabilities		826,461
Increase (decrease) in user taxes and energy surcharges due to other governments		13,253
Increase (decrease) in supplier security deposits		2,325,000
Net cash provided (used) by operating activities	$	8,762,071

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Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended August 31, 2017, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SCP.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the Authority's results of operations. Accordingly, this special purpose budgetary comparison statement is not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
October 9, 2017

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SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2017 through August 31, 2017

	2017/18 YTD Budget	2017/18 YTD Actual	2017/18 YTD Budget Variance (Under) Over	YTD Actual/ Budget %	2017/18 Budget	2017/18 Budget Remaining
REVENUE AND OTHER SOURCES:						
Revenue - Electricity (net of allowance) *	$ 33,650,837	$ 35,165,972	$ 1,515,135	105%	$ 175,021,000	$139,855,028
Revenue - Evergreen Premium (net of allowance)	49,605	53,059	3,454	107%	258,000	204,941
Revenue - Electricity sales for resale **	-	117,050	117,050	-	-	(117,050)
Revenue - Interest income	53,167	57,826	4,659	109%	319,000	261,174
Revenue - Liquidated damages	-	-	-	-	-	-
Total revenue and other sources	33,753,609	35,393,907	1,640,298	105%	175,598,000	140,204,093
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	26,047,226	25,844,109	(203,117)	99%	143,649,000	117,804,891
Data management	537,667	533,286	(4,381)	99%	3,226,000	2,692,714
Service fees- PG&E	205,667	200,164	(5,503)	97%	1,234,000	1,033,836
Personnel	555,000	440,613	(114,387)	79%	3,330,000	2,889,387
Outreach and communications	158,500	181,547	23,047	115%	951,000	769,453
Required noticing	79,000	58,923	(20,077)	75%	474,000	415,077
Legal	61,667	45,371	(16,296)	74%	370,000	324,629
Accounting and auditing	32,333	18,230	(14,103)	56%	194,000	175,770
Technical consultants	58,333	6,521	(51,812)	11%	350,000	343,479
Legislative consultants	38,333	6,500	(31,833)	17%	230,000	223,500
Other consultants	35,833	48,048	12,215	134%	215,000	166,952
Program implementation and development	1,000,000	346,110	(653,890)	35%	6,000,000	5,653,890
General and administration	82,500	104,093	21,593	126%	495,000	390,907
Total current expenditures	28,892,059	27,833,515	(1,058,544)	96%	160,718,000	132,884,485
OTHER USES						
Collateral deposit payments	-	-	-	-	2,000,000	2,000,000
Capital outlay	27,333	56,021	28,688	205%	164,000	107,979
Total expenditures, Other Uses and Debt Service	28,919,392	27,889,536	(1,029,856)	96%	162,882,000	134,992,464
Net increase (decrease) in available fund balance	$ 4,834,217	$ 7,504,371	$ 2,670,154	155%	$ 12,716,000	$ 5,211,629

** Represents sales of approximately 317,000 MWh for 2017/18 YTD actual.*

*** Electricity sales for resale is the result of sales to other utilities for resale purposes.*

RESERVES	Balance
Operating Cash Reserve	$ 19,990,457
Program Cash Reserve	3,527,728
	$ 23,518,185

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2017 through August 31, 2017

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$ 7,504,371
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(8,971)
Add back capital asset acquisitions	56,021
Change in net position	$ 7,551,421

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Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Management
Sonoma Clean Power Authority

Management is responsible for the accompanying financial statements of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the statement of net position as of September 30, 2017, and the related statement of revenues, expenses, and changes in net position, and the statement cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
October 27, 2017

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SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of September 30, 2017

ASSETS	
Current assets	
Cash and cash equivalents	$ 53,078,308
Accounts receivable, net of allowance	19,279,385
Other receivables	40,850
Accrued revenue	8,776,350
Prepaid expenses	119,961
Deposits	369,461
Total current assets	81,664,315
Noncurrent assets	
Capital assets, net of depreciation	231,456
Deposits	3,714,666
Total noncurrent assets	3,946,122
Total assets	85,610,437
LIABILITIES	
Current liabilities	
Accounts payable	743,430
Accrued cost of electricity	13,986,161
Other accrued liabilities	272,219
User taxes and energy surcharges due to other governments	547,468
Total current liabilities	15,549,278
Noncurrent liabilities	
Supplier security deposits	150,000
Total liabilities	15,699,278
NET POSITION	
Net investment in capital assets	231,456
Unrestricted	69,679,703
Total net position	$ 69,911,159

