Sonoma Clean Power

Staff Report – Item 08

To: Sonoma Clean Power Community Advisory Committee

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Issue: Recommend the Board of Directors Approve the Proposed Guidelines for New Public-Private Partnerships for the Geothermal Opportunity Zone

Date: February 19, 2026

Recommended Action

Recommend the Board of Directors (Board) approve staff's proposed guidelines for shaping new bilaterally-negotiated public-private partnerships in the Geothermal Opportunity Zone (GeoZone). Any agreements developed within the approved guidelines will be reviewed by the Community Advisory Committee (Committee) and must be approved by the Board prior to execution.

Background

The GeoZone is SCP's initiative to secure affordable, reliable clean energy for our customers by driving the development of 600 megawatts (MW) 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.

Public-private partnerships are a key component of the GeoZone. Geothermal development is capital-intensive and carries significant development risk, and SCP relies on private partners to provide the capital and technology to develop geothermal projects. Partnerships also provide SCP direct access to the details of regulatory and technical challenges facing geothermal development, which informs SCP's legislative and regulatory advocacy priorities. Partnerships with SCP are valuable to industry partners because they signal commercial interest to investors, create a valuable ally in tackling regulatory challenges, and facilitate relationship building with the local community.

SCP approved three public-private partnerships in 2022 for GeoZone development with

Eavor Inc., Cyrq Energy, and Chevron New Energies. SCP's partnership with Eavor remains active after the Board approved extending Eavor's agreement milestones. In 2025, the Board approved terminating agreements with Cyrq Energy and Chevron New Energies. The agreement with Cyrq Energy was terminated because the company no longer had a strategic interest in progressing their proposed project in the GeoZone. The agreement with Chevron New Energies was terminated because, although Chevron plans to develop their project in the GeoZone, they are first progressing development in other western states with less complex geology and more favorable regulatory conditions. While terminating the immediate agreement with Chevron, SCP's Board approved a superseding Memorandum of Understanding (MOU) with Chevron to facilitate collaboration on opportunities in other states with the objective of leveraging learnings to support GeoZone development.

Beyond the GeoZone effort, SCP is also using public-private partnerships to progress geothermal development through California Community Power (CC Power), the joint procurement agency of nine Northern California CCAs, including SCP. Consistent with SCP's adopted Integrated Resource Plan, CC Power's Board approved three "Geothermal Exclusivity, Offtake, and Development Engagement" (GEODE) agreements in its January 2026 meeting. CC Power's GEODE agreements are with Atlantica Development Company (the operator of the Coso geothermal field in Inyo County), XGS Energy (a closed-loop developer), and Zanskar Geothermal and Minerals (a conventional developer leveraging state-of-the-art exploration tools). Although the GEODE agreements are structured to support development across the state, SCP and CC Power have discussed the possibility of using a GeoZone public-private partnership to more specifically focus development on SCP's region.

With the termination of the Cyrq Energy and Chevron New Energies agreements, staff see a need for additional public-private partnerships to scale local geothermal development to the GeoZone goal of 600 MW. Staff waited on pursuing new partnerships last year due to uncertainty about the role Lake County may play in the future GeoZone. With Lake County opting not to join SCP service, staff now have the clarity to move forward.

Lessons Learned

It's important to note that, although two of the three original agreements were terminated, the cumulative successes of the GeoZone thus far are notable: SCP has had a direct role in accelerating regulatory changes to attract investment, reforming the transmission planning and interconnection process to accommodate geothermal resources, and growing the expected role geothermal resources will play in California's future grid. SCP's GeoZone has also served as an example for CC Power's GEODE agreements and a recent solicitation by Clean Energy Alliance, the CCA serving cities in northern San Diego County, for proactive partnerships with geothermal developers.

Over the past year, staff have reflected on the first set of GeoZone partnership agreements to inform the structure and design of new public-private partnerships. Below are several of the important lessons learned captured by staff:

- **Scalability:** It is desirable to partner with developers pursuing technologies that are scalable within the GeoZone and beyond. High scalability motivates partners to invest in progressing projects, even when project economics are challenging or the early-stage development risk is high. The Cyrq Energy project is an example of a project with less than desirable scalability – although well suited for the Geysers, the technology had limited direct application beyond the benefits it provided existing power plants. Scalability is also critical to our broader mission of helping incubate emerging technologies that can ultimately be used to fight climate change and lower energy costs around the world.

- **Staged Commitments:** Partnerships should be structured with SCP's level of commitment staged to match the level of commitment from the counterparty. In at least one of the initial GeoZone partnerships, SCP spent considerable staff time supporting grant writing, economic evaluation, and advocacy without a reciprocal level of commitment from the partner. Future partnerships should withhold significant SCP support until key project milestones are achieved to ensure staff time and agency resources are wisely invested.

- **Advocacy Partner:** GeoZone partners should be a visible partner in advocacy at state agencies, the Legislature, and community. In the initial GeoZone partnerships, SCP found itself the primary and sometimes sole voice in advocacy. This was either because of political considerations from SCP's GeoZone partners or lack of capacity. SCP sees a need for its GeoZone partners to be visible in driving advocacy and should include such a commitment in future partnerships.

- **Co-investment:** The initial round of GeoZone partnerships did not entail any investment by SCP in supporting project development outside of dedicated staff time. Without an investment in the project, SCP had limited agency in driving project progress. The opportunities for co-investment may be limited, but whereas co-investment was completely out-of-scope for the first round of GeoZone agreements, staff recommend considering it as an *optional element* in future partnerships.

