AGENDA
BOARD OF DIRECTORS MEETING
THURSDAY, JANUARY 7, 2021
8:45 A.M.

******GOVERNOR'S EXECUTIVE ORDER N-25-20******
******GOVERNOR'S EXECUTIVE ORDER N-29-20******
RE CORONAVIRUS COVID-19

CONSISTENT WITH THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20 WHICH SUSPEND CERTAIN REQUIREMENTS OF THE BROWN ACT, AND THE ORDER OF THE HEALTH OFFICER OF THE COUNTY OF SONOMA TO SHELTER IN PLACE TO MINIMIZE THE SPREAD OF COVID-19, MEMBERS OF THE BOARD OF DIRECTORS WILL PARTICIPATE IN THE JANUARY 7, 2021 MEETING BY TELECONFERENCE. DUE TO THE EXECUTIVE ORDERS, IN-PERSON PARTICIPATION BY THE PUBLIC WILL NOT BE PERMITTED AND NO PHYSICAL LOCATION FROM WHICH THE PUBLIC MAY ATTEND THE MEETING WILL BE AVAILABLE. REMOTE PUBLIC PARTICIPATION DETAILS ARE LISTED BELOW.

Members of the public who wish to participate in the Board of Directors Meeting may do so via the following webinar link or teleconference call-in number and meeting code:

- Webinar link: **https://zoom.us/j/95702916148**
- Telephone number: 1 (669) 900-9128
- Meeting ID: 957 0291 6148

PLEASE NOTE: The Sonoma Clean Power Business Office is closed and this meeting will be conducted entirely by teleconference.

How to Submit Public Comment During the Teleconference Meeting:

The Chair will request public comment during the Public Comment period for all items on the agenda. Comments may be submitted in writing to: **meetings@sonomacleanpower.org**, or during the meeting via the webinar "raise your hand" feature. For detailed public comment instructions, **please visit this page**.

For written comments, state the agenda item number that you are commenting on and limit to three hundred (300) words. Written comments received prior to the meeting and/or the agenda item you wish to comment on will be read into the record.

Staff recommendations are guidelines to the Board. On any item, the Board may take action which varies from that recommended by staff.

I. CALL TO ORDER

II. BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve December 3, 2020 Draft Board of Directors Meeting Minutes (Staff Recommendation: Approve) - pg. 5
2. Authorize the Chief Executive Officer to Execute an Agreement With, and Subsequent Amendments, with Enel X North America with a Total Not-to-Exceed Amount of $530,000 through December 31, 2021 (Staff Recommendation: Approve) - pg. 9

III. BOARD OF DIRECTORS REGULAR CALENDAR

3. Receive Internal Operations and Monthly Financial Report and Provide Direction as Appropriate (Staff Recommendation: Receive and File) - pg. 11
4. Receive Legislative and Regulatory Updates and Provide Direction as Appropriate (Staff Recommendation: Receive and File) - pg. 29
5. Receive Annual Report (Staff Recommendation: Receive and File) - pg. 31
6. Approve Reduced Generation Rates for Implementation on February 1, 2021 and Approve Conditional Rate Adjustments to Adjust Generation Rates Within Certain Guidelines through June 30, 2021 (Staff Recommendation: Approve) - pg. 33
7. Discuss EverGreen Local Resource Public Workshop #1 (Staff Recommendation: Review and Provide Direction as Appropriate) - pg. 39
8. Adopt a Resolution Approving the California Community Power Agency Joint Powers Agreement and Authorize the CEO to Execute this Agreement with any Minor, Nonsubstantive Modifications also Approved by SCPA's Special Counsel (Staff Recommendation: Approve) - pg. 59
9. Receive Report on the Potential Use of Microgrids to Reduce Distribution Costs and Fire Risks in Certain Remote Areas and Delegate Authority to the CEO to Authorize PG&E to Complete a Limited Number of Pilot Projects (Staff Recommendation: Approve) - pg. 83

IV. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(Comments are restricted to matters within the Board jurisdiction. Please be brief and limit comments to three minutes, if spoken, or three hundred (300) words if in writing.)

V. BOARD MEMBER ANNOUNCEMENTS

VI. ADJOURN

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation or an alternative format, please contact the Clerk of the Board at (707) 890-8491, or by email at meetings@sonomacleanpower.org 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
LSE	Load Serving Entity
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
PSPS	Public Safety Power Shutoff - a term used when it may be necessary for PG&E to turn off electricity for public safety when gusty winds and dry conditions, combined with a heightened fire risk, are forecasted
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
TOU	Time of Use, used to refer to rates that differ by time of day and by season

Sonoma Clean Power

DRAFT MEETING MINUTES
BOARD OF DIRECTORS MEETING
THURSDAY, DECEMBER 3, 2020
8:45 A.M.

******GOVERNOR'S EXECUTIVE ORDER N-25-20******
******GOVERNOR'S EXECUTIVE ORDER N-29-20******
RE CORONAVIRUS COVID-19

CONSISTENT WITH THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20 WHICH SUSPEND CERTAIN REQUIREMENTS OF THE BROWN ACT, AND THE ORDER OF THE HEALTH OFFICER OF THE COUNTY OF SONOMA TO SHELTER IN PLACE TO MINIMIZE THE SPREAD OF COVID-19, MEMBERS OF THE BOARD OF DIRECTORS PARTICIPATED IN THE DECEMBER 3, 2020 MEETING BY TELECONFERENCE.

I. CALL TO ORDER

Chair Slayter called the meeting to order at approximately 8:45 a.m.

Board Members present: Chair Slayter, Vice Chair Bagby, and Directors Belforte, Fudge (Alternate), Gjerde, Hopkins, King, Landman, Strong (Alternate), and Tibbetts

Staff Members present: Geof Syphers, Chief Executive Officer; Mike Koszalka, Chief Operating Officer; Stephanie Reynolds, Director of Internal Operations; and Harriet Steiner, Special Counsel

II. BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve November 5, 2020 Draft Board of Directors Meeting Minutes
2. Approve an Extension of Customer Service Policy A.6a – 2020 COVID-19 Emergency Consumer Protection Policy
3. Authorize the Chief Executive Officer Execute an Agreement with Ibex Enterprises dba RDI, Resource Design Interiors to provide furniture for the SCP Headquarters Building in the amount of $268,209.82
4. Receive Overview of Self-Generation Incentive Program (SGIP) Assistance
5. Adopt Resolution Attesting to the Accuracy of Sonoma Clean Power's 2019 Power Source Disclosure Annual Report for CleanStart and EverGreen Products
6. Approve Board of Directors Meeting Dates for 2021 Calendar Year

Public Comment: None

Motion to Approve the December 3, 2020 Consent Calendar by Director King

Second: Vice Chair Bagby

Motion passed: 10-0-0 (*Directors Fudge and Strong abstained from Item #1 on the Consent Calendar–Approval of November 5, 2020, Draft Meeting Minutes)*

III. BOARD OF DIRECTORS REGULAR CALENDAR

7. Receive Internal Operations and Monthly Financial Report and Provide Direction as Appropriate

   CEO Syphers thanked outgoing Directors Belforte and Okrepkie for their respective years of service and contributions to SCP. Director of Internal Operations Stephanie Reynolds detailed the recent EverGreen Local Resource Plan Public Workshop #1 webinar and noted the successful turnout and significant amount of public feedback received. Director of Public Affairs & Marketing Kate Kelly gave a community outreach update, including SCP's sponsorship of a drive-up food donation event in partnership with the Redwood Empire Food Bank, and additional donations to Mendocino County foodbanks. Programs Manager Carolyn Glanton detailed a series of upcoming contractor trainings for the Advanced Energy Center ("AEC"), which if completed, will allow contractors to become certified installers for products offered at the AEC. Director Reynolds noted the variance in electricity costs from the approved budget due to the high energy costs incurred as a result of the CAISO Stage 2 events in August and September.

   Public Comment: Patrick Carter from the City of Petaluma spoke on applications for the CALeVIP program and the status of waitlist applicants.

8. Receive Legislative and Regulatory Updates and Provide Direction as Appropriate

   Director of Regulatory Affairs Neal Reardon detailed a CPUC's Safety Enforcement Division report in response to the 2019 PSPS events that PG&E failed to demonstrate that the benefit of de-energization outweighed potential public safety risks. He reported that because PG&E failed to meet the burden of demonstrating that these events were necessary, SCP along with other Northern California CCAs, recommended that shareholders be held responsible for all liabilities incurred because of the shutoffs. Director Reardon then detailed a proposed settlement for reducing the PCIA fee, which if approved, would reduce the PCIA fee to SCP customers by approximately $9.8 million. CEO Syphers gave a brief legislative update on energy-related appointments on the state and federal level.

Public Comment: Woody Hastings spoke on the PCIA fee and efforts to remedy future under collections of the PCIA.

9. Receive Report on the Potential Participation in Forming a JPA of CCAs for the Purpose of Joint Procurement of Energy Resources and Products and Provide Direction as Appropriate

   CEO Syphers detailed the proposal to form a JPA of CCAs that would procure resources on behalf of its members. He likened this effort to what municipal service providers can achieve through their membership in the Northern California Power Agency, which facilitates joint procurement of resources for its members. CEO Syphers then described the purpose, scope, operation, costs, benefits, and risks of the proposed JPA, which has a working title of "CC Power." He then described the substantive discussion on this item by the Community Advisory Committee and highlighted some of the key questions brought forward by Committee Members. Finally, CEO Syphers noted that SCP will retain all rights of procurement and that any deals entered with CC Power would be entirely voluntary.

   Director Strong asked about staffing for CC Power; CEO Syphers stated that a fulltime director, and potentially one support staff, will be hired and outside consultants will be utilized on an as-needed basis so SCP will not have staffing obligations.

   Director King asked about any costs should SCP leave the JPA; CEO Syphers stated that SCP would be responsible for paying any remaining calendar-year administrative costs, which are estimated at $30,000 per year, along with any outstanding transaction costs for agreements that SCP may have executed.

   Director Hopkins noted her support and then asked if there is potential for CC Power to develop generation resources in the future; CEO Syphers described how the JPA's framework allows the entity to operate facilities and run energy programs.

   Chair Slayter asked about any assurances that CC Power will represent SCP's ideals and ethics, particularly in the areas of clean energy; CEO Syphers advised that SCP can consider these ideals as appropriate. Special Counsel Harriet Steiner noted language in the JPA that positively supports each CCA's particular energy goals and programs.

   Public Comment: Ben Peters provided written comment noting that the Association of Bay Area Governments (ABAG) has a joint energy procurement division which includes a few SCP member agencies.

10. Receive and Accept Audited Financial Statement for FY 2019/2020

    Brett Bradford and Andrea Lifto, from Pisenti & Brinker LLP, presented their independent report of SCP's financial statement for Fiscal Years ending June

30, 2019 and June 30, 2020. Along with detailing the scope and responsibilities of their audit, they shared their findings that the financial statements are materially accurate and no significant deficiencies in internal control were identified.

Director Tibbetts left the meeting at an unspecified time; Director Belforte left the meeting at approximately 10:56 a.m.

Public Comment: None

Motion to Receive and Accept Audited Financial Statements for Fiscal Years ending June 30, 2019 and June 30, 2020 by Director Landman

Second: Director King

Motion passed: 8-0-0

Director Hopkins left the meeting at approximately 11:06 a.m.

IV. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

Public Comment: Mark Mortenson from Friends of the Climate Action Plan & Working Group for Emergency Climate Action Now, spoke in support of SCP, encouraged greater community outreach, and welcomed future collaborations to mitigate the climate crisis.

V. BOARD MEMBER ANNOUNCEMENTS

Chair Slayter offered his holiday wishes and encouraged limiting gatherings this year.

VI. ADJOURN

Chair Slayter adjourned the meeting at approximately 11:08 a.m.

Staff Report – Item 02

To: Sonoma Clean Power Authority Board of Directors

From: Rachel Kuykendall, Senior Programs Manager

Item: Authorize the Chief Executive Officer to Execute an Agreement With, and Subsequent Amendments, with Enel X North America with a Total Not-to Exceed Amount of $530,000 through December 31, 2021

Date: January 7, 2021

REQUESTED ACTIONS

Staff requests that the Board of Directors ("Board") delegate authority to the Chief Executive Officer ("CEO"), or his designee, to negotiate and execute a contract, and subsequent amendments, with Enel X North America, Inc. ("Enel X") to continue providing SCP customers with smart residential EV charging equipment through the GridSavvy Community, consistent with the parameters in this staff report, including an aggregate not-to-exceed amount of $530,000 over the term, subject to the conditions set below.

BACKGROUND

Beginning in 2016, Staff began work with Enel X, formerly Electric Motor Werks (EMW), to provide free electric vehicle charging stations to Sonoma Clean Power customers through the GridSavvy Community. To date, 3060 electric vehicle charging stations have been provided to SCP customers through this partnership.

To facilitate this offering, staff negotiated and executed two contracts with Enel X. The first contract is to provide physical hardware—residential electric vehicle chargers—to Sonoma Clean Power customers. This hardware contract has an annual term and a not-to-exceed budget of $350,000. It was reviewed by the Committee

Advisory Committee (CAC) on May 19, 2020 and later adopted by the SCP Board on June 4, 2020.

The second contract with Enel X is for the provision of software services that enable the electric vehicle charging stations to receive a remote signal and be controlled for grid needs. This software contract had a term from July 18, 2017 through December 31st, 2020 and a not-to-exceed budget of $400,000.

This proposed amended and restated contract merges the previously approved hardware contract with the terms and budget of the software contract. This contract was reviewed by the Community Advisory Committee during its December 16, 2020 meeting. The item was included as a part of the Community Advisory Committee's consent calendar. It received no discussion and was unanimously approved for recommendation to the Board. Staff requests that the Board delegate authority to the CEO to negotiate and execute the amended and restated contract, and any subsequent amendments, with Enel X substantially in the form attached to this staff report.

FISCAL IMPACT

Staff is requesting authorization for a not-to-exceed amount of $530,000 for the calendar year 2021 program. Staff has already budgeted this amount into the Fiscal Year 20/21 Programs Budget.

ATTACHMENTS

- Enel X North America, Inc Amended and Restated Agreement for Professional Services

  Attachments for this item are available through this link or by request from the Clerk of the Board.

Staff Report – Item 03

To: Sonoma Clean Power Authority Board of Directors

From: Stephanie Reynolds, Director of Internal Operations
Mike Koszalka, Chief Operating Officer

Issue: Receive Internal Operations and Monthly Financial Report and Provide Direction as Appropriate

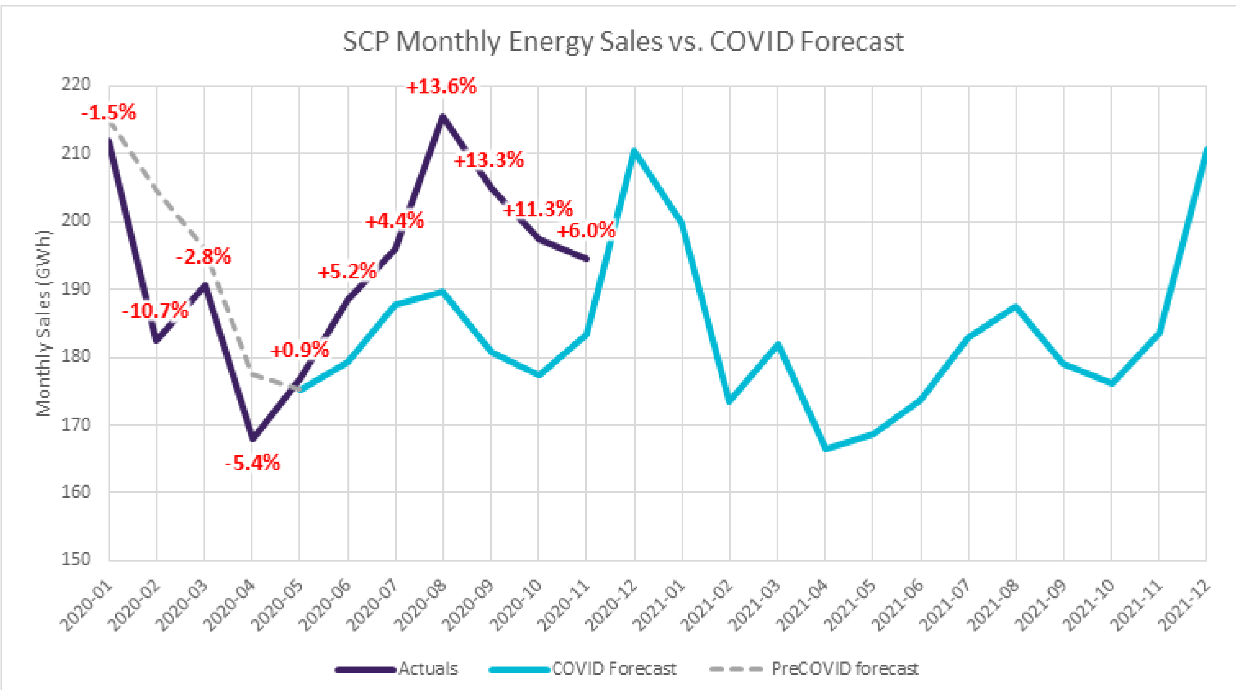
Date: January 7, 2021

COVID-19 IMPACTS TO SCP

SCP began 2020 with a normal operations forecast, however needed to pivot once COVID implications hit Sonoma and Mendocino Counties. Staff was able to engage with local economists and, using their input, developed an adjusted forecast starting in May 2020 considering COVID impacts going forward for the next several years. The economists predicted a range of outcomes for business closures and residential impacts and Staff used the median range of forecasts for the budget. The impact of COVID-triggered permanent business closures forecasted by contracted economists and their associated impact to SCP energy sales and revenue have not yet come to fruition.

The FY20-21 budget assumed SCP's meter count would drop from 227,000 to below 223,000 by the end of the year; instead, SCP's meter count has slightly grown to over 228,000. Additionally, an unusually warm summer and increased residential usage supported strong sales despite reduced business activity. SCP is currently expecting 2020 calendar year energy sales of 2,345 GWh, which is just slightly less than the 2,360 GWh sold in calendar year 2019 but 5% higher than the annual sales forecast developed using the economists' projections for the economy as inputs to our model.

Current FY20-21 YTD energy use is 10% above budgeted energy sales GWh. Staff plans to adjust the COVID forecast energy sales in an adjusted budget in Q1 of 2021 since COVID has not resulted in the sustained decrease in energy sales that were originally predicted. The graph below shows the actual energy use YTD, the pre-COVID forecast from January through April 2020 that did not include COVID adjustments, and the forecast from May 2020 onward with COVID adjustments. The red percentages are the comparison of actual energy sales to forecast energy sales. The scale is exaggerated (starts at 150 GWh instead of zero) to better show the differences from forecast.