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2017 through September 30, 2017

OPERATING REVENUES	
Electricity sales, net	$ 51,707,655
Evergreen electricity premium	87,454
Electricity sales for resale	180,400
Total operating revenues	51,975,509
OPERATING EXPENSES	
Cost of electricity	38,697,410
Staff compensation	674,988
Data manager	798,525
Service fees - PG&E	299,853
Consultants and other professional fees	279,898
Legal	62,657
Communications	490,185
General and administration	152,558
Program rebates and incentives	587,732
Depreciation	13,979
Total operating expenses	42,057,785
Operating income	9,917,724
NONOPERATING REVENUES (EXPENSES)	
Interest income	88,791
CHANGE IN NET POSITION	10,006,515
Net position at beginning of period	59,904,644
Net position at end of period	$ 69,911,159

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2017 through September 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from electricity sales	$ 48,066,115
Receipts from electricity sales for resale	323,727
Receipts from supplier security deposits	2,325,000
Tax and surcharge receipts from customers	659,206
Payments to purchase electricity	(36,568,826)
Payments for staff compensation	(768,293)
Payments for contract services	(1,399,327)
Payments for communications	(451,333)
Payments for general and administration	(241,651)
Payments for program rebates and incentives	(703,732)
Return of security deposits to suppliers	(4,650,000)
Tax and surcharge payments to other governments	(602,013)
Net cash provided (used) by operating activities	5,988,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(63,238)
CASH FLOWS FROM INVESTING ACTIVITIES	
Return of certificate of deposit	7,028,428
Interest income received	88,791
Net cash provided (used) by investing activities	7,117,219
Net change in cash and cash equivalents	13,042,854
Cash and cash equivalents at beginning of year	40,035,454
Cash and cash equivalents at end of period	$ 53,078,308

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2017 through September 30, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$	9,917,724
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		13,979
Revenue reduced for uncollectible accounts		260,278
(Increase) decrease in net accounts receivable		(3,923,682)
(Increase) decrease in other receivables		143,327
(Increase) decrease in accrued revenue		(82,870)
(Increase) decrease in prepaid expenses		(73,170)
(Increase) decrease in current deposits		(93,107)
Increase (decrease) in accounts payable		8,188
Increase (decrease) in accrued cost of electricity		1,178,300
Increase (decrease) in accrued liabilities		890,432
Increase (decrease) in user taxes and energy surcharges due to other governments		74,474
Increase (decrease) in supplier security deposits		(2,325,000)
Net cash provided (used) by operating activities	$	5,988,873

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended September 30, 2017, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SCP.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the Authority's results of operations. Accordingly, this special purpose budgetary comparison statement is not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
October 27, 2017

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SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2017 through September 30, 2017

	2017/18 YTD Budget	2017/18 YTD Actual	2017/18 YTD Budget Variance (Under) Over	YTD Actual/ Budget %	2017/18 Budget	2017/18 Budget Remaining
REVENUE AND OTHER SOURCES:						
Revenue - Electricity (net of allowance) *	$ 50,407,954	$ 51,707,655	$ 1,299,701	103%	$ 175,021,000	$123,313,345
Revenue - Evergreen Premium (net of allowance)	74,307	87,454	13,147	118%	258,000	170,546
Revenue - Electricity sales for resale **	-	180,400	180,400	-	-	(180,400)
Revenue - Interest income	79,750	88,791	9,041	111%	319,000	230,209
Total revenue and other sources	50,562,011	52,064,300	1,502,289	103%	175,598,000	123,533,700
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	38,178,931	38,697,410	518,479	101%	143,649,000	104,951,590
Data management	806,500	798,525	(7,975)	99%	3,226,000	2,427,475
Service fees- PG&E	308,500	299,853	(8,647)	97%	1,234,000	934,147
Personnel	832,500	674,988	(157,512)	81%	3,330,000	2,655,012
Outreach and communications	237,750	392,815	155,065	165%	951,000	558,185
Required noticing	118,500	97,370	(21,130)	82%	474,000	376,630
Legal	92,500	62,657	(29,843)	68%	370,000	307,343
Accounting and auditing	48,500	32,720	(15,780)	67%	194,000	161,280
Technical consultants	87,500	18,546	(68,954)	21%	350,000	331,454
Legislative consultants	57,500	19,498	(38,002)	34%	230,000	210,502
Other consultants	53,750	62,871	9,121	117%	215,000	152,129
Program implementation and development	1,500,000	739,025	(760,975)	49%	6,000,000	5,260,975
General and administration	123,750	147,528	23,778	119%	495,000	347,472
Total current expenditures	42,446,181	42,043,806	(402,375)	99%	160,718,000	118,674,194
OTHER USES						
Collateral deposit payments	500,000	-	(500,000)	-	2,000,000	2,000,000
Capital outlay	41,000	63,239	22,239	154%	164,000	100,761
Total expenditures, Other Uses and Debt Service	42,987,181	42,107,045	(880,136)	98%	162,882,000	120,774,955
Net increase (decrease) in available fund balance	$ 7,574,830	$ 9,957,255	$ 2,382,425	131%	$ 12,716,000	$ 2,758,745

