Sonoma Clean Power

AGENDA
COMMUNITY ADVISORY COMMITTEE MEETING
March 25, 2019
1:00 PM

---

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

I. CALL TO ORDER

II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(Comments are restricted to matters within the Committee jurisdiction. The Committee will hear public comments at this time for up to thirty minutes. Please be brief and limit comments to three minutes.)

III. COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR

1. Approve February 19, 2019 CAC Meeting Minutes (pg. 3)

IV. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

2. Receive Operations Report and Provide Input as Appropriate (pg. 9)

3. Receive Legislative and Regulatory Updates and Provide Input as Appropriate (pg. 22)

4. Review and Provide Input on the Annual Budget and Rates for Fiscal Year 2019/2020, Including a Possible Exemption from Financial Reserves Policy (pg. 26)

5. Update on Default Time-of-Use Pilot and Full Default Time-of-Use Transition (pg. 51)

6. Recommend Board Authorization for the CEO to Negotiate and Execute Agreement with NRTC to Provide Smart Thermostats for the GridSavvy Community (pg. 60)

V. COMMITTEE MEMBER ANNOUNCEMENTS

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) 890-8491, as soon as possible to ensure arrangements for accommodation.

COMMONLY USED ACRONYMS AND TERMS

AER	Advanced Energy Rebuild (A program that helps homeowners affected by the October 2017 firestorms rebuild energy efficient, sustainable homes).
CAC	Community Advisory Committee
CAISO	California Independent Systems Operator
CAM	Cost Allocation Mechanism
CCA	Community Choice Aggregation
CEC	California Energy Commission
CleanStart	SCP's default service
CPUC	California Public Utility Commission
DER	Distributed Energy Resource
ERRA	Energy Resource Recovery Account
EverGreen	SCP's 100% renewable, 100% local energy service
Geothermal	A locally-available, low-carbon baseload renewable resource
GHG	Greenhouse gas
GRC	General Rate Case
IOU	Investor Owned Utility (e.g., PG&E)
IRP	Integrated Resource Plan
JPA	Joint Powers Authority
MW	Megawatt (Power = how fast energy is being used at one moment)
MWh	Megawatt-hour (Energy = how much energy is used over time)
NEM	Net Energy Metering
NetGreen	SCP's net energy metering program
PCIA	Power Charge Indifference Adjustment (*This fee is intended to ensure that customers who switch to SCP pay for certain costs related to energy commitments made by PG&E prior to their switch.)*
ProFIT	SCP's "Feed in Tariff" program for larger local renewable energy producers
PV	Photovoltaics for making electric energy from sunlight
RA	Resource Adequacy – a required form of capacity for compliance
REC	Renewable Energy Credit – process used to track renewable energy for compliance in California.
SCP	Sonoma Clean Power
SW	Sonoma Water
TOU	Time of Use, used to refer to rates that differ by time of day and by season

Sonoma Clean Power

MEETING MINUTES
COMMUNITY ADVISORY COMMITTEE MEETING
FEBRUARY 19, 2019
1:00 PM

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

I. CALL TO ORDER

Chair Dowd called the meeting to order at 1:00pm

Committee members present: Baldwin, Chaban, Como, Dowd, Mattinson, Nicholls, Quinlan, and Wells

Staff present: Geof Syphers, CEO; Stephanie Reynolds, Director of Internal Operations; Jessica Mullan, General Counsel.

Director of Internal Operations, Stephanie Reynolds, updated the Committee on meeting management practices such as comment cards that have been introduced to ensure efficient meetings.

II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

Public comment:

Deborah Tavares spoke on the Solaren agreement with PG&E and other matters.

III. COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR

1. Approve January 24, 2019 CAC Meeting Minutes

Public comment: none

Minutes of January 24, 2019 CAC meeting, adopted by general consent.

IV. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

2. Elect Chair and Vice Chair

Director Reynolds introduced the item by noting there is no limit to the number of terms that a Chair or Vice Chair may serve and that nominations may also be declined.

Motion to elect CM Dowd as Chair by CM Nicholls

Second: Vice Chair Mattinson

Chair Dowd accepted the nomination, noted his enjoyment of working throughout the years with SCP, and his appreciation for the efforts of his fellow
members to ensure the Committee's success. CEO Syphers then apprised the Committee on a written communication from CM Brophy detailing his support for Chair Dowd serving an additional term.

Motion passed: 8-0-0

Motion to elect CM Mattinson as Vice Chair by CM Quinlan

Second: Joel Chaban

Motion passed: 8-0-0

Public comment:

Deborah Tavares asked about liability issues associated with CAC members serving on the Committee as unelected appointees.

Chair Dowd requested GC Mullan to report back with concerns, if any.

3. Receive Internal Operations Report, Monthly Financial Report, Update on PG&E Bankruptcy, and Provide Input as Appropriate

Director Reynolds introduced this item by noting that the Cloverdale ProFIT project has given a 30-day notice of the project's operational date. CEO Syphers then provided an update on PG&E's bankruptcy, including SCP's First Day Motions at bankruptcy court, and an agreement from PG&E that revenues collected on behalf of SCP belong to SCP, which allows revenues to continue to be paid to SCP throughout the bankruptcy process. Following this, CEO Syphers detailed CalCCA's advocacy efforts and advised the Committee that he will continue to report out throughout the bankruptcy proceedings.

Chair Dowd asked about impact on ratepayer costs due to bankruptcy; CEO Syphers stated he can't speculate about the magnitude at this time, but that SCP is committed to protecting customers.

CM Baldwin asked about the "wires only" option and implications for SCP and whether CCAs are supporting the "wires only" approach; CEO Syphers stated that CCAs are advocating "wires only" as it will allow greater focus on grid safety and reliability.

CM Quinlan asked if there is any material change in the relationship between SCP & PG&E related to the bankruptcy; GC Mullan stated that there are no material changes to report.

Director Reynolds then provided an update on the annual Form 700 filings, a 431 E St. value engineering meeting, EverGreen outreach to member jurisdictions, and current participation rates.

CM Quinlan asked about lower participation rates in unincorporated Mendocino County and Director Reynolds detailed possible factors such as a greater sense of individualism among Mendocino residents and an affinity for PG&E given the utilities maintenance of the grid in the County's rural locations.

CEO Syphers then updated the Committee on the significant measured drop in customer load, including a recent meeting between SCP and PG&E staff, and a determination that a probable, but non-proven factor, is a decline in cannabis cultivation in the residential sector.

Following this, Director of Public Relations and Marketing, Kate Kelly, detailed SCP's mission statement update, including efforts by a Board ad-hoc committee and stakeholder outreach. She then introduced the new mission statement, which is: *Sonoma Clean Power is turning the tide on the climate crisis, through bold ideas and practical programs.*

CM Nicholls asked about the load drop and whether other CCAs were seeing this same drop; Power Services Manager Rebecca Simonson detailed variation among some other CCAs she has surveyed, such as Redwood Coast and Peninsula Clean Energy.

Director Reynolds updated that Committee on a volunteer tree planting day that SCP staff will be participating in, the upcoming Rebuild Green expo, compiled monthly financial statements, and a Request for Proposals for vendors for the Energy Marketplace.

Public comment:

Deborah Tavares, spoke on PG&E outages and accounting for lost revenue in these instances, along with the proposed PG&E Solaren project.

4. Receive Legislative and Regulatory Updates and Provide Input as Appropriate

Director of Regulatory Affairs, Neal Reardon, introduced the Regulatory Update by noting the Energy Resource Recovery Account hearing set for Feb. 21st. He then apprised the Committee that the Alternate Proposed Decision, which as written by CPUC Commissioner Guzman Aceves, would prevent PG&E from increasing the PCIA fee in several ways. Director Reardon detailed the CPUC proposal to establish a single buyer for Resource Adequacy across the state and a recent update to the plan; he then noted that a number of IOUs have expressed concern about the proposal so the CPUC will now hold a series of workshops with stakeholders as opposed to implementing the proposal in the immediate term.

CEO Syphers introduced the Legislative Update by noting that the deadline for putting bills into print is Feb. 22nd. He updated the Committee on AB56 by Garcia, which is a study bill to create a central statewide buyer for the purchase of Resource Adequacy and renewables for all utility providers; CEO Syphers advised the Committee that CalCCA voted to oppose this bill. He then stated that CalCCA has asked Senator McGuire to push a spot bill focused on IOUs and cost transparency. Finally, he noted that Senator Bradford has two bills--one of which is a spot bill concerning restructuring PG&E, and the other would require that all Load Serving Providers report on the population diversity, e.g., women-owned businesses, LGBTQI, disabled veterans, etc., of their contract recipients for energy and energy services.

CM Wells asked about the proposed Sempra Energy bill and what percentage of their territory has CCAs serving them; CEO Syphers confirmed that no CCAs currently serve Sempra's service territory.

Public comment:

Deborah Tavares spoke on several topics including legislation and the composition of PG&E's Board of Directors.

5. Review and Recommend that the Board Approve Proposed Budget Adjustments for FY 18/19 to Revenues, Energy Expenses, Service Fees to PG&E, Legal Fees, Program Expenses, and Several Additional Categories.

CEO Syphers introduced the item, which is a mid-year adjustment based on significant events such as the load drop, CPUC correction to billing services fees, and PG&E bankruptcy-related legal fees. He noted his recent request to SCP's Programs department to slow the implementation of any new programs, as this will allow for increased reserves in advance of any adverse impacts to SCP's budget from the PCIA decision. Finally, CEO Syphers addressed each budget item on a line-by-line basis.

CM Nicholls left at approximately 2:28pm

Public comment:

Deborah Tavares spoke about grants and the SCP budget.

Motion to recommend that the Board Approve Proposed Budget Adjustments for FY 18/19 to Revenues, Energy Expenses, Service Fees to PG&E, Legal Fees, Program Expenses, and Several Additional Categories by CM Wells

Second: CM Como

Motion passed: 7-0-0

6. Recommend that the Board Authorize the General Counsel to Amend SCP's PG&E Bankruptcy-Related Legal Services Agreements with Boutin Jones, Inc. and Engel Law P.C.

General Counsel Jessica Mullan introduced item by noting that the agreements were necessary for legal work needed as a result of the PG&E bankruptcy and clarified the contract terms, scopes of service, and the total value of the agreements.

CM Quinlan asked about the need for two firms; General Counsel Mullan detailed the respective roles of two firms and the need for both.

CM Chaban asked about the not-to-exceed amount and whether that amount is enough; General Counsel Mullan stated the process for changing contract terms should the need arise.

CM Como stated his support for staff's approach.

Public comment: none

Motion to recommend the Board Authorize the General Counsel to Amend SCP's PG&E Bankruptcy-Related Legal Services Agreements with Boutin Jones, Inc. and Engel Law P.C. by CM Baldwin

Second: CM Chaban

Motion passed: 7-0-0

7. Recommend Board Approval of a Contract for Construction Management Services with Sixth Dimension, LLC. at 741 4th Street

Programs Manager Chad Asay detailed the agreement for the Advanced Energy Center, the competitive RFP process, and selection of Sixth Dimension, LLC. for construction management services.

CM Baldwin asked Counsel for any concerns she may have, and General Counsel Mullan advised CM Baldwin that the agreement contains SCP's standard terms and protections, and based on these factors, she does not have any concerns in awarding the contract.

CM Wells asked if Sixth Dimension is also the company providing construction management services for 431 E St.; Programs Manager Asay confirmed this is the case. Chair Dowd asked about progress of Center in terms of permitting and Programs Manager Asay stated that the project is still in design phase.

Public comment:

Deborah Tavares spoke about her construction background and increased electromagnetic frequencies that projects like this bring in.

