AGENDA
BOARD OF DIRECTORS MEETING
THURSDAY, March 1, 2018
8:45 A.M.

50 Santa Rosa Avenue, Fifth Floor, Santa Rosa, California

I. CALL TO ORDER

II. BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve February 1, 2018 minutes of the SCPA Board of Directors meeting

III. BOARD OF DIRECTORS REGULAR CALENDAR


3. Receive Legislative and Regulatory Update

4. Approve Legislative Policy

5. Adopt Revised Financial Policy B.2, governing reserves

6. Approve change to the Advanced Energy Rebuild Program

7. Approve accounts receivable write-offs and re-payment for customers affected by the October wildfires

IV. BOARD MEMBER ANNOUNCEMENTS

V. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(Comments are restricted to matters within the Board jurisdiction. Please be brief and limit comments to three minutes.)

VI. 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 of the Board at (707) 978-3467, as soon as possible to ensure arrangements for accommodation.
MINUTES
BOARD OF DIRECTORS MEETING
THURSDAY, February 1, 2018

50 Santa Rosa Avenue, Fifth Floor, Santa Rosa, California

I. CALL TO ORDER

The meeting was called to order by Vice Chair Hamburg at 8:46 a.m.

Clerk of the Board swore in new Board member Amy Ahanotu

Present: Vice Chair Hamburg, Directors Bagby, Ahanotu, Tibbetts, Cook, Landman, Slayter, Kearney and Ahanotu

Staff: Chief Executive Officer Geof Syphers, Director of Internal Operations Stephanie Reynolds

II. BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve the minutes of the SCPA Board of Directors Meeting of January 4, 2018

Public Comment: None

Motion to approve the January 4, 2018 minutes of the SCPA Board of Directors Meeting by Director Bagby
Second: Director Kearney
Motion approved: 6-0-2 (Directors Ahanotu and Cook abstained)

III. BOARD OF DIRECTORS REGULAR CALENDAR

2. Appoint Chair and Vice Chair of the Board for 2018

Motion to approve nomination of Director Hamburg for Chair of SCP Board of Directors by Director Landman
Second: Director Bagby

Public Comment: None

Motion approved: 8-0-0

Motion to approve nomination of Director Landman for Vice Chair of SCP Board of Directors by Director Bagby
Second: Director Tibbetts
Public Comment: None

Motion approved: 8-0-0

3. Receive Operations Update and provide direction as appropriate.

CEO Syphers updated the Board on wildfire recovery efforts and regional housing efforts.

Director of Customer Service Erica Torgerson updated the Board on the default time-of-use pilot as well as the post-fire billing, which should be complete by the end of February.

Public Comment: None

Director Reynolds provided an update on the Energy Education Program and also updated the Board on the monthly compiled financial statements and the budgetary comparison schedule.

4. Receive Regulatory and State Legislative Updates and provide direction as appropriate.

Lobbyist, Katherine Brandenburg provided an update on legislative issues.

Neal Reardon, Director of Regulatory Affairs provided an update on the Power Charge Indifference Adjustment and Resolution E-4907 which will be voted on February 8.

Director Slayter asked about SCP branding on bills sent by PG&E. Erica Torgerson stated PG&E’s system allows very little manipulation and SCP is continually requesting improvements in the process.

Public Comment:
Woody Hastings commented on legislation and Resolution E-4907 and stated that the Center for Climate Protection is hosting a news conference and rally the morning of February 8.

5. Approve legislative platform for SCPA.

CEO Syphers provided an update on the legislative platform and SCP’s efforts which are guided by the 8 principles listed in the packet.

Public Comment:
Dick Dowd stated we are in a constant war with IOUs and we need to stay light on our feet to protect the interest of SCP and other CCAs.
June Brashares stated her concern on Item 4, Page 24 of the packet and that she did not think it was in the best interest to avoid devaluing energy imported from outside California. She asked for clarifying language.

Chair Hamburg asked CEO Syphers to follow-up with Ms. Brashares.

Vice Chair Landman read and suggested a sample policy to assist with oversight.

Director Ahanotu stated he would like to see a more general classification of authority for staff.

Director Slayter asked about Item 3 and requested to change the language from fossil sources to GHG emitting sources.

Director Tibbetts left the meeting at 10:00 a.m.

Motion to approve legislative platform for SCPA with a rewrite of the last sentence of Item 4, an addition of Item 9 and staff directed to return with a policy statement in March by Director Kearney
Second: Director Cook
Motion approved: 7-0-0

6. Approve Strategic Action Plan for Programs.

Cordel Stillman, Director of Programs provided an update on Program’s Strategic Action Plan.

Public Comment:
Woody Hastings suggested to do a comprehensive building stock assessment. He stated that he would like to see renewable energy included in Item 4 and he suggested to work with member jurisdictions.
Paul Brophy stated that this strategic plan has gone through two reviews with the CAC and was unanimously voted on to approve it.
Ken Wells stated he likes the idea of posting this on the web and add that people get acknowledged. He asked for biomass to be considered.

Chair Hamburg asked that Mendocino County be added under the Executive Summary in the plan. He stated that after the Executive Summary there should be a page on significant progress, then a page on new and proposed actions instead of new actions, and then go to the program strategies to be clearer. He stated that it would be helpful to insert a paragraph explaining the meaning of supporting the integration of distributed energy resources in SCP’s territory.
Motion to authorize the Strategic Action Plan for Programs as a planning tool, to put online and for financing to include renewable energy as a potential resource by Director Kearney
Second: Director Ahanotu
Motion approve: 7-0-0

7. Approve program incentive levels for rebuilding in areas affected by wildfires.

Rachel Kuykendall, Programs Manager provided background on incentives for new construction on residential homes in areas affected by the Sonoma County wildfires and explained the chart on page 31 of the packet.

Public Comment:
Dick Dowd stated that the rebuilding process is moving rapidly and Rebuild Sonoma County Working Group is hoping to get these programs in place so developers will work on more Zero Net energy projects.
June Brashares stated she appreciated the streamlining and asked what can be done to lower administrative cost. She asked who will be doing the inspections, if there was some way we can broaden this out and stated that for rebuilders it might be relevant to get up-front cash for EverGreen.

Manager Kuykendall stated the review is by the energy model and it usually takes about one to two weeks.

Sam Pierce stated the importance of a program to get to Zero Net energy and wants to encourage to take critical actions which are getting out immediately into the field, get the information to builders now and reach out to these groups. He stated that they encourage the Board to adopt a goal of 20% of the homes to be rebuilt to Zero Net energy standards.
Ken Wells asked what the likelihood is of getting the money for the carbon free homes.

Manager Kuykendall stated that within the next week there will be more clarity on funding.

Motion to approve incentive levels proposed for homes rebuilding in areas affected by the Sonoma County wildfires by Director Cook
Second: Director Landman
Motion approved: 7-0-0

8. Approve re-allocation of $90,000 in unspent Drive EverGreen funds to promote electric vehicles for local nonprofit organizations and appoint an ad hoc committee of the Board of Directors to assist in identifying potential recipients.
Director Stillman gave background on the success of the Drive EverGreen Program and explained to the Board that staff would like to request the remainder of the budgeted amount, $90,000, be allocated to a program to assist non-profit organizations within SCP’s service territory to acquire electric vehicles.

Public Comment:
June Brashares asked if this could be available to local school districts and other non-profits.

Director Stillman stated some local governments have taken advantage of the EverGreen Program. He stated school buses are being looked at.

Motion to approve re-allocation of $90,000 of the remaining Drive EverGreen budget to provide assistance to local non-profits for the purchase of electric vehicles by Director Ahanotu
Second: Director Landman
Motion approved: 7-0-0

Chair Hamburg appointed Directors Peters and Kearney to be on the ad hoc committee to work with staff on determining which non-profits will work with SCP on the Drive EverGreen Program.

