



**AGENDA
BOARD OF DIRECTORS MEETING
THURSDAY, OCTOBER 3, 2024, 9:00 A.M.**

EXCEPT AS PERMITTED BY GOVERNMENT CODE SECTION 54953(F), MEMBERS OF THE BOARD OF DIRECTORS MAY PARTICIPATE IN THE OCTOBER 3, 2024, MEETING AT ANY OF THE LOCATIONS SHOWN BELOW.

**SONOMA CLEAN POWER HEADQUARTERS
431 E STREET
SANTA ROSA, CA 95404**

**WILLITS CITY HALL (TELECONFERENCE LOCATION)
111 E ST.
WILLITS, CA 95490**

**FORT BRAGG BRANCH LIBRARY, (TELECONFERENCE LOCATION)
499 E. LAUREL ST., COMMUNITY ROOM
FORT BRAGG, CA 95437**

MEMBERS OF THE PUBLIC MAY PARTICIPATE IN THE MEETING AT THE ABOVE PHYSICAL LOCATIONS OR VIEW REMOTELY THROUGH:

Webinar link: <https://us06web.zoom.us/j/88546704126>
Telephone number: 1 (669) 444-9171
Meeting ID: 885 4670 4126

How to Submit Public Comment:

Comments may be provided in person at the physical meeting locations. Comments may be submitted in writing to meetings@sonomacleanpower.org. For detailed public comment instructions, [please visit this page](#). Please note that live remote public comment will not be taken unless required by Government Code section 54953(f). If required, it will be announced by the Chair. Members of the public should attend in person or provide written comment to ensure they can provide public comment.

For written comments, state the agenda item number that you are commenting on and limit to 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 up to 300 words. Written comments may be provided during the meeting.

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation or an alternative format, please contact the Clerk of the Board at (707) 757-9417, or by email at meetings@sonomacleanpower.org as soon as possible to ensure arrangements for accommodation.

For further clarification on any of the items listed please contact (855) 202-2139 and staff will be available to assist.

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

CALL TO ORDER (Any private remote meeting attendance will be noticed or approved at this time)

BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve August 1, 2024, Draft Board of Directors Meeting Minutes (Staff Recommendation: Approve) **pg. 5**
2. Approve Resolution 2024-01 Naming a Sonoma Clean Power Authority Treasurer (Staff Recommendation: Approve) **pg. 13**
3. Approve Resolution 2024-02 to Join the California Community Choice Financing Authority as an Associate Member and Subsequently to Apply to be a Founding Member (Staff Recommendation: Approve) **pg. 19**
4. Approve the Proposed Revisions to Financial Policy B.2 - Financial Reserves, and Approve the Deferral of Funds into the Rate Stabilization Fund (Staff Recommendation: Approve) **pg. 23**
5. Approve the Proposed Updated Financial Policy B.5 - Investments (Staff Recommendation: Approve) **pg. 29**
6. Approve the Amendment to Sonoma Clean Power's A.3 - Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collection and A.4 - Information Technology Security Policy (Staff Recommendation: Approve) **pg. 47**
7. Receive Geothermal Opportunity Zone Update (Staff Recommendation: Receive and File) **pg. 55**
8. Approve Continued Use of Updated AG-5-B and AG-5-E Rates Effective October 1, 2024 (Staff Recommendation: Approve) **pg. 59**
9. Receive Internal Operations and Monthly Financial Report and Provide Direction as Appropriate (Staff Recommendation: Receive and File) **pg. 61**
10. Receive Legislative and Regulatory Updates, Approve Legislative Positions, and Provide Direction as Appropriate (Staff Recommendation: Approve) **pg. 75**

BOARD OF DIRECTORS REGULAR CALENDAR

11. Approve a Five-Year Contract with Sacramento Municipal Utility District for Data Management, Billing, and Contact Center Services (Staff Recommendation: Approve) **pg. 81**
12. Approve Proposed Resolution 2024-03 which Authorizes the Execution and Delivery of a Clean Energy Purchase Contract and Other Documents in Connection with the Issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds (Staff Recommendation: Approve) **pg. 85**
13. Reduce Agency Expenses by an Estimated \$46 Million for the Six-Year Period from 2025 through 2030 by Accepting an Allocation of Energy from the Diablo Canyon Nuclear Power Plant (Staff Recommendation: Approve) **pg. 103**

BOARD OF DIRECTORS MEMBER ANNOUNCEMENTS

PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

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

ADJOURN

COMMONLY USED ACRONYMS AND TERMS

CAC	SCP's Community Advisory Committee, advises the Board of Directors
CAISO	California Independent Systems Operator – the grid operator
Carbon Free	Carbon-free resources are sources of power that have no greenhouse gas emissions, but are not considered renewable in California, such as large hydroelectric and nuclear
CCA	Community Choice Aggregator – a public power provider (generation only)
CEC	California Energy Commission
CleanStart	SCP's default power service
CPUC	California Public Utilities Commission
DER	Distributed Energy Resource (e.g. rooftop solar)
ERRA	Energy Resource Recovery Account – PG&E's primary generation rate case at the CPUC
EverGreen	SCP's premium 100% renewable, 100% local energy service, and the first service in the United States providing renewable power every hour of every day. Sign up today!
Geothermal	A locally available, low-carbon baseload renewable resource
GHG	Greenhouse gas
GRC	General Rate Case –PG&E's primary delivery rate case at the CPUC
GridSavvy	GridSavvy Rewards are available to SCP customers for reducing household energy use when needed to help California ensure reliable low-emission power. GridSavvy Rewards are also available with smart devices (e.g. smart thermostat, EV charger, battery storage, etc.). Both are a form of demand response.
IOU	Investor-Owned Utility (e.g., PG&E)
IRP	Integrated Resource Plan – balancing energy needs with energy resources
JPA	Joint Powers Authority
MW	Megawatt is a unit of power and measures how fast energy is being used or produced at one moment.
MWh	Megawatt-hour is a unit of energy and measures how much energy is used or produced over time.
NEM	Net Energy Metering. NEM is a billing mechanism that credits solar energy system owners for the electricity they add to the grid.
NetGreen	SCP's net energy metering program
PCIA	Power Charge Indifference Adjustment – The PCIA is a charge to ensure that both PG&E, Direct Access, and CCA customers pay for the above market costs for electric generation resources that were procured by PG&E on their behalf prior to departing. "Above Market" refers to the difference between what the utility pays for electric generation and current market prices for the sale of those resources.
RA	Resource Adequacy – a required form of capacity that helps ensure there are sufficient power resources available when needed. It acts as insurance for the grid when demand is high to keep the lights on.
RPS	Renewables Portfolio Standard refers to renewable energy sources which qualify to meet state requirements and include biomass & biowaste, geothermal, small hydroelectric, solar and wind.
SCPA	Sonoma Clean Power Authority
TOU	Time-of-Use, used to refer to rates that differ by time of day and season.

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**DRAFT MEETING MINUTES
BOARD OF DIRECTORS MEETING
THURSDAY, AUGUST 1, 2024
9:00 A.M.**

CALL TO ORDER

(9:02 a.m. - Video Time Stamp: 00:04:16)

Vice Chair Barnacle called the meeting to order.

Board Members present: Vice Chair Barnacle, Directors Lands, Lemus, Elward, Rogers, Zollman, Farrar-Rivas, Strong, Fudge, and Gjerde. Chair Hopkins was absent with prior notice.

Staff present: Geof Syphers, Chief Executive Officer; Garth Salisbury, Chief Financial Officer; Stephanie Reynolds, Director of Internal Operations; Neal Reardon, Director of Regulatory Affairs; Felicia Smith, Senior Program Manager; Carolyn Glanton, Programs Operations Manager; and Josh Nelson, Special Counsel.

BOARD OF DIRECTORS CONSENT CALENDAR

(9:03 a.m. - Video Time Stamp: 00:04:56)

1. Approve July 11, 2024, Draft Board of Directors Meeting Minutes
2. Ratify Generation Rates Effective August 1, 2024, Consistent with Prior Board Direction

Public Comment: None

Motion to approve the August 1, 2024, Board of Directors Consent Calendar by Director Lands

Second: Director Rogers

AYES: Lands, Lemus, Barnacle, Rogers, Zollman, Farrar-Rivas, Strong, Fudge, Gjerde

ABSENT: Elward, Hopkins

BOARD OF DIRECTORS REGULAR CALENDAR

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

(9:04 a.m. - Video Time Stamp: 00:05:30)

9:05 a.m. Director Elward entered the meeting.