Motion to Recommend Board Approval of a Contract for Construction Management Services with Sixth Dimension, LLC. at 741 4th Street by CM Mattinson.

Second: CM Baldwin

Motion passed: 7-0-0

V. COMMITTEE MEMBER ANNOUNCEMENTS

Chair Dowd advised the group that CM Nicholls left early due to a previously noted commitment.

VI. ADJOURN

Chair Dowd adjourned the meeting at 2:57pm.

Staff Report – Item 02

To: Sonoma Clean Power Authority Community Advisory Committee

From: Stephanie Reynolds, Director of Internal Operations
Geof Syphers, CEO

Issue: Receive Internal Operations Report and Provide Input as Appropriate

Date: March 25, 2019

OUR TEAM IS GROWING!

SCP has formally filled the position of Compliance and Risk Manager and the new team member will be starting on April 1st! This position will be filling a current vacancy. A few of the many responsibilities of this position include handling the ongoing multitude of compliance filings with our regulatory agencies and assisting the Procurement Team with managing our risk factors and Integrated Resource Planning.

The recruitment for the SCP Chief Operating Officer had a remarkable response. Due to the large number of very qualified candidates, we closed the date for submitting applications on March 6th. After initial phone screens, the top candidates were scheduled for first interviews the week of March 18. We are anticipating filling the position by late spring or early summer.

PG&E BANKRUPTCY

SCP continues to monitor PG&E's bankruptcy protection and restructuring case to ensure SCP's needs are met through this process. A Creditors Committee and a Fire Victims Committee were established, and those committees requested a one-month delay in finalizing PG&E's debtor-in-possession financing agreement to give them time to review the details. That final approval is linked with SCP's motion to ensure continuous billing operations for CCAs. Staff are optimistic the decision will be favorable.

CalCCA filed comments in the CPUC's Order Instituting Investigation of PG&E's Safety Culture asking the CPUC to refocus PG&E on safety, with a partial solution including a phase-out of PG&E from retail electric generation. This concept has been floated widely, including by PG&E itself, and is referred to as a "wires-only" option, implying an exit from electric generation.

CEO Syphers also met with the Governor's "Strike Team" to educate that team about CCAs.

CONSENT CALENDAR PROCEDURE

At a previous meeting, staff stated the benefits of utilizing a consent calendar/agenda and that the specifics for utilizing a consent calendar would be reviewed. A consent agenda (also known by Roberts Rules of Order as a consent calendar) organizes routine meeting discussion points into a single agenda item. In so doing, the grouped items can be approved in one action, rather than through the filing of multiple motions. SCP staff may place agenda items on the consent calendar that are routine in nature, consistent with adopted Board policies, and do not require individual consideration.

Common procedures for use of a consent calendar that staff intend to apply in future SCP Board and CAC meetings are as follows:

- Any member of the governing board or committee may request that an item be removed from the consent calendar and placed on the regular calendar.
- The consent calendar will be enacted by one motion and vote for approval of the recommended actions.
- There will be no separate discussion of consent calendar items prior to the time the vote is taken on the motion unless any member of the committee has a simple clarifying question.

Any governing board or committee member may ask the Clerk to record a "no" or "abstention" vote on any individual consent calendar item.

BUILDING UPDATE

Our contracted architectural firm, EHDD, has completed the Detailed Design of the 431 E Street renovation project. On March 18th, staff met with EHDD and the various engineers working on the project to discuss grid-optimal options and review progress on construction documents. Construction documents are estimated to be completed in June of this year. Staff will continue to send out monthly updates to our Board and CAC.

PROGRAMS

Lead Locally (CEC Grant)

The Lead Locally Research Team has executed participation agreements with 13 of the 15 pilot homes and is currently performing energy audits to assure each home is a viable site for the applied research experiments including: heat pump water heaters, radiant ceiling heating and cooling panels, residential attic phase change materials, and air to water heat pumps. Next steps are to continue installing the pre-monitoring instrumentation and evaluate the baseline energy use prior to the addition of those new technologies. A Phase 2 research study on market ready technologies such as; daylighting retrofits for 3 commercial properties, phase change materials, night ventilation, induction cooktops, and economizers will occur this spring.

A Request for Proposals to solicit manufacturers and vendors to deploy their innovative energy efficient technologies at the Advanced Energy Center was issued. Responses are due by March 29, 2019. Additionally, TLCD Architecture is finalizing the design for the renovations of the Advanced Energy Center. A meeting with City of Santa Rosa staff to discuss structural concerns is needed prior to finalizing this phase of the design. Following this meeting with the City, an update to the renovations and design plan will be made to both the CAC and Board at April and May meetings.

Electrification of Transit Vehicles

SCP staff recently completed a competitive selection process for a consultant to perform the Transit Electrification Study. The Cadmus Group was selected to provide a proposal and cost for the study. Negotiations are on-going and staff hope to bring a contract to the next CAC meeting for approval.

Induction Cooktops

Due to the popularity of the Induction cooktop lending program, staff began looking for ways to expand the program and make it more accessible to customers throughout our jurisdiction. To that end, we approached Daily Acts regarding their ability to lend cooktops out of their Petaluma office and they agreed. SCP will provide the materials and manage the reservation process. A Memorandum of Understanding is being developed to define each entities responsibilities. Depending on the success of this expansion, staff will look for other entities in Sonoma and Mendocino Counties who could also be partners in this effort.

Advanced Energy Rebuild

175 homes have now applied for Advanced Energy Rebuild, about one third of which have chosen to rebuild all-electric homes. SCP staff is working with both PG&E and Southern California Edison to expand the Advanced Energy Rebuild program to fire-affected areas within their service territories.

Low Carbon Reach Codes

An "all-electric" reach code would mandate that all new construction within a jurisdiction use high efficiency electric equipment, reducing the greenhouse gas emissions of new homes by more than two thirds. SCP's Program Manager, Rachel Kuykendall, is currently working with the following jurisdictions on reach codes: Sonoma County, Santa Rosa, Windsor, Sebastopol, Petaluma, and Cloverdale. If this sounds of interest to your jurisdiction, Rachel will follow up after the board meeting to connect with your jurisdiction's appropriate staff.

MONTHLY COMPILED FINANCIAL STATEMENTS

The winter rate season continues into January, a period where aggregate rates are less than in the summer. The year-to-date growth in net position is slightly below projections due primarily to lower than anticipated electricity sales. Year-to-date electricity sales reached $106,349,000.

Electricity sales (as reported on the Statement of Revenues, Expenses and Changes in Net Assets) is being offset by our estimate of uncollectible accounts, which is currently set at approximately 0.5% of electricity sales. As historical data is gathered on the collection patterns specific to SCP customers, this rate will be revisited and adjusted as necessary. Note that the accounts receivable line on the Statement of Net Position is presented net of allowance for uncollectibles.

SCP continues to procure electricity from multiple sources. Net position reached a positive $88,988,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Of this net position, approximately $60,971,000 is set aside for reserves (Operating Reserve: $50,734,000; Program Reserve: $9,146,000; and Collateral Reserve: $1,091,000).

Overall, other operating expenses continued near or slightly below planned levels for the year.

BUDGETARY COMPARISON SCHEDULE*

The budget is formatted to make comparisons for both the annual and the year-to-date perspective. The first column, 2018/19 YTD Budget, allocates the Board approved annual budget at expected levels throughout the year with consideration for the timing of additional customers, usage volumes, staffing needs etc. This column represents our best estimates and this granular approach was not part of the Board approved budget.

Revenue from electricity sales to customers is under the year-to-date budget by approximately 5%. The cost of electricity is also under budget-to-date by approximately 8%. Variation in this account is typically due to fluctuating market cost of energy on open position purchases, but this larger discrepancy is primarily due to a drop in load from very large residential users in the summer of 2018 that has persisted.

Major operating categories of Data Management fees and PG&E Service fees are based on the customer account totals. While Data Management fees are closely aligned to the annual budgeted amount, PG&E fees exceed the year-to-date budget due to a change in the per meter rate, with an unexpected MDMA fee added. SCP intends to adjust the budget for this category in future months.

**Please note that the January, 2019, budget reports presented do not yet reflect the budget adjustments approved at the March 7th Board of Directors Meeting.*

UPCOMING MEETINGS:

BOD MEETING – April 4, 2019

CAC MEETING – April 16, 2019

BOD MEETING – May 2, 2019

CAC MEETING - TBD

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended January 31, 2019, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of Sonoma Clean Power Authority.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. Sonoma Clean Power Authority's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
February 24, 2019

TEL 415.459.1249
FAX 415.459.5406
WEB www.mahercpa.com

SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2018 through January 31, 2019

	2018/19 YTD Budget	2018/19 YTD Actual	2018/19 YTD Budget Variance (Under) Over	2018/19 YTD Actual/ Budget %	2018/19 Budget	2018/19 Budget Remaining
REVENUE AND OTHER SOURCES:						
Electricity (net of allowance) *	$ 112,286,379	$ 106,348,875	$ (5,937,504)	95%	$ 182,736,000	$ 76,387,125
Evergreen Premium (net of allowance)	253,163	260,024	6,861	103%	412,000	151,976
CEC Grant	1,350,000	789,850	(560,150)	59%	2,600,000	1,810,150
BAAQMD grant	-	17,250	17,250	0%	-	(17,250)
Interest income	357,583	585,080	227,497	164%	613,000	27,920
Miscellaneous Income	-	503	503	0%	-	(503)
Total revenue and other sources	114,247,125	108,001,582	(6,245,543)	95%	186,361,000	78,359,418
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	93,968,421	86,915,204	(7,053,217)	92%	154,377,000	67,461,796
Data management	1,801,917	1,839,233	37,316	102%	3,089,000	1,249,767
Service fees- PG&E	329,000	552,267	223,267	168%	564,000	11,733
Personnel	2,135,583	1,905,241	(230,342)	89%	3,661,000	1,755,759
Outreach and communications	667,333	644,014	(23,319)	97%	1,144,000	499,986
Customer service	280,000	164,585	(115,415)	59%	440,000	275,415
Legal	180,833	220,013	39,180	122%	310,000	89,987
Accounting and auditing	119,000	92,715	(26,285)	78%	204,000	111,285
Technical consultants	110,833	89,073	(21,760)	80%	190,000	100,927
Legislative and regulatory advocacy	74,667	45,500	(29,167)	61%	128,000	82,500
Other consultants	151,667	45,635	(106,032)	30%	260,000	214,365
Program implementation	3,214,167	2,060,841	(1,153,326)	64%	5,510,000	3,449,159
Program - CEC grant	1,773,333	689,989	(1,083,344)	39%	3,040,000	2,350,011
Program development and evaluation	102,083	-	(102,083)	0%	350,000	350,000
General and administration	329,750	300,414	(29,336)	91%	531,000	230,586
CalCCA Trade Association	175,000	175,000	-	100%	348,000	173,000
Total current expenditures	105,413,587	95,739,724	(9,673,863)	91%	174,146,000	78,406,276
OTHER USES						
Collateral deposit payments	1,000,000	1,408,034	408,034	141%	1,000,000	(408,034)
Collateral deposit payments returned	-	(372,500)	(372,500)	-	-	372,500
Capital outlay	116,667	500,194	383,527	429%	200,000	(300,194)
Total expenditures, Other Uses and Debt Service	106,530,254	97,275,452	(9,254,802)	91%	175,346,000	78,070,548
Net increase (decrease) in available fund balance	$ 7,716,871	$ 10,726,130	$ 3,009,259	139%	$ 11,015,000	$ 288,870

** Represents sales of approximately 1,434,000 MWh for 2018/19 YTD actual.*

RESERVES	Balance
Operating Cash Reserve	$ 50,733,836
Program Cash Reserve	9,146,032
Collateral Cash Reserve	1,091,444
	$ 60,971,312

SONOMA CLEAN POWER AUTHORITY

OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2018 through January 31, 2019

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$	10,726,130
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:		
Subtract depreciation expense		(34,895)
Add back capital asset acquisitions		500,194
Subtract collateral deposits returned		(372,500)
Add back collateral deposits		1,408,034
Change in net position	$	12,226,963

See accountants' compilation report.