SCP HEADQUARTERS PROJECT UPDATE

Work on the renovation of the Headquarters Building at 431 E Street in Santa Rosa is about 50% complete. All major structural and underground work has been completed. Work on the electrical and mechanical systems is nearing completion and sheetrock is being installed and finished. The roof has been replaced and skylights have been installed. Work being accomplished at this point includes the installation of windows and the pouring of concreted footings for the battery and car chargers. Several unexpected issues have arisen that will require extra work. The location of the fire sprinkler connection for the fire department had to be relocated. Also, the remaining siding that we hoped to re-use was found to be unusable and will be replaced. The following are some recently taken pictures of the second-floor interior and work in the parking lot.

PROGRAMS UPDATES:

Advanced Energy Build (AEB)

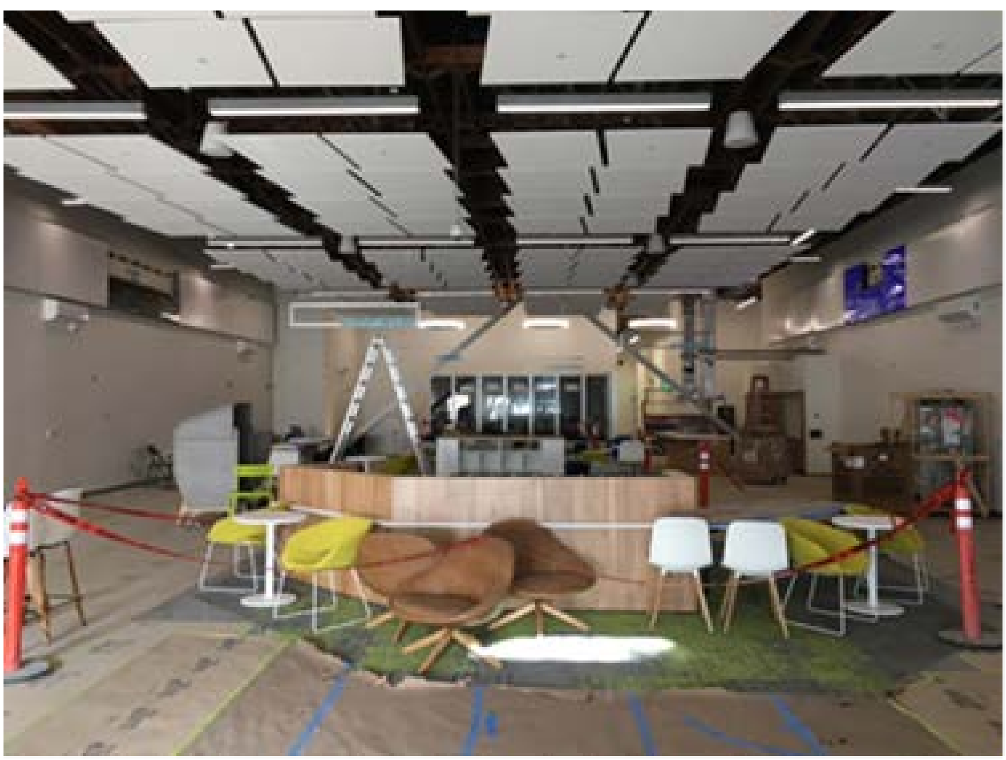
The Advanced Energy Build (AEB) new construction program was launched in July 2020. The program includes incentives for electric-ready and all-electric homes, along with additional funds for battery storage integration. Staff recently increased the incentive amount for low-income housing to $5,000 per home and the program recently received its first application for a 70-home project in Fort Bragg.

LEAD Locally – Innovative technologies have been installed in all Phase 1 homes. The research team is finalizing the remaining 3 commercial sites for phase change materials now focusing on the deployment of measures through the Advanced Energy Center. Through our Advanced Energy Center in downtown Santa Rosa, SCP will be incentivizing millions of dollars in incentives to our customers.

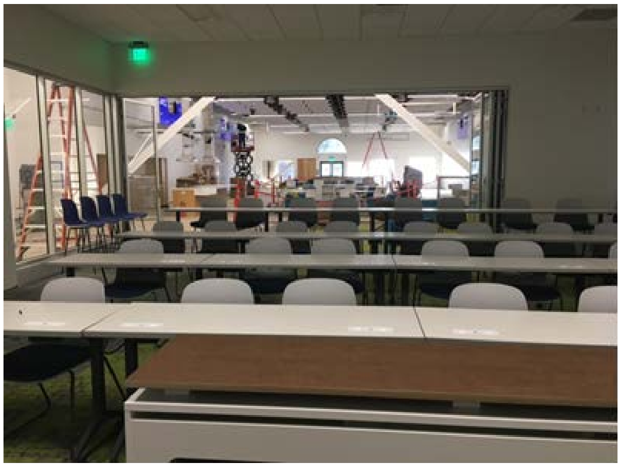
Advanced Energy Center Update

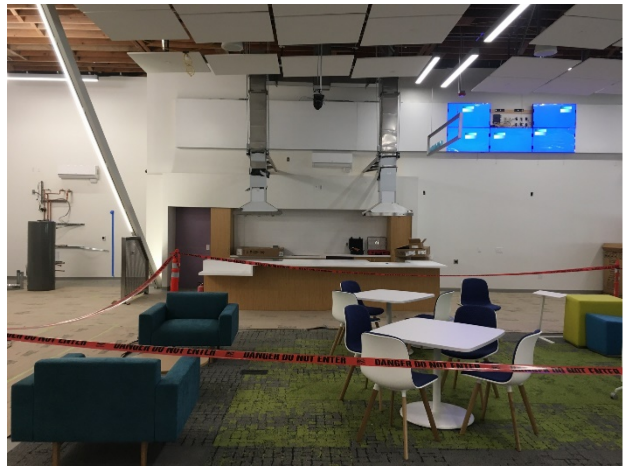
Construction

With furniture, phones, and internet onsite and active, the construction services team is carefully completing the remaining interior finishes as we wait for the replacement of the main electrical panel to be certified by the City of Santa Rosa. Remaining construction items are the ADA backdoor ramp, back hallway flooring, commissioning of the lighting, AV, & security systems, interior, and exterior signage,



and installing the remaining kitchen appliances and office equipment. Over ninety punch list items have already been collected to assure the construction services team does not miss a nick in a wall.





Store Operations

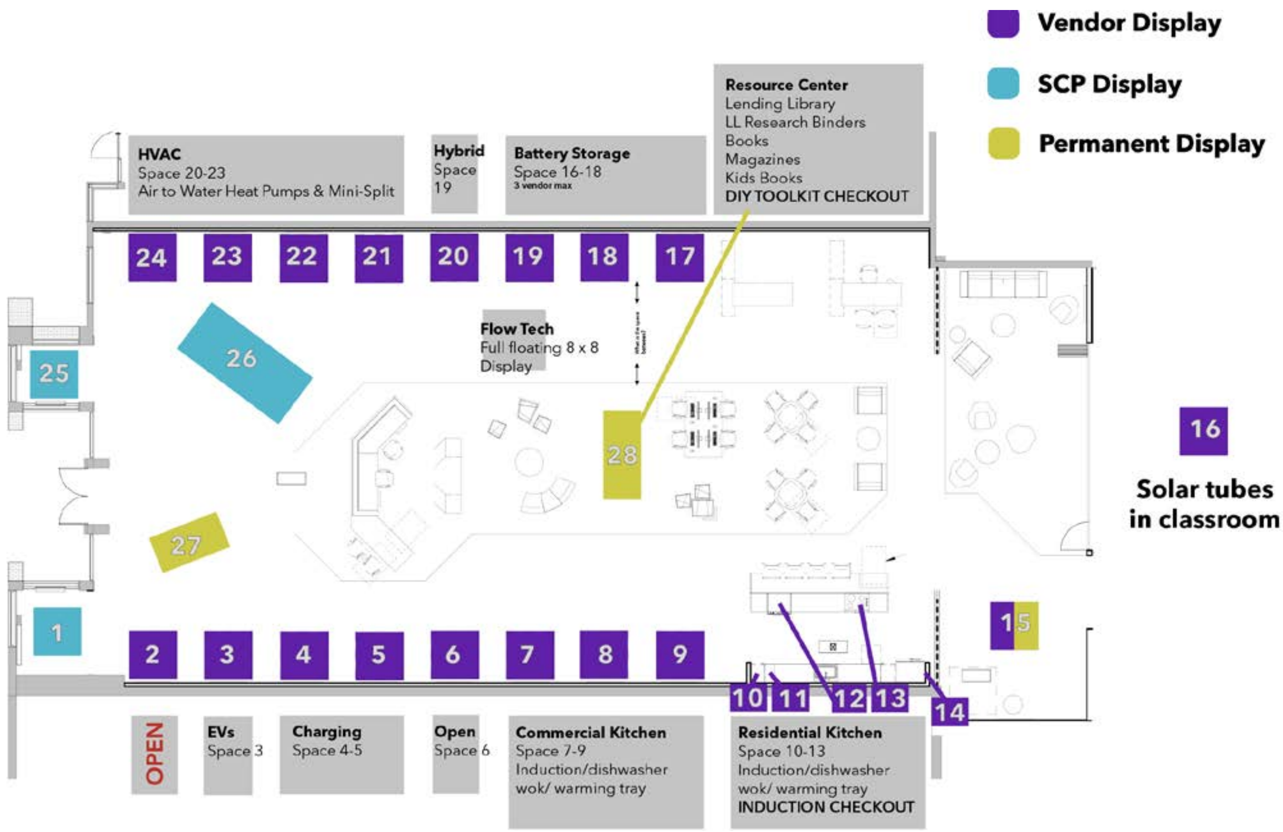
The AEC Manager and Assistant Manager are quickly becoming experts of our programs, power portfolio, vendor technologies and On Bill Finance. Their educational focus is to bring the staff of four interns up to speed on the Center operational systems, technologies, customer service, safety and COVID standards, and preparations for a public presence.

Under the direction of our Brand Manager, we are finalizing operational purchases to open such as: trash, kitchenware, cleaning services, computers, and office equipment. We are preparing to nimbly adjust the Centers design and move bays. To leave an impact on guests, SCP's Marketing is preparing take home items such as our branded SCP face mask.

Demonstration Room and Vendor Displays

The design team has installed four TV walls and a display panel system along both walls that tie in to those four systems that will enlighten the space. Wall decals, overhead decorations, and both window displays will have to wait until construction is completed.

Vendor merchandising and bay locations are strategically placed in categories along the demonstration room for all electric living, home storage, electric kitchens, and E-transportation as shown below in this floor plan. We hope to attract foot traffic and provide a tour through multiple areas of the home and business areas. All platforms and pedestals are being constructed to both lock in space for safety, but nimbly move if design changes require an update.



Vendors are currently constructing their display bays under SCP Marketing's guidance. Those bays are expected to be installed in groupings of five. With over twenty-five distribution partners, fourteen different distributors, twelve different technologies, and over 200 total product types including every eligible mini-split option (130 total) and induction cooktop (over 80 total). The Center has already installed displays of heat pump water heaters, residential induction, and heat recovery dish machines. This next wave of bays will include ventilation systems that link to your water heater, battery storage, electric lifestyle, and a demand response CO2 water heater. A list of technologies either under contract to participate at the Center or under negotiation is shown here.

Technology Type	Brand	Distributor
Areosol Sealing *(residential)*	Aeroseal	Aeroseal
Battery Storage	Electriq Power	Electriq Power
Battery Storage	Sonnen	Sonnen
Battery Storage *(residential)*	Ossiaco	Ossiaco

Heat Pump Water Heater *(residential)*	AO Smith	AO Smith
Heat Pump Water Heater *(residential)*	Rheem	Rheem
Heat Recovery Dishwasher *(commercial)*	Meiko	Meiko/GOP Solutions
Heat Recovery Ventilation, Heat Pump Water Heater *(residential)*	Various	Small Planet Supply
Hydronic Fan Coil *(residential)*	Various	Flow Tech
Hydronic Fan Coil *(residential)*	Chilltrix	Sensible Technologies
Induction *(commercial)*	Vollrath	Vollrath
Induction Stove *(residential)*	Various	Teevax
Induction Stove *(commercial)*	Meiko	Myers Restaurant Supply
Mini-split Heat Pump (residential)	Mitsubishi	Mitsubishi
Mini-split Heat Pump	LG	DMG North
Nighttime Ventilation *(residential)*	Airscape	Airscape
Phase Change Insulation	InsolCorp	InsolCorp
Smart Thermostat *(residential)*	Ecobee	Ecobee
EV Charging	Clipper Creek	Clipper Creek
EV Charging	JuiceBox	JuiceBox

Education/Training

A priority for the Advanced Energy Center is education and training. SCP is currently focusing on contractor certification courses where contractors can be certified for multiple technologies such as grid integrated heat pump water heaters, phase change materials, induction, and nighttime ventilation systems. SCP is also hosting a certification course for professionals regarding the On-Bill Finance Loan Program. This will remain a priority until a viable list of multiple certified contractors are available for each technology type and On-Bill Financing. This list is crucial to the launch of the Advanced Energy Center Website.

In November, we held 2 certification courses and had a total attendance of 6. In December, we held 5 certification courses and had a total attendance of 12.

In January, we will be holding 5 Contractor Certification Courses:

Advanced Energy Center Contractor Orientation

- Monday, January 11, 2021, 12-12:30pm (link to register)

Advanced Energy Center Contractor Course: Grid-Interactive Heat Pump Water Heaters

- Tuesday, January 12, 2021, 7:30-8:30am (link to register)
- Wednesday, January 13, 2021, 12-1pm (link to register)

Advanced Energy Center Contractor Course: On Bill Financing

- Thursday, January 14, 2021, 7:30-8:30am (link to register)
- Friday, January 15, 2021, 12-1pm (link to register)

So far for our challenging year of 2020, this new education program has held 21 courses, with over 580 registrations and 325 attendees. Classes included:

- Solar Plus Battery Storage
- Electric Vehicles 101 (2 events)
- Home Remodeling for Resiliency and Fuel Switching (2 events)
- Homeowners Building or Remodeling: Working with Your Team to Achieve Your Resiliency and Energy Goals (2 events)
- Wildfire and Resiliency Improvements for Existing Homes
- Battery Storage Basics: Building Resiliency
- Battery Storage: Technology, Performance and Trends
- Advanced Energy Center Training - Contractor Orientation (3 events)
- Advanced Energy Center Contractor Course: On-Bill Financing (4 events)
- Advanced Energy Center Contractor Course: Grid Interactive Heat Pump Water Heater (4 events) Staff is planning to hold a variety of classes in the first quarter of 2021, including more contractor training, the history of electrification, electric vehicles, electric bikes, battery storage, energy-efficiency, health and climate change and induction cooking.

Following any webinar feel free to provide any feedback. The education team meets regularly to review each virtual presentation to find improvements for materials, visual aids and other platforms that can lead to a special virtual web-ed experience.

More information on the trainings, including registration, may be found on the SCP website calendar HERE.

Website

The Advanced Energy Center website offers the opportunity for customers to see incentivized products, sign up for financing, explore events and educational offerings, and get connected with local installing contractors. Staff is now working with a marketing firm to polish the web experience and create an online presence comparable to the in-store experience.

MONTHLY COMPILED FINANCIAL STATEMENTS

The year-to-date growth in net position is slightly under projections due primarily to greater than expected expenses. Revenue from electricity sales is greater than projections by approximately 14%, and cost of energy is over expectations by approximately 24%. Management anticipates the percentage overage in cost of energy to decrease as the fiscal year continues. Year-to-date electricity sales reached $79,080,000.

SCP maintains a balanced portfolio by procuring electricity from multiple sources. Net position reached a positive $105,292,000, which indicates healthy growth. In addition to Net Position, SCP maintains a Rate Stabilization Fund of $22,000,000 at the end of the period. Approximately $72,204,000 is set aside for reserves (Operating Reserve: $59,158,000; Program Reserve: $10,831,000; and Collateral Reserve: $2,215,000).

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

BUDGETARY COMPARISON SCHEDULE

The accompanying budgetary comparison includes the 2020/21 budget amendment approved by the Board of Directors in June 2020.

The budget is formatted to make comparisons for both the annual and the year-to-date perspective. The first column, 2020/21 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 greater than the year-to-date budget by approximately 14%.

The cost of electricity is greater that to the budget-to-date mostly due to market price volatility. SCP anticipates this cost category to normalize throughout the year. Variation in this account is typically due to fluctuating market cost of energy on open position purchases.

Major operating categories of Data Management fees and PG&E Service fees are based on the customer account totals and are closely aligned to budget.

In addition to the items mentioned above, SCP continues its trend of remaining near or under budget for most of its operating expenses.

UPCOMING MEETINGS:

BOD – January 7, 2021

CAC – January 21, 2021

BOD – February 4, 2021 (Appointment of Chair and Vice Chair for 2021)

ATTACHMENTS

October Financial Reports

MAHER
ACCOUNTANCY

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 October 31, 2020, 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
December 4, 2020

1101 Fifth Avenue, Suite 200 San Rafael, CA 94901 415 459 1249 mahercpa.com

SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2020 through October 31, 2020

	2020-21 YTD Budget	2020/21 YTD Actual	2020/21 YTD Budget Variance (Under) Over	2020/21 YTD Actual / Budget %	2020/21 Budget	2020/21 Budget Remaining
REVENUE AND OTHER SOURCES:						
Electricity (net of allowance) *	$ 69,226,952	$ 78,656,635	$ 9,429,683	114%	$ 161,517,700	$ 82,861,065
Evergreen Premium (net of allowance)	167,145	423,215	256,070	253%	582,000	158,785
Inflow from Operating Account Fund Reserves	-	-	-	0%	15,433,300	15,433,300
CEC Grant	1,276,667	751,137	(525,530)	59%	3,830,000	3,078,863
BAAQMD grant	50,000	34,000	(16,000)	0%	50,000	16,000
Interest income	257,000	330,130	73,130	128%	750,000	419,870
Miscellaneous Income	-	7,009	7,009	0%	80,000	72,991
Total revenue and other sources	70,977,764	80,202,126	9,224,362	113%	182,243,000	102,040,874
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	52,119,522	64,769,872	12,650,350	124%	149,468,000	84,698,128
Data management	1,060,625	1,065,951	5,326	101%	3,182,000	2,116,049
Service fees- PG&E	322,654	321,888	(766)	100%	968,000	646,112
Personnel	1,760,000	1,535,667	(224,333)	87%	5,680,000	4,144,333
Outreach and communications	376,668	161,908	(214,760)	43%	1,130,000	968,092
Customer service	282,405	64,097	(218,308)	23%	383,000	318,903
General and administration	193,332	163,985	(29,347)	85%	580,000	416,015
Legal	120,000	113,131	(6,869)	94%	360,000	246,869
Regulatory and compliance	132,333	52,202	(80,131)	39%	397,000	344,798
Accounting	72,332	68,570	(3,762)	95%	217,000	148,430
Legislative	9,333	-	(9,333)	0%	28,000	28,000
Other consultants	53,332	69,738	16,406	131%	160,000	90,262
CalCCA Trade Association	126,668	116,320	(10,348)	92%	380,000	263,680
Program implementation	1,716,667	611,869	(1,104,798)	36%	5,150,000	4,538,131
Program - CEC grant	3,240,000	2,094,633	(1,145,367)	65%	5,660,000	3,565,367
Total current expenditures	61,585,871	71,209,831	9,623,960	116%	173,743,000	102,533,169
OTHER USES						
Capital outlay	2,833,333	3,543,202	709,869	125%	8,500,000	4,956,798
Total Expenditures, Other Uses and Debt Service	64,419,204	74,753,033	10,333,829	116%	182,243,000	107,489,967
Net increase (decrease) in available fund balance	$ 6,558,560	$ 5,449,093	$ (1,109,467)	83%	$ -	$ (5,449,093)

** Represents sales of approximately 804,000 MWh for 2020/21 YTD actual.*

RESERVES	Current Balance	% of Long-Term Target	Long-Term Target Balance
Operating Cash Reserve	$ 59,158,000	65%	$ 91,121,500
Program Cash Reserve	10,831,000	59%	18,224,300
Collateral Cash Reserve	2,215,000	15%	14,946,800
	$ 72,204,000	58%	$ 124,292,600

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2020 through October 31, 2020

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$	5,449,093
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:		
Subtract depreciation expense		(25,384)
Add back capital asset acquisitions		4,883,398
Change in net position	$	10,307,107

See accountants' compilation report.

