Sonoma Clean Power

Staff Report – Item 06

To: Sonoma Clean Power Authority Community Advisory Committee

From: Ryan Tracey, Director of Planning & Analytics
Geof Syphers, Chief Executive Officer
Miles Horton, Legislative Policy & Community Engagement Manager
Claudia Sisomphou, Public Affairs & Advocacy Manager

Issue: Receive Geothermal Opportunity Zone Update and Recommend the Board of Directors Approve the Delegated Authority to the Chief Executive Officer or his Designee to Terminate the Geothermal Opportunity Zone Cooperation Agreement with Chevron New Energies and Execute the Memorandum of Understanding with Chevron New Energies for Collaborating to Develop Geothermal in the Western Interconnection

Date: October 16, 2025

Recommended Action

Review and recommend that the Board delegate authority to the Chief Executive Officer or his designee to execute a termination letter ending the Geothermal Opportunity Zone Cooperation Agreement ("cooperation agreement") with Chevron New Energies and execute a separate Memorandum of Understanding ("MOU") with Chevron New Energies to collaborate on development of geothermal more broadly in the Western Interconnection.

Background

SCP and Chevron New Energies ("Chevron") executed a cooperation agreement for partnering in development of geothermal resources in the Geothermal Opportunity Zone ("GeoZone") in March 2023. The cooperation agreement includes mutual obligations to de-risk and progress early project development, including requirements for Chevron to establish site control, initiate permitting, and enter the interconnection queue and expectations for SCP to convene community stakeholders, provide regulatory and legislative advocacy, and a commitment for future offtake. In return for SCP's collaboration in early project development, the cooperation agreement extends a right-of-first refusal to SCP for any geothermal development by Chevron in the GeoZone.

As an enforcement mechanism, the cooperation agreement requires the completion of several project milestones by Chevron before March 2, 2026. Chevron has satisfied some of its milestones, including assessing geothermal development potential and securing site control for an initial project. However, Chevron will be unable to complete milestones for permitting and interconnection. Unlike SCP's other GeoZone partner Eavor, Chevron is not requesting a timeline extension. Due to technical and regulatory challenges (see Discussion section below) and competing internal priorities, Chevron does not expect to actively progress project development in the GeoZone until after it de-risks technology and builds geothermal expertise in less complex settings. Because Chevron's timeline for restarting activity in the GeoZone is uncertain and likely extended, staff is recommending the Board terminate the cooperation agreement which is better suited to support active project development.

The cooperation agreement allows for termination by mutual agreement in writing. The text of the proposed termination is included as Attachment 1. The termination letter respects provisions in the cooperation agreement that extend SCP's ROFR, and conditions on indemnification and confidentiality for a period of two years following termination. SCP has also added language to the termination letter providing SCP advance notice of any major activities or decisions for geothermal property Chevron owns in the GeoZone over the next two years, and a commitment from Chevron to engage in good faith community, tribal, and stakeholder engagement for any active development in the GeoZone.

In return for its support for the Chevron GeoZone project to date, SCP has requested Chevron treat SCP as a preferred off-taker for any geothermal projects developed in the Western Interconnection (the twelve western-most U.S. states). SCP also has an interest in supporting Chevron's out-of-state projects to accelerate learnings that can be applied to restarting active development at Chevron's project in the GeoZone. Staff have negotiated an MOU with Chevron that formalizes the preferred off-taker status, facilitates information sharing, and signals a commitment to negotiate a cooperation agreement should active development return to the GeoZone. The MOU also extends Chevron's commitment for sharing major updates on development decisions in the GeoZone past the two-year sunset in the termination letter. The text of the proposed MOU is included as Attachment 2.

Discussion

Chevron's decision to delay active development in the GeoZone was driven by the technical and regulatory complexity of its GeoZone project relative to other candidate sites in the Western United States, as well as an internal decision to stage development of its geothermal portfolio rather than pursuing opportunities in parallel. Although Chevron's project is located only several miles from the edge of the Geysers where Calpine actively drills new wells, the geologic complexity of the region makes it difficult to extrapolate geologic conditions and directly apply successful drilling techniques and learnings. Accordingly, the uncertainty in cost and time for drilling Chevron's first well in the GeoZone was significant and difficult to manage alongside the deployment risk of next-generation geothermal technologies.

