



Staff Report - Item 05

To: Sonoma Clean Power Authority Community Advisory Committee

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Issue: Receive Geothermal Opportunity Zone Update

Date: June 12, 2025

Background

The Geothermal Opportunity Zone (GeoZone) is SCP's initiative to secure affordable, reliable clean energy for our customers by building 600 megawatts of new geothermal power capacity in Sonoma and Mendocino Counties. This will eventually enable SCP to phase out its dependence on natural gas power plants for reliability. The Community Advisory Committee (Committee) meetings are a regularly scheduled public forum for the community to receive updates and provide input on the GeoZone. The updates provided to the Committee each month, and minutes from any discussion are posted on SCP's website at <https://sonomacleanpower.org/geozone-public-updates>. Staff incorporate any feedback received from the Committee presentation into the monthly updates to the Board of Directors. Additional background on the GeoZone can be found on the GeoZone webpage at <https://sonomacleanpower.org/geozone>.

California Community Power Geothermal Strategic Initiative

California Community Power (CC Power) is the agency formed by nine CCAs, including SCP, to leverage collective purchasing power to increase the cost-effectiveness of procuring clean energy. Modeled after the GeoZone, CC Power initiated the Geothermal Strategic Initiative to explore early partnerships between geothermal developers and CC Power to mature early-stage geothermal projects. CC Power released a Request for Information (RFI) for partners in May and is currently evaluating responses. Shortlisted respondents will be asked to consider signing a Memorandum

of Understanding (MOU) with CC Power on shared responsibilities. CC Power will offer commercial interest, and regulatory and legislative advocacy support in exchange for a commitment from industry partners to work towards signing a future Power Purchase Agreement (PPA) with CC Power. The CC Power Geothermal Strategic Initiative is open to any project that can deliver to the California Independent System Operator (CAISO).

SCP has proposed a framework to CC Power on how potential respondents with development interest in Sonoma, Mendocino, or Lake counties could also be considered for participation in the GeoZone. The proposed guidelines, which are under review by other CC Power members, would allow SCP to take a greater share of in-scope projects in exchange for leading local engagement and advocacy. Unlike current GeoZone projects, any non-staff costs and above-market pilot contracts would be shared over multiple CCAs. However, the scale-up potential would also be shared beyond just SCP.

GeoZone Partner Solicitation

Given the termination of the Cyrq contract and communicated delays with the Chevron New Energies development, staff are expecting to issue a solicitation for new GeoZone partners as soon as the fourth quarter of 2025. Although the CC Power Geothermal Strategic Initiative and GeoZone participation framework may result in new GeoZone partnerships, it's likely SCP will also seek partners independent of CC Power. Staff believe it is prudent to wait until Lake County decides on CCA service and GeoZone membership before seeking new partners—given an expansion to Lake County increases the breadth of potential opportunities. In the meantime, staff have been organizing meetings with many leading players in the industry to socialize the upcoming solicitation and collect feedback on how the solicitation and partnership can best be structured to attract industry interest. Thus far, one common theme is that some level of funding for early project development and exploration could be especially impactful.

State Funding and AB 526 Response

Staff have been exploring options for how the state government could fund an initial geothermal exploration well to test drilling techniques and collect data for deployment of next-generation geothermal technologies. The cost of this initial exploration well is expected to be \$20-\$30 million dollars, which is far beyond the budget of the state's current geothermal grant program that is funded from its share of royalties from geothermal development on federal land. Funding an initial well in the GeoZone, or

ideally at a handful of locations across the state, could be a huge catalyst for in-state geothermal investment. Constraints on the state budget and affordability concerns make this investment difficult to justify as part of the general fund or ratepayer programs. Staff are instead looking at opportunities available through the reauthorization of the state's Greenhouse Gas Reduction Fund (GGRF). Staff have been discussing the merits of early geothermal investment with several non-governmental organizations (NGOs) active in discussions on the GGRF.

Assembly Bill 526 (AB 526), which was SCP's sponsored legislation to create a strategic plan for in-state geothermal development, was unfortunately held in suspense in the Assembly Appropriations Committee. Without AB 526 progressing, staff are concerned that California will be missing a key opportunity to coordinate between agencies on supporting in-state geothermal development. In response, staff are actively developing a strategy for accomplishing many of AB 526's provisions through regulatory processes or administrative action.

GeoZone Emulation

In just the past month, staff have had two meetings from utilities seeking to emulate the success of the GeoZone in their own regions. Staff met with Energy Northwest, a joint operating agency for public utilities in Washington that operates the Columbia Nuclear Generating Station as well as hydroelectric, wind, and solar projects. Energy Northwest is in the early stages of identifying opportunities to obtain geothermal capacity for its members. Staff also met with Xcel Energy, a large electric utility serving customers across eight states. Xcel is interested in early partnerships with the geothermal industry to progress geothermal development in Colorado.