IV. BOARD MEMBER ANNOUNCEMENTS

Director Cook stated that he is very proud of SCP and thanked CEO Syphers for a great job.

Director Bagby invited everyone to the fish hatchery at Lake Sonoma on Saturday and the Citrus Fair in Cloverdale on President’s Day weekend.

V. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

Woody Hastings introduced Center for Climate Protection’s new Renewable Energy Program Associate Nina Turner and he stated he attended a symposium about energy suppliers for CCAs.

VI. ADJOURN (11:30 a.m.)

Respectfully Submitted,

Braiden Gugel
Executive Assistant
Clerk to the Board
Staff Report – Item 2

To: Sonoma Clean Power Authority Board of Directors
From: Stephanie Reynolds, Director of Internal Operations
        Geof Syphers, CEO
Issue: Operations Report
Date: March 1, 2018

CUSTOMER STATS

SCP currently serves 30,791 accounts (81.3%) in Mendocino County and 193,351 accounts (87.8%) in Sonoma County.

SCP WINS CALIFORNIA ENERGY COMMISSION (CEC) GRANT!

On November 30th, 2017, Sonoma Clean Power programs staff applied for the CEC’s EPIC Grant GFO 17-304, which offers just over $13 million in grant funding for programmatic strategies that could lead to a doubling of energy efficiency savings in existing buildings over a three-year period. The team was comprised of Sonoma Clean Power, as lead, with Frontier Energy, DNV-GL, and various technology-specific subcontractors. The team’s proposal focused on a series of applied research projects evaluating emerging technologies such as phase change materials, heat pump water heaters, and advanced lighting controls in commercial buildings. The bulk of the budget would go towards building out a physical Energy Marketplace, which would be a storefront partnership offering a regulated marketplace for energy products, training, and contractor referral. The marketplace will feature emerging technology and established energy savings items that Sonoma Clean Power customers could see, test, and directly procure. Additionally, the marketplace will feature a series of
technology-related trainings for building inspectors, contactors, consumers, and energy consultants.

In Early February, Sonoma Clean Power staff was informed that they won the grant and began initial contracting with the California Energy Commission. Commission staff expects the contract to be voted on in the April Commission meeting, at which point the Sonoma Clean Power Board of Directors would be asked to vote on approval of the contract, including match funding of $3 million. That match amount is made up of staff time and a cash contribution, where the cash contribution would vary between $250,000 and $500,000 per year during the three-year period.

Staff are extremely pleased to bring this funding to SCP, and CEO Syphers expresses special thanks to Program Manager Rachel Kuykendall, who lead the entire effort.

**WILDFIRE RECOVERY EFFORTS**

In addition to making improvements to the Advanced Energy Rebuild program (see Item 6) staff continue to support the County of Sonoma, the City of Santa Rosa, the Sonoma County Transportation Authority, ABAG/MTC and the Governor’s Office on their planning efforts to form a Renewal Enterprise District or “RED.” The RED’s purpose is to lower the cost and reduce the development risk of new housing throughout Sonoma County by pooling public financing for infrastructure, and by seeking greater regulatory certainty for projects that are climate friendly, consistent with adopted plans, and built in priority areas (e.g., transit-friendly, walkable, previously-developed). The RED would be open for any city or town in Sonoma County to join. It is unclear if such a structure could be extended to Mendocino County, but a recent four-county staff meeting discussed the potential for using a template of a Sonoma RED for potential additional REDs in Napa, Lake and Mendocino Counties, and perhaps in other major disaster areas of California. Staff expect to see a proposed governance model for the RED in the next couple of months, along with more definition of specific finance needs and capabilities. In the meantime, the Governor’s office has expressed support for the idea (see attached letter).
ENERGY EDUCATION PROGRAM STATUS UPDATE

SCP contracts with the Sonoma County Water Agency for educational programming at the elementary level.

Recent activities in the energy-education program include:

- 26 teachers from Mendocino, Sonoma, and Napa Counties attended a climate literacy teacher workshop in December (in collaboration with the Center for Climate Protection, University of California, Museum of Paleontology) SSU offered Continuing Education Units for attendance!
- 4 ZunZun Assemblies (2,000) students completed, 15 additional scheduled (one in Mendocino County the rest in Sonoma) with roughly 8,000 additional students to attend.
- 800 students are signed up for the 4th grade poster contest (Theme is Save Water To Save Energy). This was not part of the SCP-SCWA contract.
- 4th grade classroom energy program 3 schools, 6 classrooms, 130 students completed, 890 students, 15 schools, 30 classrooms scheduled.
- 3rd grade classroom climate change program 11 schools, 22 classes, and 524 students completed and 17 schools, 35 classes, and 748 students are scheduled to participate.

BUDGET PLANNING FOR 2018/2019 FISCAL YEAR

Staff have been working on draft department budgets and rate scenarios for the upcoming fiscal year, which begins July 1, 2018. The first presentation of the complete draft budget and proposed rates will be at the Community Advisory Committee (CAC) in March. The public meetings where the budget will be presented and discussed is as follows:

March 22 CAC review of draft budget and rates
April 5 Board of Directors review of draft budget and rates
April 17 CAC recommend final budget and rates to the Board
May 3 Board of Directors approve final budget and rates
MONTHLY COMPILED FINANCIAL STATEMENTS AND BUDGET COMPARISON

Not available at the time of packet distribution. January financials will be presented together with the February financials in the April meeting.
February 22, 2018

To whom it may concern:

The Governor’s Office of Planning and Research (OPR) is pleased to write this letter in support of and as a partner for the Sonoma County Community Development Commission’s application to Fannie Mae’s Sustainable Community Innovation Grant Program.

OPR is the State’s comprehensive planning agency. OPR develops guidelines for city and county General Plans and implementation of the California Environmental Quality Act. OPR also manages the Integrated Climate Adaptation and Resiliency Program, developed to support the development and implementation of climate adaptation and resilience on the ground, including the identification of financing tools to support implementation.

Sonoma County and the City of Santa Rosa have proposed the development of a Renewal Enterprise District (RED) to support immediate recovery needs following the 2017 wildfires, but also to address long-term housing and community resilience challenges. OPR has been meeting regularly with the City and County to discuss the RED concept, including ways in which we can support this effort.

In particular, OPR is committed to the following tasks, coordinating with other State agencies and partners as appropriate:

- Provide technical and planning assistance to ensure continuous alignment with State policy priorities, including climate change goals and the consideration of current and future climate change risks and impacts in planning and projects,
- Ensure integration of the most current data and information on current and anticipated climate change impacts and information,
- Support and document collaboration with Sonoma County in order to facilitate building resilience in California communities, including documentation in the Integrated Climate Adaptation and Resiliency Program’s Clearinghouse and the possible development of an analytical tool to support stakeholder engagement and multi-objective analysis, and
- Provide consultation and advice on potential regulatory streamlining approaches.
The RED provides a novel approach to how communities respond to disaster. Even more importantly, RED will provide a model for communities facing housing and resilience challenges. OPR supports this effort. It will result in near-term benefits for Sonoma County and provide a model for other communities across California.

Please contact me if you have any questions or need additional information.

Sincerely,

Ken Alex

Director, Governor’s Office of Planning and Research
Staff Update – Item 3

To: Sonoma Clean Power Authority Board of Directors

From: Katherine Brandenburg, Lobbyist
Kate Kelly/Director, Public Affairs & Marketing
Neal Reardon, Director, Regulatory Affairs
Geof Syphers, CEO

Issue: Legislative and Regulatory Updates

Date: March 1, 2018

Legislative Update

The Legislature is off and running. The legislative deadline to introduce bills was February 16th and the members of the Assembly and Senate were not shy about introducing bills this year. As of the February 16 deadline, 2,296 bills were introduced – 700 less than last year. Many of the bills are placeholders or commonly referred to as “spot” bills. SCP has flagged over 90 bills to review to determine which bills SCP will actively lobby or continue to monitor throughout the year since they are relevant to SCP’s policies.