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Management
Sonoma Clean Power Authority

Management is responsible for the accompanying financial statements of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the statement of net position as of January 31, 2019, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. Sonoma Clean Power Authority's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
February 24, 2019

TEL 415.459.1249
FAX 415.459.5406
WEB *www.mahercpa.com*

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of January 31, 2019

ASSETS		
Current assets		
Cash and cash equivalents	$	51,453,144
Investment in Sonoma County Investment Pool		15,318,831
Accounts receivable, net of allowance		19,113,390
Other receivables		633,284
Accrued revenue		7,685,273
Prepaid expenses		1,885,373
Deposits		182,079
Total current assets		96,271,374
Noncurrent assets		
Land		860,520
Capital assets, net of depreciation		2,994,674
Deposits		5,459,242
Total noncurrent assets		9,314,436
Total assets		105,585,810
LIABILITIES		
Current liabilities		
Accounts payable		923,917
Accrued cost of electricity		14,365,210
Advanced from grantors		482,750
Other accrued liabilities		425,179
User taxes and energy surcharges due to other governments		400,664
Total current liabilities		16,597,720
NET POSITION		
Investment in capital assets		3,855,194
Unrestricted		85,132,896
Total net position	$	88,988,090

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2018 through January 31, 2019

OPERATING REVENUES	
Electricity sales, net	$ 106,348,875
Evergreen electricity premium	260,024
Grant revenue	807,100
Total operating revenues	107,415,999
OPERATING EXPENSES	
Cost of electricity	86,915,204
Staff compensation	1,905,241
Data manager	1,839,233
Service fees - PG&E	552,267
Consultants and other professional fees	1,608,910
Legal	220,013
Communications	809,942
General and administration	517,352
Program rebates and incentives	1,371,562
Depreciation	34,895
Total operating expenses	95,774,619
Operating income	11,641,380
NONOPERATING REVENUES (EXPENSES)	
Interest income	585,080
Gain on sale of equipment	503
Total nonoperating revenues (expenses)	585,583
CHANGE IN NET POSITION	12,226,963
Net position at beginning of period	76,761,127
Net position at end of period	$ 88,988,090

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2018 through January 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from electricity sales	$ 107,265,663
Receipts from grantors	263,436
Receipts from supplier for security deposits	14,600
Tax and surcharge receipts from customers	1,415,717
Deposits and collateral returned	372,500
Payments to purchase electricity	(87,185,297)
Payments for staff compensation	(1,933,570)
Payments for contract services	(4,109,569)
Payments for communications	(1,086,430)
Payments for general and administration	(570,253)
Payments for program rebates and incentives	(1,302,222)
Tax and surcharge payments to other governments	(1,509,802)
Deposits and collateral paid	(1,408,034)
Payments for charitable contributions	(108,000)
Net cash provided (used) by operating activities	10,118,739
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(420,895)
Net cash provided (used) by capital and financing activities	(420,895)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	626,313
Net cash provided (used) by investing activities	626,313
Net change in cash and cash equivalents (including County Investment Pool)	10,324,157
Cash and cash equivalents at beginning of year	56,447,818
Cash and cash equivalents at end of year	$ 66,771,975
Reconciliation to the Statement of Net Position	
Cash and cash equivalents	$ 51,453,144
Investment in Sonoma County Investment Pool	15,318,831
Cash and cash equivalents	$ 66,771,975

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2018 through January 31, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$	11,641,380
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		33,251
Revenue reduced for uncollectible accounts		535,724
Charitable contributions considered an operating activity for cash flow purposes only		(108,000)
(Increase) decrease in net accounts receivable		(1,784,966)
(Increase) decrease in other receivables		(491,771)
(Increase) decrease in accrued revenue		1,887,749
(Increase) decrease in prepaid expenses		(1,354,842)
(Increase) decrease in current deposits		(982,290)
Increase (decrease) in accounts payable		(175,921)
Increase (decrease) in accrued cost of electricity		271,680
Increase (decrease) in advance from grantors		(17,250)
Increase (decrease) in accrued liabilities		725,223
Increase (decrease) in user taxes and energy surcharges due to other governments		(75,828)
Increase (decrease) in supplier security deposits		14,600
Net cash provided (used) by operating activities	$	10,118,739

Page intentionally left blank for double-sided printing

Staff Report – Item 03

To: Sonoma Clean Power Authority Community Advisory Committee

From: Geof Syphers, CEO
Neal Reardon, Director of Regulatory Affairs

Issue: Receive Legislative and Regulatory Updates and Provide Input as Appropriate

Date: March 25, 2019

Requested Committee Action:

Receive the Regulatory and Legislative updates and provide input as appropriate.

REGULATORY REPORT

Power Charge Indifference Adjustment (PCIA)

Phase 2 of the PCIA Proceeding is underway, and with three central topics: how utilities should optimize their portfolios, developing accurate benchmarks to reflect the value of contract attributes, and creating a calculation for a one-time lump sum payment of exit fees. On March 1st, the first working group meeting on developing an accurate benchmark was held at the CPUC. Additional working groups will begin on March 26th and first the first week of April. SCP will engage on behalf of our customers and through CalCCA.

PG&E's Energy Resource Recovery Account (ERRA)

On February 21st, the Commission approved the Alternate Proposed Decision implementing PG&E's Energy Resource Recovery Account "ERRA" forecast.

PG&E successfully requested for a delay in implementing this Decision. It will submit an Advice Letter to implement rate changes in mid-April, which would be subject to protests and PG&E responses to those protests. PG&E raised delivery rates for all customers on March 1st, and will likely implement PCIA and generation rate changes near July 1st.

Resource Adequacy (RA)

On March 12th and 13th, the CPUC held a workshop in the Resource Adequacy "RA" Proceeding to solicit stakeholder feedback on implementing additional reforms to increase the effectiveness and transparency of the RA program. The CPUC maintains that while a central procurement entity is a solution to problems in the RA market, it is not ready for implementation at this time. Groups of stakeholders: Investor Owned Utilities, CCAs, and Energy Service Providers, are all directed to host one meeting to discuss outstanding issues. These groups will convene over the next 6 months to develop proposals for how central procurement could be achieved and implemented. CPUC Staff and the Assigned Commissioner are eager to create a central procurement entity, and have signaled they will make another proposal in 4Q 2019 if stakeholders do not come to agreement on what the structure should be.

LEGISLATIVE REPORT

Friday, February 22nd, was the legislative introduction deadline which resulted in 2,721 bills being introduced for the first year of the 2019-20 Legislative Session. Now that we are a few weeks out from the introduction deadline, SCP staff and our CalCCA team are seeing the early stages of bill amendment proposals, stakeholder meetings, and legislative hearings.

Legislation Watch. To date, a total of 42 bills have been identified as warranting careful review. Below are the priority bills, however keep in mind that the list is constantly evolving as bills change and additional information is gathered.

<u>RPS-related</u>
AB 915 (Mayes): California Renewable Portfolio Standards Program
AB 1347 (Boerner Horvath): Renewable energy & zero-carbon resources: government buildings.
AB 1371 (Cunningham): Renewable Portfolio Standards Program: offshore wind generation.
SB 772 (Bradford): Bulk energy storage procurement.

RA-related

AB 56 (Garcia): Statewide central electricity procurement entity.
SB 350 (Hertzberg): Multiyear centralized resource adequacy mechanism.
SB 520 (Hertzberg): Centralized procurement

EV-related

AB 684 (Levine): Building standards: electric vehicle charging infrastructure.
AB 983 (Boerner Horvath): Transportation electrification.
AB 1046 (Ting): Charge Ahead California initiative.

General

AB 235 (Mayes): local publicly owned electric utilities: California Wildfire Catastrophe Fund Act.
AB 383 (Mayes): Clean Energy Financing Clearinghouse.
AB 659 (Mullin): California Smart City Challenge Grant Program.
AB 753 (E. Garcia): Alternative and Renewable Fuel and Vehicle Technology Program
AB 1054 (Holden): Public Utilities Commission: chief internal auditor.
AB 1144 (Friedman): Energy storage resources: report.
AB 1513 (Holden): Procurement contracts: California Renewables Portfolio Standard Program.
AB 1584 (Quirk): Cost Allocation.
SB 167 (Dodd): Electrical corporations: wildfire mitigation plans.
SB 155 (Bradford): Public utilities: regulation.
SB 524 (Stern): Energy efficiency: workforce requirements.
SB 676 (Bradford): Transportation electrification: electric vehicles.
SB 766 (Stern): Clean energy electrical grid solutions.
SB 774 (Stern): Local clean energy generation and storage systems.

Meeting with Senator Hertzberg. On Thursday, Senator Hertzberg held a stakeholder meeting to discuss his SB 350 and SB 520. The two bills, announced by his staff last week, while still in spot bill form, are being used to drive the discussion around central procurement and the concept of provider of last resort or "POLR." Nearly 30 different groups attended the meeting ranging from business interests, renewables, IOUs, POUs, CCAs and environmental organizations. Senator Hertzberg's office made it clear that they want all stakeholders to provide input on how to establish a POLR and retain reliability and affordability. His office made it clear that they do not want input that is simply self-serving and that they want everyone to provide feedback on how to improve the overall system of governance. However, it was also clear that each stakeholder in the room had a different understanding of what the Senator meant by POLR, and SCP has identified the need for a much clearer definition of the problem.

Informational Committee Hearings. This week, CalCCA participated in the Senate Committee on Energy, Utilities and Communications hearing on PG&E's bankruptcy and its implications for California. Some of the key testimony was provided by UC Hastings Law Professor, Jared Ellias, PUC Executive Director, Alice Stebbins, PUC General Counsel, Arocles Aguilar, and Paradise Mayor and fire victim, Jody Jones. CalCCA Executive Director, Beth Vaughan was also part of the panel and gave an overview of the last bankruptcy that led to the creations of CCAs and reported on the risks and impacts of the PG&E bankruptcy on CCAs.

CalCCA also participated in the Assembly Committee on Utilities and Energy hearing on the Metamorphosis of the Energy Sector: Maintaining reliability and affordability on the road to decarbonization. PUC President, Michael Picker, Dr. Austin Brown with UC Davis, and Mark Rothleder with CAISO highlighted the first panel. The second panel was highlighted by Colin Cushnie with Southern California Edison, Scott Murtishaw with the California Solar and Storage Association, Jan Smutny-Jones with the Independent Energy Producers, and CalCCA Executive Director, Beth Vaughn. Beth Vaughan discussed CCA credit worthiness, reliability, and elements of CalCCA's principles on utility restructuring.

Sonoma Clean Power

Staff Report – Item 04

To: Sonoma Clean Power Authority Community Advisory Committee

From: Geof Syphers, CEO
Stephanie Reynolds, Internal Operations Director
Rebecca Simonson, Senior Power Services Manager

Issue: Review and Provide Input on the Annual Budget and Rates for Fiscal Year 2019/2020, including a possible exemption from Financial Reserves Policy

Date: March 25, 2019

Requested Action

Review and provide input on: (1) the Fiscal Year 2019-20 draft budget and customer electric generation rates; and (2) staff recommendation for a one-year exemption to the Board's Financial Policy B2.