** Represents sales of approximately 547,000 MWh for 2017/18 YTD actual.*

*** Electricity sales for resale is the result of sales to other utilities for resale purposes.*

RESERVES	Balance
Operating Cash Reserve	$ 20,003,400
Program Cash Reserve	3,530,012
	$ 23,533,412

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

OPERATING FUND

BUDGET RECONCILIATION TO STATEMENT OF

REVENUES, EXPENSES AND CHANGES IN NET POSITION

July 1, 2017 through September 30, 2017

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$ 9,957,255
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(13,979)
Add back capital asset acquisitions	63,239
Change in net position	$ 10,006,515

Sonoma Clean Power

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Staff Update – Item 03

To: Sonoma Clean Power Authority Community Advisory Committee

From: Kate Kelly/Director, Public Affairs & Marketing
Neal Reardon, Regulatory Affairs Manager

Issue: Legislative and Regulatory Updates

Date: November 29, 2017

Regulatory Update

Power Charge Indifference Adjustment Proceeding

The California Public Utilities Commission opened a rulemaking proceeding to consider fundamental changes to the way the Power Charge Indifference Adjustment (PCIA) is calculated. The PCIA is a fee paid to PG&E by SCPA customers, purportedly to reimburse PG&E for the "above market" cost of generation resources procured by PG&E on behalf of those customers before the customers left PG&E for SCPA. A "Scoping Memo" was issued in the proceeding on September 25th. The Scoping Memo is important because it establishes the issues to the considered in the proceeding, and the timeline.

Many of the issues identified by SCPA and other CCA parties through written and oral comments were determined to be "in scope" by the Commission. These include recognizing the procurement autonomy of CCAs, evaluating the benefits CCA formation generates for customers who remain with the utility, and only including legitimately unavoidable costs that IOUs have the responsibility to first minimize.

As a first step in the proceeding, the Administrative Law Judge who is overseeing the proceeding directed IOUs and CCA parties to work together to develop a proposal for increasing the access CCA employees have to PCIA data. SCPA staff, working with other CCAs, developed a detailed list of the types of data, time frame, and level of granularity needed for a robust quantitative analysis of the PCIA.

Utilities only agreed to provide a subset of the information requested. Per the Commission's orders, CCA and IOU parties jointly filed a detailed list of the information they both agreed was relevant, as well as a list of information CCAs requested but that IOUs refused to provide. Following this submission on October 23rd, the first PCIA workshop was held in San Francisco on October 24th. During that workshop, the Administrative Law Judge expressed frustration that there were still discrepancies in what sorts of data IOUs and CCAs felt was necessary to share. The Judge will issue a Ruling responding to our request for specific data, and will specifically detail what additional data, and at what level of granularity, the IOUs must provide for CCA parties. That Ruling is expected in the coming weeks.

Two more workshops on the PCIA will be held in the first week of December, one in Los Angeles on December 5th, and another in San Diego on the 6th. The intent of these workshops is to provide a common understanding of the existing PCIA mechanism for all parties interested in CCA formation.

Through the CCA trade association CalCCA, SCPA and other CCAs have hired outside counsel to coordinate the work of CCA staff in the PCIA proceeding. SCPA staff have been working closely with outside counsel and other CCAs to develop a common strategy in the proceeding.