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 October 31, 2020, 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
December 4, 2020

1101 Fifth Avenue, Suite 200 San Rafael, CA 94901 415 459 1249 mahercpa.com

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of October 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	$ 67,116,550
Accounts receivable, net of allowance	24,303,059
Other receivables	4,130,774
Accrued revenue	10,243,482
Prepaid expenses	1,037,471
Deposits	407,079
Total current assets	107,238,415
Noncurrent assets	
Unrestricted cash in Rate Stabilization Fund	22,000,000
Land and construction-in-progress	12,857,551
Capital assets, net of depreciation	209,672
Deposits	5,430,922
Total noncurrent assets	40,498,145
Total assets	147,736,560

LIABILITIES

Current liabilities	
Accrued cost of electricity	15,517,295
Accounts payable	3,220,419
Advanced from grantors	154,875
Other accrued liabilities	1,016,636
User taxes and energy surcharges due to other governments	535,834
Total current liabilities	20,445,059

DEFERRED INFLOWS OF RESOURCES

Rate Stabilization Fund	22,000,000

NET POSITION

Investment in capital assets	13,067,223
Unrestricted	92,224,278
Total net position	$ 105,291,501

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2020 through October 31, 2020

OPERATING REVENUES	
Electricity sales, net	$ 78,656,635
Evergreen electricity premium	423,215
Grant revenue	785,137
Total operating revenues	79,864,987
OPERATING EXPENSES	
Cost of electricity	64,769,872
Contract services	3,073,259
Staff compensation	1,535,667
General and administration	387,411
Program rebates and incentives	103,426
Depreciation	25,384
Total operating expenses	69,895,019
Operating income	9,969,968
NONOPERATING REVENUES (EXPENSES)	
Interest income	330,130
Other nonoperating revenue	7,009
Nonoperating revenues (expenses), net	337,139
CHANGE IN NET POSITION	10,307,107
Net position at beginning of period	94,984,394
Net position at end of period	$ 105,291,501

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2020 through October 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	77,380,248
Other operating receipts		428,320
Payments to electricity suppliers		(64,272,884)
Payments for other goods and services		(3,576,560)
Payments for staff compensation		(1,553,874)
Tax and surcharge payments to other governments		(1,030,833)
Payments for program rebates and incentives		(905,013)
Net cash provided (used) by operating activities		6,469,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets		(3,265,458)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received		530,445
Proceeds from certificates of deposit matured		20,291,718
Net cash provided (used) by investing activities		20,822,163
Net change in cash and cash equivalents		24,026,109
Cash and cash equivalents at beginning of year		65,090,441
Cash and cash equivalents at end of year	$	89,116,550
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (current)	$	67,116,550
Cash and cash equivalents (noncurrent)		22,000,000
Cash and cash equivalents	$	89,116,550

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2020 through October 31, 2020

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$	9,969,968
Adjustments to reconcile operating income to net		
cash provided (used) by operating activities		
Depreciation expense		25,384
Revenue adjusted for allowance for uncollectible accounts		1,001,010
(Increase) decrease in:		
Accounts receivable		(3,650,117)
Other receivables		(1,512,667)
Accrued revenue		(48,024)
Prepaid expenses		40,776
Deposits		378,320
Increase (decrease) in:		
Accrued cost of electricity		(1,419,041)
Accounts payable		138,520
Advance from grantors		(34,000)
Accrued liabilities		1,612,582
User taxes due to other governments		(33,307)
Net cash provided (used) by operating activities	$	6,469,404

Sonoma Clean Power

Staff Report – Item 04

To: **Sonoma Clean Power Authority Board of Directors**

From: **Neal Reardon, Director of Regulatory Affairs**
Geof Syphers, Chief Executive Officer

Issue: **Receive Legislative and Regulatory Updates and Provide Direction as Appropriate**

Date: **January 7, 2021**

Requested Board Action:

Receive Legislative and Regulatory Updates and Provide Direction as Appropriate.

Regulatory Update

PG&E Mailer on Bill Increases

PG&E issued a mailer to customers stating their intent to raise CCA customer rates and decrease bundled customer rates beginning in January. The figures in this mailer were based on PG&E's pending Application with the CPUC. Since then, SCP and other CCAs developed a joint-settlement agreement with PG&E, SCE, and SDG&E which would smooth these rate increases over a 3-year period instead of the 1-year initially proposed by PG&E.

On December 17th, the CPUC adopted this proposal to smooth rates increases over the 3-year period recommended by SCP and PG&E. This does not modify the total costs PG&E is allowed to charge our customers, but will make bills less volatile by spreading the costs over a longer amortization period.

Power Charge Indifference Adjustment ("PCIA")

Commissioner Guzman Aceves issued an Amended Scoping Memo and Ruling that adding issues to the scope of Phase 2 of the PCIA proceeding. Of note, the Ruling asks parties to comment on whether the PCIA cap should be removed or modified, and whether parties should be given more time to evaluate PCIA data in annual rate cases. Comments on this Ruling will be submitted January 22nd. The assigned ALJ plans to issue a Proposed Decision addressing these topics in Q2, 2021.

Legislative Update

Almost every day, new political appointment nominations are being made by President-elect Biden and Governor Newsom. Some of the ones that impact SCP's mission include:

- President-elect Biden's Appointments:
  - EPA – Michael Regan, coming most recently from the North Carolina Department of Environmental Quality; a veteran of the EPA as well.
  - Department of Energy – Jennifer Granholm, former Governor of Michigan, an active teaching scientist at the Lawrence Berkeley National Laboratory, and a UC Berkeley grad.
  - Secretary of Health & Human Services - Xavier Becerra, which opens California's Attorney General for a new appointment by Gov. Newsom
  - Secretary of the Treasury – Janet Yellen
  - Secretary of State – Antony Blinken
  - Secretary of Defense – Lloyd Austin
- Governor Newsom appointed Alex Padilla to fill Kamala Harris' vacant Senate seat for the two years remaining in her term.
- CAISO Board of Governors
  - Angelina Galiteva was elevated from Vice Chair to Chair
  - One CAISO Governor will be appointed by Gov Newsom to fill outgoing Governor Dave Olsen's seat.
- California Air Resource Board - Liane Randolph, former CPUC Commissioner
- California Public Utiliites Commission
  - A Commissioner will be appointed by Gov Newsom to fill Liane Randolph's vacant seat.
  - President Marybel Batjer has signaled that she may soon leave the CPUC. If she does, that will leave both a vacancy on the Commission and also the role of President.

Sonoma Clean Power

Staff Report – Item 05

To: Sonoma Clean Power Authority Board of Directors

From: Kate Kelly, Director of Public Affairs and Marketing
April Varellas, Brand Manager

Issue: Receive Annual Report

Date: January 7, 2021

No written materials for this report. A presentation will be given at the meeting.

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Staff Report – Item 06

To: **Sonoma Clean Power Authority Board of Directors**

From: **Geof Syphers, CEO**
Mike Koszalka, COO
Rebecca Simonson, Director of Planning and Analytics
Neal Reardon, Director of Regulatory Affairs
Erica Torgerson, Director of Customer Service

Issue: **Approve Reduced Generation Rates for Implementation on February 1, 2021 and Approve Conditional Rate Adjustments to Adjust Generation Rates Within Certain Guidelines Through June 30, 2021**

Date: **January 7, 2021**

Recommended Actions

1. Approve new rates shown in Addendum 1 to be implemented February 1st, 2021. Addendum 1 will be distributed after this packet has been received by the Board, but prior to the January 7, 2021 meeting in response PG&E's Advice Letter for new rates anticipated to be published December 30, 2020 and required by January 4th.
2. Approve further conditional rate adjustments that respond within 30 days to PG&E rate and fee changes as follows:
    a. Set SCP rates to ensure customer bills remain within 5% of bundled service bills while subsidizing rates with no more than $6M from the Operating Account Fund through June 30, 2021.
    b. If condition #2a is not met, set SCP rates such that $6M of the Operating Account Fund is forecast to be used through June 30, 2021 and return to the Board for further direction.

Community Advisory Committee Recommendation

The Community Advisory Committee recommended that the Board adopt the recommend conditional rate adjustment(s).

Background

Two PG&E fees/rate changes will be issued with little advance notice at the outset of 2021, or within the first several months, and will require SCP to move quickly to modify its rates to protect customers from large rate impacts. The PG&E fees/rate changes will be: (1) the increase in the Power Charge Indifference Adjustment (PCIA), (2) PG&E's large annual generation rate change, and (3) changes to transmission and distribution rates which all customers pay equally.

PCIA: The Power Charge Indifference Adjustment (PCIA) our customers pay is the main driver of the challenge. It is the exit fee to cover PG&E's net stranded costs for resources that Sonoma Clean Power and other CCA customers no longer use. While SCP generation rates are much less than PG&E's, the addition of the PCIA charge makes it a challenge for SCP to provide low enough generation rates that result in customer total bills below that of PG&E bundled bills.

In 2018, the California Public Utilities Commission ("Commission" or "CPUC") implemented a cap and trigger mechanism for the PCIA via Decision D.18-10-019. SCP customers' PCIA obligation for calendar 2020 was $102.8 million. This was $38 million above SCP customers' 2019 obligation. However, the CPUC cap and trigger rules prevented our customers from paying this entire amount in 2020. Instead, the CPUC approved an increase to SCP customers' PCIA charge of $14.8 million for SCP that was effective May 1, 2020. This $14.8 million figure was derived from a "cap" on increases to the PCIA of 0.5 cents per kWh per year. So, SCP customers were liable for a $38 million increase for 2020 but were only charged a portion of that increase. This means that SCP customers must repay that uncollected amount to PG&E through a PCIA Undercollection Balancing Account ("PUBA") fee.

In addition to the PCIA cap under D,18-10-019 there is also a "trigger". The trigger is related to the amount of under-collection of the PCIA in the PUBA by PG&E that occurs because of the cap. Once the trigger is hit, PG&E can request expedited collection of the full PCIA owed for that year. If that collection takes place over a compressed time period it has the potential to cause drastic rate swings. PG&E originally proposed to collect this PUBA amount over the full calendar year of 2021. Because of the extreme volatility in ratepayer costs caused by the cap and trigger, SCP has worked very hard to replace that system with a simpler one. The CPUC has recently reached a decision on a settlement in Southern California Edison ("SCE") territory to remove the PCIA cap and amortize the 2020 PUBA over 3 years instead of 1 year. SCP and other CCAs filed an identical settlement with PG&E that would create a longer period for customers to pay back the 2020 PUBA and provide rate stability without changing PCIA fees mid-year. However, it would also mean there would be no cap on PCIA increases for 2021. In December, the CPUC adopted a decision to amortize the 2020 PUBA over 3 years instead of 1 year. The assigned Commissioner has since asked SCP and other parties to opine in whether the cap should be removed or modified. The assigned judge expects to issue a proposal on this topic by the second quarter of 2021.

Initial estimates anticipate that total PCIA charges in 2021 will be approximately a 40% increase from 2020 capped PCIA charges. This is between a 1 and 1.5 cent per kWh increase depending on rate class.

<u>PG&E Generation Rates</u>: In addition to the PCIA changes, PG&E's large annual generation rate change is expected to go into effect on January 1, 2021, as long as PG&E files the required Advice Letter publishing rates on December 30, 2020. PG&E final rates will not be known until the Advice Letter is published. PG&E predicts they will reduce their generation rates.

The forecast of the PCIA and PG&E's generation rates are shown in Table 1, but are still subject to adjustment prior to implementation.

Table 1. PG&E Forecast Fees and Illustrative Rates for Jan 1, 2021

	PG&E $/kWh (average annual from PG&E Annual Electric True-Up update 11/16/2020)			Forecast PG&E CCA Fees $/kWh from settlement		
	Gen	Delivery	Total	PCIA (2014 Vintage)	Franchise Fee	Total
A-1	$0.11166	$0.17707	$0.28873	$0.04533	$0.00061	$0.04594
A-10	$0.11899	$0.13597	$0.25496	$0.04861	$0.00064	$0.04925
E-19-S	$0.11142	$0.11047	$0.22189	$0.04455	$0.00060	$0.04515
E-20-P	$0.10086	$0.08540	$0.18626	$0.04087	$0.00055	$0.04142
E-1	$0.11545	$0.17981	$0.29526	$0.04673	$0.00062	$0.04735

PG&E generation rates are expected to increase again in March 2021 due to adoption of proposed charges in their General Rate Case (GRC). As of now the forecast impact would be an increase to PG&E rates on March 1, 2021 of 3-4% for generation rates and 2% for non-generation rates. The exact rate change impacts will likely not be known until February 2021. Distribution rates for all customers are also expected to increase in this March 2021 rate change.

Operating Account Fund for Rate Stabilization: In anticipation of these significant financial stresses on SCP's customers, SCP's Board set rates in early 2020 to bank some funds to help offset ratepayer bills in 2021 and authorized the creation of an Operating Account Fund for Rate Stabilization at the May 7, 2020 Board of Directors meeting and contributed $22 million to the fund on October 1, 2020. This fund is intended to help SCP stabilize customer rates for several years, during the period of time the 2020 PCIA undercollection is charged to customers.

When Diablo Canyon Nuclear Power Plant is retired (one unit 11/24/2024 and the other unit on 8/26/2025) PG&E's total stranded costs will decline by about one third. This will result in a decline in PCIA as well as bundled customer rates.

Discussion

Based on most recent forecast of PG&E PCIA fees and bundled customer generation rates, SCP customers' total bills would be significantly more than PG&E Bundled customers on Jan 1, 2021 as shown in Table 2 for the most common rates. Staff recommend protecting customers from these conditions as soon as possible.

Table 2: SCP Total Bill above PG&E bundled rate

SCP rate	Jan-21
A10	14.7%
E-19-S	15.9%
E20T	14.3%
E19P	18.5%
E20P	16.6%
E20S	16.4%
E1 AND ETOUC	7.5%
A1A	11.1%
A1B	7.6%
A6	9.3%
ETOUA	9.1%
ETOUB	8.2%

Due to the very high PCIA, SCP needs to protect customers from increased bills by lowering our generation rates as soon as possible once final PG&E rates are known. The fastest SCP can respond to PG&E's fees and rate changes is 30 days. If PG&E issues the required Advice Letter on or about December 30, 2020 for January 1, 2021 implementation, as expected, the fastest SCP can implement new rates is by February 1, 2021.

Staff therefore recommends lowering rates as shown in Addendum 1 on February 1, 2021 to protect customers. Addendum 1 will be distributed after this packet has been received by the Board, but prior to the January 7, 2021 meeting in response PG&E's Advice Letter for new rates anticipated to be published December 30, 2020.

Conditional Rate Adjustment Recommendation:

Given that the PG&E bundled rates are expected to change again in March and are not yet published, Staff recommends responding as quickly as possible to future PG&E fee and rate changes for the remainder of the current fiscal year.

To provide the greatest stability to customer rates over the next few years, staff recommend utilizing no more than $6M from the Operating Account Fund for Rate Stabilization through June 30, 2021 to preserve the maximum balance in the Operating Account Fund for Rate Stabilization for use over the next several years.

Staff therefore recommends the following:

1. Approve new rates shown in Addendum 1 to be implemented February 1st, 2021. Addendum 1 will be distributed after this packet has been received by the Board, but prior to the January 7, 2021 meeting in response PG&E's Advice Letter for new rates anticipated to be published December 30, 2020.
2. Approve further conditional rate adjustments that respond within 30 days to PG&E rate and fee changes as follows:
    a. Set SCP rates to ensure customer bills remain within 5% of bundled service bills while subsidizing rates with the no more than $6M from the Operating Account Fund through June 30, 2021.
    b. If condition #2a is not met, set SCP rates such that $6M of the Operating Account Fund is forecast to be used through June 30, 2021 and return to the Board for further direction.

A budget adjustment with adjusted fiscal year revenue will be brought to the Board in March or April 2021.

Staff Report – Item 07

To: Sonoma Clean Power Authority Board of Directors

From: Rebecca Simonson, Director of Planning and Analytics
Mike Koszalka, COO
Beau Anderson, Administrative Services Officer
Ryan Tracey, Energy Analyst

Issue: Discuss EverGreen Local Resource Public Workshop #1

Date: January 7, 2021

Recommended Actions

Review the EverGreen Local Resource Public Workshop #1 results and provide comment and feedback on Agency priorities for Evergreen.

Background

With the addition of the City of Santa Rosa accounts as part of our EverGreen program and with growing participation at large, staff has begun the process to seek public input for a new Local Resource Plan since more new local resources are now needed. The Local Resource Plan will lay out the plan for new local clean power development to serve EverGreen customers and will eventually form a subset of the Integrated Resource Plan. Staff plans for this to be an iterative process, updated yearly and completely revisited every other year.

Staff will seek input and direction from the Board for the Local Resource Plan at three more meetings beyond today's meeting; the February, April, and May meetings as detailed below.