Chief Executive Officer Geof Syphers introduced Garth Salisbury as SCP's new Chief Financial Officer and CFO Salisbury gave a few words of introduction. Director Farrar-Rivas encouraged SCP to invest its reserve funds in ways that support its mission; CFO Salisbury agreed.

Stephanie Reynolds, Director of Internal Operations, discussed SCP's community engagement. Director Reynolds then invited Felicia Smith, Senior Program Manager, to discuss the Calpine Community Benefits Grant.

Director Lemus asked if the grant was awarded annually, and asked how much was given. Ms. Smith answered that \$76,000 was given with a \$20,000 cap per grantee; she added that this was the second year of the grant.

Director Reynolds then discussed SCP's customer participation rates and investment summary. She also asked the Board if they wanted to cancel the tentative September Board meeting, and the Board agreed.

Public Comment: None

4. Receive Legislative and Regulatory Updates, Approve Legislative Positions, and Provide Direction as Appropriate

(9:21 a.m. - Video Time Stamp: 00:22:22)

Neal Reardon, Director of Regulatory Affairs, gave a regulatory update where he discussed enhanced geothermal and a need for SCP to ensure no duplicative procurement. CEO Syphers mentioned that SCP's sponsored bill, AB 1359 (Pappan), which deals with geothermal permitting, was moving along and gave some background on how the GeoZone initiative came about. He then discussed SB 1298 (Cortese), which regulates data center generators, and added that SCP continues to oppose it.

Director Farrar-Rivas stated that data centers could have multiple large generators under SB 1298, and CEO Syphers added that after this bill's fate is

decided he would work to get technology companies to aid in pressing for my transmission and baseload clean power to make fossil fuel generators unnecessary.

Public Comment: None

There were no legislative positions to approve and there was no vote taken on this item.

5. Receive Geothermal Opportunity Zone Update

(9:30 a.m. - Video Time Stamp: 00:31:45)

CEO Syphers thanked SCP staff for delivering a great town hall on the GeoZone initiative and added that there were over 100 participants between the in-person and online attendance.

Director Lemus echoed that it was a great town hall and would like to see more information made available to the Spanish speaking community. Director Farrar-Rivas thanked staff for their presentations. Director Lemus asked if the Spanish translations were available, and CEO Syphers answered they would be shortly.

Public Comment: None

6. Receive Residential and Commercial Community Needs Assessment Final Report

(9:37 a.m. - Video Time Stamp: 00:38:46)

Carolyn Glanton, Programs Operations Manager gave a presentation on the Residential and Commercial Community Needs Assessment Final Report.

Director Zollman asked if it was the Sacramento Municipal Utility District's policy to keep the partners used in the study confidential; Ms. Glanton responded affirmatively and added that it was because confidentiality helped ensure honest feedback, particularly in groups that have been historically underrepresented in leadership positions. Director Farrar-Rivas stated that it would be helpful to know what criteria were used to select the partners and Ms. Glanton mentioned that the report includes the type of service, the population, and geographical region served. Director Fudge mentioned she would like the community to be educated on time-of-use rates and would like to see EverGreen Customers in Empower communities receive discounts.

Director Rogers said he would like to see urban greening discussed. Director Gjerde asked if the community asked about SCP's line item on billing and Ms. Glanton answered that it is the subject of many customer calls. Director Strong asked if there were resources that the Board could point to which would clear up customer confusion about billing. Vice Chair Barnacle asked if the partners that facilitated the assessments were given compensation and Ms. Glanton answered that they were. Vice Chair Barnacle added that a real-time chatbot on SCP's website could be helpful to answer questions, but Director Lemus warned that an artificial intelligence (AI) chatbot would pull a lot of energy and maybe a QR code could better suit SCP's needs. Director Farrar-Rivas would like the presentation to be given to the Climate Action Commission in Sonoma and Director Elward would like it shown to the Rohnert Park City Council.

Public Comment: None

10:28 a.m. Director Rogers exited the meeting.

7. Approve Fifth Amendment to Agreement for Personal Services and Annual Contract Goals for Chief Executive Officer Syphers; Receive Report on Prior Year Goals

(10:30 a.m. - Video Time Stamp: 01:31:12)

CEO Syphers gave a presentation on prior year goals.

Vice Chair Barnacle expressed appreciation for SCP's budget and the fact that transparency is a core value at SCP. Director Strong asked for clarification on how SCP can affect transmission with a transmission planner, given that SCP does not control transmission lines. Director Farrar-Rivas appreciated that SCP uses strategic thinking in its goal setting. Directors Fudge, Lemus and Elward expressed their appreciation for CEO Syphers and staff.

Public Comment: None

Motion to approve Fifth Amendment to Agreement for Personal Services and Annual Contract Goals for Chief Executive Officer Syphers by Director Farrar-Rivas

Second: Director Elward

AYES: Lands, Lemus, Barnacle, Elward, Zollman, Farrar-Rivas, Strong, Fudge, Gjerde

ABSENT: Rogers, Hopkins

BOARD OF DIRECTORS MEMBER ANNOUNCEMENTS

(11:07 a.m. - Video Time Stamp: 02:08:14)

Director Lemus announced that the City of Cotati would be holding their Accordion Festival. Director Farrar-Rivas announced the City of Sonoma would be holding its annual City Party. Director Elward announce that Rohnert Park would be having their African Soul Festival on August 31, 2024.

PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(11:09 a.m. - Video Time Stamp: 02:10:54)

Public Comment: Tom Conlon sent a written comment on Item 3 after the item was heard discussing low EverGreen enrollment and his concerns about effectiveness.

Deb Emerson discussed the Sonoma City Party, for which SCP was sponsoring a bike valet.

ADJOURN

(11:12 a.m. - Video Time Stamp: 02:11:40)

The meeting was adjourned to Closed Session by unanimous consent.

Public Comment Regarding 8/1 Operations Report - Item 3

Dear Board Members,

Thank you for this opportunity to comment remotely in writing.

First, specific to the EverGreen Enrollment Statistics reported on page 13 of the packet: Enrollments in EverGreen are still quite low at 1.9% (and though no trend appears to be reported in this Operations Report, EverGreen enrollments have long been stagnant, and may even be dropping).

Considering our structural budget deficit at the City of Sonoma, and its likely negative impact on our ability to fund local climate action, members of our Climate Action Commission have begun to question the cost effectiveness of customers participating in the EverGreen program, as municipalities, businesses, residents, and other ratepayers. The City of Sonoma was the first municipality to opt-up to EverGreen in 2016. However, now the concern is that as the CleanStart portfolio has gotten much cleaner, the GHG performance differential between the two product offerings may no longer be big enough to justify the extra amount EverGreen costs customers each month.

To help address these concerns, I respectfully ask:

Has SCP recently evaluated the cost effectiveness of investing in GHG mitigation using EverGreen, especially relative to other cost effective options like efficiency and decarbonization upgrades?

If so can these results be provided to the City of Sonoma (ideally prior to our next scheduled committee meeting on 8/14, where this topic is likely to come up).

If not, any data or guidelines that might assist us in exploring this issue would be appreciated.

Finally, a general comment.

I want to let you all know that from what I am hearing, many members of the region-wide environmental community are pleased to see the progress SCP is making on weaning our default CleanStart portfolio off its still disproportionately high dependence on dirty biomass energy (relative to PG&E and other statewide portfolios).

We applaud all your efforts to date.

Most Respectfully,

- Tom Conlon

From:
To:
Subject: City Party in Sonoma
Date: Thursday, August 1, 2024 11:11:19 AM

CAUTION: EXTERNAL SENDER!

This email was sent from an EXTERNAL source. Do you know this person? Are you expecting this email? Are you expecting any links or attachments? If suspicious, do not click links, open attachments, or provide credentials. Don't delete it. Report it using the Phish Alert Report button.

SCP is sponsoring the bike valet at the Sonoma City Party!
Ride on over and join us

Deb
Sent from my iPhone

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Staff Report - Item 02

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, Chief Executive Officer
Garth Salisbury, Chief Financial Officer

Issue: Approve Resolution No. 2024-01 Naming a Sonoma Clean Power Authority Treasurer

Date: October 3, 2024

Recommendation

Staff recommends the Board of Directors adopt proposed Resolution No. 2024-01 (Attachment 1) naming Garth Salisbury, Chief Financial Officer, as the Treasurer of Sonoma Clean Power (SCP) in accordance with Government Code 6505.5. Under Government Code Section 53607, the Board can delegate the treasurer's responsibilities to someone else if needed.