The Legislature cannot act on any bills until they are in print for 30 days. Since most of the bills were introduced within the last seven days, we do not anticipate policy committee hearings on the bills until the Legislature returns from its Spring Recess on April 2nd (Spring Recess March 22 – April 2). Any piece of legislation that has fiscal implications must be heard in the policy committee by April 27th and bills without fiscal implications must be heard by May 11th.

Senator Tony Mendoza resigned from office amid harassment allegations. Senator Mendoza’s decision came days after the Senate publicly released the findings of a two-month investigation that concluded he “more likely than not” engaged in unwanted advances and sexually suggested behavior toward six women, including
four subordinates, over the last decade. With Senator Mendoza’s resignation, the Senate’s membership consists of 26 Democrats and 13 Republicans.

2018 Fire Relief/Recovery

The North Bay state legislators, Senators Mike McGuire and Bill Dodd, Assemblymembers Cecilia Aguiar-Curry, Marc Levine and Jim Wood, have been working collectively, along with legislative leaders in Sacramento, the State Insurance Commissioner and Governor Brown’s Office to address the immediate, long-term and future needs of people and communities impacted by the wildfires of 2017. SCP has met with all of these lawmakers as part of this effort.

The North Bay legislators have introduced 14 pieces legislation to bring relief and stability to the State’s impacted fire victims. In addition to the 14 introduced by the North Bay legislators, an additional 50 bills have been introduced dealing with disaster relief and recovery. As previously reported, SCP is working with the County of Sonoma and the City of Santa Rosa on fire relief/recovery legislative proposals.

The Assembly Budget Committee No. 3 Resources and Transportation held an informational hearing on the 2017 wildfires on February 21st. The Department of Forestry and Fire Protection (CalFire), the Office of Emergency Services (OES), and various departments, and weather experts presented their expert opinions on the 2017 fire season and mudslides in Southern California.

As of December 20, 2017, the Department of Finance accessed $43.4 million in resources available in the State Fund for Economic Uncertainties for various departments related to unexpected equipment, personnel, and other disaster assistance costs incurred in response to the wildfires. The majority of these resources were used for hazardous waste and debris removal, purchase and distribution of food to individuals affected by the fires, and rental/mortgage vouchers and utility assistance for those affected but ineligible for federal assistance.

In the Governor’s State of the State address, he indicated the creation of a new task force of scientists and forestry experts who will review the current forestry management practices and propose ways to reduce the threat of devastating fires. The governor said the task force also will examine how the state can increase resiliency and carbon storage capacity in forests.
# Bills SCP is Actively Monitoring

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<tr>
<th>Bill</th>
<th>Issue</th>
<th>Position</th>
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<tr>
<td>AB 813 Holden Electricity: Independent System Operator: California Renewables Portfolio Standard Program: procurement.</td>
<td>Would set constraints on governance for an expanded independent system operator. High priority to monitor, since last year this contained language to block CCA activity in demand response, batteries and distributed renewable energy.</td>
<td>TBD</td>
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<td>AB 1745 Ting Vehicles: Clean Cars 2040 Act.</td>
<td>Would create a sunset date for the DMV registration of new cars and light trucks using petroleum as a fuel.</td>
<td>Support</td>
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<td>AB 2068 Chu Electricity: rates: public schools</td>
<td>Would provide electric subsidy to schools in disadvantaged communities.</td>
<td>TBD</td>
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<td>AB 2127 Ting Electric vehicle infrastructure: assessment and roadmap</td>
<td>Would create a statewide assessment of electric vehicle charging infrastructure needed to support the levels of electric vehicle adoption needed for the state to reduce emissions of greenhouse gases to 40% below 1990 levels by 2030.</td>
<td>TBD</td>
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<tr>
<td>AB 2208 Aguiar-Curry Electrical corporations: California Renewables Portfolio Standard Program: procurement plans.</td>
<td>Would add consideration of job retention to procurement planning, in support of geothermal and biomass.</td>
<td>TBD</td>
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<td>AB 2693 Quirk Natural gas-fired powerplants</td>
<td>Would modify the existing mechanism for assigning increased costs of uneconomic gas-fired power plants to electric providers when they are deemed necessary for grid reliability.</td>
<td>TBD</td>
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<tr>
<td>SB 100 De León California Renewables Portfolio Standard Program: emissions of greenhouse gases.</td>
<td>Would set milestones and a target to reach 100% renewable and carbon-free electric sources by 2046. Supported in the 2017 session, and will review to ensure no harmful language inserted.</td>
<td>TBD</td>
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<tr>
<td>SB 1136 Hertzberg Resource adequacy requirements</td>
<td>Would modify RA process and potential RA market.</td>
<td>TBD</td>
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<td>SB 1399 Wiener Renewable energy: shared renewable energy tariffs.</td>
<td>Would create a method for PG&amp;E’s commercial customers to receive full net metering credit for solar produced on a nearby site they do not own. As written, could harm CCAs by subsidizing commercial customers to opt out, but author is very open to working with us to get it right.</td>
<td>TBD</td>
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<td>+ about 90 additional bills staff are starting to analyze</td>
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**Regulatory Update**

**Power Charge Indifference Adjustment (PCIA)**

On February 7th, 2018 the California Community Choice Association, Commercial Energy of California, Direct Access Customer Coalition/Alliance for Retail Energy Markets and the Energy Users Forum filed a Joint Motion to Extend the PCIA Procedural Schedule. The reason for this request was the utilities’ tardiness in producing the agreed-upon underlying data which drives the PCIA charge.

On February 20th, the assigned Administrative Law Judge ruled that the utilities must produce the agreed upon data by March 2nd, and that the procedural schedule would be based on that date. If utilities do not produce the data by March 2nd, the schedule will automatically be extended on a day for day basis until the information is produced. Assuming the utilities comply with the March 2nd deadline in timely fashion, a proposed decision in the PCIA proceeding is expected at the end of July.

SCP staff and CalCCA continue to work developing options to reduce the total cost to our customers, increase transparency and certainty, and reduce the need for ongoing litigation of PCIA charges. That effort will materialize with testimony being submitted in April, and evidentiary hearings on the matter in May.
Resolution E-4907

The December 8th, CPUC staff Resolution E-4907 which would significantly delay the launch of new CCAs was significantly amended before being approved on February 8th. SCP lead the efforts for CalCCA on this item and secured the most important changes. Specifically, the amended version of this Resolution allows CCAs to continue to launch on their planned time frame. It also provides a mechanism to transfer Resource Adequacy (an insurance product to ensure grid reliability) from the utility to the emerging CCA. It proposes that the CCA either 1) purchases the Resource Adequacy from the utility directly at a mutually-agreed-upon price, or, 2) be allocated the Resource Adequacy from the utility and later reimburse the utility for the actual cost incurred. Both these paths will prevent the existing problem of double procurement of Resource Adequacy, which will reduce customer bills. In addition, Energy Division acknowledges that this discussion should be held in a transparent proceeding with involvement by all affected parties.

Integrated Resource Planning (IRP)

At the February 8th Commission meeting, a final Decision on Integrated Resource Planning was approved by all five Commissioners. This Decision represents a significant extension of CPUC jurisdiction, as it states that the CPUC will have the authority to “approve” a CCA’s IRP. From a legal perspective, it is unclear what the consequence of an unapproved IRP plan would be.