Regulatory risk for Chevron's GeoZone project is also high. Although SCP's sponsorship of AB 1359 last year enabled Chevron to permit exploration through Sonoma County (in response to experience with unmanageable delays with state-level permitting for geothermal exploration), navigating the California Environmental Quality Act (CEQA) for exploration activities is still a costly and lengthy endeavor. There is also uncertainty about how the state will permit and regulate next-generation geothermal technologies.

Importantly, although technical and regulatory complexity has delayed active development in the GeoZone, Chevron has no plans to sell the project and sees the GeoZone as a viable follow-up development after it de-risks deployment. The resource quality in the GeoZone is high, and California continues to be the strongest market for geothermal power.

Through its partnership with Chevron, SCP has developed a large set of learnings that are being deployed in its regulatory and legislative advocacy, as well as the design for future GeoZone industry partnerships. As an example, in response to Chevron's experience navigating first-well risk, a top priority for SCP next year is securing state or federal funding for reducing the financial risk of geothermal exploration. As another example, SCP expects to closely scrutinize future partnerships for their characterization of technical risk and select partners who are better aligned with SCP on overcoming first-well risk.

The GeoZone cooperation agreements are structured to support active geothermal development. The agreements include project milestone requirements to give confidence to SCP that its industry partner is investing in progressing project development in exchange for SCP's support in advocacy and community engagement. Because Chevron is uncertain on when active development will proceed in the GeoZone, staff believe it is prudent to end the cooperation agreement and begin the process of looking for new GeoZone industry partners. However, staff believe there is value in continuing to coordinate with Chevron on geothermal development more broadly—and the proposed MOU both improves SCP's access to out-of-state resources it may need and allows for information sharing that could ultimately lead to Chevron's return to active development in the GeoZone.

Other GeoZone Updates

At the end of September, the California Energy Commission ("CEC") announced that Sonoma County has been selected for an award of $1.36 million as part of its Geothermal Grant and Loan Program, which is funded from California's share of geothermal royalties on federal land in the state. SCP worked closely with Permit Sonoma on the grant application and is part of the project's team, which also includes Mendocino County and the National Renewable Energy Laboratory ("NREL"). The project, titled the "Sonoma-Lake-Mendocino Proactive Regional Geothermal Planning Project" will involve subsurface mapping, community and tribal engagement, growing planning staff expertise, geospatial analysis, and ground-truthing results with on-the-ground ecological and cultural reconnaissance surveys across the three-county region. The goal of the project is to proactively equip industry and planning agencies with comprehensive datasets and firsthand experiences that enable more informed and efficient project siting and permitting in the region. SCP will be participating in the project as an unfunded partner, with its staff contribution recognized as an in-kind match.

Attachment

- Attachment 1 – Draft Letter Agreement for Mutual Termination of GeoZone Cooperation Agreement
- Attachment 2 – Draft Memorandum of Understanding Between Sonoma Clean Power Authority and Chevron New Energies in Collaborating to Develop Geothermal in the Western Interconnection

November 6, 2025

Sonoma Clean Power Authority
Attn: Geof Syphers, Chief Executive Officer

Re: Letter Agreement for Mutual Termination of GeoZone Cooperation Agreement

Dear Mr. Syphers:

Reference is made to the GeoZone Cooperation Agreement ("**Agreement**"), dated March 2, 2023, between Sonoma Clean Power Authority ("**SCPA**"), a California joint powers authority, and Chevron New Energies, a division of Chevron U.S.A. Inc., a Pennsylvania corporation ("**Company**"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Agreement.

Pursuant to Section 2.2.1 of the Agreement, the Parties agree that the Agreement shall be mutually terminated effective October 2, 2025.

Pursuant to Section 2.4 of the Agreement, this voluntary, mutual agreement does not affect the validity of Sections 8.3, 10, 13, 14, 15.2, and any other provisions that survive termination for the period set forth in the Agreement. Under Section 8.3, this includes Chevron's covenant to provide SCPA with a right of first refusal with respect to Products associated with or attributable to new geothermal resource capacity developed by Chevron and located within the GeoZone for two (2) years after the effective termination.