Integrated Resource Plan (IRP) Proceeding

The IRP, an umbrella proceeding evaluating procurement planning across most the State, is nearing completion of its initial phase which began last year. After holding an all-party workshop to discuss the IRP process and reference system plan on November 2nd, the Commission took comments from 34 parties on November 9th. Those filing included representatives from load serving entities (CalCCA amongst them), generation interests, and environmental and consumer advocacy groups. Staff from SCP and other CCAs met with Commission advisors on November 20th to advocate for continued recognition of CCA's procurement autonomy and for a measured approach towards more renewable procurement given uncertainty in modeling results and cost-allocation. A Proposed Decision on these issues is expected by January of next year.

Renewable Portfolio Standard (RPS) Proceeding

The CPUC issued a Proposed Decision last week approving the draft procurement plans filed by Sonoma Clean Power and other CCAs. In addition, IOUs were directed to forego solicitations to procure more RPS resources in 2017. Most significantly, the Commission also proposed authorizing the IOUs to sell unneeded resources via bilateral transactions, or through solicitations for terms of up to five years. This Proposed Decision will be voted on at the December 14th Commission meeting.

PG&E ERRA Forecast Proceeding

The Energy Resource Recovery Account (ERRA) forecast proceedings are annual proceedings at the Commission that sets the level of generation and PCIA rates for PG&E and the other IOUs for the coming calendar year. The purpose of the ERRA Forecast Proceeding is not to dispute the method by which the PCIA is calculated, but rather the actual calculation itself. SCPA has actively participated in the PG&E ERRA Forecast Proceeding this year, the first time a CCA has contested the actual calculation of PCIA charges. SCPA protested the PCIA rates proposed by PG&E on several grounds and cross-examined PG&E witnesses during evidentiary hearings at the Commission. SCPA argued that some costs PG&E was attempting to assess though the PCIA were "avoidable" and this improper, and that PG&E's testimony did not sufficiently show how the PCIA rates were actually calculated. A draft decision in the PG&E ERRA Proceeding is expected shortly, with a vote by the Commission expected in December.

Legislative Update

The first year of the 2017-18 legislative session officially ended on October 15. Legislature sent 977 pieces of legislation to the Governor's desk. He vetoed 188 of the 977 bills that crossed his desk. One of the bills Governor Brown vetoed and Sonoma Clean Power supported was AB 79 (Levine). AB 79 was originally drafted to require the California Air Resources Board (CARB) to develop hourly emissions factors for unspecified sources of electricity. After negotiating with the author and his sponsor (TURN), Assemblyman Levine agreed with SCP's position and omitted the requirement on hourly reporting and delayed the implementation of the bill until 2021. Governor Brown vetoed the bill because he thought "it was unnecessary and interferes with the implementation of existing law that was passed last year and requires the California Energy Commission, in consultation with the CARB, to adopt a methodology for the calculation of greenhouse gas emissions intensity for all electricity purchases."

When the Legislature returns in January, we expect them to pick up right where they left off. Senator de Leon's SB 100, which ostensibly would decarbonize the energy sector by the year 2045, will be up for discussion. Along with the expansion of California's Independent Operating System (ISO) with other western states known as "regionalization." This has been a priority for Governor Brown and since 2018 will be his last year in office, we believe this will be a "hot topic" early in the session. We also expect the utilities and labor to join forces in trying to stop the expansion of CCAs.

Many of the bills SCP followed in the first year of the two-year session that failed to meet the 2017 legislative deadlines, will have another opportunity to be heard in 2018, which is the second year of the two-year session. The Legislature will return to Sacramento on January 3, 2018.

LEGISLATION

AB 33 (Quirk) – Transportation Electrification: Electric Vehicle Services Equipment

Requires the California Public Utilities Commission, in consultation with the California Air Resources Board and the California Energy Commission to consider authorizing electrical corporations to offer programs and investments in electric vehicle service equipment installed in residential garages. The May 30th amendment removed the mandate that electrical corporations must offer electric vehicle services equipment in residential garages. Thus, SCP removed its opposition.

SCP Position: Neutral (Removed opposition with May 30th Amendment)

Status: 2-Year Bill

AB 79 (Levine) – Electrical Generation: Unspecified Sources

Would require the California Air Resources Board to develop a methodology for updating the assumed greenhouse gas emissions from unspecified sources. Assemblyman Levine amended AB 79 to address SCP and CalCCA's concerns relating mainly to implementing an hourly compliance process that would have been administratively burdensome.

Status: Vetoed by Governor

AB 726 (Holden) and AB 813 (Holden) – Regionalization and ITC Procurement

Virtually identical bills that would restructure the management of California's power grid and among other things would block new CCAs from contracting for new renewable energy in California. SCP and CalCCA opposed the self-procurement prohibition.