Background

The timing of SCP's budget and rate setting process may be slightly different this year due to some delays at the CPUC. A draft schedule showing the proposed sequence of meetings is on the following page.

In December, 2018, the SCPA Board of Directors approved a conditional adjustment to SCP's budget and rates needed to protect our customers from an expected large increase in the exit fee, or Power Charge Indifference Adjustment (PCIA). Those SCP adjustments were never implemented because of several delays at the CPUC relating to the PCIA and updates to PG&E's generation rates. In addition, California's CCAs secured a handful of small, but helpful corrections to the PCIA calculation that will make the 2019 increase in PCIA smaller than previously forecast.

Normally, PG&E's transmission and distribution rates, generation rates and PCIA all get a significant update on January 1st of each year. This year, many of the largest changes to those rates and fees have been repeatedly delayed, likely until July 1. This means that any over-collections or under-collections by PG&E from January through June will be corrected over the twelve months of 2020. Because we expect a net increase in PCIA, the effect of this CPUC delay is that the PCIA adjustment that would normally go into effect in the middle of the upcoming fiscal year in January 2020 will be higher than it otherwise would be. To make this all even more complex, staff have reason to believe implementation of the 2020 PCIA may be delayed from January to a later month. A recommendation on how to navigate these circumstances is provided in the form of a modified schedule.

Modified Schedule for Budget and Rate Adoption

SCP's ideal practice around budget and rates is to implement both on July 1st of each year to coincide with the start of SCP's fiscal year. That schedule is problematic this year due to the delayed PCIA implementation and the unknown of PG&E's generation rates. To set SCP rates effective July 1st without that information, could necessitate a second rate change a month or two later when those numbers become known.

Rather than planning for two rate changes within several months – one to adjust rates on July 1, 2019, and then potentially another again in August or September in response to a final CPUC decision, staff instead recommends adopting a moderately conservative budget at the June 6, 2019 Board meeting, and adopting rate changes (and potentially a budget adjustment) once data on the PCIA from the CPUC is known, which staff anticipates at the July or August Board meetings.

To proceed with rate changes on SCP's normal cycle has a number of problems:

- It would likely require another rate change within one or two months to make corrections;
- It would reduce SCP's ability to smooth customer rates by decreasing the agency's net income for a period of one or two months; and
- It would require guesswork by staff that is arbitrary.

Staff therefore recommend the following modified schedule for budget and rate review, input and adoption:

Mar 25, 2019	Committee review of draft budget and potential rate impacts
Apr 4, 2019	Board review of draft budget and potential rate impacts
May TBD, 2019	Committee recommend a final budget (not rates)
Jun 6, 2019	Board adopt final budget (not rates)
Jul/Aug, 2019	CAC and Board meeting(s) to adopt rates and make any necessary budget adjustment

Budget Overview

The Fiscal Year 2019/2020 draft budget and rates presented in this item seek to:

- Continue to procure a supply portfolio of electricity generation that is at least 30% lower in greenhouse gas emissions as PG&E's portfolio, reaches 50% qualifying renewable sources by 2020, and 60% by 2030.
- Provide bill savings to customers whenever practical.
- Focus program activities into improving existing programs, creating the Advanced Energy Center, and building SCP's headquarters as a living example of an advanced energy facility.
- Ask the Board to suspend the planned contributions to reserves in Financial Policy B2, and use those funds instead to invest in constructing SCP's headquarters building.
- Seek to minimize the number of rate changes. This means delaying adoption of change in rates until August or September when all necessary information is available.

Budget Scenarios

Seven budget and rate scenarios are considered and summarized in the following table. A total of $20.8 million is available to allocate to customer bill savings, customer programs, capital investments, and SCP reserves. Once a level of customer total bill savings is selected, the amounts dedicated to programs, capital projects and reserves are still flexible. Staff recommended a budget based on our revenues in the "Equal Cost" scenario shown in bold, meaning SCP customers would pay an equal amount on their bills to bundled service customers.

Note that this table *will change* after the CPUC's decision on PCIA and PG&E's generation rates are finalized.

All dollar amounts are in $ millions

Total Bill Savings	Customer Savings on Total Bill		Customer Programs	Capital Investments	Change in Program Reserves	Change in Operating Reserves
-1.5%	-$7.2	-1.5%	$10.1	$11.4	$1.0	$4.9
-1.0%	-$4.8	-1.0%	$9.6	$11.4	$0.7	$3.4
-0.5%	-$2.4	-0.5%	$9.3	$11.4	$0.4	$1.9
Equal Cost	**$0.0**	**0.0%**	**$9.3**	**$11.4**	**$0.0**	**$0.0**
0.5%	$2.4	0.5%	$9.3	$11.4	-$2.3	$0.0
1.0%	$4.8	1.0%	$9.3	$11.4	-$4.7	$0.0
1.5%	$7.2	1.5%	$9.3	$2.9	$0.2	$1.0

Note: Small contributions to the Collateral Reserves are not shown in this table for brevity, but equal 10% of any total Reserve Fund increase, if any.

For scenarios with 0.5% and 1.0% bill savings, staff would propose investing Program Reserves in the capital improvements rather than spending Operating/Credit reserves. The Program Reserve balance today is $9.1 million. For 1.5% savings, staff would propose delaying the renovations to the SCP headquarters or selling the building, therefore the table shows a lower capital investment.

Due to the large capital investments in this coming two years, staff are requesting the Committee recommend the Board of Directors suspend the requirement to contribute to reserves for a period of one year, and assume a less-than-3% contribution to reserves in the following fiscal year.

DRAFT BUDGET

The draft budget is presented first in the form that will be used for adoption, and then is followed by supplemental information. The budget categories are intentionally general enough to allow some measure of staff discretion, without requiring frequent budget adjustments.

The "Total Expenditures, Other Uses and Debt Service" plus the planned contribution to operating reserves (shown as "Net Increase/ (Decrease) in Available Fund Balance") equals the Revenue Requirement, which is the amount necessary to recover from customers through rates.

Certain assumptions were used to create this budget, including:

- Customer participation rates remain relatively stable throughout the year, with about 0.3% increase based mainly on rebuilt homes and new homes.
- The amount of uncollectible funds is assumed to be 0.5%.
- The load drop in 2018 does not reverse. Load has declined because unusually large residential users dramatically cut their usage or closed accounts in 2018, and we assume that change is permanent, and these users will not return or increase their usage again.
- The costs of resource adequacy remain artificially high due to a lack of selling by large entities in the year-ahead compliance process.
- The cost of construction continues to escalate at a high rate. Note that if construction costs begin to stabilize or even slow their rate of increase instead, the capital expenses in the budget could be lower.

	Expected Actuals FY18-19	DRAFT Budget FY19-20	Comments
REVENUES & OTHER SOURCES			
Electricity Sales[1] (net of allowance)	176,855,000	178,039,000	See write-up for detailed notes on sales.
EverGreen Premium[2] (net of allowance)	412,000	451,000	
CEC Grant Proceeds	1,927,000	4,760,000	Second year of grant proceeds increases significantly.
BAAQMD Grant	62,000	100,000	This grant contributes to the Advanced Energy Rebuild.
Interest Income	946,000	1,011,000	
Total Revenues	**180,202,000**	**184,361,000**	
EXPENDITURES			
Product			
Cost of Energy and Scheduling[3]	146,345,000	151,839,000	
Data Management	3,089,000	3,158,000	
Service Fees to PG&E	959,000	961,000	
Product Subtotal	**150,393,000**	**155,958,000**	
Personnel	**3,661,000**	**4,040,000**	Includes COO, Compliance and Risk Officer
Outreach and Communications	**1,144,000**	**898,000**	Cuts to donations and advertising.
Customer Service	**440,000**	**343,000**	Cuts to voluntary customer outreach and communication.
General and Administration	**531,000**	**505,000**	Minor cuts to supplies and equipment purchases.

	Expected Actuals FY18-19	DRAFT Budget FY19-20	Comments
EXPENDITURES – continued			
Other Professional Services			
Legal, Regulatory and Compliance	943,000	926,000	
Accounting	204,000	211,000	
Legislative	85,000	78,000	
Other consultants	160,000	160,000	
Other Professional Services Subtotal	**1,392,000**	**1,375,000**	
CalCCA Trade Association	**400,000**	**440,000**	
Programs			
Program Implementation	4,510,000	3,030,000	Scaling back on general program implementation.
CEC Grant Program[4]	2,415,000	8,960,000	See write-up on investment into Advanced Energy Center.
Program Development and Evaluation	100,000	50,000	
Programs Subtotal	**7,025,000**	**12,040,000**	
Total Expenditures	**164,986,000**	**175,599,000**	
Revenues Less Expenditures	**15,216,000**	**8,762,000**	

	Expected Actuals FY18-19	DRAFT Budget FY19-20	Comments
Total Expenditures	164,986,000	175,599,000	
Revenues Less Expenditures	15,216,000	8,762,000	
OTHER USES			
Capital Outlay	1,190,000	8,700,000	Mainly funds invested in headquarters building.
Collateral Deposits (net outflow)	1,409,000	0	Collateral will now be posted from the Collateral Reserves.
Total Expenditures, Other Uses	167,585,000	184,299,000	
Net Increase/(Decrease) in Fund Balance	12,617,000	62,000	

[1] Forecast sales for 2019-20 are 2,640,000 MWh, including an allowance of 0.5% of sales for uncollectible accounts.

[2] Incremental revenues from participating EverGreen customers for the premium on 100% renewable energy produced in Sonoma or Mendocino Counties.

[3] Includes NetGreen costs, ProFIT payments, California ISO fees and schedule coordination.

[4] The difference between the CEC Grant Proceeds and Grant Expenses is SCP's cash portion of the matching funds, and is budgeted to be $4,200,000.

INFORMATION ONLY - SUPPLEMENTAL TO THE DRAFT BUDGET

Details on the draft budget are provided in this section along with projections of the next five years. For the purpose of this projection, SCP's customer rates for energy and demand are assumed to remain flat until July 2021 and then rise 2% each year. While the table shown reflects a reasonable estimate of future costs, it is important to stress that actual revenues and expenses will vary from this forecast.

	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
REVENUES AND OTHER SOURCES					
Electricity Sales	178,039,000	180,086,000	183,891,000	187,968,000	192,494,000
Evergreen Premium	451,000	465,000	479,000	493,000	508,000
Grants and Outside Funding	4,860,000	3,051,000	1,500,000	1,500,000	1,500,000
Interest Income	1,011,000	1,040,000	1,123,000	1,190,000	1,261,000
Total Revenues and Other Sources	**184,361,000**	**184,642,000**	**186,993,000**	**191,151,000**	**195,763,000**
EXPENDITURES AND OTHER USES					
Product	155,958,000	162,196,000	165,440,000	167,922,000	174,639,000
Personnel	4,040,000	4,502,000	4,648,000	4,799,000	4,955,000
Outreach and Communications	898,000	925,000	953,000	982,000	1,011,000
Customer Service	343,000	373,000	384,000	396,000	408,000
Other Professional Services	1,375,000	1,416,000	1,298,000	1,337,000	1,377,000
General and Administration	505,000	520,000	536,000	552,000	569,000
CalCCA Trade Association	440,000	450,000	400,000	412,000	424,000
Programs (including leasehold improvements)	12,040,000	6,000,000	6,180,000	6,370,000	6,560,000
Total Expenditures	175,599,000	176,382,000	179,839,000	182,770,000	189,943,000
OTHER USES					
Capital Outlay (incl. construction investments)	8,700,000	3,500,000	250,000	258,000	266,000
Collateral Deposits (net outflow)	0	0	0	0	0
DEBT SERVICE	0	0	0	0	0
Total Expenditures, Other Uses and Debt Service	**184,299,000**	**179,882,000**	**180,089,000**	**183,028,000**	**190,209,000**
Net Increase/(Decrease) in Available Fund Balance	**62,000**	**4,760,000**	**6,904,000**	**8,123,000**	**5,554,000**
RESERVES					
Accumulated Operating/Credit Reserves (EOY)	62,848,000	66,418,000	71,596,000	77,688,000	81,854,000
Accumulated (or spent) Program Reserves (EOY)	11,574,000	12,288,000	13,324,000	14,542,000	15,375,000
Accumulated (or deposited) Collateral Reserves (EOY)	2,740,000	3,216,000	3,906,000	4,718,000	5,273,000

Further detail on each of the proposed budget categories follows.