The Local Resource Plan timeline was brought to the Board in the December 3, 2020 meeting. As a reminder, the planned timeline is as follows:

- **12/1/2020- 12-2pm Public Workshop #1 COMPLETED** focused on resource and program priorities

- **12/3/2020**- Staff has posted a video recording of Public Workshop #1 on the website EverGreen page https://sonomacleanpower.org/programs/evergreen
- **12/16/2020 Community Advisory Committee (CAC) meeting-** presented as a Staff Report Item
- **01/07/2021 BOD meeting**- presenting this Staff Report Item
- **01/12/2021- 12-2pm Public Workshop #2** Staff will focus on technical demand forecast and resource supply types
- **01/15/2021 -** Staff will post video recording of Public Workshop #2 on website
- **January CAC meeting**- Staff will agendize a summary of Public Workshop #2 and seek CAC input and direction
- **February BOD meeting**- Staff will present summary of Public Workshop #1 and CAC feedback for Board input
- **March CAC meeting**- Staff will present initial Local Resource Plan draft for CAC input and direction
- **April BOD meeting**- Staff will present initial Local Resource Plan draft
- **April CAC meeting**- Staff will present the proposed Final Local Resource Plan for CAC recommendation to the Board
- **May BOD meeting-** Staff will seek approval of Final Local Resource Plan from Board.

Discussion

SCP staff held the EverGreen Local Resource Plan Public Workshop #1 on December 1st via virtual webinar. The virtual webinar also included live polls for data driven feedback. A video recording of the workshop is posted on our website https://sonomacleanpower.org/programs/evergreen.

There were 44 non-staff attendees to the Public Workshop with good participation in the live polls and approximately a half hour of public comment. The results from the live poll questions and public comment are shown on following pages.

In addition to the Public Workshop, staff created an online survey form for written public feedback for anyone who was unable to attend the workshop or had further comments from those provided during the workshop. A link to the survey can also be found at the link above for SCP's EverGreen webpage. The online survey results are shown on the following pages. As of the publication of this report, there have been 94 responses to the online survey.

The notifications for the webinar and survey were emailed to 1,225 recipients, and a separate release to the local media and city and county staff was sent to a further 170 recipients. Staff also shared the event and link to the survey on SCP's Facebook, Instagram, and LinkedIn accounts.

The common feedback distilled from the surveys and public comment reveals:

Type of resources: The public is interested in a diverse mix of new-build resources, primarily solar plus battery storage.

The public comments have revealed that aggregated behind-the-meter (BTM) resources should be prioritized that can contribute to resiliency and a future microgrid, including solar plus storage and vehicle-to-grid technology. Staff notes that while aggregated BTM resources likely fall within the scope of the EverGreen program, the development of microgrids are a long-lead distribution level solution that could require significant partnership with PG&E who may ultimately responsible for the distribution systems of a microgrid. As such, the development of these projects is an effort that SCP is exploring, but not within the current scope of EverGreen. Staff will explore this in Public Workshop #2 scheduled for Jan 12, 2021 noon-2pm.

There were several comments asking not to support biomass, however the comments were focused on avoiding tree removal for this purpose and reducing particulate air pollution. Staff will explore Sonoma and Mendocino's County's unusual local conditions in Public Workshop #2 and further test whether carefully-designed biomass can support these goals.

Main priorities for EverGreen: The top priorities the public identified were to build new resources, cut emissions as much as possible, match the hourly output to demand, keep all resources within SCP territory and use local labor. Keeping the EverGreen premium rates low was not at the top of the priorities.

Strategies to improve EverGreen: Many comments suggested that SCP make more of an effort to work with local jurisdictions, schools, and businesses to develop new local resources on their sites. It was also strongly suggested that SCP partner with local community groups to help market and educate the public on the EverGreen product.

Several comments expressed the need to address electrification to offset building natural gas use and transportation emissions. Staff will need to explore whether these efforts fit expressly within the EverGreen program or if SCP continue to focus on these efforts at large.

Ways to include underserved communities: The public suggested that SCP develop relationships with local communities and provide a tailored marketing approach to reach these communities. The public suggested incentivizing BTM resources at low income properties, subsidizing the EverGreen premium rate for low income customers, and developing distributed resources that could form microgrids in the future for underserved communities.

Community Advisory Committee feedback

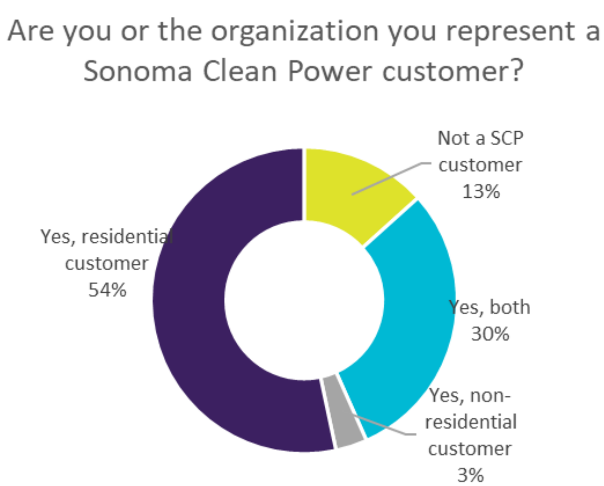
The Public Workshop #1 and public feedback was summarized and discussed at the December 16, 2020 CAC meeting. The CAC received the workshop process and results well and provided the following input:

- Recommendation that Staff provide more education on resource types other than solar and battery storage
- Recommendation that Staff ask public participants to identify the location of their residence or business (e.g. 101 corridor, rural, etc) to determine if respondents in different locations answer survey questions differently
- Suggested that Staff provide more context on regulation and legislation regarding distributed energy resources
- Discussed biomass and suggested more research on where and how much existing tree trimmings and other feedstock are being transported out of territory.

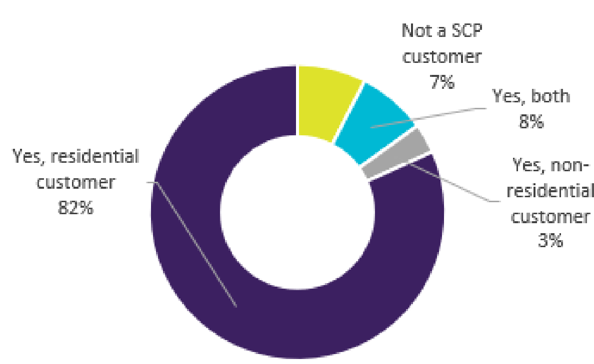
Webinar Live Poll and Online Survey results

The following pages present the data of the live poll and online survey multiple choice questions, the public comment conducted during the workshop, and the written comments from the online survey. The online survey responses will be collected through Dec 31st, 2020, however the results below are from the 94 responses we've received as of the publishing of this report.

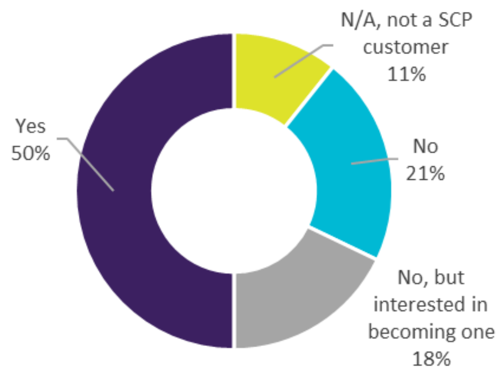
Webinar live polls results

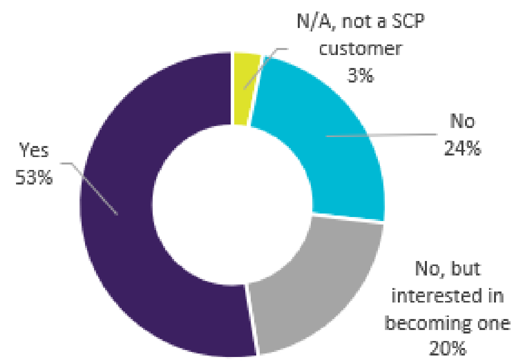


Online survey results



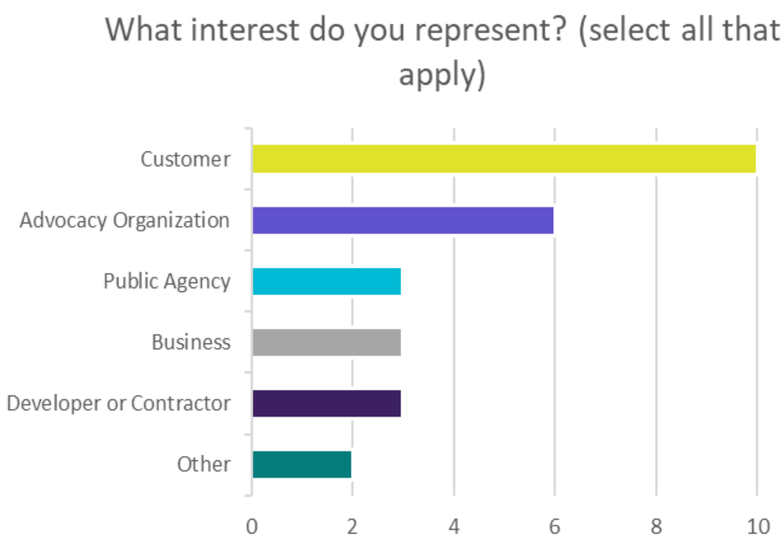
Are you or the organization you are representing an EverGreen customer?

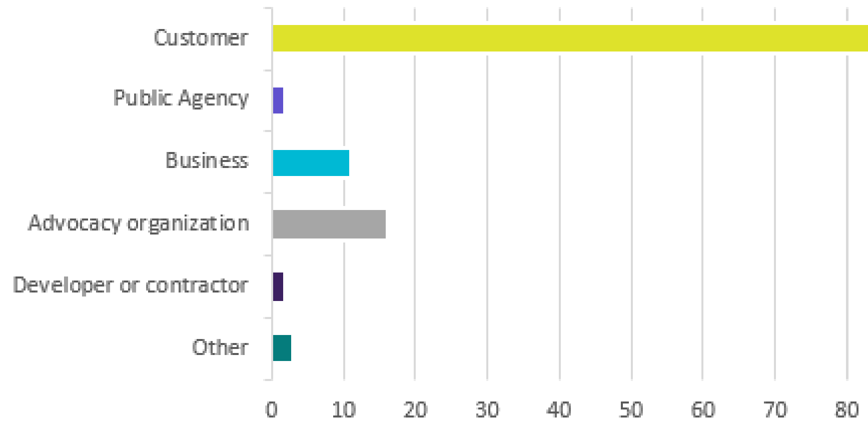




Webinar live polls results

Online survey results





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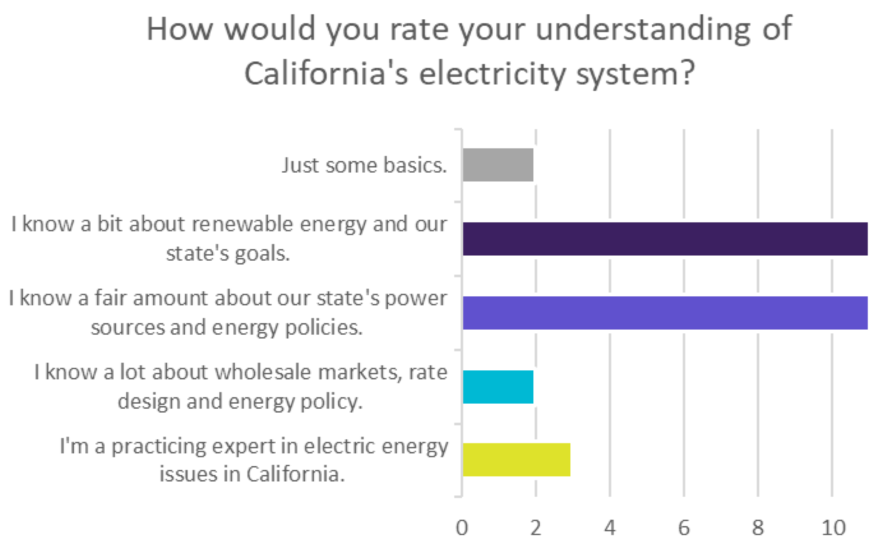

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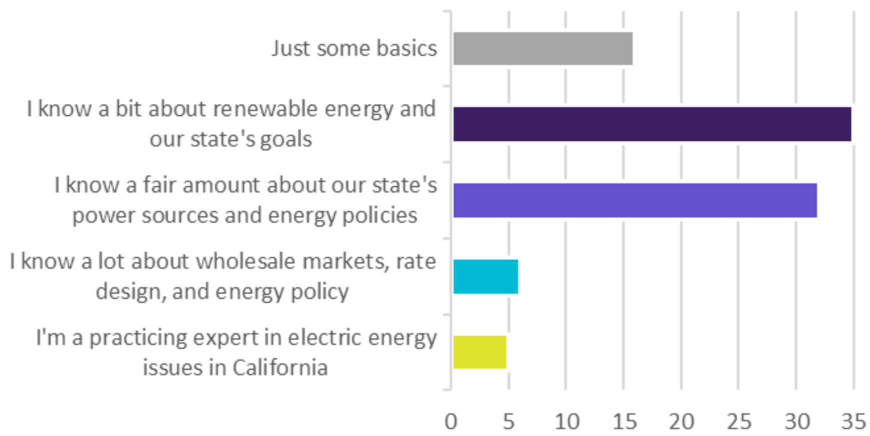

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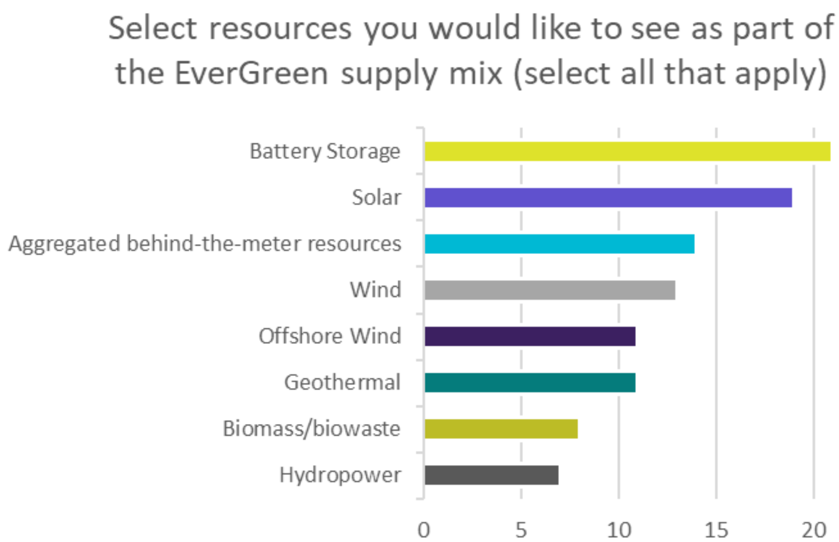

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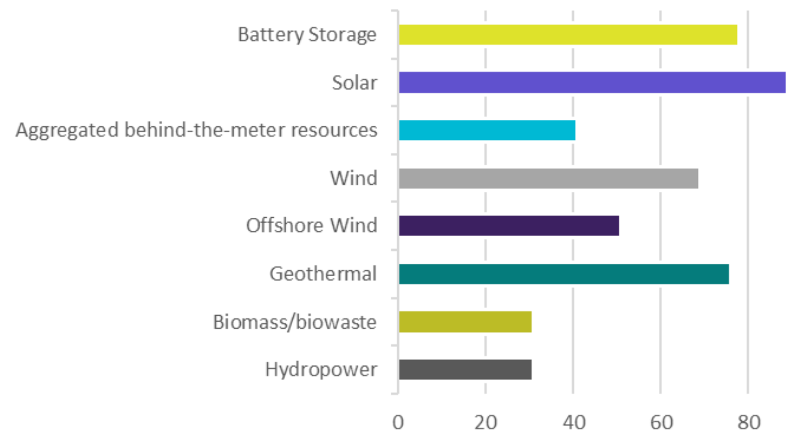

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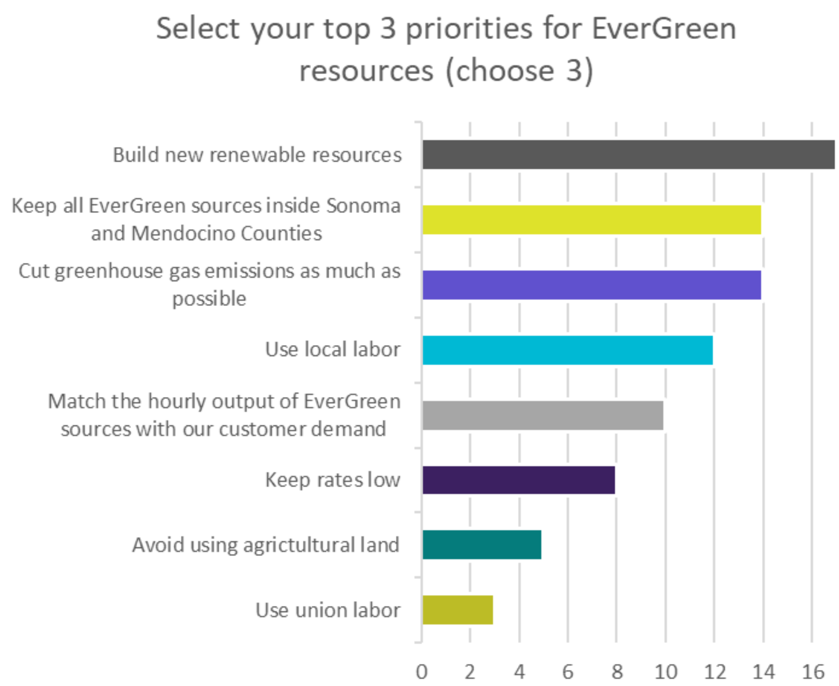
Webinar live polls results



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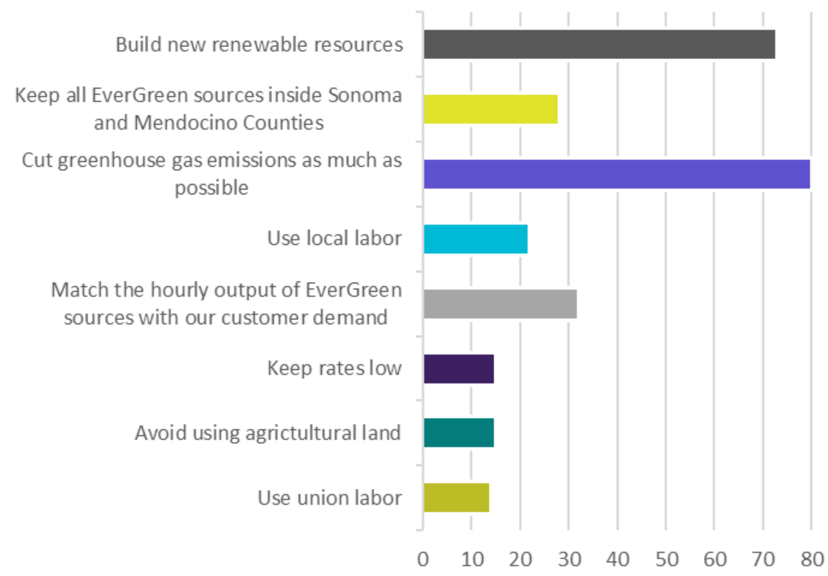