Additionally, Chevron commits to providing SCPA thirty days' advanced written notice of any decision related to the development, transfer, or use of any property that is or may be used for geothermal purposes in the GeoZone ("GeoZone Property") over the time period specified in Section 2.4 of the Agreement. Chevron also commits to engaging in good faith community, tribal, and stakeholder engagement for any active development in GeoZone. If Chevron transfers GeoZone Property to any third party, Chevron will include in the instruments effecting such transfer (a) a right of first refusal in favor of SCPA for the purchase of any geothermal energy produced from the GeoZone Property, and (b) a commitment to good faith community, tribal and stakeholder engagement, both of which ((a) and (b)) shall extend until two years after the termination of the Agreement.

If the foregoing reflects our agreement, please so indicate by countersigning in the space provided below and returning this Letter Agreement to us.

We have appreciated our relationship under the Agreement and wish SCPA every success in its GeoZone initiative.

Very truly yours,

AGREED:

CHEVRON NEW ENERGIES,
a division of Chevron U.S.A. Inc.

By: ______________________________

Name:_____________________________

Title:_____________________________

SONOMA CLEAN POWER AUTHORITY

By: ______________________________

Name:_____________________________

Title:_____________________________

MEMORANDUM OF UNDERSTANDING BETWEEN
SONOMA CLEAN POWER AUTHORITY
AND
CHEVRON NEW ENERGIES, A DIVISION OF CHEVRON U.S.A. INC.
IN COLLABORATING TO DEVELOP GEOTHERMAL
IN THE WESTERN INTERCONNECTION

This Memorandum of Understanding ("MOU") is entered into on the date of the last party signing below by Sonoma Clean Power Authority ("SCPA") and Chevron New Energies, a division of Chevron U.S.A. Inc., a Pennsylvania corporation ("Company"), each individually a "Party" and collectively the "Parties.".

1. **<u>The Parties</u>:**

   a. SCPA is a California Joint Powers Authority and Community Choice Aggregator serving Sonoma and Mendocino Counties, whose members include the Counties of Sonoma and Mendocino, the Cities of Cloverdale, Petaluma, Rohnert Park, Sonoma, Cotati, Fort Bragg, Point Arena, Willits, Santa Rosa and Sebastopol, and the Town of Windsor.

   b. Company is an integrated energy company incorporated in the Commonwealth of Pennsylvania with headquarters in Houston, Texas.

2. **<u>Background:</u>**

   a. SCPA established a Geothermal Opportunity Zone ("GeoZone") on October 7, 2021 to explore the opportunity to develop local geothermal resources. Mendocino County passed a resolution establishing their membership in the GeoZone on December 7, 2021. Sonoma County passed a resolution to join the GeoZone on February 8, 2022.

   b. SCPA and Company executed a GeoZone Cooperation Agreement ("Cooperation Agreement") on March 2, 2023 to partner in scaling new geothermal resource development in the GeoZone. The Cooperation Agreement is being mutually terminated due to technical and regulatory complexities of development in the GeoZone that make it infeasible to meet the agreement milestones.

   c. SCPA and Company have a mutual interest in developing geothermal resources in the Western Interconnection of the United States ("Western Interconnection") that can both provide near-term energy and reliability to SCPA and de-risk technologies for future application in the GeoZone.

   d. Company recognizes that SCPA has provided regulatory and legislative advocacy, market insights, community outreach, and commercial interest with respect to Company's geothermal development activities.

3. Purpose:

The purpose of this MOU is to collaborate on development of geothermal resources in the Western Interconnection of the United States to increase the supply of clean firm resources to SCPA and de-risk technologies for future application in the GeoZone.

4. Agreement:

As part of this MOU, the Parties agree to the following:

a. Company will treat SCPA as a preferred off-taker for geothermal projects transmitting power across the Western Interconnection electric grid (each a "WI Project"). As such, the Company will make commercially reasonable efforts to allow SCPA to negotiate capacity from any WI Projects. SCPA will commit to being responsive to negotiations and not unreasonably delay commercial activities;

b. SCPA will provide Company with semi-annual updates on the market for geothermal resources, and important regulatory, legislative, and strategic considerations in delivering power to California off-takers; and

c. Company will provide SCPA with semi-annual updates that include non-proprietary information on the status of its geothermal development portfolio within the Western Interconnection, as well as advanced notice on any major decisions or activities for geothermal projects within SCPA's service territory.

d. Parties agree to negotiate a new cooperation agreement in good faith to progress local geothermal resource development, should Company begin permitting development in SCPA's service territory.