REVENUES AND OTHER SOURCES

The primary source of income is from the retail sale of electricity to CleanStart and EverGreen customers. Customers of both of these programs provide all of the Electricity Sales income. EverGreen costs 2.5 cents per kWh over the cost of CleanStart, and provides 100% renewable energy from sources in Sonoma and Mendocino Counties. The EverGreen premium pays for the purchase of local sources of renewable geothermal and solar, and is not intended to produce surplus income.

The total sales are based on SCP rate changes that result in equal total bill costs with PG&E bundled customer rates across all rates. The PCIA and PG&E rates that will be effective in the FY2019-2020 fiscal year are still unknown and staff has made some assumptions regarding these figures. The SCP rates generating equal total bill costs were based on the following PG&E rates and fees:

- January 1, 2019 effective generation rates
- March 1, 2019 effective franchise fees
- March 1, 2019 effective non-generation rates
- ERRA (Energy Resource Recovery Account) November update PCIA fees.

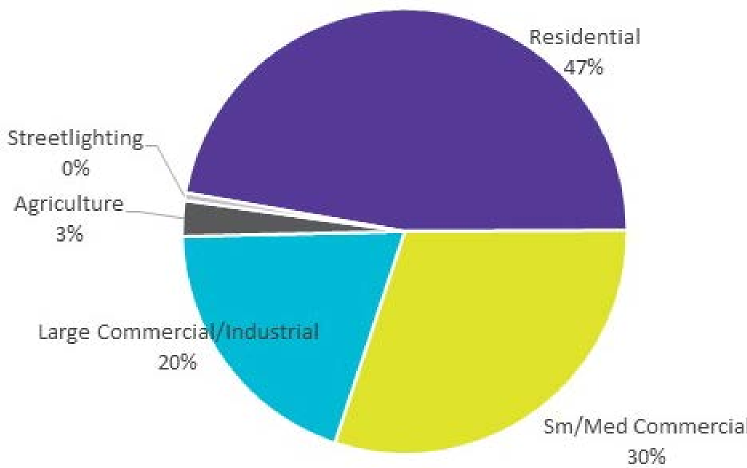
Given the unknown value of these PG&E rates and fees, staff made the most reasonable assumptions available, however as noted previously in this staff report, these will change over the next few months. The updated PG&E rates and fees will change the SCP rates required to achieve equal rates and thus the budgeted revenue. Staff expects to have updated PG&E rates and fees by May or June 2019.

The total sales estimate is based on 87% of eligible customers (and load) participating in SCP. The net financial performance of SCP is not sensitive to small changes in the rate of participation because a majority of expenses are proportional to the load served. In other words, income and expenses generally tend to go up and down together.

An estimate of 0.5% is used for the portion of billings that will never be collected. Revenues shown in the budget are net of this reduction.

EXPENDITURES
Product

Cost of Energy and Scheduling includes all of the various services purchased from the power market through our suppliers. This includes 2,640,000 MWh of energy, capacity, green attributes, scheduling services, CAISO fees and other miscellaneous power market expenses. The volume of purchased energy is between 5% and 8% greater than the volume sold because of normal system losses. The following figure shows the breakdown of forecasted energy use for customer class:



SCP has entered into contracts that will meet approximately 95% of its expected energy requirements through the full fiscal year, meaning that energy costs are reasonably well known, although changes in energy market prices will still have an impact on SCP's costs.

SCP's current suppliers for energy and capacity include Constellation, Calpine, RE Mustang, RE Mustang 3, Golden Hills North, NextEra, Calpeak, Shell, Powerex, 3 Phases, Transalta, PG&E, GE Power, Tenaska, CleanPowerSF, Monterey Bay Community Power, Peninsula Clean Energy Authority, Silicon Valley Clean Energy, The Energy Authority, Turlock Irrigation District, and Southern California Edison.

SCP also has suppliers through the ProFIT local feed-in tariff program. SCP's ProFIT feed-in tariff program was authorized by the Board of Directors to contract with local renewable energy suppliers up to $600,000 per year in above-CleanStart expenses. This was translated into 6 MW of capacity, which formed the basis for contracting. 2 MW of solar are currently in operation, 1 MW of solar is expected to come online in the next few months, and an additional 3 MW of solar projects are expected to come online in FY2019-2020. Because the EverGreen premium pays for the purchase of these local sources, the quantity of ProFIT projects could be increased in the future if EverGreen participation increases. SCP is actively working with the member cities and counties to increase EverGreen participation.

Major amounts of SCP's customer load are also served by customer-owned solar arrays. Small amounts also reduce the load of other SCP customers through NetGreen overproduction. None of this production is reportable on SCP's Power Content Label, however, because it is treated as a load reduction rather than supply energy under California regulations.

Energy is procured for over 90% of the forecast load through December 2020. The primary price risks are therefore related to forecast error, changes in rates of customer participation, variable generation output of solar and wind resources, generation curtailment risks, forward pricing peak and off-peak unhedged energy, and legislative and regulatory risks (e.g., PCIA fees). Overall, SCP is in a strong financial position. The primary known risk is that new legislation or regulations could be passed that drive up customer costs, for example by limiting SCP's ability to participate in competitive electric markets or by imposing compliance burdens that are intended to drive out competition from small electric providers.

Based on current rates of participation by net-metered customers and payouts in 2017 and 2018, the total payout amount forecast for SCP's NetGreen customers is estimated to be about $1,090,000 for the fiscal year. SCP staff are beginning to explore how to help solar customers as time-of-use rates shift the value of production into the evening hours, and will be bringing program proposals to the Committee and Board in the next year or two to address this.

Scheduling Coordinator services are provided by Shell Energy North America. The charges for this service are included together with energy and resource adequacy. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true up occurs through the settlement process, or "settlements."

Settlements also entail addressing a number of other market and regulatory requirements. The impact on budgeting is that invoices and credits occur several months (and sometimes up to two years) following a given month of service.

Data Management is a broad scope of services provided by contract through Calpine Energy Solutions, including billing data validation, bill coordination with PG&E, billing management of special programs (e.g., NetGreen and ProFIT), call center services and billing technical support, customer enrollment database management, move-in/move-out services, CAISO data preparation, WREGIS data preparation, and many support functions related to data reporting.

SCP's Data Management contract with Calpine Energy Solutions was presented, reviewed and approved by the Board of Directors November 7, 2013 and continues through April 30, 2022.

Service Fees to PG&E consist of a charge of $0.35 per account per month (including a $0.21 per account service fee and a $0.14 per account meter data management fee). There are also numerous small fees associated with data requests. The fees cover PG&E's costs associated with additional data processing and bill coordination, and are mandatory and regulated by the California Public Utilities Commission (CPUC).

Personnel

Personnel costs include all of the salaries, benefits, workers compensation premiums and payroll taxes for staff, and are based on adding the following positions relative to March 2019: Chief Operating Officer, Compliance and Risk Officer, and Executive Assistant.

Outreach and Communications

The attached budget draft assumes that nearly all marketing efforts will focus on Lead Locally/the Advanced Energy Center. Other marketing focuses include Advanced Energy Rebuild, GridSavvy and other programmatic support.

The Community Memberships and Outreach budget has been reduced by $50,000 from the current FY (an 18% reduction). The Advanced Energy

Center’s classroom affords SCP an opportunity to give back to our local communities without separate financial investment, and will be a key strategy in stretching this year’s more modest Community Outreach budget.

SCP will continue to focus on increasing the authority’s reach and relevance to the Hispanic community and other key groups and also on supporting nonprofit events and efforts which provide exposure and visibility for SCP as a committed community partner.

Similarly, SCP will continue to reinforce brand awareness through SCP’s consistent public relations and social media platforms, and will continue to provide leadership within the community choice industry by taking a lead role in CalCCA committees, groups and events.

Outreach and Communications	Estimated Detail
General Advertising & Media	512,500
Campaigns and program support	158,000
Consultants	61,500
Community memberships & outreach	140,000
Collateral & miscellaneous	26,000
Outreach and Communications Total	$ 898,000

Customer Service

This subcategory includes required customer noticing and local business and industry development.

Customer Noticing

There are several kinds of official mailed notices SCP provides to its customers. Outside of enrollment rollouts, the following notices are mailed out to applicable customers:

- Move-in notice postcard (weekly)
- Move-in notice letter (weekly)
- EverGreen confirmation notices (weekly)
- NetGreen welcome (weekly)
- Opt-out confirmation - immediate notice (weekly)
- Opt-out confirmation – 6 month notice (weekly)
- Late payment notices (monthly)
- Joint Rate Comparison with SCP and PG&E information (annually)

- California Energy Commission’s Power Content Label (annually)
- As needed, special rate notices (e.g., E7 closure and options)

The budget reflects the approximately 1,250 letters mailed every week plus the required annual mailings.

Business and Industry Development

The Customer Service team also works with SCP’s local business and industry groups through memberships and sponsorships to increase awareness of SCP and improve relationships. SCP participates in many events that raise money and awareness for local businesses, such as the food, wine, and agricultural industries. An aspect of SCP teams’ key business requires reoccurring meetings with other CCA counterparts, stakeholder groups and PG&E to coordinate joint business and facilitate unique client needs.

Community engagement is a high priority and partnering with Santa Rosa Junior College to administer the SCP Spirit of Entrepreneurship Grant aims to enhance community relations and build stronger ties locally with the College, student population and future work force of our community. This competitive grant is facilitated via SCP staff and will work with various student participants and Business department staff to ultimately select up to three top performing “ideas” to receive the award. The frequency of issuance will be on an annual basis during the spring semester “Pitch Contest”, even though the business course is aimed to be offered each semester. Students participating in the fall semester course can present their ideas during the spring semester should they so choose.

Customer Noticing	Estimated Detail
Confirmation letters	64,742
Annual Required Notices	108,184
Other Noticing	9,975
Customer Noticing Subtotal (rounded)	183,000
Business & Industry Development	
Memberships/sponsorships	34,194
Events (Participation)	35,860
Customer Appreciation/Development	28,600
SCP Grant Fund	55,000
Miscellaneous	6,600
Biz & Industry Development Subtotal (rounded)	160,000
Total Customer Service	$343,000

General and Administration

General and Administration includes ordinary business expenses such as rent, meeting room rentals, parking and transit expenses, liability insurance, basic office supplies, office phones, internet service, data service, minor equipment costing less than $1,000, leases for printer/copiers, professional development/training, conferences, memberships, dues and subscriptions, travel, meals and miscellaneous operational expenses.