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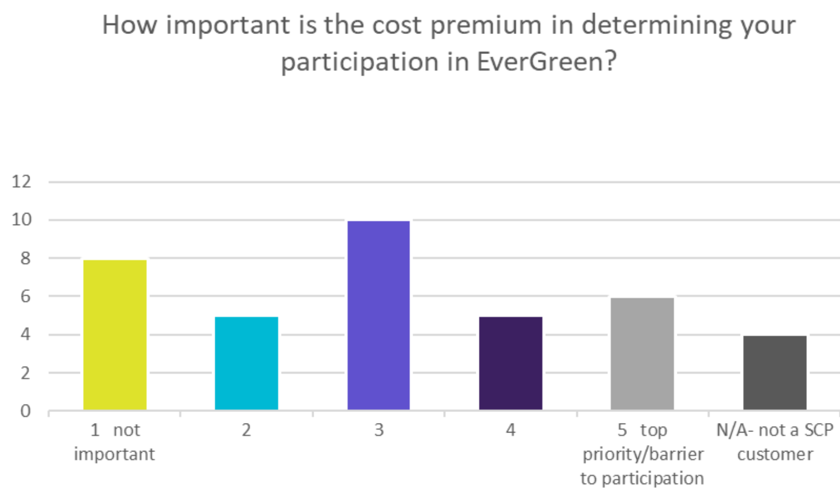
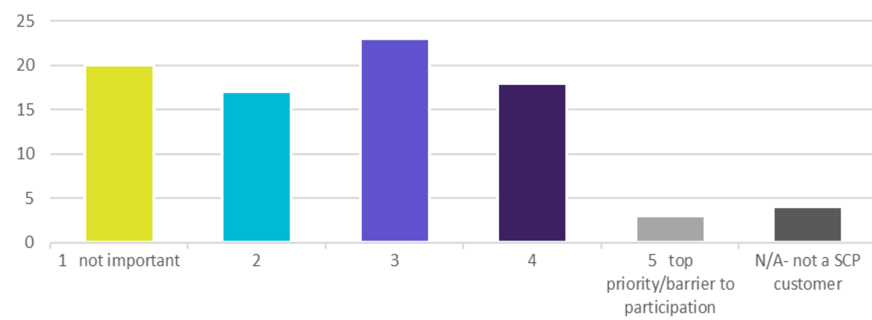
Online survey results





<u>Public Workshop #1 webinar public comments</u>

The public comment portion of the webinar is included in the video recording of the workshop posted on our website (https://sonomacleanpower.org/programs/evergreen at approximately minute 32, however is also summarized below:

Angela Beran – City of Rohnert Park

- If solar would be built, should be on city facilities

Darrin Jenkins – City of Rohnert Park

- Agrees with previous commenter. Battery storage is important given PSPS and August Stage 3 CAISO outages; Solar without battery storage is creating problems; 100 accounts in Rohnert Park where you could put batteries; provide essential public services, improve grid / reduce use on non-renewables; buying more Geysers doesn't build new renewables just shifts; need batteries to complement solar

Woody Hastings – EverGreen Customer/ The Climate Center

- High priority is focusing on distributed / aggregated customer resources; Climate Center is emphasizing development of community microgrids for resiliency; storage is essential but isn't only stationary, it can be electric vehicles (EVs) and EVs with Vehicle-to-grid (V2G) capability; Transportation is the big GHG driver and would like SCP to focus on V2G enhancement; SCP should be a leader in community microgrids and partner with financial institutions; SCP should better engage with member jurisdictions and ask each city and Mendocino County where are buildings and parking lots where you could put solar shade and EV chargers; how do you maximize build-out of local resources and export excess power for EverGreen customers

Mark Mortensen – Emergency Climate Action Now/ Friends of Climate Action Plan

- Encourages from solar, wind, geothermal, and hydro however does not support biomass; will provide link to paper on how dirty biomass is; Electricity demand will increase with electrification; recognizes resiliency concerns and importance of local power that SCP provides; emphasizes need for immediate action and dispense with bureaucratic delays to quickly address crisis; local-level microgrids are essential to move away from weather and seismic susceptible transmission; increase incentives for local solar installations, particularly disadvantaged communities; looking forward to results from separate long term storage RFO

Sunny Galbraith – EverGreen Customer / worked with Sebastopol City Council / 350 Sonoma / Alliance for Just Recovery/ High School teacher

- Agree on no biomass, engaging local jurisdictions, more storage/microgrids. See if there is an opportunity to work with community groups to help recruit more customers to EverGreen. Using local labor and promoting apprenticeship programs will get local unions on board which could be leveraged to increase subscription. New projects should include high labor standards. Great opportunity for education partnerships; linking with apprenticeship or projects with classes.

John Rosenblum – Industrial Energy Consultant

- First comment: EverGreen is only 2-3% of total SCP demand, so questions the need to focus on this; integrate EverGreen with the larger resource; microgrids enable sharing of distributed energy resources; ProFIT program is low in how it compensates; massive jump in non-residential usage and need explanation
- Second comment: Understanding is that <1 MW isn't recognized in ProFIT; Doesn't understand the background for 1 MW limit; how is SCP tracking all the small resources that are across the county before determining additional ProFIT or EverGreen is needed.

Ted Tiffany – Guttmann & Blaevoet Consulting Engineers / Building Decarbonization Coalition

- Partner with local unified school districts that have a lot of parking lots and solar resources that are mostly net exporters and are resiliency centers; apply battery storage to these schools; solar required on all new residential rooftops and would like to see community solar as an alternative (SMUD is only entity that has currently applied to CEC community solar); encourages SCP to apply with CEC for community solar.

David Liebman – Santa Rosa Junior College (SRJC)

- SRJC is building a microgrid; Local Resource Plan needs to come out with a ratio of what's supplied behind-the-meter (BTM) vs wholesale distribution tariff, expand aggregated resources for demand response and load shifting, promoting building efficiency, substation-level dive into PSPS impact and strategic location of resources to address resiliency, address lack of capacity for public sector agencies to support resiliency and distributed energy resources (DER) analysis.

Kevin McDonnell – Petaluma Council / Petaluma Planning Commission

- Less solar on open fields and more on blacktop asphalt; with new developments coming on, would appreciate partnering with SCP to get a model ordinance County-wide; SCP should have a leadership role in getting the developers a partnership with a firm that is doing solar install ("presenting benefit" vs. "hunting").

Joseph Wiedman – EverGreen Customer / Resident of Cloverdale / work at Peninsula Clean Energy

- Like that EverGreen attempts to match resources with load on a 24x7 basis as that is where the state is wanted suppliers to head; would like to see storage on existing facilities or future facilities; encourages SCP to formally work with jurisdictions on developing community microgrids; Cloverdale is talking about how to develop micrgrids in certain parts of downtown given repeated PSPS; opportunity to partner with PG&E to help PG&E do a better job.

Kevin Conway

- Move away from fossil-fuel macrogrids to connected microgrids, start with residential rooftop solar and battery storage, V2G technologies, worried that EverGreen disincentivizes people from getting their homes setup with solar and battery systems.

Andy Ferguson – EverGreen Customer

- Really like that onshore and offshore wind listed; wind is inexpensive and supplants the need for battery power, would like to see more technical studies on how SCP envisions path for potential onshore and offshore wind as resources and how it might interconnect with regional/ northern California development; microgrids are complicated (BTM aggregated, grid structure for regional energy sources); Would like to see thorough study brought to the public of how that would fit into the picture; microgrids are extremely important, but the big grid is also important.

<u>Online survey written comments</u>

If there were just one thing we could do to make EverGreen better, what would it be?

- Tell the story more succinctly and frequently and really share what new, local renewable energy projects/benefits are made possible by this amazing program. Solid storytelling is our climate/environmental movement's biggest need.
- First time hearing EverGreen
- Rebuild the grid. Put power lines underground.
- Educate the public better. Many don't seem to know about SCP!
- lower the cost, or have the cost prorated for low income households.
- Not sure
- Helping implement community microgrids in the communities that are most impacted by climate change and communities of color
- add more solar; avoid biomass energy at all costs.

- Bring on more customers and reduce use of natural gas.
- More renewables!
- Definitely do not include biomass incineration
- Make it easier for residents to discover! I've owned this house in Sonoma County since 2014 and I would have signed up for Evergreen a long time ago if I knew about it. For years, I had assumed that the Sonoma Clean Power info on my PG&E bill meant that I was already 100% renewable and I was wrong!
- microgrids
- Solar panel recycling.
- Have it be the automatic enrollment, and then people can opt out of it. That seems to be really successful!
- unsure
- Don't know enough to say for sure but would like to see more emphasis on energy conservation
- Recruit more customers! I think a lot of people who would sign up still don't know about the program or its potential environmental and local economic benefits
- The cost barrier is the primary issue. Any work that can be undertaken potentially by signing more long term contracts to bring down the cost of 100% renewable energy is key to larger scale adoption. If the price premium disappears then all customers would want to be on EverGreen.
- Don't even consider using trees as a "renewable" resource!
- Capacity to scale up.
- Get more people to use it and build more renewable resources.
- Just keep the environment in mind with future decisions.
- Eliminate bio-char (if it is being used).
- Add nuclear or encourage micro production.
- Localized power sources to improve PSPS handling
- Reduce dependence on geothermal and biomass resources.
- I am not familar with Evergreen enough to answer this question thoughtfully.
- Compare rates and renewable mix of SCP with other CCAs to get more people in this region excited to join EverGreen.
- arrange for storage or backup - I have solar but no storage and with increasing blackouts, and medical needs, backup is an issue
- Incentivize storage to allow customers to consume all their net power during peak (and cheap) solar output
- Support affordable battery backup for my solar system summer and winter!
- smart grid
- Expanded discounts on some form of energy-related household products, but not necessarily limited to EE products that save energy.
- more of it, and help with infrastructure to convert fossil gas fueled multifamily complexes to all-electric
- Geothermal base-load power & integrated battery storage, including EV charging/ grid balancing services, will be the major local power supply issues of the next decade. Focus on these, as well as urban neighborhood micro-grid development.
- Provide Customers with a list of Evergreen Power Resources companies

- Keep it local and keep prices down. Affordable for the everyday person.
- Long term plan for establishing behind the meter public micro utility. This would need to include feasibility studies.
- It's very confusing how it impacts grid-tied NEM customers. I tried to figure it out and gave up.
- Provide power from local new renewables
- expand responsibly
- Make it less expensive than fossil fuel power sources.
- Community solar farms for customers to buy into. Some of us live behind immovable trees and cannot have our own roof top solar.
- Provide more local resources such that when the geysers and/or solar are not producing, evergreen customers are still receiving carbon free power
- Aggregated behind the meter resources - particularly rooftop solar
- Provide map, if possible, of the sources.
- Local renewable power sources
- If possible, stack functions in the creation of local power generation: solar panels on buildings, as shade and rain protection in parking lots, etc.
- Make it easier to transition from PGE to Evergreen for those with solar and true up.
- Showcase substantial energy efficiency by building reporting energy use per occupant and per square foot of building both residential and commercial by use type.
- Maybe push the urgency of climate breakdown more? Emphasize how important clean energy is to a livable future.
- Help every customer install solar and battery storage for their use and to feed back into grid.
- I'm a pretty new customer so not ready to comment.
- Periodic updates about where the energy is coming from.
- Market it more

Please provide any recommendations for EverGreen to expand inclusion and participation of underserved communities, including minorities and low income customers.

- It would be helpful to know what the current levels of participation in this program are and if there are any geographic patterns. What are the lessons to be learned from where the participation is high?
- I work with Youth in underserved areas. It would be amazing to learn about local citizens, businesses, and community hubs that are already on EverGreen. If there are none, then let's figure out how to get some enrolled!
- Promote the program through public outreach such as organization’s flier or posters on public buildings etc.
- Unsure
- create a pay structure where low income households could save money on evergreen, including extra savings for driving electric cars. And all electric appliances.
- If you aren't already doing it, providing a lifeline rate for low-income customers; if not already doing it, multi-cultural marketing campaign.

- Create a jobs training program for people form undeserved communities to install solar projects and retrofit homes in communities most impacted by climate change.
- Include seniors who live in congregate settings. Although Sonoma Clean Power is at my address, it would be great if a switch was made to EverGreen. Cost may affect some seniors, though.
- Contact organizations such as North Bay Organizing Project, So Co Dept of Equity, indigenous groups and organizations
- Offer options for residents to offset the carbon footprint of a low-income neighbor in the county
- more graduated rates
- Explore opportunities to retrofit existing buildings in those communities to generate power and passive income. Help train and certify local workers.
- Sliding scale discounts for lower income for EverGreen only.
- don't know
- Subsidies for home energy efficiency/conservation Outreach on KBBF radio
- I think consulting with key local labor and social justice organizations such as North Bay Jobs with Justice and the North Bay Organizing Project would generate great ideas for expanded inclusion and participation of underserved communities.
- Underserved communities are likely particular sensitive to the cost premium in electricity costs. Are there ways low income community members can be given a chance to invest or save with EverGreen/SCP programs. For example could a community solar program be set up specifically for low income community members to realize the value of renewable energy.
- Decentralize power and put it into communities - ALL communities.
- Provide EverGreen discount based on income. Provide exclusive discount technology based on income. Establish partnerships with community-based organizations to open satellite or pop-up advanced energy centers in disadvantaged communities.
- Here are a few ideas, some may not pertain exclusively to the EverGreen program: - Public outreach focused on young adults and students to teach them about CCAs and IOUs, and contemporary cost differences between SCP's CleanStart and EverGreen programs versus the IOU's programs -School field trips to various energy generation installations -Community bike rides (or walks) to various installations (e.g. solar field) - maybe including picnic or hydration station (perhaps a special drink for EverGreen customers?)
- discount?
- Partner with existing Bilingual nonprofits and existing community education programs (i.e. Recology, Sonoma Water) to have quarterly information sessions with goodies and high demand energy efficiency equipment (bulbs, switches, thermostats, etc.)
- Provide outreach materials in Spanish too.
- Special rates for low income customers? Perhaps solicit donations to support such a fund.
- Maybe offer an optional charge that people can opt into to subsidize those who can’t afford it? Or spend some of your money supporting the lobbying effort to put a price on carbon.
- Provide lower rates to those who would qualify.

- Senior Housing and low income apt. complexes and renters have little say on the energy efficiency of the buildings they live in
- Hire a consultant for not just language translation but cultural translation so that programs are specifically tailored to work for minority customers
- Support training of technical community change agents for basic home energy conservation measures.
- rate credit
- help with infrastructure to convert fossil gas fueled multifamily complexes to all-electric
- Evergreen is an additional cost, not sure how to market higher utilities to low income. Also not sure how race comes into a utilities question.
- YES, please do so!
- Subsidize EV acquisition & deployment, EV robo-taxis, & all other electric powered public transit options. Subsidize building energy efficiency & universal electrification as much as possible.
- The Evergreen program has been very under marketed since its inception. Most people have no idea it exists or what the cost and benefits are.
- Create a corporate mechanism for sponsorship of specific communities going to evergreen. Also, buy new load from underserved communities by supplying free direct-install new electric equipment to replace existing propane use.
- Solar is supposed to be the cheapest energy. Pass that onto low income customers.
- Could each new customer on the evergreen rate allowing them to opt-out at a later date. Could also just increase SCP portfolio to 90% renewable/carbon free and everyone enjoys cleaner energy
- Financial support to lower initial cost of whole-house retrofit, ideally to provide positive cash flow relative to baseline (see below). It's not just electricity - we must eliminate GHG associated with fossil gas too.
- Find organization that wants to subsidize low income accounts so they can become EverGreen.
- Provide free solar installations and microgrids in low income communities. Offer Evergreen without a surcharge for families categorized as low income and very low income.
- Provide substantial energy efficiency of building envelope and solar water heating shared by multiple units that renters benefit from.
- We should develop enough excess capacity to subsidize enrollment in evergreen for low-income families, starting with the poorest zip codes and working up.
- Create an home storage installation program for seniors. Seniors seem to be at the mercy of PG&E and may have low capital to fund backup options or high peak power costs. Plus they can be housebound and less able to evacuate in PSPS conditions.
- Great question! Thanks for asking that. I would go directly to leaders in those communities for that input. Providing jobs maybe and special rates for those in lower income brackets.
- Subsidize participation in EverGreen for low income customers
- Microgrid in Roseland

Open comments/suggestions

- Thank you.
- Keep up the great work. I am very excited for the opening of the energy center in downtown Santa Rosa! I want to bring students to this facility when this pandemic finally ends!
- Thanks for doing the survey!
- Purchasing biomass will harm communities of color.
- No biomass incineration! (not from woody or woody debris anyway)
- Need more emphasis on conservation, lowering building temps in cold weather, smaller appliances and turn off when not in use,
- Solar power is wonderful, but there are opportunities for small-scale geothermal that haven't been properly explored. Also, please consider the lifecycle of the equipment in your arsenal, from the solar panels to the battery cells, all must be accounted for from cradle to grave.
- You are doing such great work! Thank you for making renewable energy a priority!
- none
- Empower individuals, organizations, and especially neighborhood associations to create community-based power. Provide serious incentives for solar, wind, and converting everything to electric.
- Keep up the good work!
- Better marketing! : Save the planet - Get Evergreen! Be part of the solution… Sign up for Evergreen power Feel good about your power… Get Evergreen Your food is organic…. now how about your power Do your part… get evergreen power Get 100% local, renewable power 24/7 And promote it on WaccoBB :)
- Let us know what we are accomplishing by participating, what our goals are for the coming year. (Invite us to read the website).
- I live in one of the RCHDC (Rural Communities Housing Development Corporation) Senior Housing Complexes. Our energy costs are all electric appliance buildings (forced air heat, refrigerators, stoves, etc.) are high since many of these projects were built before use of double pane windows and are lacking energy efficiency upgrades. Door frames need some fixing - Before my recent move to this complex, I rented from a LLC ownership of my apt. bldg. that did not want to take advantage of HEAP (Home Energy Assistance) or PG&E energy upgrades (replace old windows, new energy efficient appliances etc.) because the catch was they had to agree not to raise rents for two years. Please think about so many of the rental properties in Mendocino County that are wasting energy and how to partner with non-residential out of area property owners, investment LLC's , rental management companies and etc. in getting improvements to their rentals to save energy without impacting our rents and their income streams.
- While I applaud SCP for providing renewable energy, I think cities like Santa Rosa should install solar on its property and produce its own power in addition to supporting Evergreen
- Incentivize storage to allow local base load power generators (like hydro and biomass) to store power generation in the day and deliver that stored power at peak (and profitable) times, i.e. 4-9pm
- Thank you for your important contributions to our communities. Much appreciated!