Background

When SCP was formed, its Joint Powers Agreement (JPA) named the Sonoma County Auditor-Controller-Treasurer-Tax Collector as the Treasurer for SCP. Per Section 4.9.3 of SCP's JPA, "The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time."

Discussion

SCP's Chief Financial Officer, Garth Salisbury, has the requisite qualifications and experience to serve as the SCP Treasurer.

1. Responsibilities and Duties of Treasurer

Government Code Section 6505.5 identifies the duties of an agency treasurer which include:

- a. Receive and receipt for all money of the agency or entity and place it in the treasury of the treasurer so designated to the credit of the agency or entity.
- b. Be responsible, upon his or her official bond, for the safekeeping and disbursement of all agency or entity money so held by him or her.
- c. Pay, when due, out of money of the agency or entity held by him or her, all sums payable on outstanding bonds and coupons of the agency or entity.
- d. Pay any other sums due from the agency or entity from agency or entity money, or any portion thereof, only upon warrants of the public officer performing the functions of auditor or controller who has been designated by the agreement.
- e. Verify and report in writing on the first day of July, October, January, and April of each year to the agency or entity and to the contracting parties to the agreement the amount of money he or she holds for the agency or entity, the number of receipts since his or her last report, and the amount paid out since his or her last report.

2. Authority to Appoint Officer

Government Code Section 6505.6 and Section 4.9.3 of the SCP Joint Powers Agreement provide that SCP may appoint one of its own officers or staff to serve as its Treasurer. Following their appointment, the officer must contract with a certified public accountant to conduct an annual independent audit pursuant to Government Code Section 6505.

3. Qualifications of Chief Financial Officer

Garth Salisbury, SCP's Chief Financial Officer, has over 35 years of municipal finance experience as a Public Finance Investment Banker, Municipal Advisor, and Municipal Consultant. He has worked at Lehman Brothers (7 years), JPMorgan (17 years), Royal Bank of Canada (7 years), and Sperry Capital (2 years). He has structured over \$35 billion in bond issues and over \$12 billion of investment portfolios and hedging contracts. In his role as an investment banker and municipal advisor he maintained Financial Industry Regulatory Authority (FINRA) Series 7, 24, 50, 53, and 63 Securities Licenses. Most recently he served

as MCE's Chief Financial Officer and Treasurer. SCP's Chief Financial Officer oversees all of SCP's financial matters.

Attachments

- Attachment 1 - Draft Resolution No. 2024-01 Naming an SCP Treasurer

RESOLUTION NO. 2024-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA CLEAN POWER AUTHORITY APPOINTING THE CHIEF FINANCIAL OFFICER AS TREASURER

WHEREAS, Sonoma Clean Power Authority is a joint powers authority organized under the Joint Exercise of Powers Act (Government Code Section 6500 et seq.); and

WHEREAS, the Board of Directors ("Board") of the Sonoma Clean Power Authority ("Authority"), pursuant to Government Code Section 6505.6 and Section 4.9.3 of the Authority's Joint Power Agreement, as amended, ("JPA"), may appoint one of its officers or employees to the position of Treasurer, and such person or persons shall comply with the duties and responsibilities of the office or officers as set forth in subdivisions (a) to (e), inclusive, of Government Code Section 6505.5; and

WHEREAS, that the Board hereby finds that Garth Salisbury, the Chief Financial Officer of the Authority, is qualified to serve as Treasurer and can perform the required functions and duties of Treasurer.

NOW, THEREFORE BE IT RESOLVED, by the Board of Directors of the Sonoma Clean Power Authority:

- Section 1. Recitals. That the foregoing recitals are true and correct and a substantive part of this Resolution.
- Section 2. Appointment. The Board, as authorized by Government Code Section 6505.6 and Section 4.9.3 of the Authority JPA, appoints the Chief Financial Officer, Garth Salisbury, as Treasurer of the Authority, and such appointment is made effective immediately upon the passage and adoption of this resolution.
- Section 3. Surplus Funds. Pursuant to Government Code section 53607, the Board delegates authority to the Treasurer to invest or to reinvest funds of the Authority and to sell or exchange securities so purchased from such funds. The Treasurer shall report such actions to the Board as required by law.
- Section 4. Deputies. The Treasurer may delegate his authority as permitted by law, including appointing one or more Deputy Treasurers.
- Section 5. Term. This Resolution shall remain in full force and effect until rescinded by the Board by resolution.
- Section 6. Certification. The Board Clerk shall certify the adoption of this Resolution.

DULY ADOPTED this 3rd day of October, 2024

JURISDICTION	NAME	AYE	NO	ABSTAIN/ ABSENT
Cloverdale	Director Lands			
Cotati	Director Lemus			
Petaluma	Director Barnacle			
Rohnert Park	Director Elward			
Santa Rosa	Director Rogers			
Sebastopol	Director Zollman			
Sonoma	Director Farrar-Rivas			
Willits	Director Strong			
Windsor	Director Fudge			
County of Mendocino	Director Gjerde			
County of Sonoma	Director Hopkins			

In alphabetical order by jurisdiction

Lynda Hopkins Chair, Sonoma Clean Power
Authority

Attest:

Darin A. Bartow, Clerk of the Board

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Staff Report - Item 03

To: Sonoma Clean Power Authority Board of Directors
From: Garth Salisbury, Chief Financial Officer
Issue: Approve Resolution 2024-02 to Join the California Community Choice Financing Authority as an Associate Member and Subsequently to Apply to be a Founding Member
Date: October 3, 2024

Requested Action

Approve Resolution 2024-02 (Attachment 1) allowing Chief Financial Officer or Designee to execute a joint powers agreement providing Sonoma Clean Power (SCP) Associate membership to the California Community Choice Financing Authority (CCCFA) and to subsequently apply for Founding membership.

Background

Energy Prepayment Transaction

An energy prepayment - or "prepay" - is a long-term financial transaction available for municipal utilities and tax-exempt entities such as Community Choice Aggregators (CCAs) that enables a meaningful power procurement cost savings opportunity. To date, six other CCAs have executed a total of twelve energy prepayment transactions. Several other CCAs are in the process of completing transactions. The purpose of pursuing the prepay transaction is to achieve meaningful energy cost savings on existing power purchase agreements.

California Community Choice Financing Authority Overview

The Joint Exercise of Powers Act, California Government Code Section 6500 et seq. (The Act), permits two or more public agencies to create, by agreement, a joint powers authority for the purpose of jointly exercising any common powers and certain additional powers provided for in the Act, including the power to issue bonds for the purposes specified in the Act. CCCFA's purpose is to facilitate the financing or

refinancing of energy prepayment transactions by issuing or incurring bonds and entering into related contracts with its members.

By entering into the CCCFA JPA Agreement, Sonoma Clean Power will have the opportunity, but not the obligation, to structure a prepay transaction and issue the bonds through CCCFA. This is a project financing based public agency, rather than policy making agency.

Discussion

There are two forms of membership with CCCFA: (1) Associate membership and (2) Founding membership. The primary difference between the options is the founding membership option requires Sonoma Clean Power to appoint a representative to serve on CCCFA's Board of Directors and must appoint a different employee to serve as a member of the Working Group. The Working Group meets at least once a month and tends to the business of the authority and proposes items for the Board of Directors to consider at the next meeting.

Recently adopted Membership Criteria at CCCFA attempts to encourage participation on the CCCFA Board after the CCA has a prepayment bond issue outstanding for a period of time and is familiar with the process of managing a prepayment transaction. SCP will initially apply to be an Associate member and will subsequently go to the CCCFA board and seek to be a Founding member.

Fiscal Impact

The membership fee to join the CCCFA as an Associate member is \$50,000. This is a one-time fee. There will also be a deal contingent fee of \$20,000 paid from bond proceeds every time SCP does a transaction through CCCFA. This deal cost is substantially lower than issuing debt through other available financing authorities and a primary reason by CCAs created the CCCFA entity. Lastly, Sonoma Clean Power would agree to pay its equal share of ongoing net operating expenses (net of new member and deal fees each year) for the CCCFA through a "cash call" going forward. The cash call for CCCFA members last year was \$30,000.

However, SCP anticipates saving many millions of dollars every year on the cost of energy from its prepaid contracts because of the bond transactions completed through CCCFA.

Community Advisory Committee Review

The Community Advisory Committee reviewed a presentation on the Planned Power Purchase Agreement Prepayment Transaction on September 19, 2024, which outlined the plan to join CCCFA as well as the expected costs.