5. Confidentiality:

a. "Confidential Information" means information, whether oral or written, including all documents, data, drawings, studies, projections, plans and other written information that is commercially sensitive or relates to Company's proprietary capabilities, that is delivered by one Party to the other Party that either Party stamps or otherwise identifies as "confidential" or "proprietary" at the time of disclosure. Confidential Information does not include (i) this MOU; (ii) information that was publicly available at the time of the disclosure, other than as a result of a disclosure in breach of this MOU; (iii) information that becomes publicly available through no fault of the recipient after the time of the delivery; (iv) information that was rightfully in the possession of the recipient (without confidential or proprietary restriction) at the time of delivery or that becomes available to the recipient from a source not subject to any restriction against disclosing such information to the recipient; (v) information that the recipient independently developed without a violation of this MOU; and (vi) information that is determined by SCPA to be subject to the California Public Records Act. In the event that SCPA determines Confidential Information must be released pursuant to the California Public Records Act, SCPA agrees to notify Company in advance. In order to designate information as confidential, the Disclosing Party must clearly stamp and identify the specific portion of the material designated with the word "Confidential."

b. The Party receiving Confidential Information (the "Receiving Party") from the other Party (the "Disclosing Party") shall not disclose Confidential Information to a third party (other than the Party's employees, lenders, counsel, accountants, directors or advisors, or any such representatives of a Party's Affiliates, who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable Law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding applicable to such Party or any of its Affiliates; provided, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

6. <u>Miscellaneous:</u>

a. Termination:

This MOU will terminate for any or no reason upon thirty (30) days written notice from one Party to the other of its desire to so terminate the MOU. The date of such termination shall be as stated in said notice.

b. Amendment:

Parties may amend this agreement through a written amendment to this document executed by both Parties.

c. No Joint-Venture:

This MOU does not establish a joint venture, partnership, or business unit of any kind between the Parties, nor does it create a financial obligation or any liability on behalf of any Party. The Parties will pay their own costs and expenses (whether internal or out-of-pocket, and whether for legal, financial, technical or other consultants, or other purposes) in connection with the MOU. IN NO EVENT SHALL THE PARTIES OR ANY OF THEIR AFFILIATES AND/OR REPRESENTATIVES BE LIABLE FOR ANY INDIRECT DAMAGES, LOST OR PROSPECTIVE PROFITS OR ANY OTHER CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES UNDER OR IN RESPECT TO THIS MOU.

d. Governing Law; Waiver of Jury Trial; Joint Powers Authority

This MOU is governed by, and construed in accordance with, the laws of the State of California. Each Party irrevocably waives all right to trial by jury in any action or proceeding arising out of or relating to the provisions of this MOU or the enforcement of any rights hereunder. Partner acknowledges and agrees that SCPA is organized as a Joint Powers Authority in accordance with the Joint Powers Act of the State of California (Government Code Section 6500 *et seq*.) and is a public entity separate from its members. SCPA shall solely be responsible for all commitments accruing and arising out of this MOU. Partner agrees that it shall have no rights and shall not make any claim, take any actions, or assert any remedies against any of SCPA's members in connection with this MOU.

e. Public Announcements

Each Party must submit proposed public notices, announcements or press releases regarding the execution of this MOU or its purpose to the other Party for prior review and approval. Such approval may be granted or withheld by the other Party in their sole discretion, for any reason or no reason. If a Party is required to make any mandatory notice or announcement required under applicable law, then prior approval by the other Party is not required, but such Party will use its reasonable efforts to allow the other Party reasonable time to comment on such notice or announcement in advance of its issuance. Public notices, announcements or press releases subject to this section shall not include SCPA's public agendas, agenda packets, and similar supporting documents.

f. No Conflict; Survival of Prior Obligations

This MOU is not intended to, and shall not be construed to, amend, supersede, waive, or otherwise conflict with any obligations of either Party under any preexisting agreement between the Parties. Without limiting the foregoing, the Parties expressly confirm that obligations, including termination time periods, under the Cooperation Agreement shall remain binding and enforceable in accordance with its terms.

IN WITNESS WHEREOF, each Party has caused this MOU to be duly signed and delivered, effective as of the date of the last Party signing.

SONOMA CLEAN POWER AUTHORITY:

___________________________________ Date: _________________________
Geof Syphers, Chief Executive Officer

CHEVRON NEW ENERGIES, A DIVISION OF
CHEVRON U.S.A. INC.:

____ Date: __________________________

TBD