However, importantly, the Commission specifies that it agrees that “the CCA governing board alone directs a CCA’s actual procurement activities, except in limited circumstances expressly authorized in statute” and that “the overall IRP process is designed to achieve its intended GHG targets and ‘ensure a safe, reliable and cost-effective electricity supply in California’ while respecting the role of individual CCA governing boards to direct an individual CCA’s procurement.”

Finally, it also requires that all individual IRP filings, including those from CCAs, undergo the same evidentiary requirements as any other IRP filing (i.e., testimony, hearings, etc.) and that other parties (i.e., the IOUs) will be allowed to weigh in on the individual IRP filings.

SCP staff is engaging with staff at the CPUC to understand what the specific requirements for our IRP filing are, and trying to establish a process that recognizes
the unique position of CCAs while allowing the Commission to perform system-wide modeling and analyses of the aggregated portfolio of resources.
February 7, 2018

The Honorable Phil Ting
Member of the Assembly
State Capitol, Room 6026
Sacramento, CA 95814

Re: AB 1745 (Ting) – Support

Dear Assembly Member Ting:

Sonoma Clean Power (SCP) is pleased to support AB 1745. As you know, the transportation sector accounts for 50% of the state’s greenhouse gas emissions. By setting an ambitious date when all new vehicles registered in California after January 1, 2040 be zero-emissions vehicles, California will have the clarity of vision to adopt all of the near-term policies and actions to achieve it.

Local communities must be part of the solution if California is to meet its ultimate goal of reducing greenhouse gases 80 percent below 1990 levels by 2050. SCP is playing its part in partnership with local auto dealerships to heavily discount 771 electric cars to date and provide 1,300 free level 2 charging equipment. SCP aims to get 10,000 electric vehicles on Sonoma and Mendocino county roads by 2020 and 100,000 by 2030.

California has come a long way in protecting public health by addressing all major sources of smog-forming air pollution over the last 50 years by enacting laws that have made the vehicles we purchase today much cleaner than those in the 1970s. AB 1745 will keep California moving forward in reducing the environmental impacts caused by the transportation sector.

Sincerely,

Geof Syphers, CEO

cc: Members of the Assembly Transportation Committee
Staff Report – Item 4

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, CEO
       Katherine Brandenburg, Lobbyist

Item: Approve SCPA Legislative Policy

Date: March 1, 2018

Requested Actions

Approve the proposed legislative policy.

Background

The Board adopted a legislative platform on February 1, and asked staff to return with a legislative policy that will provide further direction to staff on engaging in legislative activities.
**Proposed Legislative Policy** *(for adoption in this meeting)*

In order to effectively engage in legislative relations, which primarily includes taking positions on pending legislation, SCP recognizes a need for flexibility with regard to timely communications with members of the State legislature and their staffs.

The ultimate authority to take positions on legislation lies with the SCPA Board of Directors, and to the extent possible positions should be taken by the Board at regular meetings, where staff can be directed to relay positions appropriately to the legislature.

However, given the time constraints for consideration of legislation that is often developed and considered in the legislature under compressed timeframes, the Board is adopting this policy to provide avenues for the Board and staff to take positions in a responsive fashion.

**General Process for Legislative Relations**

The Board directs staff to conduct general legislative affairs (those not impacted by time constraints) as follows:

1. Staff will inform the Board of pending legislation at regular Board meetings.

2. Following discussion, the Board will provide direction to staff on what, if any position, it wishes to take in support of or in opposition to pending legislation.

3. All legislative affairs correspondence (e.g. letters to legislative members, other associations, etc.) will be provided to Board members at regular board meetings.

4. The Board will review annually the Legislative Platform.

**Process for Expeditious Legislative Relations**

The Board directs staff to conduct legislative affairs activities subject to time constraints (i.e. a requirement to comment on pending legislation more expeditiously than can be accommodated above) as follows:
When the required timing of a response precludes the full Board from considering pending legislation at a regular meeting, the CEO is authorized to take positions, including in writing, consistent with the Board’s adopted Legislative Policy. When the Chair and Vice Chair can be reached in a timely manner, the CEO will provide a recommended action and receive direction from the Chair and Vice Chair prior to taking a new position.

**SCPA Legislative Platform (as adopted by the SCPA Board February 1, 2018)**

Sonoma Clean Power supports legislation that protects and fosters CCAs and their customers within the State of California. Sonoma Clean Power’s legislative efforts are guided by the following principles:

1. **Customer Equity, Rates and Nonbypassable Charges**
   Support legislation that provides transparency into the PCIA and all nonbypassable charges, fairly allocates costs among customer classes, and minimizes total customer costs.

2. **Procurement Obligation and Local Government Oversight**
   Defend the obligations and authority of CCA’s local governing Boards of Directors to make decisions about sources of electricity, resource adequacy, customer programs, and distributed energy resources.

3. **Climate and Renewable Sources**
   Support the decrease in use of greenhouse-gas-emitting sources of electricity by all available means, including through increasing use of renewable energy in the Renewable Portfolio Standard, load management, storage and improved reliance on existing hydropower. Support accurate reporting and labeling of greenhouse gas emissions, and oppose efforts to mischaracterize emissions.

4. **Strong Markets and Local Power**
   Support strong energy markets to ensure customers have access to the least cost energy available, including through ISO regionalization so long as California’s environmental rules can be enforced. Support legislation that properly values local resources, such as customer-owned renewable generation and batteries.
5. **Electrification and Efficiency of Buildings**
Support fuel shifting from natural gas, propane and wood to electricity. Support building standards and retrofit funding for targeted energy efficiency to reduce building energy usage, particularly at times-of-day and seasons when emissions or costs are high. Support efforts to go beyond “zero net energy” and refocus energy code requirements on emissions.

6. **Transportation Electrification**
Support legislation that provides incentives for electric vehicles and funding for charging stations, CCA access to low-carbon fuel standard credits, CCA management of infrastructure funds in cooperation with other local agencies, and the broad promotion of electric vehicles and electric transit.

7. **Operational Efficiency and Customer Transparency**
Support legislation which makes operating CCAs simpler and less expensive, and oppose unnecessary administrative burdens on CCAs. Support legislation that enhances customer access to accurate information, and oppose legislation which confuses or misleads customers.

8. **Rebuilding and Renewal**
Support legislation that enables financing, investment, grants and incentives to aid in both rebuilding burned structures in a manner that is efficient and climate smart, as well as adding housing and employment opportunities throughout SCP’s territory. While SCP will not be the lead agency on these efforts, we will play a strong supportive role.
Staff Report – Item 5

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, CEO
Stephanie Reynolds, Director of Internal Operations
Mike Maher, Maher Accountancy LLC

Item: Revision to Financial Policy B.2 on operating and program reserves

Date: March 1, 2018

Requested Action: Review and approve amendment to Financial Policy B.2.

Background

Financial Policy B.2 governs the financial reserve targets for SCP. The initial policy was established at the launch of SCP and set a preliminary target of $50 million in operating reserves, with the understanding that this would be updated in the future.

In 2017, SCP expanded its service territory to include Mendocino County, growing the size of the program by about 14%.

Also in 2017, Moody’s published the first financial and credit advisory on community choice programs in California. This advisory (see attachment) identifies a number of financial risk factors relating to portfolio management and regulatory threats, which are well addressed by SCP’s risk management policy and SCP’s strong focus on legislative and regulatory advocacy.

What is still lacking in the industry is financial guidance on reserve balances, and in place of further guidance it is staff’s opinion that the agency should act on guidance provided to other public power providers, such as California municipal utilities. The general guidance to those agencies is that six months of expenses should be kept in cash reserves and liquid short-term investments.
By November 2018, SCP is expected to exceed its initial $50 million reserve target, leaving the question of what actions it should take following that milestone. Ordinarily, this item would come to the Community Advisory Committee before being presented to the Board. However, because the budget and rates for the fiscal year running from July 1, 2018 through June 30, 2019 are now under development, with a draft due to the Committee at its next meeting, staff are seeking immediate guidance from the Board on establishing a new reserve target balance, while holding open the possibility for further updates as the industry matures and further advisories are available.