SCP Position: Oppose (letter sent on September 11, 2017)

Status: 2-Year Bill

AB 920 (Aguiar-Curry) – Renewable Portfolio Standard Program

Would require that all retail electric providers develop a balanced portfolio of sources that include baseload renewables and demonstrate a plan for such a portfolio through their integrated resource plans. SCP had concerns that jurisdiction over procurement decisions would become the responsibility of the CPUC rather than SCP's governing board. The author has significantly revised the bill language to remove most of the language that concerns SCP. SCP and CalCCA continue to work with Assembly Member Aguiar-Curry and the Senate Energy, Utilities and Communications Committee to develop better language for CCAs. As currently drafted, the bill is sufficient for SCP to take a neutral position.

SCP Position: Neutral

Status: 2-Year Bill

SB 71 (Wiener) – Solar Energy

Requires the California Energy Commission to consider requiring installation of a solar energy generation system on all new buildings.

SCP Position: None at this time.

Status: 2-Year Bill

SB 100 (de Leon) – Renewal Portfolio Standards

Establishes a target of generating 100 percent of the state's retail sales of electricity from renewable energy resources by 2045, accelerates and expands the existing Renewable Portfolio Standard, and requires state agencies to incorporate into existing climate programs the planning goal and regulatory requirement of achieving 100-percent reliance on renewable energy resources or zero-carbon resources by the end of 2045.

SCP Position:	Support (letter of support sent August 14, 2017)
Status:	2-Year Bill

SB 338 (Skinner) – Net-Load Peak Energy

Originally authorized the CPUC and CEC to establish requirements for CCAs to meet a 3-hour peak load period with a combination of efficiency, demand response and storage. SCP and CalCCA worked with the author and the bill was amended to allow the CPUC and CEC to have the target setting process placed into the IRP process that is controlled by CCA governing boards.

SCP Position:	None at this time.
Status:	Signed by Governor on 9/30/17 (Chapter 389)

SB 618 (Bradford) – Integrated Resources Plans

Requires the integrated resource plans of all load-serving entities to contribute to a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply, meet certain environmental goals, and ensure that there is no cost-shifting among load-serving entities.

SCP Position:	Neutral (as of May 9, 2017 Amendment)
Status:	Signed by Governor on 10/2/17 (Chapter 431)

SB 775 (Wieckowski) – California Global Warming Solutions Act of 2006: Market Based Compliance Mechanisms

Extends California's cap-and-trade program by requiring polluters to buy permits for the greenhouse gases they emit as an incentive for companies to reduce their carbon footprint. SB 775 is a vehicle the Legislature and Governor may use to continue California's cap-and-trade program.

SCP Position:	None at this time.
Status:	2-Year Bill

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Staff Report – Item 04

To: Sonoma Clean Power Authority Community Advisory Committee

From: Geof Syphers, CEO
Stephanie Reynolds, Internal Operations Director
Rebecca Simonson, Senior Power Analyst
Nathan Kinsey, Account Executive
Erica Torgerson, Customer Care Director
Mike Maher, CPA

Items: Review and recommend a conditional rate adjustment and budget adjustment to Fiscal Year 2017-18 budget.

Date: November 29, 2017

Requested Actions

Review and recommend a conditional adjustment to the Fiscal Year 2017-18 budget. Review and recommend a conditional adjustment to the SCP customer generation rates.

Summary of Proposal

Initial forecasts by PG&E of its rates and fees show that no change would be needed to SCP's rates or budget to maintain savings of 1% or more. However, PG&E's forecasts are sometimes off by large amounts, so staff have prepared a proposal to address last-minute changes.

If, on January 1, 2018, any of the most common customer rate classes (E1, E1L, A1, A10S, E19S) have savings of less than 1% on total electric charges, and if there is sufficient room in the budget to ensure continued contributions to reserves in compliance with Financial Policy B2, then adjust all customer rates to produce savings of 1% by March 1, 2018 and make the necessary budget adjustments to accommodate that change.

Background

PG&E is expected to increase the above-market fees it imposes on SCP's customers and make changes to both its generation and distribution rates, effective January 1, 2018. The final numbers for these adjustments are usually published only one or two days in advance.