General and Administration	Estimated Detail
Office space and meeting/event rentals	191,000
Insurance	8,000
Misc. expenses and office supplies	50,000
Phones, internet, data and minor equipment	51,000
Conferences and professional development	22,000
Dues and subscriptions	145,000
Travel	20,000
Meals and entertainment	18,000
General and Administration Total	505,000

Other Professional Services

Legal, Regulatory & Compliance. For FY 2019/2020, staff recommends a Legal, Regulatory and Compliance Budget of $926,000. Staff's budget request for the Legal, Regulatory and Compliance budget line item:

- Combines the budgets for Legal, Regulatory and Compliance into one-line item, where previous years had a separate line item for regulatory;

- Continues to be driven in large part by the extraordinary circumstances associated with PG&E's Chapter 11 bankruptcy, which has required staff to engage outside bankruptcy counsel and other outside legal resources with related expertise in financing, CPUC/FERC regulatory advice, and energy transactional matters;

- Will assist staff with management of overflow work on issues important to SCP operations that are typically handled in house, when not resource constrained internally due to demands associated with the PG&E bankruptcy, such as public contracting and Lead Locally CEC Grant, 431 E Street Construction;

- Allows the legal department to continue to provide certain specialized transactional, regulatory, advisory and compliance-related services to SCP departments the legal department provides in typical years, such as participation in ongoing CPUC regulatory proceedings and specialized energy transactional review.

With the legal, regulatory and compliance budget, approximately 39% is estimated to be related to the PG&E bankruptcy, 35% is associated with general agency regulatory advocacy and compliance, 13% is expected to be required in connection with energy procurement transactional advice and the remaining 13% is related to other routine SCP operational matters and special projects, ranging from general transactional support, human resources advice, and analysis associated with the new SCP headquarters and other Programs department efforts such as the Lead Locally CEC grant.

Accounting. Accounting includes services from three different providers. Maher Accountancy provides the day-to-day accounting for SCP, including generation of financial statements and consolidated reports. Maher's current fee is $9,350 per month plus a one-time fee of $13,900, and is expected to rise slightly next year. The County's Auditor Controller Treasurer Tax

Collector's (ACTTC) office provides internal auditing and control for SCP and bills its time at cost, estimated to be less than $10,000 for the year. Pisenti & Brinker serves as SCP's third-party, independent, outside auditor. Last year Pisenti's costs were $21,800, so staff have assumed a small increase for inflation for this fiscal year.

Legislative. Legislative covers SCP's Sacramento legislative lobbyist, and coverage for tracking and advancing bills in the legislative session. This category has been decreasing in expenditures as contributions to the statewide CalCCA trade association allows that organization to take on more of this work.

Other Consultants. Other Consultants covers costs related to outside services needed for basic internal operations, such as: IT services/repairs, nighttime security for the building at 431 E Street, administration fees for our insurance benefits and retirement plans, consultants for mandatory training, and the collection agency SCP uses for past-due accounts.

CalCCA

The CalCCA trade association is an important entity for sharing the costs of legislative and regulatory work. The association has been instrumental in improving SCP's effectiveness at the CPUC on matters including the PCIA, resource adequacy, and in the legislature on organizing and providing direction to lobbyists and requesting action. CalCCA now has six full time staff, and we expect further improvements in the association's service to SCP and the other public CCA power providers around California.

Programs

Over the past year, SCP successfully completed the DriveEV program and implemented the Advanced Energy Rebuild Program. The list below indicates the programs we intend to administer in the upcoming fiscal year. Many of these are continuing programs from the current year.

	Customer Benefits	SCP Benefits
ELECTRIC VEHICLES		
CalEVIP – Work with the CEC to implement their EV charging station incentive program.	Increase the number of Level 2 and 3 EV charging stations in SCP territory.	Increase electricity sales and net revenues while decreasing emissions.
GridSavvy – Create aggregated load resource with EV charging equipment and schedule into CAISO markets.	Potential to earn cash rewards over time. Pride of helping support more renewable energy on the grid.	Increases ability to shape system load. Potential to meet portion of RA obligation. Supports lower emissions by allowing more renewable sources in portfolio.
Non-Profit EV Incentive – Provide an incentive for non-profits to purchase EV and PHEV vehicles.	Support of worthy non-profits.	Increased exposure through marketing and reduction of GHG emissions.
Transit Electrification Study – Assist local transit agencies in determining their infrastructure and equipment needs to meet upcoming electrification requirements.	Reduced costs and emissions from transit activities.	Increase electricity sales and net revenues while decreasing emissions.
EDUCATION		
School Programs – teacher training, education materials development, in-class programs.	Increase commitment in SCP, awareness of issues, and value to schools. Instill a culture of efficiency in school-age children.	Increase awareness of SCP. Educate children on climate change and energy efficiency.
SWITCH EV Program – placement of EV kit cars in CTE programs of local high schools.	Increase commitment in SCP, awareness of issues, and value to schools, while developing STEM skills.	Increase awareness of clean power science and career opportunities. Long-term investment in promoting technical capabilities needed for clean energy operations.
BUILDING EFFICIENCY & DECARBONIZATION		
Assistance to Commercial Customers – Provide an expert in energy efficiency to audit the energy use of commercial customers.	Provide assistance to commercial customers in identifying energy efficiency measures.	Low cost program that will build brand loyalty.

	Customer Benefits	SCP Benefits
Assistance to Fire Re-Building Effort – In partnership with PG&E and BAAQMD, create an incentive program for home re-building. The Advanced Energy Rebuild Program	Provide incentives to homeowners re-building in the fire zones to achieve 2020 building codes.	Advances SCP's goals for reducing GHG emissions through fuel switching.
DIY Tool Kits – Placement of energy efficiency tool kits in County libraries for customers to check out.	Easy, fun way to learn about energy efficiency in homes and save money on utility bills.	Low cost program that will build brand loyalty.
Induction Cooktop Lending Program – Lending Induction cooktops from multiple locations to promote fuel switching/efficiency.	Easy way for customers to try out induction cooking. Survey results indicate a high conversion rate due to the program.	Advances SCP's goals for reducing GHG emissions through fuel switching. Low cost program that will build brand loyalty.
CEC Grant administration – Managing the implementation of the grant and creation of an energy efficiency Marketplace.	Exposure of customer to cutting edge energy efficiency products and the ability to purchase and install them.	Advances SCP's goals for reducing GHG emissions through fuel switching. Increase brand awareness and customer loyalty.
FLEXIBLE LOAD		
Demand Response Program – Develop general tools for managing diverse kinds of aggregated resources. GridSavvy Community.	Increased opportunities to use new technologies, earn market revenues, and support lower emission sources.	Potential to shape system load and lower total costs to customers over time. Increased ability to meet RA obligations and achieve high amounts of renewables.
DISTRIBUTED ENERGY RESOURCES		
Misc. Contracts (CCP, Etc.)	Provide resources and education to customers considering distributed resources.	Potential to shape system load and lower total costs to customers over time. Increased ability to meet RA obligations and achieve high amounts of renewables. Customer education.

Programs	Estimated Detail
Electric Vehicles	
CalEVIP	500,000
CleanCharge	500,000
Non-Profit Vehicle Incentive	50,000
Transit Electrification Study	100,000
Electric Vehicle Subtotal	1,150,000
Education	
School Programs	275,000
SWITCH Program	75,000
Misc Education Tools/Support	15,000
Education Subtotal	365,000
Energy Efficiency in Buildings	
Assistance to Commercial Customers	60,000
Assistance to Fire Re-Building Efforts	1,000,000
DIY Tool Kits	30,000
Energy Efficiency in Buildings Subtotal	1,090,000
Demand Response Program	200,000
CEC Grant Administration	8,960,000
Misc. Contracts	275,000
Programs Total	12,040,000*

*NOTE: Grant proceeds from CEC contribute $4,760,000 toward above costs.

<u>Advanced Energy Center Leasehold Improvements</u>

A significant portion of the California Energy Commission grant that SCP received is targeted toward the creation of the Advanced Energy Center in downtown Santa Rosa. Due to the constraints of the grant process, we were not able to include more than $509,000 in the application for tenant improvements (the grant process requires that any contractor receiving over $100,000 in the grant be identified at the time of application. Also, as a public agency, SCP is required to bid the tenant improvement contract and therefore could not identify the contractor at the time of grant application.) Combined with the higher cost of construction since the grant application was made, this means a higher amount of tenant improvement costs will likely fall to SCP than originally planned.

Initial professional estimates for tenant improvements are running at $2.7 million. These are initial, planning level estimates and are deliberately conservative to try to account for all contingencies. Many of the costs included in the initial estimate are expected to come down slightly due to value engineering. However, this estimate is still about $700,000 higher than SCP initially estimated. That early estimate included the $509,000 in the original grant application and $1.5 million in assumed SCP tenant improvement costs.

It is staff's recommendation to proceed with construction of the Advanced Energy Center for several reasons:

- SCP has a sole right to take over operation of the Advanced Energy Center and continue operating it at the end of the three-year CEC grant;
- The use of a storefront/showroom/training center has many uses for SCP that can evolve with SCP's programs;
- The annual operating costs of the Center, including staffing, utilities, lease, security, insurance and related expenses is expected to be under $400,000 per year in 2022, making it a potentially valuable resource to continue using.

OTHER USES

Capital Outlay is for equipment costing in excess of $1,000, including computers, printers and furniture. However, SCP's capital investment in its owned headquarters building is 98% of this line item for FY2019-20.

Collateral Deposits used to be included as an "Other Use" but are now recorded as coming out of SCP's Collateral Reserve fund rather than a budget line item.

DEBT SERVICE

SCP currently carries no debt.

NET INCREASE/ (DECREASE) IN AVAILABLE FUND BALANCE

The allocation of surplus funds is governed by the adopted Financial Policy B2. The policy generally indicates that net surplus funds (if any) are dedicated to Operating/Credit Reserves, Program Reserves, and a Collateral Reserve. This proposed budget produces an estimate 4.8% of Revenues Less Expenditures, so may comply with the spirit of Policy B2. However, the proposed budget would require the Board to make an exemption because of the significant capital expenses, and therefore the lack of contribution to reserves.

APPENDIX

Financial Policy B2

The SCPA Board of Directors has Financial Policy B2 to govern the planning for reserves and uses of net income. Due to the large capital investments in this coming fiscal year, staff are requesting the Committee recommend the Board of Directors suspend the requirement to contribute to reserves for a period of one year.

(See attachment)

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 2% above 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 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 the reserves.

2) Allocating the Increase in Available Fund Balance, if any:

[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.

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.

Page intentionally left blank for double-sided printing

Staff Report – Item 05

To:	Sonoma Clean Power Authority Community Advisory Committee
From:	Erica Torgerson, Director of Customer Service
Issue:	Update on Default Time-of-Use Pilot and Full Default Time-of-Use Transition
Date:	March 25, 2019

Requested Action:

Receive an update on SCP's default time-of-use pilot and full default time-of-use transition for residential customers.

Time-of-Use Transition Background:

On July 3, 2015, the California Public Utilities Commission published the Residential Rate Reform Decision for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company for the transition to Time-Of-Use Rates (D.15-07-001).

The planned transition to Time-Of-Use or "TOU" rates is needed for a number of reasons. Retail rates need to better approximate the changes in wholesale costs throughout the day in order to make customer investments in batteries, targeted evening-time efficiency measures, and demand response programs work. Without these changes, climate and rate goals would be harmed because incentives would remain tilted toward net production of mid-day solar rather than evening release of stored energy and other measures to offset high-cost and high-emission energy.

Currently, the most common residential rate is E-1. E-1 is a flat rate, which means customers pay the same price per kilowatt-hour of electricity day and night through the winter and summer seasons. Eighty nine percent of SCP's residential customers are on the E-1 rate. Prior to the Residential Rate Reform Decision, E-1 had 4 tiers. Tiers are solely on the delivery (PG&E) side of the bill. As a customer uses more electricity during their billing period, the customer moves to the next, higher-cost tier. This means as the customer uses more electricity during the billing period, the price of that electricity per kWh increases. The original purpose of the tiers was to promote conservation; use less electricity and pay a lot less. Unfortunately, this has turned out to be ineffective, as customers often do not know when they reach the next tier.