Attachments

- Attachment 1 - Resolution 2024-02 Join California Community Choice Financing Authority as an Associate Member and to apply to serve as Founding Member available at [this link](#), or by request to the Clerk of the Board

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Staff Report - Item 04

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, Chief Executive Officer
Garth Salisbury, Chief Financial Officer
Chris Golik, Revenue Manager

Issue: Approve the Proposed Amendment to Financial Policy B.2 - Financial Reserves, and Approve the Deferral of Funds into the Rate Stabilization Fund

Date: October 3, 2024

Recommendation

Approve the amendment to Financial Policy B.2 - Financial Reserves (Attachment 1) and authorize the deferral of \$56,000,000 into the Operating Account Fund (Rate Stabilization Fund).

Background

The Board adopted SCP Policy B.2 Financial Reserves (Policy), in 2014, amended the Policy in 2015, 2018, 2020 and last amended the Policy in May of 2022. When amending the Policy in 2020 the Board approved Resolution 2020.02 (Attachment 2) establishing an Operating Account Fund to allow the deferral of revenues from one fiscal year for use in a future fiscal year to mitigate the effects of volatile energy costs and increases to the Power Charge Indifference Adjustment (PCIA) on customer rates.

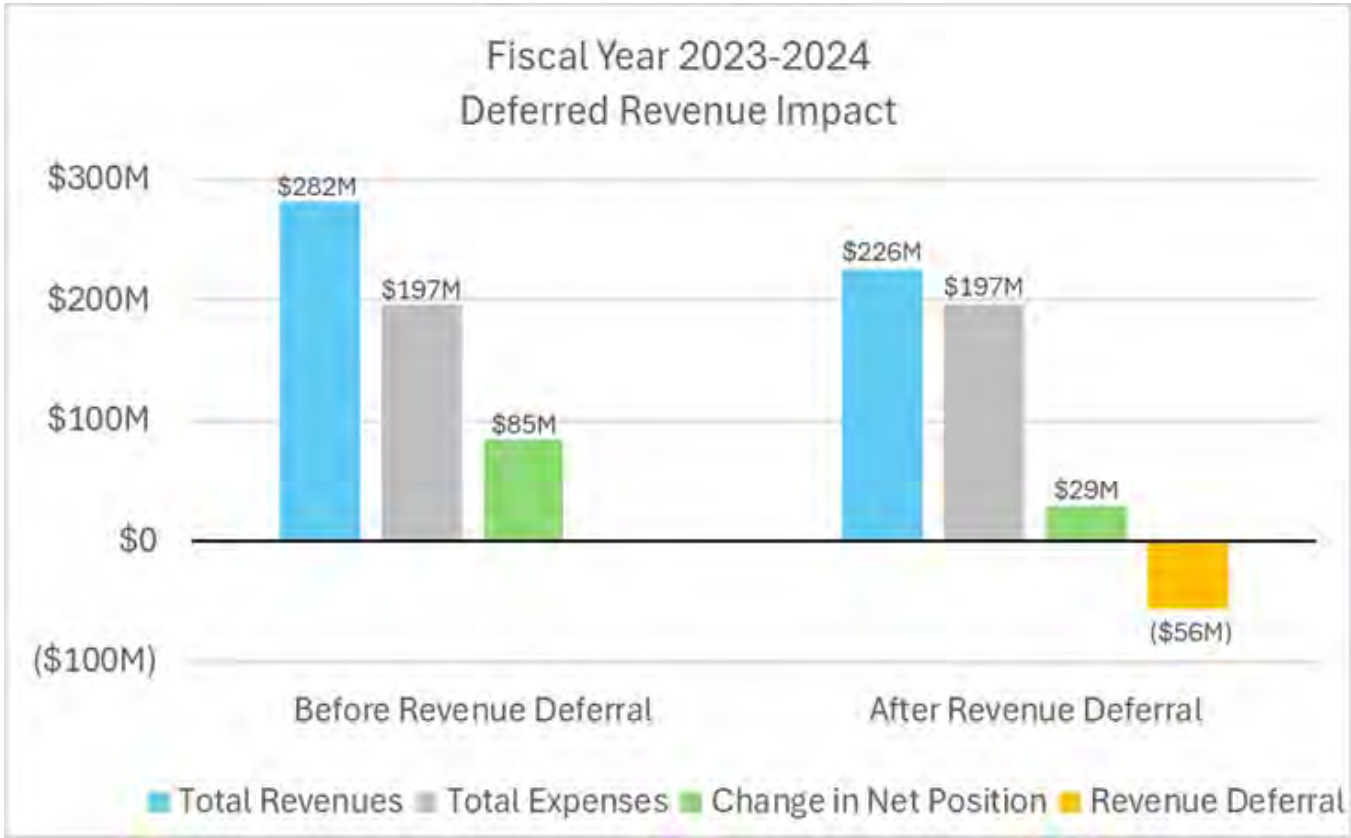
Staff is recommending further revisions to Policy B.2 to reflect the need to defer revenues for use in future years in recognition that counterparties and rating agencies generally prefer to see stability in covering expenses with revenues rather than large net increases and decreases from year to year.

In Fiscal Year 2023/24 the regional energy market saw generally lower CAISO market energy costs but significant increases in resource adequacy (RA) and renewable energy costs. SCP’s unaudited financial results for the 2023/24 fiscal year indicate a positive financial outcome for the organization and an opportunity to defer revenue into future years to be used to stabilize customer rates and mitigate future rate increases. Staff also forecast significant increases in the PCIA fee in 2025, and the need to defer revenues from the last fiscal year to fulfill the Board’s direction to attempt to sustain some customer rate savings through 2025. As a result, staff are recommending the deferral of revenue from the 2023/24 Fiscal Year into the Rate Stabilization Fund for use in future years to mitigate rate increases, to stabilize net revenues and to allow us to maintain rates competitive with PG&E.

An estimate of the financial results from Fiscal Year 2023/24 appears below along with a recommendation for the deferral of \$56 million of revenues and the retention of \$28.66 million of net revenues:

	FY23-24
Total Operating Revenues	\$ 272,356,000
Revenue Deferral	(56,000,000)
Adjusted Operating Revenues	216,356,000
Total Operating Expenses	196,962,000
Operating Income	19,394,000
Nonoperating Revenues	9,265,000
Change in Net Position	28,659,000
Net Position at 6/30/2023	200,860,000
Net Position at 6/30/2024	\$ 229,519,000

A graphic depiction of the estimated financial results from Fiscal Year 2023/24 along with the recommendation to defer \$56 million in revenues appears on the following page.



Fiscal Impact

The fiscal impact of deferring \$56,000,000 of revenue from the 2023/24 Fiscal Year will reduce net revenue in that year by that amount but add the same amount to our Rate Stabilization Fund for use in a future year when revenues may be insufficient to cover costs.

Community Advisory Committee Review

At the September 19, 2024, Community Advisory Committee (Committee) meeting, the Committee recommended the Board of Directors approve the proposed amendment to Financial Policy B2 - Financial Reserves and approve the deferral of funds into the rate stabilization fund.

Attachments

- Attachment 1 - Financial Policy B.2 - Financial Reserves with proposed amendments
- Attachment 2 - Resolution 2020-02 Establishing an Operating Account Fund

Financial Policy B.2

Financial Reserves

Purpose

SCP maintains financial reserves to maintain good standing with rating agencies, provide liquidity when current income is insufficient, protect customers from sudden large changes in rates, and to mitigate energy market risks. This policy governs how financial reserves are built, maintained and used.

Reserve Balances

- Minimum Reserves: 180 days of the annual budgeted operating expenses.
- Target Reserves: 280 days of the annual budgeted operating expenses.
- ~~■ Excess Reserves: Any reserve balances in excess of the Target Reserves must be returned to customers through lower rates or program incentives in the following year.~~
- Rate Stabilization: Any excess revenues above the Target Reserve balance shall be deferred to stabilize rates in subsequent years.

Building Reserves and Rate Setting

During periods when the Minimum Reserve is not met, SCP shall set rates in a manner to reach the required balance within 2 years.

During periods when SCP's reserves are above the Minimum Reserve but below the Target Reserve, SCP shall set rates to reach the Target Reserve balance within 5 years in a manner that best protects customers from unreasonable rates.

Use of Reserves

The expenditure of reserve funds requires a vote of the Board of Directors. However, the CEO has the authority to use reserves for operating liquidity in emergency situations in consultation with the Board Chair and Vice Chair, and such actions must be noticed to the Board of Directors in the next meeting.