In response, staff requests advance consideration and board approval of an SCP rate adjustment to be implemented only in the case that customers cease saving at least 1% on total electric bills. If customers continue to save at least 1% on their electric bills after PG&E's January rate and fee changes, staff recommend no changes in rates until the regular fiscal year budget cycle on July 1, 2018.

An advance decision on this matter would allow staff to quickly implement rate changes in time for an adjustment on March 1, 2018.

Last year, SCP implemented a rate change in March to ensure a quick response to PG&E's rate and fee changes, which usually occur in January. Changes in PG&E's rates and fees can have a large impact on our customer's energy costs since our customers continue to pay the majority of their energy bills for the transmission and distribution of energy, and for the Power Charge Indifference Adjustment (PCIA) fee, all of which goes to PG&E.

Like last year, this item proposes a conditional March 1 rate adjustment for all SCP customers. PG&E typically implements three or four rate changes per year, often in January, March, May and October. The company's January rate change is usually significant, and includes an update to delivery rates, PG&E generation rates and the PCIA.

The State law permitting community choice aggregators (CCAs) such as SCP to form requires that investor owned utilities (IOUs) such as PG&E be allowed to recover "the share of the [IOU's] estimated net unavoidable electricity purchase contract costs attributable to [the CCA's customers]." This requirement was put in place to ensure that PG&E's remaining bundled service customers do not pay more due to the "departure" of former PG&E customers now served by CCAs. The PCIA is the method approved by the CPUC for calculating these "departed load" costs. The current PCIA allows PG&E to recover, in each calendar year, the difference between PG&E's estimated power generation costs in that year, and a "market price benchmark" that is supposed to represent the market cost of generation in that year.

The current PCIA calculation method was established before any community choice programs existed, and SCP and other CCAs contend that the PCIA calculation results in a fee that is higher than necessary to meet the requirements of State law. For example, the "market price benchmark" used to calculate the PCIA does not contain any element to reflect the market hedging value that PG&E receives from its long-term generation contracts. It also relies on short-term CAISO prices rather than on a diverse portfolio of generation assets. The calculation of the PCIA on an annual basis, which is not required by State law, puts CCAs at risk for having to deal with potentially large year-to-year changes in the fee. Finally, the data used to calculate the fee is currently unavailable to audit, and there are strong financial reasons why an IOU would want to shift costs from generation into delivery charges.

Apart from these problems, because the CPUC allows IOUs to pass through all generation costs to ratepayers, the IOUs have no financial reason to reduce those costs (which feed into the PCIA). PG&E has no financial incentives to negotiate for lower supply contract costs, because PG&E shareholders don't benefit from such lower costs. The CPUC's rate regulation authority has been insufficient to overcome this lack of institutional incentives.

Even worse, there is a competitive advantage that an investor utility would gain if it managed its portfolio such that customer fees increased, because it would make it harder for CCAs to compete on price.

As a result, SCP and other community choice programs have investigated the PCIA calculation method in detail, and the CPUC has opened a proceeding to review the calculation and potentially to revise it. To date, the CPUC has instructed the IOUs and CCAs to work together to identify the data that needs to be shared, but without success, as the IOUs are unwilling to submit their data to an audit. Nevertheless, staff believe that the CPUC will direct the IOUs to provide the necessary data to ensure that any changes to the PCIA are made on actual conditions. The goal is to make the process more transparent, to provide more certainty and stability in the amount of the PCIA, and to consider changes that would more accurately reflect the actual cost incurred by IOU and CCA customers are a result of CCA departing load.

For now, PG&E forecasts the PCIA to increase by approximately 14.4% in January. The actual fee could be significantly different, however, so this proposal considers a range of possible action.

External Factors

The following external factors should influence SCP's decision to adjust rates and also the agency's ability to adjust the budget to accommodate changes:

1. Impact of the Wildfires. Staff cannot reasonably estimate the impact of the wildfires yet, because CAISO settlement data (which validate meter information) will not be available until late December for the first two weeks following the fire. Staff will be able to provide a preliminary estimate of these impacts at the January board meeting.

2. PG&E Above-Market Portfolio Cost Collection. PG&E forecasts that its PCIA fee will increase by 14.4% on January 1, 2018, although the actual change will not be published until a day or two before the new rate goes into effect. The impact of this change is on our customers, and has no direct impact on SCP, except to the extent the change causes SCP to reduce its generation rates.

3. PG&E Transmission and Distribution Rate Change. PG&E's forecast of their delivery rates on all electric customers is for a range of changes from a 1% increase to a 16% decrease, depending on rate class.