Staff therefore propose:

- A general operating reserve target balance of six months of budgeted expenses kept in unrestricted cash and short-term investments (where capital is liquid within 30 days).

- A collateral reserve with a target of 10% of annual energy-related expenses set aside in cash and short-term investments for use as collateral in energy purchases. This separate reserve is an important refinement to the prior policy, since that policy assumed that some collateral could contribute to the general operating reserves, and staff have learned that is not the case, since these funds are restricted.

- The test of “competitive rates” should be revised to rates that match PG&E’s rates rather than the prior language of rates which are no more than 2% above PG&E’s rates.

- Revise the minimum planned contribution to reserves to equal 3% of budgeted revenues rather than 4% in recognition of the fact that the PCIA has increased over 150% since SCP launched in 2014. Note, this would not preclude planning for higher levels of contributions, when practical.
Proposed Amended Financial Policy B.2

Available Fund Balance, and Operating, Program and Collateral Reserves

SCP has an Operating Reserve for the purpose of supporting agency credit, a Program Reserve that allows multi-year program funding commitments, and a Collateral Reserve to allow the posting of collateral for energy and related purchases.

Target balances are:

- Operating Reserve: 50% of total annual budgeted expenses
- Program Reserve: 10% of total annual budgeted expenses
- Collateral Reserve: 10% of annual energy expenditures

Prior to reaching these targets, the following shall apply to Sonoma Clean Power Authority’s financial management:

1. Rate Setting and Budgeting:

   A. If rates can be kept competitive with PG&E, a minimum of 3% of revenues shall be recovered through rates to provide for the Operating Reserve, Program Reserve and Collateral Reserve, and reduce financial risk. Rates shall be deemed competitive if SCP’s average retail generation rate\(^1\), inclusive of all fees\(^2\), is not more than PG&E’s average retail generation rate\(^3\).

   B. If rates cannot be kept competitive per the definition in 1.A, then the additional amount to be recovered through rates shall be reduced so that SCP’s average retail rate is no more than PG&E’s average retail rate. However, the withdrawal of cash reserves to reduce rates should only be done in cases where the Board makes three findings (1) the use of reserves

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\(^1\) The Average Retail Generation Rate is the total revenue collected for generation divided by the total kilowatt-hours of energy sold.

\(^2\) All fees separately charged to SCP customers as determined by the CPUC. Today this includes the Power Charge Indifference Adjustment and a Franchise Fee.

\(^3\) See footnote #1.
to reduce rates is likely to be needed because of a short-term reason, and unlikely to be needed in subsequent years; (2) there is a material likelihood that SCP or its customers would be significantly harmed without the use of reserves, and (3) the benefit is greater than the potential credit downgrade from use of these reserves.

2. Allocating the Increase in Available Fund Balance, if any:
   
   A. 75% to Operating Reserves to support credit and mitigate financial risks.
   
   B. 15% to Program Reserves to support programs that have financial commitments which extend beyond the current fiscal year consistent with SCPA’s mission. Program Reserve usage must be authorized by the SCPA Board of Directors with prior review by the Community Advisory Committee.
   
   C. 10% to the Collateral Reserves to provide a source of collateral for purchasing energy and energy-market products.

Annual Increase in Available Fund Balance shall be determined based on information reported in the annual audited financial statements. Available fund balance at the end of a fiscal year is equal to assets convertible or expected to be converted into cash within 90 days.

When one or two of the reserve targets are met, greater percentages shall be contributed to the unmet target(s) at the Board’s direction.

Upon reaching the target balances, rates and budgets shall be set to maintain the target balances.
FAQs: Community Choice Aggregators continue to grow in California

Community Choice Aggregators (CCAs) are growing in California thanks to support for expanding renewable energy use, with 20 CCAs in various phases of development. Continued growth, however, depends on CCAs' ability to manage power procurement, energy remarketing, rate competitiveness, the risk of customers opting out and JPA departures.

» What are Community Choice Aggregators? CCAs are governmental entities formed by cities or counties to procure the aggregated load requirements of their customer base. CCAs are legal in seven states.

» How does the CCA business model work in California? Community choice aggregation is authorized and governed by state statutes. Once a municipality or county adopts a CCA ordinance, customers served by the investor-owned utility (IOU) become default customers of the CCA. Revenue collection, distribution and transmission remain with the IOU.

» How does the California Public Utilities Commission (CPUC) interact with the CCAs? CPUC's regulatory jurisdiction over CCAs currently is more limited than over IOUs. State legislation establishes regulation of the CCA program, largely related to the extent to which program elements might affect investor-owned utility operations.

» What are the primary credit strengths of the California CCA model? Strengths include full cost recovery through independent rate setting, supportive state statutes, the opt-out nature of the model, local control of energy needs supported by local government ordinance, and the ability to recover costs from a departing municipality.

» What are the key operating business risks facing CCAs in California? Risks involving power procurement including remarketing of excess energy, managing reliable energy supply during market imbalances, and managing related working capital changes.

» What can mitigate the risks to CCAs? Mitigants include the flexibility in raising rates, a requirement on departing municipal participants to pay their cost obligations, access to ample liquidity sources, and an exit charge on customers choosing to opt out.

» What are the longer-term issues facing CCAs in California? Longer-term issues include the contentious debate over the Power Cost Indifference Adjustment (PCIA); provision of reliable energy supply through peak demand periods, and maintaining cost-effective renewable energy supply as California ramps up its renewable energy standard.
What are Community Choice Aggregators?

Community Choice Aggregators (CCAs) are governmental entities formed by cities or counties to procure the aggregated load requirements of their customer bases. CCAs are legal in seven states, as shown in Exhibit 1. In California, CCAs were authorized by legislation in 2002 and 2011 to be formed and serve as providers of energy to customers in the service area of investor-owned utilities (IOUs). California’s CCA program is the first aggregation program focusing on expansion of renewable energy and other clean energy objectives. In other states, such as Ohio, renewable energy is an option.

Once established, a California CCA purchases energy, including renewable energy, for its customers and establishes rates which are not regulated by the California Public Utilities Commission (CPUC). While the CCA is responsible for power procurement, the IOU still provides transmission, distribution, metering, billing, collection and customer service.

Once a state passes enabling legislation, CCAs can be structured as an “opt-in”, in which only those individual customers that take action to participate in the aggregation program are able to have their electric load included in the aggregation program. The other, “opt-out” type of program, such as California’s, is structured such that the CCA automatically procures the entire electric load for customers of a participating municipality or county. In California, customers have opt-out opportunities without penalty, typically over the first 60 days.

California’s experience with CCAs, which are all opt-out, is becoming one of the more successful programs compared with other states, based on the number of programs implemented by cities or on the drawing board. For example, New Jersey implemented an opt-in CCA program before changing to opt-out, but has not enjoyed wide participation. Ohio offers both, and its opt-out program in each community needs a voter referendum to approve it. In California, CCAs are formed by local municipal or county ordinances.

Exhibit 1

Seven states have CCA programs

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
<th>Enabling legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Renewable energy focused CCA</td>
<td>Assembly Bill 2002 and SB 790, 2011</td>
</tr>
<tr>
<td>Illinois</td>
<td>Municipal Aggregation</td>
<td>Energy Aggregation Law, 2009</td>
</tr>
<tr>
<td>Ohio</td>
<td>Governmental Electricity Aggregation</td>
<td>Energy Choice Act of 1999 (SB3) ; SB 221 (2008)</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Government energy aggregation</td>
<td>Government Energy Aggregation Act in 2003</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Municipal Electric Aggregation</td>
<td>Aggregation Legislation, 1997</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>Rhode Island Energy Aggregation Program</td>
<td>Utility Restructuring Act of 1997</td>
</tr>
<tr>
<td>New York</td>
<td>Community Choice Aggregation</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

Source: Moody’s Investors Service

How does the CCA business model work in California?