Investing Reserve Balances

The investment of reserve funds is governed by Financial Policy B.5 Investments.

Adopted: June 5, 2014

Amended: Jan 8, 2015, Jun 4, 2015, Apr 5, 2018, Apr 2, 2020 and May 5, 2022

RESOLUTION 2020.02

A RESOLUTION ESTABLISHING AN OPERATING ACCOUNT FUND FOR THE SONOMA CLEAN POWER AUTHORITY (SCPA)

WHEREAS, Financial Policy B2 contemplates that the SCPA annual increase in net position may be utilized as needed by the SCPA to maintain competitive rates; and

WHEREAS, governmental accounting standard GASB 62 allows for the use of regulatory accounting to defer revenues into future fiscal years; and

WHEREAS, GASB 62 transactions must be approved by the Board of Directors;

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board of Directors hereby establishes a fund designated as the "Operating Account Fund". This fund will be used to defer excess revenues, as determined by management, that will be recognized in future periods. This deferral will create an accounting liability, and the future recognition of revenue will decrease that liability.
2. The Board of Directors hereby authorizes the Chief Executive Officer, or the Chief Operating Officer, to transfer in or transfer out, from time to time, such amount as each such officer may determine as prudent and appropriate into or out of the Operating Account Fund; provided, the Board of Directors later approves such transfer at its next scheduled meeting.
3. The Operating Account Fund shall be recognized in accordance with GASB 62 and provide a contingency available upon approval by the Board of Directors to provide customer electric rate stabilization.
4. The Chief Executive Officer or the Chief Operating Officer, are hereby authorized and directed, jointly and severally, to do any and all things to effectuate the purposes of this Resolution.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

DULY ADOPTED this 7th day of May, 2020

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

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



Staff Report - Item 05

To: Sonoma Clean Power Authority Board of Directors

**From: Garth Salisbury, Chief Financial Officer
Chris Golik, Revenue Manager**

Issue: Approve the Proposed Updated Financial Policy B.5 - Investments

Date: October 3, 2024

Recommendation

Approve the proposed updated Financial Policy B.5 - Investments, to be in compliance with the California Government Code, further limit the permitted investments, improve investment diversification, risk management and add reporting requirements to the Board.

Background

SCP has been accumulating reserves to strengthen the organization financially, to allow us to negotiate better, more cost-effective contracts with our counterparties and to ensure our ability to weather volatile energy markets while maintaining customer rates competitive with PG&E's. As an example, by effectively leveraging our strong "A" credit rating from Standard and Poor's, at the end of September SCP had no collateral held by outside counterparties. Conversely, SCP maintains over \$58 million in collateral in the form of cash and letters of credit from our counterparties.

In fiscal year 2023/24 we met our Reserve Policy goal of 280 days cash on hand and have embarked on a program to incorporate a professional investment advisor to manage a portion of our financial reserves to maximize value for ratepayers. Staff recently completed an RFP for Investment Advisors and have selected Chandler Asset Management (Chandler) to manage approximately 30-40% of our funds. Chandler professionally manages the financial assets of several CCAs in California and does so in alignment with the CCA's goals and prohibitions on certain types of investments. SCP's Investment Policy limits investments to high grade US government bills, notes and bonds, bank Certificate of Deposits, corporate and asset backed bonds with a

maximum maturity of five years. Chandler will manage 30-40% of the SCP investment portfolio that we do not expect to access over the next 5-7 years. The remaining 60-70% will continue to be managed by staff in liquid short term collateralized and FDIC insured money market funds and intermediate 1-2 year collateralized, and FDIC insured CDs.

Timing Considerations

To address the highest inflation rates in over forty years, the Federal Open Market Committee of the Federal Reserve Bank (“the Fed”) began increasing interest rates in 2022, increasing them by over 5.25% over a period of 16 months. These increases resulted in the highest interest rates in fifteen years and had the effect of slowing the US economy and reducing consumer demand for goods and services, thus dramatically reducing inflation.

With inflation seemingly in control, the Fed began reducing interest rates at its last meeting on September 18th by 0.5% (½ of 1%) to stimulate the economy to avoid a recession. We expect the Fed to continue to reduce interest rates over the remainder of the year and likely into 2025. Indeed, the financial markets have been anticipating these reductions for several months and interest rates have declined over 1% since the peaks of earlier this year. To capture these higher interest rates with a portion of our portfolio that does not need to be liquid or short term in nature, staff intends to have Chandler professionally manage that portion of our portfolio and to begin investing immediately before interest rates decline further.

Discussion

In conjunction with the SCP CFO and finance staff, Chandler has reviewed our Investment Policy to suggest amendments to 1) modernize the Policy to bring it in line with the current Government Code in California, 2) further limit some types of permitted investments, 3) require higher credit ratings on some of the investment categories, 4) require further issuer diversification and 5) to enhance the periodic reporting requirements of our portfolio to our stakeholders. The suggested changes to our Investment Policy are included in red-line form as Attachment A.

Fiscal Impact

Staff does not expect a near-term fiscal impact from retaining Chandler to manage a portion of our funds or from the suggested amendments to the Investment Policy. However, in an environment of decreasing interest rates, staff expects that the professional management of a portion of SCP's reserves will result in enhanced interest earnings over the course of the next three to five years.

Attachments

- Attachment 1 - SCP Financial Policy B.5 - Investments

Financial Policy B.5 Investments

1. Purpose

This statement contains guidelines for the prudent [investment management](#) of SCPA's cash, [deposit, and investment](#) balances in accordance with California Government Code sections 53600, et. seq. The goals of SCPA's Investment Policy are to protect SCPA's cash balances, retain sufficient liquidity, and produce a return on investment to preserve value over time.

2. Standard of Care

[The Pursuant to California Government Code Section 53600.3, the](#) standard of prudence to be used by investment officials will be the "prudent investor" standard, which states that, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

3. Scope

This Investment Policy applies to all funds and investment activities of SCPA. This Policy does not apply to the investment of bond proceeds, which would be governed by any applicable bond documents.

4. Objectives

The primary objectives, in priority order, of the investment activities of SCPA are:

- **Safety of Principal** - Preservation of principal is the foremost objective of SCPA.
- **Liquidity** - SCPA's portfolio will remain sufficiently liquid to enable SCPA to meet its cash flow requirements. It is important that the portfolio contain investments which provide the ability of being easily sold at any time.
- **Return on Investment** - SCPA's investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering SCPA's investment risk constraints and cash flow needs.

Delegation of Authority

Pursuant to California Government Code Section 53607, the Chief Executive Officer (and his/her designee, if necessary) is authorized to invest and reinvest money of

SCPA, to sell or exchange securities so purchased, and to deposit such securities for safekeeping in accordance with and subject to this investment policy.

SCPA may engage the support services of outside investment advisors [who are registered under the Investment Advisor's Act of 1940](#) regarding its investment program, so long as these services are likely to produce a net financial advantage or necessary financial protection of SCPA's financial resources. Outside investment advisors must be approved by the Chief Executive Officer, [-Chief Financial Officer or Treasurer.](#) ~~and the Board of Directors.~~ SCPA's [Treasurer CEO](#) (and his/her designee, if necessary) will be responsible for managing the investment advisors.

Conflict of Interest

Officers and employees involved in the investment process will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

Authorized Financial Dealers and Institution

The purchase by SCPA of any investment other than those purchased directly from the issuer, will be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, which is a member of the Financial Industry Regulatory Authority (FINRA), or a member of a federally regulated securities exchange, a national or state chartered bank, a federal or state association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

Should SCPA staff choose to contract with a dealer or institution to manage its investments, the CEO would be responsible for making this decision, conducting the evaluation of all institutions that wish to do business with SCPA, to determine if they are adequately capitalized, staffed by qualified investment professionals, and agree to abide by the conditions set forth in SCPA's Investment Policy and any other guidelines that may be provided. If SCPA does go forward with a dealer or institution, the following action will be taken annually by having the financial institutions:

1. Provide written notification that they have read, and will abide by, SCPA's Investment Policy.
2. Submit their most recent audited Financial Statements within 120 days of the institution's fiscal year end.

If SCPA has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of SCPA.

Authorized Investments

[SCPA's investments are governed by California Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, SCPA seeks to further restrict eligible investments to the guidelines listed below. In the event a discrepancy is found between this policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits and minimum](#)

credit quality requirements listed in this section apply at the time the security is purchased.