- **Leverage:** Beyond co-investment, there are other opportunities for SCP to increase its leverage with GeoZone partners. SCP could consider securing property that could be used for development, financing transmission infrastructure, or offering firmer offtake commitments, amongst other options.

- **Technological Diversity:** An important strength of the first round of GeoZone agreements was its technological diversity. SCP specifically chose partners with three different promising technologies: advanced closed-loop geothermal systems, enhanced geothermal systems (EGS), and thermal storage. Given that EGS and advanced closed loop are still in early stages of commercialization, and specifically with regards to uncertainties in their compatibility with local conditions, staff believe it is important to maintain diversity in technical maturity when pursuing new partnerships.
- **Resource Characterization:** Given the extensive historic drilling in and around the Geysers, staff were surprised by the level of geologic risk and uncertainty facing developers exploring next-generation geothermal technologies in the GeoZone. However, the target for these technologies is often away from the zones explored for conventional hydrothermal development at the Geysers, and historic datasets are much less rich than what would be gathered from a modern exploration well. In seeking new partnerships, SCP should specifically prioritize partners that are well equipped to overcome this challenge. Meanwhile, SCP is working with Sonoma County on a California Energy Commission-funded grant to geologically model the GeoZone region through the National Lab of the Rockies (formerly NREL) and seeking state funding to cost-share on exploration drilling supporting deployment of next-generation technologies.

Bilateral Agreements

The initial set of GeoZone agreements were selected from responses to a public solicitation. SCP assembled a group of experts to review proposals, including support from a veteran Geysers geologist and a representative of the Department of Energy's Geothermal Technologies Office. The public solicitation process was necessary for the first round of GeoZone partnerships because SCP had limited relationships with the geothermal industry and no visibility on the types of opportunities it could pursue through public-private partnerships.

SCP has now developed strong relationships with nearly all the major players in the geothermal industry. Through SCP's role as a lead advocate for supportive regulatory reform in California, leadership in CC Power's own geothermal initiative, and participation in geothermal industry forums, staff are now well-equipped to identify the right partners and opportunities to overcome local development challenges.

Given these capabilities, staff see significant advantages to pursuing new GeoZone partnerships bilaterally rather than releasing a second solicitation, particularly given the inherent complexity of geothermal development and the need for customized agreements. Bilateral negotiations allow SCP to be more targeted and collaborative in structuring partnerships that meet the specific needs in the GeoZone, rather than passively relying on solutions proposed by industry. Bilateral negotiations also allow SCP to engage partners that might find it difficult to speculatively respond to a public solicitation.

Guidelines

GeoZone partnership agreements represent a strategic commitment by SCP. As such, the Board and Committee will review, and the Board will ultimately approve, any GeoZone partnership agreements, including contracts negotiated bilaterally. To ensure alignment between bilateral agreements and Board priorities, staff believe it is valuable to agree on an a set of high-level guidelines to inform development of new GeoZone agreements. Staff propose the following guidelines, subject to feedback from the Committee and Board:

- **Local Focus:** Any GeoZone agreements should work towards supporting future geothermal development in SCP's territory in service of the overall 600 MW goal. If agreements include collaboration on projects outside SCP's territory, it must be clear that success on those projects has direct applications to development in the GeoZone.

- **Expertise:** GeoZone partners must have demonstrated expertise in geothermal development. Ideally, this includes experience in geothermal drilling and project development. Partners without direct geothermal experience must at least have staff with industry experience and a robust plan for resourcing projects in the GeoZone.

- **Strategic Focus and Scalability:** GeoZone partners must demonstrate that GeoZone projects will be a strategic priority for their company and that development in the GeoZone has a high level of scalability within the GeoZone and beyond. GeoZone agreements shall also include requirements for partners to be visible and vocal advocates for needed regulatory reform alongside SCP.

- **Ratepayer Benefits:** GeoZone agreements must provide measurable financial benefits to SCP's ratepayers. These could include preferential commercial terms for offtake, equity, or royalty. Financial benefits are especially important for any agreements that include SCP co-investment. SCP staff time used in support of GeoZone agreements shall be staged to match the level of commitment from

GeoZone partners.

- **Workforce:** GeoZone agreements will be prioritized in accordance with Section II.C of SCP's Project Selection Criteria Policy C.6. SCP will prioritize GeoZone agreements that commit to a multi-trade project labor agreement and include goals for local hires and targeted hiring. Secondarily, SCP will prioritize projects that commit to using prevailing wage and benefits rates. GeoZone agreements that fail to meet the above criteria will not be considered.

- **Environment:** GeoZone partners must commit to strict environmental standards for project development within the GeoZone and propose an achievable approach to project development that minimizes environmental impacts including land use, water consumption, and pollution. EGS projects must commit to a seismicity monitoring and mitigation plan and fluid disclosure requirements. SCP will also prioritize GeoZone agreements in accordance with Section II.H and Section II.I of SCP's Project Selection Criteria Policy C.6, which enumerate specific environmental benefits and benefits to underserved communities.

Next Steps

Staff will use the guidelines approved by the Board to engage industry partners in earnest. With the clarity of such guidelines, staff believe they will be able to move quickly and return to the Board with multiple proposed partnership agreements potentially as soon as this summer. Expanding SCP's public-private partnerships will enable SCP to maintain momentum on the GeoZone and better leverage many of the benefits SCP has been fighting for in the legislative and regulatory arenas.

Attachments

- None.