California community choice aggregation is governed by AB 117 (2002), which authorized communities to aggregate supply and meet customer electricity demand. That was expanded by SB 790 (2011), which required the CPUC to open a Rulemaking process and create a Code of Conduct (D. 12-12-036).

Once a municipality or county adopts a CCA ordinance, customers that had been served by the IOU become default customers of the CCA, with the CCA procuring the generation for its respective electric load. Revenue collection, distribution and transmission functions remain with the IOU. Customers also have the choice to “opt-up” to 100% renewable energy for an added price.

Local governing boards authorize participation in a CCA by ordinance and the CPUC approves the CCA implementation plan, which largely covers power procurement. In California there are three models on which a CCA program can be formed:

» **Joint power agency (JPA) model** A JPA serves as a public, non-profit agency on behalf of the municipalities that chose to join the JPA and participate in the CCA program. A JPA could be formed with an existing operational CCA or other local governments
interested in forming one. Operating as a JPA allows CCAs to spread the expenses and risks across multiple parties. Marin Clean Energy, Sonoma Clean Power, Peninsula Clean Energy and Silicon Valley Clean Energy are examples of CCAs using the JPA model.

- **Single-jurisdiction model** CCAs managed as a separate program by a city or county are also accounted for separately from the rest of the local government. In these cases, the city council or county board governs the CCA. Single-jurisdiction CCAs maintain full control over their operations, rate setting and revenues, but must bear the full financial risks of the CCA. Lancaster Choice Energy, for example, is governed by the Lancaster City Council, while CleanPowerSF also operates under the single-jurisdiction model.

- **Commercial, third-party management** A CCA’s operations are delegated by contract to a private firm. There are no CCAs using this model in California.
### California has several CCA programs at various stages of development

<table>
<thead>
<tr>
<th>Name of CCA program</th>
<th>Start date</th>
<th>Service area</th>
<th>Structure</th>
<th>Peak load</th>
<th>Annual retail load 2016 (GWh)</th>
<th>Customer accounts 2016</th>
<th>Incumbent IOU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCE</td>
<td>May-10</td>
<td>Marin county, Napa county, Cities of Benicia, El Cerrito, Richmond, San Pablo, Walnut Creek and Lafayette</td>
<td>JPA</td>
<td>520 MW</td>
<td>2125</td>
<td>255000</td>
<td>PG&amp;E</td>
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<tr>
<td>Sonoma Clean Power</td>
<td>May-14</td>
<td>Sonoma and Mendocino counties</td>
<td>JPA</td>
<td>512 MW</td>
<td>2330</td>
<td>235000</td>
<td>PG&amp;E</td>
</tr>
<tr>
<td>Clean power SF</td>
<td>May-16</td>
<td>City and County of San Francisco</td>
<td>Single-Jurisdiction</td>
<td>93 MW</td>
<td>220</td>
<td>73000</td>
<td>None</td>
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<tr>
<td>Lancaster Choice Energy</td>
<td>May-15</td>
<td>City of Lancaster</td>
<td>Single-Jurisdiction</td>
<td>132 MW</td>
<td>590</td>
<td>52000</td>
<td>SCE</td>
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<tr>
<td>Peninsula Clean Energy</td>
<td>Oct-16</td>
<td>San Mateo county (20 cities and county)</td>
<td>JPA</td>
<td>660 MW</td>
<td>1400</td>
<td>300000</td>
<td>PG&amp;E</td>
</tr>
<tr>
<td><strong>Implementation plan submitted to CPUC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Apple Valley Choice Energy</td>
<td>Apr-17</td>
<td>Apple Valley Town</td>
<td></td>
<td></td>
<td></td>
<td>29000</td>
<td>SCE</td>
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<tr>
<td>Silicon Valley Clean Energy</td>
<td>Spring 2017</td>
<td>Santa Clara County</td>
<td>JPA</td>
<td></td>
<td></td>
<td>243000</td>
<td>PG&amp;E</td>
</tr>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>East Bay Community Energy</td>
<td>2017</td>
<td>Alameda county</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PG&amp;E</td>
</tr>
<tr>
<td>Los Angeles Community Choice Energy</td>
<td>2017</td>
<td>Los Angeles county</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SCE</td>
</tr>
<tr>
<td>Monterey Bay Community Power</td>
<td>Sep-17</td>
<td>Monterey, San Benito, Santa Cruz counties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PG&amp;E</td>
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<tr>
<td>Redwood Coast Energy Authority</td>
<td>Spring 2017</td>
<td>Humboldt County</td>
<td></td>
<td></td>
<td></td>
<td>60000</td>
<td>PG&amp;E</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yolo County and City of Davis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PG&amp;E</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Riverside County</td>
<td></td>
<td></td>
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<td></td>
<td>SCE</td>
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<tr>
<td></td>
<td></td>
<td>Placer County</td>
<td></td>
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<tr>
<td><strong>Feasibility study underway</strong></td>
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<tr>
<td>Central Coast Community Choice Energy</td>
<td></td>
<td>San Luis Obispo, Santa Barbara and Ventura Counties</td>
<td></td>
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<td>PG&amp;E/SCE</td>
</tr>
<tr>
<td>Inland Choice Energy</td>
<td></td>
<td>San Bernardino County and cities in Riverside County</td>
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<td></td>
<td></td>
<td></td>
<td>SCE</td>
</tr>
<tr>
<td>San Jose Clean Energy</td>
<td></td>
<td>City of San Jose</td>
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<tr>
<td></td>
<td></td>
<td>Butte county</td>
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<td>PG&amp;E</td>
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<tr>
<td></td>
<td></td>
<td>Contra Coast county</td>
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<td></td>
<td>PG&amp;E</td>
</tr>
<tr>
<td></td>
<td></td>
<td>City of San Diego</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SDG&amp;E</td>
</tr>
</tbody>
</table>

Source: CalCCA and CPUC
How does the California Public Utilities Commission interact with the CCAs?
The CPUC’s regulatory jurisdiction over CCAs is currently more limited than it is over IOUs. State legislation established the regulation of the CCA program, largely based on the extent to which program elements might affect IOU operations.

The CCA authorizing legislation does not require the CPUC to set CCA rates or regulate the quality of its energy services; CCAs have the ability to set their own rates. The CPUC must certify the CCA’s implementation plan and it administers a Code of Conduct that governs the treatment of CCAs by electrical corporations. The key CPUC requirements for CCAs are as follows:

» **Resource adequacy** All load-serving entities (LSE) need to comply with CPUC’s resource adequacy program, under which CPUC determines each LSEs resource adequacy obligation compared with their peak load share. Through this, the CPUC seeks to maintain a reliable statewide energy supply. While resource planning is locally decided, the CPUC plays an important role in ensuring resource reliability.

» **Integrated resource planning** State Bill 350 requires that the CPUC certify the CCA’s integrated resource planning to ensure that the CCA resource portfolio is economic and reliable, and reduces greenhouse gas emissions.

» **Renewables portfolio standards (RPS)** CCAs need to ensure that by 2030, 50% of their total procurement is from eligible renewable energy resources, the same renewables portfolio standard as IOUs. With CCAs, however, the CPUC is not as involved and only accepts the plans submitted by CCAs, whereas for IOUs, the CPUC approves their plans.

While limited in scope, we view the oversight of the CPUC in the area of power procurement as a positive consideration for the sustainability of the CCA business model. Moreover, we believe that state policymakers view CCAs as a vehicle for advancing RPS standards across the state and, as such, remain supportive of the CCA business model. Almost 2 million customers in California now take service from CCAs, which is expected to increase in the next several years.