As the Commission studied the issue, it was determined that Time-of-Use (TOU) rates would do a better job at sending price signals to customers as compared to tiers. TOU rates also help align wholesale prices and retail rates. The Commission ordered the Investor Owned Utilities (IOUs) to complete an Opt-In TOU Pilot in 2017, a Default TOU Pilot in 2018, and full Default TOU Transition in 2019 (since updated to 2020).

Default TOU Pilot Background:

SCP and MCE Clean Energy were asked by the Commission to participate in the Default TOU Pilot (Pilot). The purpose of the Pilot was to test marketing, education, and outreach strategies for customers, rigorously test the IOUs process for defaulting mass numbers of customers into a new rate in a compressed timeframe, rate comparison tools, bill protection, and customer understanding before full default TOU transition. As participation in the Pilot was approved by SCP's Board, SCP also had the opportunity to test Calpine Energy Solutions (SCP's billing vendor) and SCP's ability to be operationally ready for full TOU transition in 2020.

Prior to the Pilot beginning, two issues presented themselves. The first was a need for a rate comparison tool for community choice customers. PG&E's "My Energy Tool" could only perform a rate comparison (e.g. E-1 vs E-TOU-A) for PG&E's bundled customers. No similar comparison tool was available for SCP's customers. An interim solution was developed in which SCP and MCE customers would be able to use PG&E's "My Energy Tool" to run a rate comparison for all available residential rates using PG&E's bundled rates as proxy rates. Although not ideal, it allowed customers to make an informed decision on a rate plan choice.

The second issue was bill protection. The Residential Rate Reform Decision directs the IOUs to provide one year of bill protection for customers who are defaulted to the new TOU rate. IOUs are required to provide bill protection in the form of a bill credit at the end of the twelve-month period for customers who paid more because of the switch to the TOU rate. SCP's Board of Directors approved providing bill protection for the generation portion of the rate to its customers for the Pilot to ensure SCP customers are treated equitably to bundled customers.

Default TOU Pilot Update:

Originally scheduled to begin in March 2018, the Pilot was delayed to April 2018 by the 2017 Wine County Wildfires. In addition, parallel to PG&E working with SCP and MCE on the setting up the Pilot, Silicon Valley Clean Energy's (SVCE) Board of Directors voted to enroll the City of Milpitas into its service starting in June 2019. However, as Milpitas was already included in PG&E's Pilot population, SVCE inadvertently became the third CCA in the Pilot. This staff report will focus on MCE and SCP's results as SVCE's pilot had a different time frame due to their June enrollment.

Timeline:

In January 2018 (90 days before transition), SCP and PG&E sent a joint communication letter to 8,157 customers notifying them of their default transition to a new rate called Time-of-Use (Peak Pricing 4-9 p.m. Every Day). Customers had the option to decline to transition in the Pilot and remain on their E-1 rate by calling PG&E or visiting PG&E's website. Customers were also notified that they would receive automatic bill protection for the first 12 months they were on the rate. Meaning, if they paid more than they would have on their current E-1 rate, they would be credited the difference (PG&E would credit the delivery portion and SCP the generation portion). Here is a snapshot of SCP and MCE's stats after the 90 day letter:

2/1/2018	SCP		MCE	
Current Status	Customer Count	% of Total	Customer Count	% of Total
Initial Population	8,157	100.00%	9,921	100.00%
Stopped/Closed Service	78	0.96%	75	0.76%
Declined to Transition	195	2.39%	221	2.23%
Remaining Population	7,884	96.65%	9,625	97.02%

In February 2018 (60 days before transition), SCP and PG&E sent a second joint communication letter to the remaining population. This communication provided the customer with a personalized electric rate plan comparison. The letter compared the customer's current rate (E-1) to the new transition rate (Time-of-Use (Peak Pricing 4-9 p.m. Every Day)) and a third option, E-TOU-A. The comparison was based on the customer's last 12 months of electricity usage and PG&E's current bundled rates. Here is a snapshot of SCP/MCE/PG&E's stats after the 60 day letter:

3/1/2018	SCP		MCE		PG&E Total	
Current Status	Customer Count	% of Total	Customer Count	% of Total	Customer Count	% of Total
Initial Population	8,157	100.00%	9,921	100.00%	160,525	100.00%
Stopped/Closed Service	141	1.73%	148	1.49%	2,751	1.71%
Declined to Transition	746	9.15%	917	9.24%	19,203	11.96%
Remaining Population	7,270	89.13%	8,856	89.27%	138,571	86.32%

A couple of interesting things to note from these stats:

- MCE and SCP have very similar stats in terms of customers declining to participate.
- It is believed PG&E's decline-to-participate stat is higher due a hotter average climate for most of their Pilot customers.
- Call center call volume for PG&E was lower than expected with most customers choosing to self-serve via the IVR or online tools.
- Call center call volume for SCP was also extremely low with only a handful of calls related to the Pilot.
- Of SCP's customers that declined to participate (746), 44% chose a different TOU rate:

3/1/2018	SCP		MCE		PG&E Total	
Decline Participation	Customer Count	% of Total	Customer Count	% of Total	Customer Count	% of Total
Selected TOU-A or TOU-B	263	35%	356	39%	4,925	26%
Can't Shift Usage	143	19%	185	20%	4,490	23%
New Rate to Expensive	129	17%	144	16%	3,958	21%
Prefer Current Rate	108	14%	117	13%	3,154	16%
Different Rate is Better	65	9%	77	8%	1,565	8%
Other	25	3%	24	3%	745	4%
Rate Too Complicated	10	1%	10	1%	303	2%
Early Decline	3	0%	4	0%	63	0%
Total	746	100%	917	123%	19,203	100%

In March 2019 (30 days before transition), SCP and PG&E sent a third joint letter to the remaining population. This was the final letter before the start of the transition. At the transition, SCP had a remaining population of 6,373 or 78% of customers included in the initial population. This matches up well with not only MCE and PG&E, but SVCE too and should be a good indicator of what will happen during full TOU transition.

4/12/2018	SCP		MCE		PG&E Total	
Current Status	Customer Count	% of Total	Customer Count	% of Total	Customer Count	% of Total
Initial Population	8,157	100.00%	9,921	100.00%	160,525	100.00%
Stopped/Closed Service	226	2.77%	234	2.36%	4,272	2.66%
Declined to Transition	1,558	19.10%	1,885	19.00%	38,560	24.02%
Remaining Population	6,373	78.13%	7,802	78.64%	117,693	73.32%

During the first quarter of 2018, PG&E, SCP, and MCE worked to develop call center talking points and scripting, website collateral, and bill protection guidelines and scenarios. These materials were shared freely among SCP, MCE, and PG&E, building a really good working relationship to create the best customer service experience possible.

Over the remainder of 2018, SCP, MCE, and PG&E continued to work together in preparation for the end of Pilot and the implementation of bill protection for customers. PG&E provided the following stats in January 2019, showing that Pilot customers have, for the most part, continued on the new rate and did not see any major spikes in rate changes.

1/21/2019	SCP		MCE		PG&E-Cool/Moderate	
Current Status	Customer Count	% of Total	Customer Count	% of Total	Customer Count	% of Total
Original Population Transitioned	6,176	100.0%	7,548	100.0%	58,327	100.0%
Remain on TOU-C	5,544	89.8%	6,791	90.0%	52,557	90.1%
Switched back to E-1	28	0.5%	31	0.5%	639	1.1%
Switched to another TOU Rate	61	1.0%	92	1.2%	733	1.3%
Stopped/Closed Service	543	8.8%	634	8.4%	4,398	7.5%

Also helpful, PG&E started comparing SCP and MCE stats against bundled customers in cool or moderate climate zones. As the stats are even closer than when compared to PG&E's entire service territory, it is a likely a good indication of what we can expect in full TOU transition.

Recently, SCP, MCE, and PG&E completed preparing an 11-Month joint letter that will be sent to all Pilot customers. The letter will inform customers that their bill protection is ending the following month and what they can expect their bill protection will be or what they saved by being on the new rate. In addition, customers will receive an "on-bill message" from both SCP and PG&E when they receive their bill protection credit.

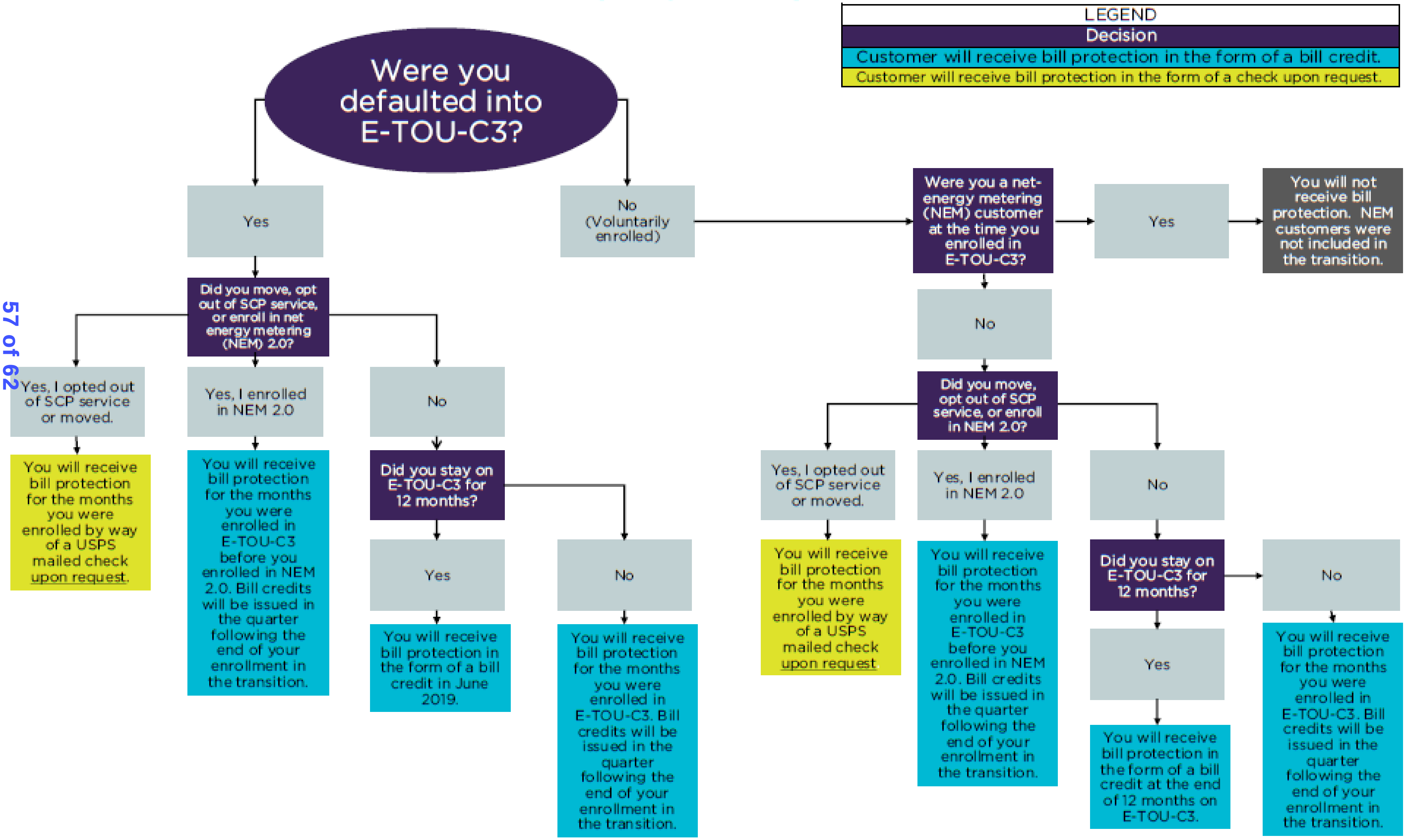
Bill Protection:

Final bill protection numbers will not be available until June, but in an effort to give the Committee a snapshot here is a summary as of January 2019.