- Talk to Ellie at the climate center. She's a dynamo.
- help with infrastructure to convert fossil gas fueled multifamily complexes to all-electric--where I live the transformer for the complex doesn't have enough juice for us to convert to all electric appliances and heat/cooling. Help!
- I already have solar on my home rooftop. CA state law is set to dramatically expand residential solar deployment. SCP should be working with SunRun, Tesla, etc to integrate solar, battery storage & EV charging/ grid balancing services with urban neighborhood micro-grids.
- Keep it up! Thanks
- While I appreciate the efforts and programs, SCP needs to work on its fundamental strategies to meet our regional GHG reduction goals. There is little analysis or planning for how the program offerings fit into the strategies to achieve our goals. SCP can't do all of this alone. We need the cities & SCP to advance financing strategies to achieve our goals.
- 1. publish a study on local renewable and storage potential. 2. Provide an interactive map of all local renewables or DER's in the service territory to grow engagement 3. Build resiliency hubs around community centers in each metro and use those as engagement outlets/partnerships 4. Create a mechanism for locals to invest in the building of local renewables through some aggregated investment vehicle offered through a local bank or credit union.
- We believe that decentralized local generation is more reliable, safer, and cheaper. With that said we definitely support you EverGreen efforts and would like to participate on local development.
- thanks for giving us a choice
- In looking at electrifying existing mixed fuel homes with 100% clean electricity, the current cost of operating them with EverGreen vs. amortized rooftop solar is about 2.5x greater - a very tough proposition, even granted extra grid services embedded w/ EverGreen. Seems a non starter at this point in terms of achieving critical GHG reduction goals.
- Simplified calculator to determine how much solar panel installation to put on a home. Should I target just covering our usage? Or can I overshoot a bit and make a small income from selling power to the grid? I'm decent with a spreadsheet but have trouble figuring all of that out.
- Partner with the County of Sonoma to build solar parking installations at Veterans buildings throughout the county and the fairgrounds. Partner with hospitals, cities, & towns to create microgrids and backup battery systems. Provide more incentives for homeowners with solar to install backup batteries.
- Provide substantial energy efficiency of building envelope improvements so building comfortable without air cooling.
- At some point I would like to put solar on my house as I have the means to do so. Would be interested in any resources on this.
- Provide subsidies for energy upgrades and figure out a way to reach rental units.

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Staff Report – Item 08

To: **Sonoma Clean Power Authority Board of Directors**

From: **Geof Syphers, CEO**

Issue: **Adopt a Resolution Approving the California Community Power Agency Joint Powers Agreement and Authorize the CEO to Execute this Agreement with any Minor, Nonsubstantive Modifications also Approved by SCPA's Special Counsel**

Date: **January 7, 2021**

REQUESTED ACTION:

Staff and the Community Advisory Committee both recommend the Board of Directors pass a resolution approving the California Community Power Agency (aka "CC Power") Joint Powers Agreement (JPA) and authorize the CEO to execute this Agreement with any minor, nonsubstantive modifications also approved by the Special Counsel.

INTRODUCTION

Over the past several months, the Committee and Board of SCPA have discussed the concept of a JPA of CCAs to facilitate joint procurement of resources. On November 16 and again on December 16, the Committee reviewed a full proposal and provided detailed questions to staff relating to the JPA's purpose, credit, risk, costs and operations. On December 3, 2020, the Board reviewed the full proposal together with a summary of the Committee's discussion. Now, staff are recommending the Board pass a resolution joining CC Power.

This report repeats the full exploration of the risks and benefits of SCPA joining CC Power that the Board previously reviewed. No changes to the JPA language were made since the last review.

DISCUSSION

SCP staff began exploring the potential for participating in joint procurement of energy resources in the summer of 2020 because of the increasing need for new capacity on the CAISO grid. The need was underscored by the first rotating outages in 19 years that were ordered by CAISO on August 14 and 15, 2020. SCPA's Board of Directors adopted its most recent Integrated Resource Plan on August 6, 2020, calling for 50 MW of long-duration storage. Storage may be best procured through a joint process with other CCAs because some of the storage technologies are best suited to relatively large facilities: pumped hydropower, compressed air, thermal storage and mechanical systems that rely on gravity are examples. However, the CC Power JPA does not limit SCP's autonomy from procuring storage or other energy products outside of the new joint JPA.

On June 3, 2020, SCP participated with ten other CCAs in issuing a Request for Information (RFI) about long-duration storage technologies. The goals of the RFI were to:

- Collect information that may inform a subsequent long-duration storage Request for Offers, which may be issued as soon as this summer by each of the CCAs individually, or some combination of the Joint CCAs; and
- To collect information that will help the Joint CCAs in their long-term resource planning, including identifying candidate resources for the long-duration storage need identified in the CPUC's 2019-2020 Reference System Plan.

The RFI responses were encouraging, with a large number of technologies and potential projects. Of the ten CCAs who participated in the RFI, eight chose to further explore joint procurement.

The Joint CCAs consist of:

- Central Coast Community Energy
- East Bay Clean Energy
- MCE Clean Energy
- Peninsula Clean Energy
- Redwood Coast Energy Authority
- San José Clean Energy
- Silicon Valley Clean Energy
- Sonoma Clean Power Authority

The Joint CCAs begin researching mechanisms to facilitate joint procurement, which quickly converged on creating a Joint Powers Agency (JPA) which is a model that municipal utilities have used for decades. The Northern California Power Agency (NCPA) is a JPA of 16 members which facilitates joint procurement of resources for its members, including locally, the Cities of Healdsburg and Ukiah.

The model of forming a "JPA of JPAs" is common among waste management districts, water agencies and other governmental entities which need to undertake joint action. The Joint CCAs began work in September to draft a JPA, which each of the participating CCAs could consider joining.

This report describes the purpose of "CC Power," the name currently proposed for the JPA (CC standing for community choice), the scope and operation, the expected costs and benefits, and the risks of participating.

PURPOSE OF CC POWER

CC Power is designed to facilitate the purchase of energy, capacity, storage and generally any energy products for the agency's members, which consist of community choice power providers and may, in the future, include other public agencies.

SCOPE AND OPERATION OF CC POWER

CC Power will exist mainly to facilitate joint procurement of energy, storage and resource adequacy, so it is expected to initially just staff a General Manager and one full-time assistant. The entity would be staffed mainly by its members and by technical and legal consultants, as needed to issue RFOs and transact, and to manage existing contracts over time. The JPA also allows CC Power to facilitate energy related programs, although there are no immediate plans to use that capability. Finally, the JPA places some limitations on the ability for CC Power to engage in policy and lobbying activities, stating "CC Power is not intended to be a policy-maker or advocate, though it may, from time to time, advance or support public policies in support of its purpose that do not conflict with interests or policies advanced by any Member." This limitation may be valuable in recognition that CC Power's board of directors would be made up of the member agencies' CEOs or their staff designees, and not made up of elected officials.

The proposed CC Power Agency will have only the powers that *all* of its members share in common. As an example, Redwood Coast Energy Authority does not have the power to condemn property, so if its governing board approves participation in CC Power, then CC Power would also not have that power. This would not, however, have any impact on other CC Power members' ability to use eminent domain if their JPA provides for that authority.

COSTS AND BENEFITS

Administrative costs of CC Power will be borne equally by the members of CC Power, and are expected to be between $15,000 and $30,000 annually per CCA. Other costs include any SCP staff time used for further analysis of potential projects and likely consultant and legal review. Changing the allocation of administrative costs for CC Power can be done by a two-thirds majority of the entire CC Power Board.

Most of the costs of participating in CC Power would come from energy transactions and the preparation for those transactions. All of those costs would be borne only by the member CCAs that are participating in the transaction.

The JPA does not expressly address how the costs of a particular project would be borne by the participating members, but the JPA does provide that different credit strengths of the members could be a factor in determining the costs that the different members would pay for their shares in a project. This means that some members may pay a higher price or post a different amount of collateral for a given contract, but leaves those negotiations to be determined on a project-by-project basis rather than being established in the JPA. SCP is not a rated entity, but has a strong record of financial strength, and staff have not observed any significant price advantage of having a rating at least in today's energy market. For this reason, SCP would seek to negotiate reasonable terms within any division of costs in joint procurement, and would retain the right to not transact or to separately pursue an independent RFO.

The potential benefits of participating in joint procurement are:

- May receive a larger set of offers in a given RFO, especially for large resources where SCP could not purchase the entire output alone;
- May result in more favorable pricing for resources due to getting more offers and potential economies of scale;
- Sharing expenses relating to RFO development and contract negotiation;
- Information sharing across CCAs relating to new resource types, procurement strategies and resource planning.

RISKS

While there are certain administrative costs, the risks of participating as a member of CC Power are limited to those that arise in any joint procurement transaction. There are no other kinds of risks because there are no obligations to transact and because the normal JPA protections apply – the debts and obligations of CC Power and its other members are not the debts of SCP.

As with all procurement, there are risks associated with:

- Having sufficient technical and market intelligence to evaluate an offer. This risk can be partially addressed by having CC Power hire highly-experienced consultants to negotiate proposed deals. But the need would likely remain for SCP to continue its current practice of independently evaluating proposed agreements with expert staff and consultants.
- Having sufficient legal review from an attorney with experience in California's energy markets. CC Power would retain expert counsel to negotiate proposed deals and SCP would also independently evaluate any legal matters, as necessary, with its own counsel.
- Contracting for a resource that fails to be constructed or fails to deliver. Every deal of sufficient size to warrant joint procurement will be evaluated for risks associated with counterparty credit, constructability, deliverability, grid constraints (such as fire risk, PSPS events and transmission congestion), and other factors.

In addition to the above ordinary procurement risks, certain additional risks can arise with joint procurement.

- Increased complexity of a given transaction due to multiple parties. Having several offtakers of a single resource means having approval from all parties before finalizing a contract, which could add time to negotiations and potentially add risk of procuring in a timely manner. One advantage SCP has is that it is now working very closely with NCPA because that entity is SCP's CAISO Scheduling Coordinator beginning on January 1, 2021. That relationship provides us with access to advice from their 50 years of experience. The other mitigating factor is that SCP retains the right to break off from negotiations for joint procurement through CC Power and issue its own independent Request for Offers.
- Potential for a CC Power member to default on a transaction SCP is party to. Section 8.01 of the JPA reiterates California Government Code that "no debt, liability or obligation of CC Power shall be a debt, liability or obligation of any Member unless such Member enters into a Project Agreement specifying otherwise." This JPA protection is often sufficient to protect one JPA member from another's default, but in practice can carry some limited risk in extreme cases, such as if a large number of participating CCAs defaulted on the same

contract. In that case, SCP could expect the seller to try to recoup costs from SCP, even with the JPA protection in place. While unlikely, it is valuable to try to further mitigate this risk through language in supply contracts that restates the JPA financial firewall between CC Power members and seeks to specifically limit a seller's recourse.

COMMUNITY ADVISORY COMMITTEE INPUT

The Community Advisory Committee held two robust discussions, and recommend the Board formally join CC Power.

Through the discussions, numerous questions were raised about the detailed function and operation, and requests for additional background information were made. Most of those additions were included in the written report above, and four more substantive questions were raised by the Committee that are addressed here.

1. *In the process of negotiating an energy supply contract, the potential to use the creditworthiness of CC Power's member CCAs could potentially weaken the legal argument that the debts of one member are not the debts of another member. Is this a concern?*

   From a basic risk management standpoint, it is essential to guard against any risk that the privileges of the JPA structure could be violated, and any process or contract which might risk jeopardizing those privileges would have to be rejected. This view is strongly supported by SCP's existing JPA, which emphasizes existing California law by stating in Section 2.2:

   "Pursuant to Sections 6508.1 of the Act, the debts, liabilities or obligations of the Authority shall not be debts, liabilities or obligations of the individual Parties unless the governing board of a Party agrees in writing to assume any of the debts, liabilities or obligations of the Authority. A Party who has not agreed to assume an Authority debt, liability or obligation shall not be responsible in any way for such debt, liability or obligation even if a majority of the Parties agree to assume the debt, liability or obligation of the Authority. Notwithstanding Section 8.4 of this Agreement, this Section 2.2 may not be amended unless such amendment is approved by the governing board of each Party."

   When the basic approach to risk management is taken together with SCP's existing JPA language, SCP cannot enter into an agreement which carries a risk of jeopardizing the normal JPA financial protections. There is however, no perfect protection, and some risks associated with joint procurement could still exist, as noted in the above section. The legal review of each potential joint procurement contract would therefore include a consideration of this matter.

2. *Can you explain SCP's right to withdraw from CC Power and the process for doing so?*

   Section 3.04 establishes a straightforward process for a member to withdraw from the CC Power JPA. SCPA's Board of Directors would pass a resolution withdrawing from CC Power and file that with the clerk of CC Power, effecting the withdrawal. At that time, the withdrawing member must pay any remaining administrative costs it owes. Any financial obligations associated with joint procurement contracts would be established separately in those contracts, and those obligations would continue after SCP withdraws from CC Power.

3. *Why not ask NCPA to perform the service of joint procurement for CCAs? Why create a new organization when one already exists?*

   NCPA was not interested in providing this service. In addition, forming CC Power gives CCAs the ability to create a purpose-built organization that is responsive to CCA needs and flexible enough to provide CCA-specific services over time.

4. *What could go wrong if a member of CC Power financially defaults on payments in a joint contract that SCP is also party to?*

   The details of how a default would be handled would be addressed in the negotiations for specific supply agreements in the future. However, because of the issues raised in #1 around ensuring strong protections against the debts and liabilities of other members, any negotiation that SCP participates in would be bounded by an obligation to ensure that SCP does not lose its JPA financial protections against the default of another CC Power member. In practice, this means that the risk of a CC Power member default would generally be borne by the energy product seller and priced into the agreement.

SUPPLEMENTAL BACKGROUND ON THE LONG-DURATION STORAGE RFO

A Request for Offers (RFO)was issued on 10/15 to a distribution list of over 300, and more than 50 companies replied. More information about the RFO can be found here with the following key dates:

Timeline	Scheduled Date
Issuance of RFO	October 15, 2020
Offerors Webinar	October 28, 2020 at 3:30-4:30 p.m. Second Webinar: November 5, 2020 at 2:00 pm
Deadlines to submit questions	November 6, 2020
Responses to questions published	November 10, 2020
Deadline to submit proposals	December 1, 2020 by 5:00 p.m.
Review evaluation and ranking of projects	December 1, 2020 to February 2, 2021
Project(s) shortlisting	March 2, 2021
Developer/Buyer negotiations	March-July 2021
Final contract approval (Tentative)	July 2021

The RFO received widespread interest and media attention:

The First Major Long Duration Storage Procurement Has Arrived, Greentech Media

California Community Choice Aggregators issue joint request for up to 500 MW of long-duration energy storage, Solar Power World, Solar Power World

California CCAs issue RFO for up to 500 MWs of long-duration storage, Renewable Energy World

Calif. aggregators seek 500 MW of long-duration energy storage S&P Global

[NOT YET ADOPTED]

RESOLUTION NO. 2021 - XX

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA CLEAN POWER AUTHORITY APPROVING THE CALIFORNIA COMMUNITY POWER AGENCY JOINT POWERS AGREEMENT AND AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE AGREEMENT

WHEREAS, the Sonoma Clean Power Authority (SCP), is a community choice aggregation (CCA) joint powers authority that provides electric power to its customers in Sonoma and Mendocino Counties, promotes the development and use of a wide range of renewable energy sources and energy efficiency programs and promotes, develops, operates, and manages energy programs within its service area; and

WHEREAS, a number of community choice aggregation entities (CCA's) have been exploring the establishment of a Joint Powers Authority made up of CCA's to procure energy, capacity, storage and other energy products for members of this Authority; and

WHEREAS, a draft Joint Powers Agreement has been prepared after extensive review by the chief executive officers, general managers and general counsels of the interested CCA's; and

WHEREAS, the proposed Joint Powers Agreement has been reviewed by the Community Advisory Committee and the Board; and

WHEREAS, the Board desires to enter in the California Community Power Agency Joint Powers Agreement in order to acquire energy resources and promote energy resilience that would be difficult for SCP to achieve by itself.

NOW THEREFORE, the Board of Directors of the Sonoma Clean Power Authority does hereby approve the California Community Power Agency Joint Powers Agreement, attached hereto as Exhibit A, and authorizes the Chief Executive Officer to execute the Agreement with any minor, non-substantive modifications also approved by Special Counsel.

PASSED AND ADOPTED this ___ day January, 2021, by the following roll call vote:

[SIGNATURES APPEAR ON FOLLOWING PAGE]

JURISDICTION	NAME	AYE	NO	ABSTAIN/ ABSENT
Cloverdale	Director Bagby			
Cotati	Director Landman			
County of Mendocino	Director Gjerde			
County of Sonoma	Director Hopkins			
Petaluma	Director King			
Point Arena	Director Torrez			
Rohnert Park	Director Belforte			
Santa Rosa	Director Tibbetts			
Sebastopol	Director Slayter			
Sonoma	Director Harrington			
Windsor	Director Okrepkie			

In alphabetical order by jurisdiction

____
Chair, Sonoma Clean Power Authority

Attest:

____
Clerk of the Board

APPROVED AS TO FORM:

____

Special Counsel,
Sonoma Clean Power Authority

CALIFORNIA COMMUNITY POWER AGENCY
JOINT POWERS AGREEMENT

This Joint Powers Agreement ("Agreement") is made by and among those public agencies who are signatories to this Agreement, and those public agencies which may hereafter become signatories to this Agreement, for the purpose of operating a separate joint powers agency, which is named "California Community Power" or "CC Power."

WITNESSETH

WHEREAS, it is to the mutual benefit of the Members and in the public interest that the Members join together to engage in the exercise of powers they have in common including, but not limited to, (i) the acquisition and operation of wholesale power supplies, resource adequacy and renewable attributes, (ii) the provision of joint consulting and contracting services via master agreements and bulk purchasing and financing of decarbonization products, (iii) the offering of energy risk management and California Independent System Operator ("CAISO") scheduling services; and (iv) other energy services or programs which may be of benefit to Members (collectively, hereinafter "energy related programs");

WHEREAS, CC Power's primary objective is to provide for joint procurement of electrical power and storage and other energy projects for its Members, as set forth in this Agreement;

WHEREAS, the Members intend that CC Power shall better position the Members to administer community choice energy programs, and achieve their local agency goals, including but not limited to meeting or exceeding California's greenhouse gas emission reduction targets through procurement of renewable resources.