Any investment currently held at the time the policy is adopted which does not meet the new policy guidelines can be held until maturity and shall be exempt from the current policy. At the time of the investment's maturity or liquidation, such funds shall be reinvested only as provided in the current policy. The Local Agency Investment Guidelines update for 2021 that was issued by the California Debt and Investment Advisory Commission (CDIAC), FIGURE 1, lists the acceptable investments authorized for local agencies in California. The following is a reproduction of FIGURE 1 from the report that is in force as of January 1, 2021. SCPA will abide by these guidelines and any successors issued by the State.

1. **Municipal Securities** include obligations of the SCPA, the State of California and any local agency within the State of California, provided that:

-
- The securities are rated "A+" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

2. **Municipal Securities (Registered treasury notes or bonds)** of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

-
- The securities are rated "A+" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO").
- No more than 5% of the portfolio may be invested in any single issuer.
- No more than 30% of the portfolio may be in Municipal Securities.
- The maximum maturity does not exceed five (5) years.

3. **U.S. Treasuries** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that SCPA may invest in U.S. Treasuries, provided that:

- The maximum maturity is five (5) years.

4. **Federal Agencies** or United States Government-Sponsored Enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or

percentage that SCPA may invest in Federal Agency or Government-Sponsored Enterprises (GSEs), provided that:

- No more than 30% of the portfolio may be invested in any single Agency/GSE issuer.
- The maximum maturity does not exceed five (5) years.
- The maximum percent of Agency callable securities in the portfolio will be 20%.

5. Banker's Acceptances, provided that:

- They are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated "A+" or its equivalent or better by at least one NRSRO.
- No more than 40% of the portfolio may be invested in Banker's Acceptances.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 180 days.

6. Commercial Paper, provided that the securities are issued by an entity that meets all of the following conditions in either paragraph (a) or (b) and other requirements specified below:

a. Securities issued by corporations:

- (i) A corporation organized and operating in the United States with assets more than \$500 million.
- (ii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
- (iii) If the issuer has other debt obligations, they must be rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

b. Securities issued by other entities:

- (i) The issuer is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - (ii) The securities must have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
 - (iii) The securities are rated "A-1" or its equivalent or better by at least one NRSRO.
- No more than 10% of the outstanding commercial paper of any single issuer.
 - No more than 25% of SCPA's investment assets under management may be invested in Commercial Paper. Under a provision sunsetting on January 1, 2026, no more than 40% of the portfolio may be invested in Commercial Paper

if SCPA's investment assets under management are greater than \$100,000,000.

- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed 270 days.

7. Negotiable Certificates of Deposit (NCDs), issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, provided that:

- The amount of the NCD insured up to the FDIC limit does not require any credit ratings.
- Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term obligations rated "A+" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in NCDs (combined with CDARS).
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

8. Federally Insured Time Deposits (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

- The amount per institution is limited to the maximum covered under federal insurance.
- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
- The maximum maturity does not exceed five (5) years.

9. Collateralized Time Deposits (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

- No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits.
- The maximum maturity does not exceed five (5) years.

10. Certificate of Deposit Placement Service (CDARS), provided that:

- No more than 30% of the total portfolio may be invested in a combination of Certificates of Deposit, including CDARS.
- The maximum maturity does not exceed five (5) years.

11. Collateralized Bank Deposits. SCPA's deposits with financial institutions will be collateralized with pledged securities per California Government Code, Section 53651. There are no limits on the dollar amount or percentage that SCPA may invest in collateralized bank deposits.

12. Repurchase Agreements collateralized with securities authorized under California Government Code, maintained at a level of at least 102% of the market value of the Repurchase Agreement. There are no limits on the dollar amount or percentage that SCPA may invest, provided that:

- Securities used as collateral for Repurchase Agreements will be delivered to an acceptable third-party custodian.
- Repurchase Agreements are subject to a Master Repurchase Agreement between SCPA and the provider of the repurchase agreement. The Master Repurchase Agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).
- The maximum maturity does not exceed one (1) year.

13. State of California Local Agency Investment Fund (LAIF), provided that:

- SCPA may invest up to the maximum amount permitted by LAIF.
- LAIF's investments in instruments prohibited by or not specified in SCPA's policy do not exclude the investment in LAIF itself from SCPA's list of allowable investments, provided LAIF's reports allow SCPA's CEO or designee to adequately judge the risk inherent in LAIF's portfolio.

14. Local Government Investment Pools

- LGIPs approved by SCPA.
- There is no issuer limitation for Local Government Investment Pools

15. Corporate Medium Term Notes (MTNs), provided that:

- The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
- The securities are rated "A+" or its equivalent or better by at least one NRSRO.
- No more than 30% of the total portfolio may be invested in MTNs.
- No more than 5% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

16. Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from issuers not defined in sections 3 and 4 of the Authorized Investments section of this policy, provided that:

- The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO.
- No more than 20% of the total portfolio may be invested in these securities.
- No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer.
- The maximum legal final maturity does not exceed five (5) years.

17. Mutual Funds and Money Market Mutual Funds that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:

a. **Mutual Funds** that invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:

- (i) Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of \$500 million.

- No more than 10% of the total portfolio may be invested in shares of any one mutual fund.

b. **Money Market Mutual Funds** registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:

- (i) Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
- (ii) Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds with assets under management in excess of \$500 million.

- No more than 20% of the total portfolio may be invested in the shares of any one Money Market Mutual Fund.

c. No more than 20% of the total portfolio may be invested in these securities.

18. Supranationals, provided that:

- Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for

Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

- The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO.
- No more than 30% of the total portfolio may be invested in these securities.
- No more than 10% of the portfolio may be invested in any single issuer.
- The maximum maturity does not exceed five (5) years.

Prohibited Investment Vehicles and Practices

- State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
- In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
- Investment in any security that could result in a zero-interest accrual if held to maturity is prohibited. Under a provision sunseting on January 1, 2026, securities backed by the U.S. Government that could result in a zero- or negative-interest accrual if held to maturity are permitted.
- Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
- Purchasing or selling securities on margin is prohibited.
- The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
- The purchase of foreign currency denominated securities is prohibited.
- Agencies that are not Qualified Institutional Buyers (QIB) as defined by the Securities and Exchange Commission are prohibited from purchasing Private Placement Securities. The SEC defines a QIB as having at least \$100,000,000 in securities owned and invested.

Investment Pools/Mutual Funds

SCPA shall conduct a thorough investigation of any pool or mutual fund prior to making an investment, and on a continual basis thereafter. SCPA's CEO or designee shall develop a questionnaire which will answer the following general questions:

- A description of eligible investment securities, and a written statement of investment policy and objectives.
- A description of interest calculations and how it is distributed, and how gains and losses are treated.
- A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- A schedule for receiving statements and portfolio listings.
- Are reserves, retained earnings, etc. utilized by the pool/fund?
- A fee schedule, and when and how is it assessed.

- Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

FIGURE 1

INVESTMENT TYPE	MAXIMUM MATURITY ²	MAXIMUM SPECIFIED % OF PORTFOLIO ³	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ⁵	None	53601(g)
Commercial Paper—Non-Pooled Funds ⁷ (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ⁸	Highest letter and number rating by an NRSRO ¹¹	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ⁸	Highest letter and number rating by an NRSRO ¹¹	53601(h)(2)(c)
Commercial Paper— Pooled Funds ¹	270 days or less	40% of the agency's money ⁸	Highest letter and number rating by an NRSRO ¹¹	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ³	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service				
Deposits	5 years	50% ⁸	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ⁸	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ⁴	20% of the base value of the portfolio	None ¹¹	53601(j)
Medium-Term Notes ¹¹	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple ¹²	53601(l) and 53601.6(b)
Collateralized Bank Deposits ⁹	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ⁶	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ⁷	N/A	None	None	16340
Supranational Obligations ¹¹	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

Risk Management and Diversification

Mitigating Credit Risk in the Portfolio: Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency will mitigate credit risk by adopting the following strategies:

- The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.
- No more than 5% of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.
- SCPA may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or SCPA’s risk preferences.
- If a security owned by SCPA is downgraded to a level below the requirements of this policy, making the security ineligible for additional purchases, the following steps will be taken:
 - a. Any actions taken related to the downgrade by the investment manager will be communicated to SCPA’s CEO or designee in a timely manner.
 - b. If a decision is made to retain the security, the credit situation will be monitored and reported to the SCPA’s Board.