4. PG&E Generation Rate Change. PG&E's forecast of their generation rate for bundled service customers is a 4 to 6% increase over the prevailing generation rate.

5. CPUC Bond Increase. SCP has filed a bond with the CPUC to cover the expenses associated with a potential failure of SCP and return of all customers to PG&E's bundled service. Today, the bond is $100,000, but a proceeding at the CPUC is considering adjusting that amount. Staff's best estimate is that the new bond for SCP will be about $900,000. While this isn't an "expense" per se, and the funds on deposit will accrue interest, it is recognized in this budget adjustment as a use of funds that are not

available for any other purpose.

Common Rate Information

The rate and fee comparison for several common rate schedules is shown in the following table. The prevailing electric rates for PG&E were adopted on March 1, 2017, and were not changed again in May or October, as is typical. SCP's current rates were established in January 2017 with a goal of producing a 1% savings on total electric charges, and remain fairly close to that target when compared with PG&E's current rates.

Comparison of Common Rates - November 2017

	PG&E			SCP				Total Electric Bill Savings Relative to:	
	Gen	Delivery	Total	Gen	PCIA/FF	Delivery	Total	PG&E Nov 2017	SCP Nov 2017
E1	0.09838	0.143	0.24138	0.06648	0.02977	0.143	0.23925	0.9%	0.0%
E1L	0.09838	0.04227	0.14065	0.06648	0.02977	0.04227	0.13852	1.5%	0.0%
A1	0.09796	0.13232	0.23028	0.07294	0.02264	0.13232	0.2279	1.0%	0.0%
A10S	0.1024	0.10566	0.20806	0.07636	0.02321	0.10566	0.20523	1.4%	0.0%
E19S	0.09658	0.08469	0.18127	0.07551	0.01953	0.08469	0.17973	0.8%	0.0%

The changes PG&E forecasts for January 2018 are shown in the next table, next to a comparison with SCP's current rates.

Comparison of Common Rates - January 2018- No Change to SCP Rates

	PG&E			SCP				Total Electric Bill Savings Relative to:	
	Gen	Delivery	Total	Gen	PCIA/FF	Delivery	Total	PG&E Jan 2018	SCP Nov 2017
E1	0.10447	0.12002	0.22449	0.06648	0.0346	0.12002	0.22110	1.5%	7.6%
E1L	0.10446	0.02230	0.12676	0.06648	0.0346	0.02230	0.12338	2.7%	10.9%
A1	0.10372	0.13351	0.23723	0.07294	0.02569	0.13351	0.23214	2.1%	-1.9%
A10S	0.10875	0.10072	0.20947	0.07636	0.02608	0.10072	0.20316	3.0%	1.0%
E19S	0.10057	0.08389	0.18446	0.07551	0.02199	0.08389	0.18139	1.7%	-0.9%

Budget Room for Changes in Rates

In addition to the external factors affecting SCP stated above (e.g., bond, PG&E rates and fees), staff have identified potential internal adjustments to our budget that could accommodate lower rates, if they are needed to remain competitive. This exercise identifies ways to cut the budget without using reserves or compromising SCP's mission to reduce greenhouse gas emissions.

After addressing all of the previously-stated "External Factors," staff propose to cut the operating budget to accommodate 1% savings in this order:

- FIRST: Adjust expected revenues and expenses in response to the effects of the fires based on the best available CAISO settlement data as of January 2, 2018. The effect of this is hard to predict, but may provide more room in the budget since a very conservative outlook was taken in the initial adjustment brought forward at the November board meeting. Preliminarily, this update could provide around $5 million of room in the budget.
- SECOND: Limit the planned contribution to reserves to 4% per Board Financial Policy B2. This would make up to $764,000 available.
- THIRD: Reduction in Technical Consultants by up to $100,000.
- FOURTH: Reduce planned Program Implementation and Development in the current fiscal year by up to $1 million.

Staff also propose to make any rate change effective on March 1, 2018, based on lessons from the previous two years. One reason is that it takes about six weeks to properly test a rollout of new rates and train call center representatives. We also learned that most customers who opt out of SCP's service in January and February do so because they are upset about increases to PG&E's gas rates. Therefore, a strategy of ensuring that SCP's electric rates remain lower than PG&E's rates for the months of January and February is not sufficient to retain these customers, even though they would be saving money with SCP.