WHEREAS, each of the public community choice aggregation agencies which is a Member to this Agreement has the power to establish, manage, operate and maintain Community Choice Aggregation ("CCA") programs, electric service enterprises available to cities and counties pursuant to California Public Utilities Code Section 331.1(c) and 366.2 and to study, promote, develop, conduct, operate and manage energy related programs; and

WHEREAS, Title I, Division 7, Chapter 5, Article 1 of the California Government Code (the "Joint Powers Act" or "Act") authorizes the joint exercise by two or more public agencies of any power which is common to each of them.

NOW, THEREFORE, the Members, for and in consideration of the mutual promises and agreements herein contained, do hereby agree as follows:

Article I. DEFINITIONS

In addition to the other terms defined herein, the following terms, whether in the singular or in the plural, when used herein and initially capitalized, shall have the meanings specified throughout this Agreement.

Section 1.01 **"Board"** means the Board of Directors of CC Power as established by this Agreement.

Section 1.02 **"CC Power"** means the Joint Powers Authority established by this Agreement.

Section 1.03 **"Member"** means a Public CCA Agency, or other public agency the Board determines to be eligible pursuant to Section 3.02, that is a signatory to this Agreement and has met the requirements of

Article III; the term "Member" shall, however, exclude any Public CCA Agency or other eligible public agency which shall have withdrawn or been excluded from CC Power pursuant to Section 3.04 below.

Section 1.04 "Project" means any and all of the following matters, which are approved by the Board pursuant to Article VI: (i) the construction, financing or acquisition of a wholesale power resource, resource adequacy and/or renewable and environmental attributes for use by the Members, and such other transactions, services, and goods that may be necessary or convenient to construct, finance, acquire or optimize the value of such resources, (ii) the bulk purchasing and/or financing of decarbonization products, including, but not limited to, heat pump water heaters, space heater heat pumps and electric vehicle charging services, (iii) energy risk management and CAISO scheduling products and services, (iv) acquisition, construction and financing of facilities for the generation or transmission of electrical energy and any related transactions, services, and goods that may be necessary or convenient to acquire, construct, and finance these facilities, (v) grid integration services, (vi) acquisition of capacity rights in any facility for the generation or transmission of electric energy, and (vii) any other energy related programs.

Section 1.05 "Project Agreement" means a contract between and among CC Power and Project Participants.

Section 1.06 "Project Participants" means any Member or group of Members who participate in a Project pursuant to Article VI below.

Section 1.07 "Public CCA Agency" means any public agency, or such joint powers agencies/authorities consisting of one or more public agencies, that has implemented a CCA program pursuant to California Public Utilities Code Sections 331.1 and 366.2.

Article II. FORMATION OF AUTHORITY

Section 2.01 Creation of CC Power. Pursuant to the Joint Powers Act, there is hereby created a public entity, to be known as "CC Power," which shall be a public entity separate and apart from its Members.

Section 2.02 Purpose. The purpose of this Agreement is for CC Power to develop, acquire, construct, own, manage, contract for, engage in, finance and/or provide energy related programs for the use of and by its Members. CC Power is not intended to be a policy-maker or advocate, though it may, from time to time, advance or support public policies in support of its purpose that do not conflict with interests or policies advanced by any Member.

Section 2.03 Powers. CC Power is authorized, in its own name, to do all acts necessary to fulfill the purposes of this Agreement as referred to in Section 2.02 above, and engage in the exercise of powers the Members have in common including, but not limited to, each of the following:

- **(a)** Acquire, purchase, finance, offer, arrange, construct, maintain, utilize and/or operate one or more Projects;
- **(b)** Establish, operate, maintain and/or fund energy related programs;
- **(c)** Make and enter into contracts;
- **(d)** Employ agents and employees;
- **(e)** Acquire, contract, manage, maintain, sell or otherwise dispose of real and personal property and operate any buildings, infrastructure, works, or improvements;
- **(f)** Receive contributions and donations of property, funds, services and other forms of assistance from any source;
- **(g)** Lease real or personal property as lessee and as lessor;
- **(h)** Sue and be sued in its own name;

(i) Incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers such as Government Code Sections 53850 et seq. and authority under the Act;

(j) Receive, collect, invest and disburse moneys;

(k) Issue revenue bonds and other forms of indebtedness, as provided by law;

(l) Apply for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state, or local public agency;

(m) Make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer energy related programs;

(n) Adopt from time to time such policies, procedures, bylaws, rules or regulations for the conduct of its affairs as deemed necessary by the Board;

(o) Exercise all other powers necessary and proper to carry out this Agreement; and

(p) Defend, hold harmless, and indemnify, to the fullest extent permitted by law, each Member from any liability, claims, suits, or other actions.

Such powers shall be exercised in the manner provided in Section 6509 of the Government Code of the State of California, as amended, subject only to such restrictions upon the manner of exercising such powers as are imposed upon Silicon Valley Clean Energy in the exercise of similar powers. Should Silicon Valley Clean Energy withdraw or be excluded from this Agreement pursuant to Section 3.04 hereof, the manner of exercising any power shall be subject only to the restrictions upon the manner of exercising such powers as are imposed upon Marin Clean Energy.

Section 2.04 Compliance with Local Zoning and Building Laws and CEQA. Unless state or federal law provides otherwise, any facilities, buildings or structures located, constructed, or caused to be constructed by CC Power within the territory of CC Power shall comply with the General Plan, zoning and building laws of the local jurisdiction within which the facilities, buildings or structures are constructed and comply with the California Environmental Quality Act.

Article III. MEMBERSHIP

Section 3.01 Member Agencies. Any Public CCA Agency, or other public agency determined by the Board to be eligible pursuant to Section 3.02, may become a Member upon meeting the following conditions:

(a) The Public CCA Agency or other eligible public agency shall file with the Board a certified copy of a resolution of its governing body whereby it (i) agrees to the provisions of this Agreement, and (ii) requests to become a Member; and

(b) No such Public CCA Agency or other eligible public agency shall become a Member until (i) its admission is approved at a regular or special meeting of the Board by at least two-thirds (2/3) of the entire Board, and (ii) it deposits or agrees to pay CC Power a share of organization, planning and other costs and charges as determined by the Board to be appropriate, if any.

Upon completion of the foregoing, the Public CCA Agency or other eligible public agency shall become a Member for all purposes of this Agreement.

Section 3.02 Eligible Public Agency Members. The Board may adopt policies to determine whether public agencies that are not Public CCA Agencies may be eligible to become a Member of CC Power.

Section 3.03 Cost Allocations.

(a) Unless otherwise determined by a two-thirds (2/3) vote of the entire Board, each Member shall pay an equal share of one member one share for general and administrative costs as determined by the Board associated with all operations of CC Power. General and administrative costs do not include any costs that relate solely to any specific Project Agreement.

(b) Project Agreements and other program agreements between and among any Member and/or CC Power will determine cost allocation and may consider, among other relevant factors, credit strength of the Members and may differ in price and collateral requirements as determined solely for such Project Agreement or other program agreements.

Section 3.04 Withdrawal or Exclusion of Member.

(a) Any Member may withdraw from CC Power upon the following conditions:

(i) The Member shall have filed with the Board Secretary a certified copy of a resolution of its governing body expressing its desire to so withdraw. Once a Member files a resolution to withdraw with the Board Secretary, that Member no longer has any voting rights on the Board;

(ii) Members participating in Projects, programs or services pursuant to Project Agreements or other program agreements approved by the Board are subject to the participation and withdrawal terms and conditions described in the applicable agreement; and

(iii) Prior to accepting the Member's filing of such resolution, any Member so terminating shall be obligated to pay its share of all debts, liabilities, and obligations of CC Power specifically assumed by the Member. However, this obligation shall take into account any refunds due to the Member and shall not extend to debts, liabilities and obligations secured or otherwise committed pursuant to Project Agreements or other program agreements between and among any Member and/or CC Power. The debts, liabilities and obligations of the Members to such Project Agreements or other program agreements shall be determined by their terms. Any obligations under this Agreement are subject to the limitations set forth in Article VIII.

(b) Upon compliance with the conditions specified in Section 3.04(a), the Board shall accept the withdrawing Member's resolution and the withdrawing Member shall no longer be considered a Member for any reason or purpose under this Agreement and its rights and obligations under this Agreement shall terminate. The withdrawal of a Member shall not affect any obligations of such Member under any Project Agreement or other program agreement.

(c) Any Member which has (i) defaulted under this Agreement, a Project Agreement, or other program agreement, (ii) failed to appoint a Director to serve on the Board in accordance with Section 4.02 below, or (iii) failed to pay any required share of costs in accordance with Sections 3.01 and 3.03 above, may have its rights under this Agreement terminated and may be excluded from participation in CC Power by the vote (taken at a regular or special meeting of the Board) of at least two-thirds (2/3) of the entire Board (including the Director representing the defaulting Member). Prior to any vote to terminate participation of any Member, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Member whose termination is proposed at least 60 days prior to the Board meeting at which such matter shall first be discussed as an agenda item. The written notice of the proposed termination shall specify the particular provisions of this Agreement or a Project Agreement or other program agreement which the Member has allegedly defaulted on, or whether the proposed termination is based on failure to appoint a Director or pay any required share of costs. The Member subject to possible termination shall have the opportunity to cure the violation prior to the meeting at which termination will be considered. At the meeting where termination of the Member is considered, the Member shall be given the opportunity to respond to any reasons and allegations that may be cited as a basis for termination prior to a termination vote. Any excluded Member shall continue to be liable for its obligations under any Project Agreement or other program agreement and for any unpaid contribution, payment, or advance approved by the Board prior to such Member's exclusion.

(d) The withdrawal or termination of a Member shall not affect the provisions or obligations set forth in Article VIII or Section 11.03 below.

Article IV. POWERS OF BOARD & MANAGEMENT OF CC POWER

Section 4.01 Board. CC Power shall be administered by a Board which shall consist of one Director representing each Member. Such Board shall be the governing body of this CC Power, and, as such, shall be vested with the powers set forth in this Agreement, and shall execute and administer this Agreement in accordance with the purposes and functions provided herein. The Board shall have the authority to provide for the general management and oversight of the affairs, property and business of CC Power.

Section 4.02 Appointment and Vacancies. Each Director shall be the Chief Executive Officer, General Manager, or designee of the Chief Executive Officer or General Manager of each Member and shall be appointed by and serve at the pleasure of the Member that the Director represents, and may be removed as Director by such Member at any time. If at any time a vacancy occurs on the Board, a replacement shall be appointed by the Member to fill the position of the previous Director in accordance with the provisions of this Article IV within 60 days of the date that such position becomes vacant or the Member shall be subject to the exclusion procedures in Section 3.04(c) above. Each Director may appoint an alternate to serve in their absence.

Section 4.03 Notices. The Board shall comply with the applicable provisions of Sections 6503.5, 6503.6 and 53051 of the Government Code requiring the filing of notices and a statement with the Secretary of State, the State Controller, the applicable county clerk and local agency formation commissions, including, but not limited to:

(a) Causing a notice of the Agreement or any amendment to the Agreement to be prepared and filed with the office of the Secretary of State within 30 days of the effective date of the Agreement or amendment, and

(b) Filing a statement of facts with the Secretary of State within 70 days after the date of commencement of CC Power's legal existence. Upon any change in the statement of facts presented to the Secretary of State, an amended statement of facts shall be filed with the Secretary of State within 10 days of the change.

Section 4.04 Committees. The Board may create committees to provide advice to the Board or conduct the business of CC Power subject to delegation of authority from the Board.

Section 4.05 Director Compensation. Compensation for work performed by Directors, including alternates, on behalf of CC Power shall be borne by the Member that appointed the Director. The Board, however, may adopt by resolution a policy relating to the reimbursement of expenses incurred by Directors.

Section 4.06 Board Officers. At its first meeting in each calendar year, the Board shall elect or re-elect a Chair and a Vice-Chair each of whom shall be selected from among the Directors and shall also appoint or re-appoint a Secretary and a Treasurer/Controller each of whom may, but need not, be selected from among the Directors.

(a) **Chair and Vice-Chair**. The duties of the Chair shall be to preside over the Board meetings, sign all ordinances, resolutions, contracts and correspondence adopted or authorized by the Board, and to help ensure the Board's directives and resolutions are carried out. In the absence or inability of the Chair to act, the Vice Chair shall act as Chair.

(b) **Treasurer and Controller.** The Board shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Controller, neither of whom needs to be a Director. If the Board so designates, and in accordance with the provisions of applicable law, a qualified person may hold both the office of Treasurer and the office of Controller of CC Power. The Treasurer shall be the depository of CC Power to have custody of all the money of CC Power, from whatever source. The Controller shall draw warrants to pay demands against CC Power when the demands have been approved by the Chair or Vice Chair of CC Power. The Treasurer and Controller shall have the other powers, duties and responsibilities of such officers as specified in Section 6505 of the Government Code of the State of California, as amended, except insofar as such powers, duties and responsibilities are assigned to a trustee appointed, as is provided for and authorized in Section 6550 of the Government Code of the State of California, as amended, pursuant to any resolution, indenture or other instrument providing for the issuance of bonds or notes of CC Power pursuant to this Agreement. The Board may require the Treasurer and/or Controller to file with CC Power an official bond in an amount to be fixed by the Board, and if so requested CC Power shall pay the cost of premiums associated with the bond. The Treasurer and Controller shall cause an independent audit to be made by a certified public accountant, or public accountants, in compliance with Section 6505 of the Government Code.

(c) **Secretary.** The Secretary shall be responsible for keeping the minutes of all meetings of the Board and all other official records of CC Power, and responding to public records requests of the JPA.

Section 4.07 Management of CC Power. The Board shall appoint a part-time or full-time General Manager, and may appoint one or more part-time or full-time Assistant General Managers, to serve at the pleasure of the Board. The General Manager shall be responsible for the day-to-day operation and management of CC Power. The General Manager may enter into and execute contracts in accordance with the policies established and direction provided by the Board, and shall file an official bond in the amount determined from time to time by the Board.

Section 4.08 Other Officers and Employees. The Board shall have the power to appoint such other officers and staff as it may deem necessary who shall have such powers, duties and responsibilities as are determined by the Board, and to retain independent accountants, legal counsel, engineers and other consultants. The Members may contract with CC Power to provide staff to perform services for CC Power, but such employees shall at all times, and for all purposes including benefits and compensation, remain employees of the Member only.

Section 4.09 Budget. The budget shall be approved by the Board. The Board may revise the budget from time-to-time as may be reasonably necessary to address contingencies and expected expenses. All subsequent budgets of CC Power shall be approved by the Board in accordance with rules as may be adopted by the Board from time to time. All expenditures must be made in accordance with the adopted budget.

Article V. MEETINGS OF THE BOARD

Section 5.01 Regular Meetings. The Board shall hold at least one regular meeting per year, but the Board may provide for the holding of regular meetings at more frequent intervals. The date, hour and place of each regular meeting shall be fixed by resolution of the Board. Regular meetings may be adjourned to another meeting time.

Section 5.02 Special Meetings. Special and emergency meetings of the Board may be called in accordance with the provisions of California Government Code Sections 54956 and 54956.5, as amended.

Section 5.03 Brown Act Compliance. All meetings of the Board shall be conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code Section 54950 et seq.), and as augmented by rules of the Board not inconsistent therewith. Directors may participate in meetings telephonically or by other electronic means, with full voting rights, only to the extent permitted by law.

Section 5.04 Minutes. The Secretary shall cause to be kept minutes of the meetings of the Board, both regular and special, and shall cause a copy of the minutes to be forwarded promptly to each Director.

Section 5.05 Quorum. A quorum of the Board shall consist of a majority of the Directors, except that less than a quorum may adjourn from time to time in accordance with law.

Section 5.06 Voting. Except to the extent set forth in a Project Agreement or as otherwise specified in this Agreement, each Member shall have one vote, which may be cast on any matter before the Board by each Director or alternate. Except to the extent otherwise specified in this Agreement, or by law, a vote of the majority of the Directors in attendance shall be sufficient to constitute action, provided a quorum is established and maintained.

(a) Special Voting Requirements as specified in this Agreement:

- **(i)** Action of the Board to amend Section 3.03 related to cost allocations shall require the affirmative vote of at least two-thirds (2/3) of the entire Board.
- **(ii)** Action of the Board on the matters set forth in Section 3.04(c) related to involuntary termination of a Member shall require the affirmative vote of at least two-thirds (2/3) of the entire Board.
- **(iii)** Action of the Board on the matters set forth in Section 9.01 related to termination of this Agreement shall require the affirmative vote of at least two-thirds (2/3) of the entire Board approved by resolution of each Member's governing body.
- **(iv)** Action of the Board to amend this Agreement shall be subject to the voting requirements set forth in Section 11.02 below.

Article VI. PROJECTS

Section 6.01 Projects. The Board has the power, upon majority vote of the Directors in attendance, provided a quorum is established and maintained, to establish Projects within the purpose and power of CC Power and to adopt guidelines for their implementation.

Section 6.02 Right to Participate in Projects. The Board shall provide at least sixty (60) days prior written notice to all Members, unless such notice is otherwise waived, before any Project may be considered for adoption by a vote of the Board. Such notice shall be provided to the Director of each Member. Once a Project is approved by the Board as set forth in Section 6.01 above, all Members shall have the right, but not the obligation, to participate in a pro-rata share in the Project as determined by the Project Agreement. All Members who elect not to participate in the Project have no obligations under the Project.

Section 6.03 Project Agreement. All expenses, rights and obligations to any specific Projects will be handled through Project Agreements that will be separate and distinct from this Agreement.

Article VII. BONDS AND OTHER INDEBTEDNESS

CC Power shall also have the power to issue, sell and deliver bonds in accordance with the provisions of the Joint Powers Act for the purpose of acquiring, financing, performing or constructing one or more Projects and to enter into other indebtedness for the purpose of financing one or more studies or Projects and for the purpose of providing temporary financing of costs of development, construction or acquisition of one or more Projects. The terms and conditions of the issuance of any such bonds or indebtedness shall be set forth in such resolution, indenture or other instrument, as required by law and as approved by the Board. Bonds issued under this article and contracts or obligations entered into to carry out the purposes for which bonds are issued, payable in whole or in part from the proceeds of said bonds, shall not constitute a debt, liability or obligation of any of the Members unless the governing body of the Member by resolution expressly agrees that the Member will be obligated under the bond or other indebtedness or the Member takes on obligations pursuant to a Project Agreement.