Mitigating Market Risk in the Portfolio: Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. SCPA recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. SCPA will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

SCPA further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. SCPA, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- SCPA will maintain a minimum of six months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements.
- The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except as otherwise stated in this policy.
- The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by SCPA based on SCPA's investment objectives, constraints and risk tolerances

Restriction on Investment Policies and SCPA Constraints

Section 53600 et. seq. of the State of California Government Code outlines the collateral requirements for certain types of investments and limits the percentage of total investments which can be placed in certain classifications. Investments must meet the time schedules as indicated by the cash flow projections of SCPA. Investments will be purchased with the intent to hold until maturity, however this will not preclude the sale of securities prior to maturity in order to reposition the portfolio's duration, liquidity, credit quality, or enhance the rate of return.

Maturity Limit

State law requires that the maturity of any given instrument should not exceed five years unless specifically approved by the SCPA Board of Directors at least three months before the investment is made.

Internal Control

The CEO is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of SCPA are protected from loss, theft, or misuse. The SCPA CEO or his/her designee shall arrange for an annual audit by an external CPA firm in compliance with the requirements of state law and generally accepted accounting principles as pronounced by the GASB (Governmental Accounting Standards Board). As part of the audit, investment

transactions will be tested. The annual audit will be an integral part, but not the sole part of management's program of monitoring internal controls.

Performance Standards

SCPA's portfolio shall be structured to achieve a market-average rate of return through various economic cycles, commensurate with the investment risk constraints and the cash flow needs.

Reporting Requirements

The CEO will provide a year-to-date investment summary to the Board of Directors on a quarterly or more frequent basis. The summary will show the type of investment, the average balance of funds invested, and average annual percentage yield.

Policy Review

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections that regulate the investment and reporting of public funds.
2. The overall objectives of preservation of principal, sufficient liquidity, and a market return.

Glossary

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Collateral refers to securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Duration is a measure of the sensitivity of the price of a security or a portfolio of securities to a change in interest rates, typically stated in years.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of ~~\$65-75~~ million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Local Government Investment Pools (LGIP) are investment tools similar to money market funds that allow public entities to invest funds.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Money Market Fund is a type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders. Eligible money market funds must strive to maintain a stable net asset value (NAV) of \$1 per share.

Net Asset Value (NAV) is the value of an entity's assets minus the value of its liabilities, often in relation to open-end or mutual funds, since shares of such funds registered with the U.S. Securities and Exchange Commission are redeemed at their net asset value. Money Market funds that SCPA is authorized to invest in are required to maintain an NAV of \$1.00 at all times.

Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** which are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve-month maturities.
2. **Treasury Notes** that have original maturities of one to ten years.
3. **Treasury Bonds** that have original maturities of greater than 10 years.

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Staff Report - Item 06

To: Sonoma Clean Power Authority Board of Directors

From: Danielle McCants, Customer Operations Manager
Elena Mendoza, Intern

Issue: Approve the Revision to Sonoma Clean Power's A.3 - Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collection and A.4 - Information Technology Security Policy

Date: October 3, 2024

Recommendation

Staff requests that the Board of Directors (Board) approve the attached revision to Sonoma Clean Power's A.3 - Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collection (Attachment 1) and A.4 - Information Technology Security Policy (Attachment 2).

Background

In 2013, the Board created policies to promote the best interests of the Agency through overseeing the management of the Agency's business and affairs. Over the years, these policies were updated, and new policies were created and adopted by the Board.

An Ad Hoc Committee was established in 2022 to review the SCPA Board Policies. The committee made several recommendations, which staff have since implemented. Staff reviews these policies annually and recommends updates as needed.

As part of the ongoing policy updates, staff have recently made a change to Policy A.4 Information Technology Security which addresses the security team structure. The previous oversight responsibility, held by the Chief Executive Officer, Chief Operating Officer, Director of Internal Operations, and Director of Customer Service, in collaboration with SCPA's IT Consultant, has been updated. The revised roles for oversight belong to the Chief Financial Officer, Senior Risk Manager, Building Operations & IT Manager, and the IT Systems Manager.

Key Changes

- **Specialized Roles:** The previous roles responsible for security oversight have been replaced with positions that have specific expertise in IT and risk management.
- **Expertise Over Availability:** By assigning these specialized roles, we improve our organizational efficiency and the effectiveness of our security measures.

Additionally, staff have updated Policy A.3 Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collection to reflect a new threshold for Pre-Collection settlements, raising it from \$2,500 to \$5,000. In response to agency growth and significant inflation impacting utilities and other sectors, these revisions were made to better align settlement thresholds with the increased financial demands and ensure the policy remains effective in the current economic environment.

Discussion

The following changes to the Board approved policies are below. See redlines attached.

Customer Service Policy A.1 Customer Privacy Policy	No proposed changes. <i>Update Director title when future changes are needed.</i>
Customer Service Policy A.2 Terms and Conditions of Service Policy	No proposed changes.
Customer Service Policy A.3: Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collections	Minor updates, needs to go to BOD for approval.
Customer Service Policy A.4 Information Technology (IT) Security Policy	Minor updates, needs to go to BOD for approval.

Customer Service Policy A.5 Advance Metering Infrastructure (AMI) Data Security Policy	No proposed changes.
Customer Service Policy A.6 Emergency Consumer Protection Policy	No proposed changes.

Fiscal Impact

None.

Community Advisory Committee Review

The Community Advisory Committee reviewed the proposed revision to Sonoma Clean Power’s A.3 Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collection, and A.4 Information Technology Security Policy at their September 19, 2024, meeting and recommended the Board approve the revisions.

Attachments

- Attachment 1 - Customer Service Policy A.3, Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collections
- Attachment 2 - Customer Service Policy A.4, Information Technology (IT) Security Policy

Customer Service Policy A.3

Late Payment Noticing, Transfer of Service, Pre-Collection Noticing, Collections

This policy sets Sonoma Clean Power Authority's (SCPA) general rules related to SCPA late payment noticing and pre-collection noticing to customers. It also provides SCPA's general rules for transferring a customer to PG&E service for non-payment and to SCPA's collection agency.

This policy in whole or in parts may be suspended or modified if a state of emergency proclamation is issued by the California Governor's Office or the President of the United States due to a disaster that affects utility service or a health pandemic. At that time the Chief Executive Officer (CEO), or his designee, may put into effect **SCPA's Customer Service Policy A.6 - Emergency Consumer Protection Policy**. If the CEO, or his designee puts SCPA's Emergency Consumer Protection Policy into effect, the decision must be ratified by the Board of Directors within 90 days or at the next regularly scheduled Board of Director's meeting.

I. SCPA Late Payment Noticing Policy:

a. Non-Residential Accounts:

Customers will be sent an SCPA Late Payment Notice if:

- I. The account has an SCPA aggregated balance of more than \$500.00 based on the sum of the 60-90 day and 90+ day total in SCPA's aging report; and
- II. The customer is not on a Payment Plan with PG&E or is not current with the payments required by a PG&E Payment Plan.

b. Residential Accounts:

Customers will be sent an SCPA Late Payment Notice if:

- I. The account has an SCPA aggregated balance of more than \$250.00 based on the sum of the 60-90 day and 90+ day total in SCPA's aging report; and
- II. The customer is not on a Payment Plan with PG&E or is not current with the payments required by a PG&E Payment Plan.

II. Transfer of Service for Non-Payment Policy:

SCPA may transfer a customer to PG&E service for non-payment¹.

- a. SCPA may transfer a customer who has been sent two consecutive SCPA Late Payment Notices and who has not paid the outstanding balance within the time set forth in the second Late Payment Notice may be transferred from SCPA service to PG&E service for non-payment of SCPA charges.

¹ Pacific Gas & Electric Company. Electric Rule 23, Section U, Subsection 2.

- b. All customers, regardless of whether the customer was sent one or more Late Payment Notice(s), that has been transferred to PG&E service under section II.a or has voluntarily opted out of SCPA service, moved, and/or closed his/her account is still required to pay any outstanding SCPA charges for the period in which he/she took service from SCPA.
- c. Service transfers between providers can only take place on a customer's meter read date.

III. Pre-Collection Noticing Policy

Customers with charges reversed by PG&E back to SCPA of \$50.00 or more will be sent one Pre-Collection Notice prior to the customer's account being transferred to SCPA's collection agency.

- a. A customer has 30 calendar days from the date of the Pre-Collections Notice to pay his/her outstanding SCPA balance.
- b. Negotiated settlements with a customer in excess of \$~~5,000~~^{2,500} must be approved by the CEO or his designee.
- c. Balances not paid will be referred to SCPA's collection agency.