Bill Protection	1/31/2019	Notes
Total number of accounts	6,592	Number of accounts currently on TOU-C
Active accounts with no estimated bill protection	3,274	Customers who are saving money by being on TOU-C
Estimated Savings	$ (23,144)	Amount customers have saved (revenue shortfall to SCP)
Active accounts with bill protection	2,624	Number of accounts who have paid more by being on TOU-C
Estimated bill protection	$ 28,099	Amount owed customers for bill protection
Total dollars of bill protection to date - paid	$ 1,335	Amount of bill protection paid to date

For more information on how bill protection works, please see the following page for a flowchart available to customers on SCP's website. Please note Time-of-Use (Peak Pricing 4-9 p.m. Every Day) is also known as E-TOU-C3.

Do I qualify for bill protection?



Full Default TOU Transition Background:

The Residential Rate Reform Decision ordered full TOU transition to begin in 2019, however, in working though the complexities of the Pilot, PG&E, MCE, and SCP quickly realized that starting full TOU transition before completion of the Pilot and being able to understand the financial impacts of bill protection was unworkable. Many CCAs joined MCE and SCP in requesting the Commission delay the start of full TOU transition until October 2020. The Commission agreed and full TOU transition was delayed across the State except for San Diego Gas & Electric's territory who requested to keep with the original time due an IT upgrade already scheduled for 2020.

Full Default TOU Transition Next Steps:

The Commission and PG&E have asked the CCAs to make two decisions by October 2019:

1) Will the CCA transition its residential E-1 customers to the transition rate, Time-of-Use (Peak Pricing 4-9 p.m. Every Day), during an agreed upon period?

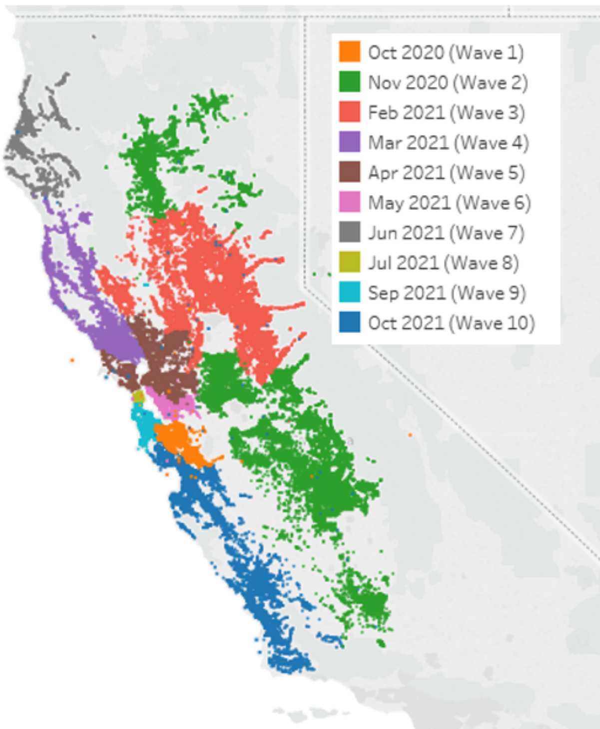
2) Will the CCA offer bill protection to its customers, in a manner similar to PG&E's?

In an effort to help SCP's Community Advisory Committee and Board of Director's make these decision, Staff intends to speak about these questions at the following meetings:

CAC	March 25, 2019:	Present update on Pilot and Full TOU Transition
BOD	April 4, 2019:	Present update on Pilot and Full TOU Transition
BOD	July 11, 2019:	PG&E/SCP joint presentation on Full TOU Transition & update on final Pilot results
CAC	July TBD, 2019:	Evaluation of Pilot results and recommendation on full TOU transition and bill protection
BOD	August 1, 2019:	1) Approval of full TOU transition 2) Approval of bill protection

Of note, although the Commission and PG&E have requested these decisions by October 2019, SCP would not be scheduled to transition its customers until March 2021.

TOU Full Rollout Plan (13 month rollout)



Counties	Service Provider Territory Included	Totals
Oct 2020 (Wave 1)		**394,836**
Santa Clara	San Jose Clean Energy (SJCE)	227,998
	Silicon Valley Clean Energy (SVCE)	166,838
Nov 2020 (Wave 2)		**200,876**
Fresno, San Joaquin, Kern, Tuolumne, Shasta, Madera, Merced, Tehama, Plumas, Stanislaus, Mariposa, Kings, Tulare, Lassen	PG&E Bundled	200,876
Feb 2021 (Wave 3)		**181,459**
Placer, El Dorado, Yolo, Butte, Nevada, Calaveras, Lake, Amador, Sutter, Yuba, Glenn, Colusa, Sacramento, Sierra, Alpine	PG&E Bundled	118,183
	Pioneer Community Energy (PIO)	43,125
	Valley Clean Energy (VCE)	20,151
Mar 2021 (Wave 4)		**136,031**
Sonoma, Mendocino	Sonoma Clean Power	136,031
Apr 2021 (Wave 5)		**409,382**
Contra Costa, Solano, Marin, Napa	MCE	307,341
	PG&E Bundled	102,041
May 2021 (Wave 6)		**398,624**
Alameda	East Bay Community Energy (EBCE)	369,913
	PG&E Bundled	28,711
Jun 2021 (Wave 7)		**38,695**
Humboldt, Trinity, Siskiyou	Redwood Coast Energy Authority (RCEA)	37,842
	PG&E Bundled	853
Jul 2021 (Wave 8)		**261,529**
San Francisco	CleanPowerSF (CPSF)	261,529
Sept 2021 (Wave 9)		**200,182**
San Mateo	Peninsula Clean Energy (PCE)	200,182
Oct 2021 (Wave 10)		**262,936**
Monterey, Santa Cruz, San Luis Obispo, Santa Barbara, San Benito	Monterey Bay Community Power (MBCP)	169,088
	PG&E Bundled	91,578
	King City Community Power	2,270

Note: Customer counts are approximate and depend on final exclusion criteria. Also, assuming NEM customers transition on their true-up date, each wave would have an additional ~10K NEM customers. This table assumes all customers within each CCA territory are enrolled with the CCA service provider.

1

Full Default TOU Transition:

Until the Pilot has been evaluated for customer satisfaction and understanding, the financial impacts of the revenue shortfall and bill protection, and overall operational readiness, Staff does not have recommendations on the questions listed above, but looks forward to a robust discussion with the CAC and Board.

Page intentionally left blank for double-sided printing

Sonoma Clean Power

Staff Report – Item 06

To: Sonoma Clean Power Authority Community Advisory Committee

From: Rachel Kuykendall, Senior Programs Manager

Item: Recommend Board Authorization for the CEO to Negotiate and Execute Agreement with NRTC to Provide Smart Thermostats for the GridSavvy Community

Date: March 25, 2019

Requested Actions

Staff requests that the Community Advisory Committee ("CAC") recommend that the SCP Board of Directors ("Board") Delegate Authority to the Chief Executive Officer ("CEO") to negotiate and execute a contract with NRTC to add smart thermostats to the GridSavvy Community, consistent with the parameters in this staff report, including an aggregate not-to-exceed amount of $189,500 over the term.

Discussion

In Summer of 2017, SCP staff began conversations with Olivine, Inc. around the potential for the creation of a distributed energy resource ("DER") platform and assistance with bidding DERs into California Independent System Operator ("CAISO") markets. SCP's goals for the program included:

- Make demand response ("DR") easy for SCP customers. Customers should be able to easily enroll, unenroll, and transition between multiple demand response offerings.
- Allow multiple providers and their technologies to participate. Private companies offering DER products, controls and software should see the SCP DER Community as a valuable means of accelerating customer adoption, and this value is greater than "capturing" a customer by making it difficult for them to leave a current program.

- ➢ Build a portfolio of resources. Provide a variety of technologies and resources that can participate in CAISO markets and, eventually serve as resource adequacy ("RA") resources for SCP.
- ➢ Mitigate compliance risk. SCP could face liability for poorly performing actors in the DR space relating to CAISO compliance. Generally, DER market participation causes a load deduction which must be integrated into SCP's CAISO load forecast. When 3rd party providers do not file their program impacts through SCP, then SCP is liable for the error in forecast caused by the 3rd party.

This program, which became the GridSavvy Community, has deployed over 2,300 residential electric vehicle ("EV") chargers to SCP customers since November 2016 through an online webstore. Each of these EV chargers is able to receive a remote signal to ramp up or down charging speed based on grid needs. Currently, 686 of SCP's customers with EV chargers are actively participating in demand response events, where charging is curtailed for 1-2 hours.

Incorporating Smart Thermostats Into the GridSavvy Community

Late last year, SCP Programs staff began conversations with the National Rural Telecommunications Cooperative ("NRTC"), an organization which primarily represents rural co-operatives. NRTC has an existing agreement in place with Google, who manufacturers the Nest thermostat. Through their existing partnership, NRTC offers its members a $50 discount on demand-response capable Nest thermostats. Staff is seeking to piggyback off of the NRTC-Google arrangement to be able to add smart thermostats into SCP's GridSavvy Community, with the following initial program structure:

- ➢ Limit 1 thermostat per account.
- ➢ Customer must sign up for demand response if ordering a thermostat through the SCP webstore.
- ➢ Customer is provided a $50 instant discount on price of thermostat.
- ➢ Once activated as a demand response resource for any participating GridSavvy technology, customer receives a $5/month bill credit. The $5/month bill credit does not increase if the customer connects multiple devices (ie: both a charger and a thermostat)

Note that program structure may change over the life of the GridSavvy Community program.

Delegation of Authority to the CEO to Negotiate and Execute a Contract with NRTC

In order to take advantage of the NRTC relationship with Google and associated discounts on Nest Thermostats, SCP would need to enter into a contract with NRTC. The terms and conditions of the NRTC Agreement differ from SCP's standard provisions. Staff requested changes to the agreement in key areas to eliminate or reduce the impact of unfavorable provisions on SCP. While NRTC did make some modifications, they indicated they were unable to change other aspects of the NRTC agreement because they are flow-down provisions from NRTC's agreement with Google. Staff is nevertheless recommending the NRTC agreement to the CAC because staff has concluded that the advantages of being able to offer Nest Thermostats as part of the GridSavvy Program outweigh the potential risks and impacts associated with the non-standard NRTC agreement.

Staff requests that the CAC recommend that the Board delegate authority to the CEO to negotiate and execute contract with NRTC substantially in the form attached to this staff report. Such delegation to negotiate and execute an agreement with NRTC would be subject to the conditions set forth below:

- An aggregate not-to-exceed amount of $189,500 over the term of the Agreement. Of this amount, $46,000 is anticipated for program startup fees and $143,500 is anticipated for hardware and shipping fees, which will be collected from customers through the GridSavvy Community webstore.
- An initial term for the agreement through June 30, 2020.
- Delegate authority to the CEO to negotiate further amendments to the agreement to address programmatic needs, add new technologies or make other adjustments provided the amendment does not otherwise revise the aggregate not-to-exceed amount or the agreement term.
- The agreement, and any subsequent amendments are in a form approved by the General Counsel.

Attachments

- NRTC Contract

Attachments for this item can be accessed through this link