What are the primary credit strengths of the California CCA model?
The business model of California CCAs is unique in the US in having a statutory provision that makes CCAs the default providers of energy and capacity. As noted, customers can only leave the CCAs if they choose to opt out or the CCA elects to return them to bundled IOU service due to nonpayment. Once a CCA is formed, retail customers automatically become a customer of the CCA unless they opt out within 60 days without a penalty. If an individual customer departs after the 60-day period, they can be required to pay an exit fee to the CCA to allow recovery of any associated costs—a positive factor for CCAs.

Full cost recovery through a rate-setting process that is independent of the state regulatory board review is another strength of the California model. Unlike the state’s IOUs, which are subject to regulatory risks such as the potential for under-recovery of costs or extended time periods to receive rate orders, CCAs can enact new rates to recover costs on a timely basis, with the rate-setting process decided locally.

Since customers continue to receive the bill from the IOU that includes charges for transmission and distribution services provided by the IOUs and power costs paid to the CCA, the customer transition from an IOU to a CCA is fairly seamless. By statute customers receive at least two notices before they are enrolled in CCA service and two notices immediately after on CCA program information. Customers that choose to “opt out” tend to do so in the early months of the transition, and the majority of customers transition to and stay with the CCA. CCAs’ customer bases are diverse among the various customer classes. As a result of these factors, sustainable revenues for a CCA following the initial transition months tend to be fairly predictable. Moreover, given the high quality of IOU’s accounts receivable, cash flow generated by the CCA benefits from the strong performance of the IOUs billing and collection services.

These operating strengths are framed by the state statute which authorized CCAs and which demonstrates the strong support of state policymakers for the new business model. In particular, the governor and state legislators see CCAs as a way to achieve a more aggressive renewable energy standard and a reduction in greenhouse gas emissions. The state’s objectives were laid out in the Clean Energy & Pollution Reduction Act (SB 350), which requires CCAs to exceed the new state standards for renewable energy by accounting for 33% of the energy supplying retail sales by 2020 and for 50% by 2030. The legislation also requires a reduction in greenhouse gases to 40% below the 1990 level by 2030.
The requirement that CCAs be established by local government ordinances also provides important political support. CCAs allow local control of power resource planning and provide economies of scale for municipalities seeking to access sources of renewable energy. By pooling demand and the local desire for more renewable energy, CCAs have built local support for negotiating with power suppliers to meet demand. For Marin Clean Energy (MCE), for example, the state’s first clean-energy aggregator, renewable energy totaled 56% of total supply in 2016, well above the state average of about 26%. MCE has entered into multiple power purchase agreements with varying maturities providing it reliable access to generation resources across a diverse mix of energy suppliers.

Also, under the JPA model in California, if a municipality that passed an ordinance to become part of the CCA chooses to depart, it is required to pay the CCA for any obligations taken on the municipality’s behalf for the benefit of its customers before it can depart. This provision, which has not been tested in court, is intended to mitigate the potential for stranded cost risk should a municipality or county entirely choose to leave a CCA. Choosing to depart, however, is a high bar for CCAs formed as JPAs because it takes a supermajority of the CCA board to approve an exit and a year’s notice must be given.

What are the key operating business risks facing CCAs in California?

Risks associated with power procurement are the primary business risks facing CCAs. A potentially significant risk involves the remarketing of power procured under bilateral agreements. This scenario arises when a CCA, because of weaker demand, has excess energy that cannot be economically remarketed. The California energy market, which is influenced by various factors such as natural gas prices and the intermittency of renewable resources, is exposed to many other market forces that could affect a CCAs power resource balance and could have an immediate negative financial impact if not mitigated.

Another risk is that a CCAs power supply costs could become higher than regional energy market prices, causing some individual customers to leave the CCA because of a CCAs uncompetitiveness. Such a scenario could occur given the declining costs of new renewable resources, the current excess power supply owing to weaker demand, new gas fired capacity and the volatility of hydroelectric resources. These factors collectively influence power markets such that a CCAs procured resources might at some point be uncompetitive relative to market prices and or the IOU cost structure.

While there are statutory protections for maintaining CCA’s financial stability, the ability of CCAs to charge adequate exit fees to departing customers may be problematic given the newness of the model, and the lack of legal precedent. Moreover, if significant numbers of individual customers were to return to the IOU, the fee to the remaining customers could be substantial.

Disruptions to the energy market or legislative changes could also create operating business risks. As noted, the CPUC has begun to evaluate whether the industry structure, given the significant changes taking place, can operate reliably. The outcome of the evaluation could result in new regulation that creates pressures or costs for CCAs. Failure to adequately respond to such disruptions or imbalances, particularly as energy is contracted for longer periods, presents risks that could be exacerbated if large numbers of individual customers choose to leave because of the CCA becoming uncompetitive.

Another operating risk is how well CCAs manage the complexities of the changing business environment. For example, as homeowners seek to self generate, CCAs are offering net energy metering (NEM) programs and providing incentives for distributive generation. Accurately measuring the impacts of NEM incentives on electric rates is important. For example, MCE provides more than 9,600 customers such incentives and it incorporates in its planning process close oversight.

For municipalities and counties that are part of a JPA-CCA, a more serious risk would arise if an individual municipality or county decides to depart the CCA and seeks to test the state JPA statute by not compensating the CCA for any past financial obligation. That would create a significant gap in the CCA’s financial health. If a departing municipality were to rescind its ordinance, it is also not clear how the municipality would fund such an obligation if it chose to abide by the JPA statute, given restrictive property tax limits in California. While the CCA has numerous tools at its disposal to narrow any financial impacts, CCAs still have limited experience managing such situations.

What can mitigate the risks to CCAs?

For utilities facing remarketing risk, access to internal or external sources of liquidity is critical for stemming the immediate impact of any financial loss. The balance sheets of the CCAs now in existence are quite small and have access to modest levels of internal or external sources of liquidity to manage a challenging period where power expenses exceed customer revenues.
Another mitigant is the fact that CCA rates are not regulated by the CPUC but are decided by a CCA’s governing board, an arrangement that gives CCAs the flexibility to raise rates on a timely basis and offers CCAs more certainty on revenue. Revenue required to meet rising costs can mitigate adverse financial impacts.

In addition, municipalities that decide to leave a JPA-CCA must give a year’s notice to the CCA’s governing board and their departure must be approved by a supermajority vote. Also, municipal participants in a CCA formed as a JPA must pay any of their remaining cost obligations to the CCA before they can leave, though, as noted, this provision has not been tested in court.

State statute SB 790 prohibits aggressive sales marketing by the dominant IOU, reducing the risk of individual customers opting out. Forecasting load requirements requires assumptions about participation rates, yet customers can opt out of a CCA. If IOUs had the ability to aggressively market to CCA customers, participation rates could be affected, resulting in higher costs for the remaining customers.

What are the longer-term issues facing CCAs in California?

In the longer term, CCAs may face a legislative and regulatory environment that could produce additional challenges. California has been at the leading edge of electric market reform and the development of a clean-energy power grid. This has subjected the industry to significant and at times disruptive changes. Deregulation in the 1990s of the California electric market and more recently the enactment of aggressive renewable energy standards, the reduction of greenhouse gas emissions, and the expansion of the infrastructure for electric vehicles have the potential to create unexpected issues that require sound planning and management.

For example, the CPUC is just beginning the Customer and Retail Choice En Banc process of seeking comment from a range of constituencies that could spur industry changes affecting the business environment for CCAs. The CPUC is evaluating, for example, whether costs can be fairly allocated between the various business models, including CCAs, as customers pay for the vast network of connected infrastructure and services while supporting a low carbon footprint.

