



Staff Report - Item 03

To: Sonoma Clean Power Authority Community Advisory Committee

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Issue: Receive Geothermal Opportunity Zone Update

Date: July 17, 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>.

Federal Tax Credits

Congress passed H.R. 1 (the "One Big Beautiful Bill Act") earlier this month, which was signed into law on July 4th, 2025. H.R. 1 significantly rolls back clean energy tax incentives and investments made in the Inflation Reduction Act and Infrastructure Investment and Jobs Act—including a complete phase-out of the investment tax credit ("ITC") and production tax credit ("PTC") for wind and solar for projects that do not start construction within one year of enactment.

Due to more bipartisan support for firm technologies in the United States Senate, tax credits for geothermal, nuclear, and energy storage resources are preserved. Projects will be eligible for 100% of the tax credit if they start construction through 2033, phasing down to 75%, 50%, and 0% in 2034, 2035, and 2036. The continued tax credit eligibility for geothermal projects into the mid-2030s is critically important to managing offtake costs early GeoZone projects.

Energy projects that start construction after January 1, 2026, including geothermal projects, are subject to new Foreign Entity of Concern (FEOC) restrictions for tax credit eligibility. To retain tax credit eligibility, projects must not receive material sourcing, licensing, or make payments to an entity associated with China, Russia, North Korea, or Iran. Although most of the geothermal supply chain can be domestically sourced, it may take some time to understand how the new FEOC requirements impact the cost or tax credit eligibility of GeoZone projects.

Alongside federal tax credit eligibility, passage of SCP's two remaining sponsored bills in the California legislature—AB 527 and AB 531—will also provide cost benefits to the GeoZone by reducing the schedule and cost risk of early project investments.

GeoZone Outreach

In an effort to aid public outreach and education on the GeoZone, SCP staff have developed a short flyer to describe the motivation for GeoZone and direct readers to the GeoZone webpage for more background. The flyer is included as attachment #1, which Committee members are welcome to use in engaging in their own communities and network.

Grant Funding

SCP is expecting the California Energy Commission to announce proposed awards for its Geothermal Grant and Loan Program in early July. The County of Sonoma submitted an application in partnership with Mendocino County and SCP to complete a regional study of geothermal potential and surface constraints in the Sonoma-Lake-Mendocino region. If awarded, SCP expects the project to provide valuable data and experience to both county planning staff and industry to guide geothermal development in the region.

Attachment

- Attachment 1 - GeoZone Informational Flyer

GeoZone: Affordable, Reliable Clean Power

Sonoma Clean Power is investing in local geothermal energy. The goal is to secure affordable, reliable clean power for our customers over the long term.

Through our GeoZone initiative, we're working to build new, next-generation geothermal energy right here in Sonoma and Mendocino counties - using heat from deep underground to create clean electricity.

Why It Matters

Today, 90% of the electricity Sonoma Clean Power provides comes from clean sources. But when the sun isn't shining and the wind isn't blowing, we still rely on natural gas—which is polluting and expensive.

We pay gas power plants to stand by, even if we only use them 10% of the time. That's not good for our climate or our wallets.

A Brighter Future, Locally Built

By building more local geothermal energy, we are charting a better path forward:

- **Lower customer costs**
- **Reliable local energy**
- **Good jobs in our communities**
- **100% clean power, day or night, rain or shine**

That's the power of the GeoZone. For more information, visit sonomacleanpower.org/geozone.



Sonoma Clean Power already buys power from the local Geysers geothermal field, but there is a growing need for more. That's why we are driving the development of new geothermal plants ourselves.