Article VIII. LIMITATION ON LIABILITY OF MEMBERS

Section 8.01 Pursuant to Section 6508.1 of the Government Code of the State of California, no debt, liability or obligation of CC Power shall be a debt, liability or obligation of any Member unless such Member agrees in writing to assume any of the debts, liabilities, or obligations of CC Power pursuant to a Project Agreement. Nothing contained in this Article VIII shall in any way diminish the liability of any Member with respect to any Project Agreement such Member enters into pursuant to this Agreement.

Section 8.02 Individual Member Provisions.

(a) The City of San José is a municipal corporation and is precluded under the California State Constitution and applicable law from entering into obligations that financially bind future governing bodies, and, therefore, nothing in the Agreement shall constitute an obligation of future legislative bodies of the City to appropriate funds for purposes of the Agreement. Any obligations under this Agreement and any Project Agreement are special limited obligations of San José Clean Energy payable solely from the Designated Fund (defined as the San Jose Energy Operating Fund established pursuant to City of San Jose Municipal Code, Title 4, Part 63, Section 4.80.4050 *et seq.)* ("Designated Fund") and shall not be a charge upon the revenues or general fund of the City of San José or upon any non- San José Clean Energy moneys or other property of the Community Energy Department or the City of San José.

(b) CleanPowerSF's payment obligations under this Agreement are special limited obligations of CleanPowerSF payable solely from the revenues of CleanPowerSF. CleanPowerSF's payment obligations under this Agreement are not a charge upon the revenues or general fund of the San Francisco Public Utilities Commission or the City and County of San Francisco or upon any non-CleanPowerSF moneys or other property of the San Francisco Public Utilities Commission or the City and County of San Francisco. CleanPowerSF's obligations hereunder shall not at any time exceed the amount certified by the San Francisco City Controller for the purpose and period stated in such certification. Except as may be provided by laws governing emergency procedures, officers and employees of CleanPowerSF are not authorized to request, and CleanPowerSF is not required to reimburse CC Power for, commodities or services beyond the agreed upon contract scope unless the changed scope is authorized by amendment and approved as required by law. Officers and employees of CleanPowerSF are not authorized to offer or promise, nor is CleanPowerSF required to honor, any offered or promised additional funding in excess of the maximum amount of funding for which the contract is certified without certification of the additional amount by the San Francisco City Controller. The San Francisco City Controller is not authorized to make payments on any contract for which funds have not been certified as available in the budget or by supplemental appropriation.

Article IX. TERM; TERMINATION; LIQUIDATION; DISTRIBUTION

Section 9.01 Term and Termination. This Agreement shall become effective when at least two Members execute this Agreement. This Agreement shall continue in full force and effect until terminated as provided in this Article; provided however, this Agreement cannot be terminated until such time as all principal of and interest on bonds and other forms of indebtedness issued by CC Power are paid in full. Thereafter, this Agreement may be terminated by a two-thirds (2/3) vote of the entire Board approved by resolution of each Member's governing body; provided, however, that this Agreement and CC Power shall continue to exist after termination for the purpose of disposing of all claims, distribution of assets and all other functions necessary to conclude the obligations and affairs of CC Power. In no event shall this

Agreement or the powers herein granted to CC Power be terminated until (a) all bonds and other indebtedness of CC Power and the interest thereon shall have been paid or adequate provision for such payment shall have been made in accordance with the instruments governing such bonds and indebtedness and (b) all other obligations and liabilities of CC Power shall have been met or adequately provided for.

Section 9.02 Liquidation; Distribution. Upon termination of this Agreement, the Board shall liquidate the business and assets and the property of CC Power as expeditiously as possible, and distribute any net proceeds, after the conclusions of all debts and obligations of CC Power, to any Members in proportion to the contributions made or in such manner as otherwise provided by law. The Board is vested with all powers of CC Power for the purpose of concluding and dissolving the business affairs of CC Power.

ARTICLE X. ACCOUNTS AND REPORTS

Section 10.01 Establishment and Administration of Funds. CC Power is responsible for the strict accountability of all funds and reports of all receipts and disbursements. It will comply with every provision of law relating to the establishment and administration of funds, particularly Section 6505 of the California Government Code. CC Power shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any resolution, indenture or other instrument of CC Power securing its bonds or other indebtedness, except insofar as such powers, duties and responsibilities are assigned to a trustee appointed pursuant to such resolution, indenture or other instrument. The books and records of CC Power shall be open to inspection at all reasonable times to each Member and its representatives.

Section 10.02 Annual Audits and Audit Reports. The Treasurer/Controller shall cause an annual independent audit of the accounts and records of CC Power to be made by a certified public accountant or public accountant in accordance with all applicable laws. If permitted by applicable law and authorized by the Board, the audit(s) may be conducted at the longer interval authorized by applicable law. A report of the financial audit will be filed as a public record with each Member. CC Power will pay the cost of the financial audit and charge the cost against the Members in the same manner as other administrative costs.

ARTICLE XI. GENERAL PROVISIONS

Section 11.01 Successors and Assigns. No Member may assign any right or obligation under this Agreement without the consent of all other Members. This section shall not affect, in any respect, any right of assignment under any Project Agreement.

Section 11.02 Amendments. Subject to any requirements of law, a two-thirds (2/3) vote of the entire Board will be required to amend Articles II, III, VIII, and IX of this Agreement. Once an amendment of Articles II, III, VIII, or IX is adopted by the Board, the amendment must be approved by two-thirds of the Members pursuant to that Members' applicable approval process. All other provisions of this Agreement may be amended at any time or from time to time by an amendment approved by at least two-thirds (2/3) vote of the entire Board. Written notice shall be provided to all Members of proposed amendments to this Agreement, including the effective date of such amendments, at least 60 days prior to the date upon which the Board votes on such amendments.

Section 11.03 Indemnification and Insurance. To the fullest extent permitted by law, CC Power shall defend, indemnify, and hold harmless the Members and each of their respective Directors, alternates, officers, employees and agents from any and all claims losses damages, costs, injuries and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of CC Power under this Agreement to the extent not otherwise provided under a Project Agreement. CC Power shall acquire such insurance coverage as the Board deems is necessary and appropriate to protect the interests of CC Power and the Members.

Section 11.04 Notices. The Board shall designate its principal office as the location at which it will receive notices, correspondence, and other communications, and shall designate one of its Directors or staff as an officer for the purpose of receiving service on behalf of the Board. Any notice given pursuant to this Agreement shall be in writing and shall be dated and signed by the Member giving such notice. Notice to each Member under this Agreement is sufficient if mailed to the Member and separately to the Member's Director to their respective addresses on file with CC Power.

Section 11.05 Severability. Should any portion, term, condition, or provision of this Agreement be determined by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the remaining portions, terms, conditions, and provisions shall not be affected thereby.

Section 11.06 Section Headings. The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section to which they refer.

Section 11.07 Choice of Law. This Agreement will be governed and construed in accordance with the laws of the State of California.

Section 11.08 Counterparts. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all Members had signed the same instrument.

Section 11.09 Dispute Resolution. The Members shall make reasonable efforts to informally settle all disputes arising out of, or in connection with, this Agreement. Should such informal efforts to settle a dispute fail, the dispute shall be mediated in accordance with policies and procedures established by the Board.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the Members hereto has caused this Agreement to be executed as an original counterpart by its duly authorized representative on the date indicated below.

	Date:	______________________
(Seal)	CCA Name:	______________________
Attest:	Address:	______________________
______________________		______________________

	Date:	______________________
(Seal)	CCA Name:	______________________
Attest:	Address:	______________________
______________________		______________________

	Date:	______________________
(Seal)	CCA Name:	______________________
Attest:	Address:	______________________
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	Date:	______________________
(Seal)	CCA Name:	______________________
Attest:	Address:	______________________
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Date: ______________________________

(Seal) CCA Name: ______________________________

Attest: Address: ______________________________

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Date: ______________________________

(Seal) CCA Name: ______________________________

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Date: ______________________________

(Seal) CCA Name: ______________________________

Attest: Address: ______________________________

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Date: ______________________________

(Seal) CCA Name: ______________________________

Attest: Address: ______________________________

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LONG DURATION STORAGE

Joint Procurement with Eight Community Choice Aggregators

In fall 2020, eight California Community Choice Aggregators (Joint CCAs) issued a Request for Offers for 500 MW of long-duration storage (LDS). The Joint CCAs collectively serve 2,324,250 customer accounts across 15 counties, with a peak load of 5,395 MW and an annual energy use of 24,748 GWh. This is the largest known single procurement effort for this amount of LDS. 51 developers submitted offers with over 300 unique pricing options and 18 different LDS technologies.

What is Long-Duration Storage?

LDS is an energy storage technology that can store and discharge energy for long periods of time. Typical storage technologies that many CCAs and other utilities have been procuring are utility-scale, lithium-ion batteries backed by solar resources which can store and discharge 4 hours of energy. LDS can be a variety of technology solutions that can go beyond 4 hours and does not have to be paired with a renewable resource such as solar but can be charged by the transmission grid. In this Request For Offers, the CCAs are seeking an LDS that has the ability to charge and discharge at a minimum of 8 hours. LDS is currently undefined by the California Public Utilities Commission (CPUC).

Example LDS Technologies

- Lithium-Ion
- Chemical Flow
- Compressed Air
- Pumped Storage Hydro
- Thermal Storage
- Gravity-Based
- Hydrogen Production
- Other Concepts

Why Long-Duration Storage?

LDS is one solution in maintaining grid reliability and resiliency as California transitions to a cleaner grid. As California pursues its 2045 carbon-free energy goal, and the CPUC's target to install LDS by 2026, as well as the clean energy goals for the nearly three million customers in the communities served by the joint CCAs, LDS provides the flexibility needed due to the intermittency of renewables.

For most of the year and particularly during the middle of the day, California produces an excess amount of renewable energy leading to the curtailment of clean power. When renewable energy is plentiful, LDS will take the excess energy and discharge power for longer periods of time when supply is low. LDS will be able to supply energy for longer stretches of time and give grid operators the flexibility of a full day's (8+ hours) worth of discharging capacity.

How does Long-Duration Storage help meet state goals?

LDS is just one component of energy storage that is pivotal in providing reliability to the power grid. The CCAs believe there will be a suite of solutions, in addition to all forms of storage, necessary for this transition to a clean grid.

The Joint CCA's interest in procuring LDS would aid with meeting California's greenhouse gas reduction targets by 2030 as outlined in the CPUC's 2021-2030 Integrated Resource Plan (IRP). The IRP identified LDS as a resource necessary to meet required GHG reductions by 2026. Additionally, because these are capital intensive projects that may take years to develop, the Joint CCAs wanted to get ahead of future procurement requirements with enough time.

Media

- **California Community Choice Aggregators Issue Request for Long-Duration Storage**, *Joint Announcement*
- **The First Major Long-Duration Storage Procurement Has Arrived**, *Greentech Media*
- **California Community Choice groups seek up to 500MW of long-duration energy storage**, *Energy Storage News*
- **California community choice aggregators issue RFO for long-duration storage**, *American Public Power Association*

Learn More: www.svcleanenergy.org/joint-lds-rfo

About Community Choice Aggregators

Community Choice Aggregators, or CCAs, are not-for-profit, public agencies providing competitively priced, clean energy choices to their communities while reinvesting revenues into local and statewide projects and programs, supporting sustainability, and enhancing their local economies. There are 23 CCAs in California serving more than 10 million customers.

Nine CCAs are forming California Community Power, a Joint Powers Authority, to maximize economies of scale, manage costs and minimize risk. Eight of these CCAs are participating in the LDS RFO and currently evaluating all offers for cost effectiveness and viability and will shortlist LDS offers in Q1 2021 with California Community Power negotiating and executing a final agreement by Q2/Q3 2021.

Through CCA, communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local projects and programs on behalf of their residents and businesses. CCAs work in partnership with the region's existing Investor-Owned Utility, which continues to deliver power and maintain the grid.

To date, CCAs have contracted for more than 6,000 megawatts of new clean generation capacity through long-term power purchase agreements with terms of 10 years or more. Learn more: cal-cca.org/cca-impact.

Sonoma Clean Power

Staff Report – Item 09

To: **Sonoma Clean Power Authority Board of Directors**

From: **Geof Syphers, Chief Executive Officer**

Issue: **Receive Report on the Potential Use of Microgrids to Reduce Distribution Costs and Fire Risks in Certain Remote Areas and Delegate Authority to the CEO to Authorize PG&E to Complete a Limited Number of Pilot Projects**

Date: **January 7, 2021**

Requested Action:

Delegate authority to the CEO working with SCPA's Special Counsel to negotiate with PG&E and authorize limited pilot use of remote microgrids inside the SCPA service territory, subject to the following limitations:

- Limit this approval to a small pilot study where the total average load removed from SCPA's service territory is less than 100 kW.
- Require PG&E to materially involve SCPA in early communications directly with the affected customers to allow SCPA to understand their needs, to inform the customers of opportunities to finance and use clean power sources if they choose to own the microgrid.
- Establish that this approval in no way establishes precedents for future policies, regulations, fees, tariffs, changes to SCPA's eligible service territory or customers, changes in SCPA's right or obligation to serve customers, or any other related matter.

Update on Microgrids

Over the past six months, SCPA has stepped up its review of PG&E's distribution grid to help advocate for targeted repairs and system hardening. The focus of this work began as a means to reduce the number of customers affected by Public Safety Power Shutoffs (PSPS), but through recent conversations with PG&E staff has expanded to explore the possible use small-scale remote microgrids as a means to remove extremely expensive or high fire threat sections of distribution circuits. PG&E has begun to evaluate non-traditional options in these areas in lieu of simply replacing all distribution lines. SCPA staff support evaluating all approaches – including novel ones that have not yet been widely used – to provide safe access to services customers prioritize. At the top of PG&E's list is the avoidance of rebuilding such expensive or risky distribution lines that have been destroyed in a fire, and particularly in places where the circuit segment in question serves only a very few customers. SCPA staff would like to be in a position to partner with PG&E on these efforts.

If PG&E chooses to not rebuild distribution lines to existing electric customers, there are several considerations which involve SCPA:

- The customers would be removed from SCPA service, which may require permission of SCPA's Board of Directors because SCPA has an obligation to serve all customers who do not opt out.
- The departing customers would leave behind stranded costs in SCPA's portfolio because SCPA has procured significant long-term renewable contracts at prices that were much higher than the current or forecast resale value. This could be an issue even if the current customers have opted out of SCPA's service, since it would preclude them ever returning to SCPA service and also preclude any future owner from receiving SCPA service. In effect, it would shrink SCP's service geographic service territory.
- The owner/operator of the new microgrid may not choose to use sources of power that are as clean as SCPA's portfolio, causing an increase in criteria pollutants and greenhouse gas emissions. This could harm both SCPA's climate goals, but also those of SCPA's member cities and counties. If fossil-based power sources (e.g. diesel generators) are used, those may also increase fire risk.
- The removal of distribution lines through Tier 2 and 3 fire threat areas could materially reduce the risk of fires in our region. The social and broad economic

benefits of this are widespread, shared, and potentially significant. However, the narrow economic benefits of lower fire risk would mostly flow to PG&E's shareholders (due to lower risk of a future bankruptcy) and California IOU electric ratepayers (who bear the majority of costs for claims against the State's wildfire insurance fund).

- In some cases, the avoided cost from not rebuilding a distribution line could be greater than the cost of the microgrid or cost PG&E have to pay a customer for them to agree to a Discontinuance of Service, in which case there would be a net reduction in electric delivery costs for all of PG&E's ratepayers.

- Staff's current understanding is that PG&E's obligation to provide service means that either (a) PG&E would have to own and operate at least the delivery portion of a microgrid, or (b) every single affected customer would have to sign a Discontinuance Agreement with PG&E, saying that they agree to a financial settlement in lieu of service.

  In option (a), it may be possible for SCPA to own and operate power generation and storage devices in a remote microgrid and remain the generation provider; there is one example of this in Humboldt County at the new Airport microgrid.

  In option (b) it is likely possible for a group of former SCPA and PG&E customers to separate from the grid and operate their own microgrid, although there are a number of grey areas in this scenario when wires cross property lines. PG&E staff have conveyed to SCPA that there are some precedents for paying a willing customer(s) in exchange for executing a Discontinuance of Service Agreement. In that case, the agreement would likely be noted on the deed of the property to inform lenders and potential future buyers that any utility service to the site would be treated as "new service" and carry the full costs of building new infrastructure.

Key Challenge

Staff bring this item forward because there are a few locations that were burned in our recent fires that may be good candidates for a remote microgrid in lieu of rebuilding distribution lines. Prior to SCPA's existence, these projects would be unilaterally considered by PG&E alone. Now SCPA must be involved, and this raises a conundrum because post-fire repairs to the distribution grid are typically made extremely quickly, and yet this new use case carries a number of unanswered questions.

It is staff's opinion that SCPA should not be the reason any electric customer experiences a delay in restoring service, and it is conceivable that PG&E will ask SCPA for a "yes or no" decision on projects with very short notice. However, all of the issues described in the first section should be considered before significant territory is de facto removed from SCPA's service territory.

Beyond a binary decision on a specific project, SCPA staff may seek future guidance from the Committee and Board to develop a policy governing where remote microgrids should be considered. Metrics to inform this policy could include the fire risk of a given line, the number of customers or load served, the interest of those customers in a Discontinuance of Service Agreement, generation resources used, etc. We are not seeking immediate guidance from the Board on a policy but welcome feedback and an on-going discussion.

Staff recommend the Board authorize the Requested Action to ensure SCPA is supportive of customers seeking rapid access to reliable power following fire damage to the grid, and to gain experience working with PG&E on novel solutions to better inform the complex jurisdictional and policy questions identified in this report.

Community Advisory Committee Input

The Committee raised several concerns, and each were discussed through to the point where the Committee ultimately unanimously recommended the Board proceed with this limited delegation of authority to the CEO to allow a limited amount of pilot projects.

The concerns included issues with executing a formal agreement with PG&E without the Board first seeing the details, since that could potentially create precedents. This concern was addressed by changing the staff recommendation to remove a formal written agreement, and recommend that if such an agreement is needed, that it should return for specific Board review and approval.

Next, the Committee raised concerns with PG&E creating barriers to SCPA providing service, such as by taking over electric generation through the construction and operation of a microgrid. After discussion of the kinds of potential projects (generally remote rural areas with very few customers), the Committee grew comfortable with a limited number of pilot projects that would have no significant financial impact on SCPA's remaining customers.

The Committee also raised concerns that PG&E might use this mechanism to circumvent its obligation to serve, but that was answered with confirmation that PG&E would not be relieved of that obligation unless every single affected customer agreed to a cash payment in lieu of service.

The Committee also agreed with staff that there is value to staying closely involved in any remote microgrid or service discontinuance in SCPA's service territory, and that some small-scale pilots could be useful in understanding the potential for microgrids more broadly.