Another risk is the ongoing attempt by IOUs to modify the formula for the Power Cost Indifference Adjustment (PCIA), which could add new costs to CCA customers making the CCA less competitive. PCIA is the payment that CCA customers have to pay to compensate IOUs for their existing renewable PPAs. Currently they are compensated based on the difference between the historical low market price at which IOUs sell their excess renewable energy and a market price benchmark (this formula was created to allow large customers to buy their own energy in the aftermath of the California crisis of 2000-01). However, according to IOUs in the state, this reference price is below the contract price that IOUs are paying for the renewables so there is some cost shifting to non-CCA customers. All three IOUs have filed to have this formula changed, especially as larger numbers of customers move to CCAs. The CCA Association has disputed this and filed a motion with the CPUC to dismiss the IOU’s request. We expect this to remain a contentious issue.
Another longer term risk is fuel risk as California has moved to a path where natural gas is the dominant fuel, representing in excess of 60% of the state’s energy supply. As a dominant fuel for electricity, any disruptions in price or availability of natural gas would affect retail customers, including CCA customers, complicating cost recovery. Our current expectation is for US natural gas supply to be a moderating factor on price for the foreseeable future, but its dominance represents a potential future risk if that dynamic were to change.

As the market for renewable energy expands, maintaining stable energy pricing and sufficient availability of resources will present issues for CCAs as they seek to source greater amounts of renewable energy. This will present a particular hurdle as California ramps up its renewable-energy requirement and mandates electric-vehicle adoption and lower carbon emissions, thus increasing the number of market participants pursuing renewable energy resources.

Renewable energy balancing requirements are pushing California to become part of a larger western regional market. Several initiatives are under way, including the development of a Western Energy Imbalance Market. While the planning and scope of the operations are now being considered, CCAs could benefit from such participation over time. Even so, their long-term sustainability will depend more upon their ability to manage the challenges of the broader wholesale electric market, with its accompanying resource and price volatility.

**Moody’s Related Research**

**Outlooks:**


**Sector-In-Depth:**

Economics, End-user Sustainability Policies Drive Renewables in a post-CPP World, March 2017

New energy market entrants are now primary drivers of renewable energy demand


Consistency and Predictability of Regulatory Decisions Drive Differences in US Utility Credit Profiles, July 2014

Electric Car Growth Boosts Utilities; Mixed Implications for Autos and State Finances, October 31, 2016

**Utilities:**

Southern California Edison Company, April 2017

Pacific Gas & Electric Company: California based electric utility, January 2017


To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.
Staff Report – Item 6

To: Sonoma Clean Power Authority Board of Directors
From: Rachel Kuykendall, Program Manager
      Geof Syphers, CEO
Issue: Approve change in program incentives for new construction on residential homes in areas affected by the Sonoma County wildfires
Date: March 1, 2018

Requested Action:

Approve adjustment to the previously-adopted “Advanced Energy Rebuild” incentives proposed for homes rebuilding in areas affected by the Sonoma County wildfires.

Background:

The SCPA Board of Directors authorized spending up to $2 million per year for three years to promote rebuilding homes destroyed in the 2017 wildfires to a high standard of energy efficiency, and with features to make going totally carbon free easy. No change is proposed to the total funding commitment; rather staff propose an adjustment to how the funds are used. This program is a jointly-offered program between SCP and PG&E, and has strong interest from BAAQMD, BayREN for providing additional funding.

Based on input from hundreds of builders, homeowners, elected officials, code officials, architects, engineers, and Zero Net Energy advocates, staff are recommending three adjustments to the Board’s prior decision:

1. Increase the base incentive and decrease the bonuses. Because the program requires hiring a Home Energy Rater, early cost estimates for construction
are somewhat higher than in normal market conditions, and in order to promote broad participation, staff recommend increasing the base incentive from $5,000 to $7,500, and setting a bonus of $5,000 for local renewable energy rather than $15,000 for two reasons: the cost of solar with a battery or subscription to EverGreen is often lower than $15,000 in new construction, and homeowners with solar receive an income from their investment over time.

2. Allow the program to launch immediately by authorizing SCP funds to be used on a first-come, first-served basis. Builders of some Fountaingrove and many Coffee Park homes have already submitted plans for review, so the time pressure for launching the program is significant. Rather than waiting until additional funds are confirmed from BAAQMD, BayREN and others, switch to a model where a number of reservation slots are open based on the currently approved funding level and increase that as more funding is secured. This means SCP may contribute higher amounts toward early home projects and lower amounts to later projects, but the overall budget cap of $2 million per year for three years would remain.

3. Allow an incentive for local renewable energy, even if a home is connected to natural gas. This option was not previously allowed.

A draft summary of the program follows, where Option 1 would earn $7,500, Option 2 would earn $12,500, and either Option could earn an additional $5,000 for adding solar with a battery or committing to EverGreen.

While additional program adjustments will still made before launch, these three rose to a higher level, and staff ask for Board support on these three adjustments.
Your home. Your choice. Choose from one of the options below or pick individual features based on your needs.

**1 Advanced Energy Home**
- 20% above code requirements including high performance walls or attics and advanced windows
- WaterSense efficient plumbing fixtures
- Water efficient landscaping
- 220V outlet at stove/range and clothes dryer
- Electric vehicle charging station (equipment free from Sonoma Clean Power)

**2 All Electric Home**
Includes all the features of Bundle 1 + the following all-electric home features:
- High performance walls and attics
- Insulation inspection
- "Cool" roof
- Verified enclosure sealing
- Electric heat pump hot water heater
- Smart thermostat
- Compact plumbing design
- Induction cooking
- Electric or heat pump clothes dryer

**Add solar to either option**
Solar panel system with sufficient battery storage to help offset annual electric usage.
Staff Report – Item 7

To: Sonoma Clean Power Authority Board of Directors
From: Erica Torgerson, Director of Customer Service
Issue: Approve writes-offs and re-payment for customers affected by the October wildfires
Date: March 1, 2018

Requested Action:

1) Approval of accounts receivable balance writes-offs for customers affected by the October wildfires in an amount not to exceed $300,000.

2) Approval to work with PG&E to return payments to customers who paid outstanding electric bills after losing their property to the fires in an amount not to exceed $500,000.

Background:

1) During the October firestorms 4,806 SCP accounts were destroyed across our service territory. Approximately 4,350 of those accounts had either outstanding balances with SCP or had received electricity from SCP, but had yet to be billed. This results in an accounts receivable balance of $205,250 due SCP. Additionally, PG&E is still calculating charges for 30 destroyed accounts and the outstanding balance for those accounts is unknown at this time.

PG&E has made the decision to write off outstanding customer balances for those customers whose property was destroyed in the fires. PG&E intends to not bill those amounts and send customers a final bill with a zero balance.

SCP has two options, we can follow PG&E’s lead and write-off our outstanding accounts receivable balance, or we can bill our customers for outstanding usage. Staff recommends that SCP follow PG&E’s lead and write-off our accounts receivable balance and send a combined zero bill with PG&E.
the total amount outstanding is still unknown, staff requests approval for an
amount to write-off not to exceed $300,000.

2) On February 21st, PG&E informed SCP that they intend to return payments to
customers who lost their property to the fires but paid their outstanding bill
anyway. An example would be a customer on auto-pay who lost his home on
the 8th and his PG&E bill auto-paid on October 10th.

This ensures customers are treated equally and receive the same protections
as the customers listed in the approval above.

SCP staff recommend that SCP follow PG&E and return payments to
customers who lost their property due to the fires. As PG&E just informed
SCP of this plan, the fiscal impact to SCP is unknown. Staff request
discretion to return payments to customers in an amount not to exceed
$500,000.

For both approvals, staff will report to the Board at its earliest convenience final
write-offs and returned payment figures.