IV. Collections Policy

Customers that have been transferred by SCPA service to PG&E service for non-payment, voluntary opt outs, and closed accounts with outstanding SCPA balances may be referred to a collection agency retained by SCPA.

The collection agency retained by SCPA shall be vetted to ensure all consumer protection laws are strictly followed. On no less than an annual basis, SCPA shall review the practices and results of any retained collection agency, taking immediate action to address any concerns that may arise.

a. **Send to Collections:**

- I. Balances of \$50.00 or more will be referred to a collection agency retained by SCPA.
- II. Once accounts are sent to the collection agency, SCPA will no longer collect on the account and the customer must work with the collection agency on resolution of the charges owed.

b. **Write-Offs:**

Balances of \$49.99 or less may be deemed uncollectible and written off, may be sent to the collection agency, or SCPA may take any action that it deems appropriate and cost effective.

Customer Service Policy A.4 Information Technology (IT) Security Policy

Information Technology (IT) is a critical Sonoma Clean Power Authority (SCPA) asset and will be managed to ensure that it remains accurate, confidential, and available for authorized business activities only. Proper management of information technology is required to support regulatory compliance, minimize legal liability, reduce the risk of criminal activity, and to sustain stakeholder and customer satisfaction.

SCPA is dependent on information technology to conduct business operations. The ~~Chief Executive Officer, Chief Operating Officer, Director of Internal Operations, and Director of Customer Service, in collaboration with SCPA's IT Consultant~~ Chief Financial Officer, Senior Risk Manager, Building Operations & IT Manager, and IT Systems Manager have been designated as the IT Security Team (IST) and are responsible for communicating IT policies and standards, helping all personnel achieve compliance with policies and standards, and reporting to management on any non-compliance or areas of risk.

SCPA will make information technology accessible only to authorized employees or designated vendors as needed and such information shall only be used for authorized agency purposes. To ensure protection of information technology, operational guidelines will be in place for employees and designated vendors to follow which adhere to the principles below:

- Follow all SCPA Board of Directors policies.
- Access to specific information technology is to be assigned to SCPA employees or designated vendors with the minimum level of access necessary to perform respective responsibilities.
- Access to information technology will be made available only to the extent necessary to support authorized business functions.
- Security systems are to be structured with multiple layers of security, including physical, network, host, and personnel security measures.
- The degree of information security protection is to be commensurate with the impact of inadvertent or intentional misuse, improper disclosure, damage or loss.
- Adequate controls will divide sensitive duties among more than one individual to provide checks and balances that help ensure operational guidelines are followed.
- Security is not an optional component of operations. All SCPA staff and designated vendors are required to protect information. All staff and designated vendors that use or have access to SCPA information technology are personally responsible for exercising the proper control over information according to the operational guidelines provided to them.



Operational guidelines for treatment of information technology are subject to change as needed to protect SCPA based on any changes in systems, threats, and practices. All substantive changes will be brought back before SCPA's Board of Directors for formal approval.

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Staff Report - Item 07

To: Sonoma Clean Power Authority Board of Directors

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

Issue: Receive Geothermal Opportunity Zone Update

Date: October 3, 2024

Background

The Geothermal Opportunity Zone (GeoZone) is SCP's initiative to secure affordable, reliable clean energy for our customers by building 600 megawatts of new geothermal power capacity in Sonoma and Mendocino Counties. This will enable SCP to phase out its dependence on natural gas power plants for reliability. The Community Advisory Committee (Committee) meetings are a regularly scheduled public forum for the community to receive updates and provide input on the GeoZone. The updates provided to the Committee each month, and minutes from any discussion are posted on SCP's website at <https://sonomacleanpower.org/geozone-public-updates>. Staff incorporate any feedback received from the Committee presentation into the monthly updates to the Board of Directors. Additional background on the GeoZone can be found on the GeoZone webpage at <https://sonomacleanpower.org/geozone>.

Assembly Bill 1359

As noted in the legislative update, as well, SCP sponsored legislation ([Assembly Bill 1359](#)) this year to enable geothermal developers to elect local counties to serve the role of lead agency for CEQA in permitting geothermal exploratory projects. The bill passed the Senate and Assembly in August with bipartisan support and is currently awaiting the Governor's signature. If signed, SCP's GeoZone partners can immediately start the permitting process with Sonoma and Mendocino counties, as opposed to relying on the California Geologic Energy Management Division (CalGEM)—which is currently backlogged with oil and gas litigation. Staff appreciates the support

provided by the local governments, environmental groups, labor unions, and the geothermal industry in passing the legislation as well as the commitment from the bill's author, Assemblymember Diane Papan.

GeoZone Project Updates

Chevron New Energies is working on finalizing negotiations with the Department of Energy on the grant they were awarded for demonstrating Enhanced Geothermal Systems (EGS) in the GeoZone. Meanwhile, Chevron is working on finalizing the location of an exploration well to collect the data necessary for executing its demonstration. In the next few months, based on the Governor's approval of AB 1359 and its conversations with permitting authorities, Chevron can either start the permitting process for an exploration well with Sonoma County or CalGEM. Chevron expects project-specific community engagement, which will be coordinated with SCP, to shortly follow selection of a lead permitting agency.

Eavor has completed an updated technical feasibility study to guide its prioritization of potential sites to host a demonstration project. Eavor is committed to meeting its contractual milestone of securing a site and being prepared to start the permitting and interconnection processes next year.

SCP submitted an abstract for a project to demonstrate Cyrq's thermal energy storage system to the California Energy Commission's [Energy Storage Innovations to Support Grid Reliability funding opportunity](#). SCP expects to learn if the abstract was approved to move to the second round in late September, which would require submission of a full application by November 7th. The project team is meeting with the potential site host, as a commitment will be required to move forward. Meanwhile, the team is considering responding to the [Department of Energy's Long-Duration Energy Storage Pilot Program solicitation](#).

Catalyzing Next-Generation Geothermal Workshop

Staff participated in an invite-only workshop the Department of Energy hosted at its headquarters in Washington D.C. on August 26th to discuss opportunities to catalyze at-scale investment in next-generation geothermal projects. The workshop included Deputy Energy Secretary David Turk, CEOs from leading geothermal companies, leaders of utility commissions and utilities, venture capital firms, and banks.

Staff shared their perspective of the market for geothermal power in California and its approach to overcoming commercial, regulatory, and community support hurdles in

progressing GeoZone projects. By and large, participants expressed skepticism that next-generation geothermal can flourish in California given the risk posed by existing permitting and interconnection processes. Staff left the meeting with a sense of urgency in addressing industry concerns to avoid a future where California ratepayers rely predominantly on out-of-state resources that are more costly and provide no economic benefit to the state. Staff are beginning to formulate a comprehensive legislative package for 2025 to address industry concerns.

While in Washington D.C., staff also had the opportunity to meet staff from the offices of Congressman Huffman, Congressman Thompson, and Senator Padilla. The staff meetings provided an opportunity to share progress on the GeoZone and identify federal policy opportunities to support local geothermal development.

Enhanced Geothermal System Breakthroughs

In early September, the Department of Energy [announced the results](#) of a commercial scale circulation test at its Frontier Observatory for Research in Geothermal Energy (FORGE). The month-long test achieved a consistent circulation rate of 420 gallons per minute at a temperature of 370 degrees Fahrenheit. Importantly, the test demonstrated that more than 90% of the injected fluid was recovered during the test—which is an important data point in calibrating the potential leak-off from EGS.

Also in early September, Fervo Energy, a leading developer of EGS, [announced the results of their own 30-day circulation test](#) at a nearby project called Cape Station. The test achieved a maximum flow rate of 107 kg per second (1,700 gallons per minute) which is sufficient to enable over 10 MW of electricity generation from a well pair. It's triple the flow rate Fervo achieved in a similar test at their Project Red demonstration in Nevada and aligned with the most ambitious projections from the National Renewable Energy Laboratory on the metrics EGS needs to achieve to be scalable.

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Staff Report - Item 08

To: Sonoma Clean Power Authority Board of Directors

**From: Garth Salisbury, Chief Financial Officer
Chris Golik, Revenue Manager**

Issue: Approve Continued Use of Updated AG-5-B and AG-5-E Rates Effective October 1, 2024

Date: October 3, 2024

Recommendation

Approve the continued use of Sonoma Clean Power's (SCP) updated Large Time-of-Use Agriculture rates AG-5-B and AG-5-E, adopted on October 1, 2024, under the CEO's authority to make temporary rate changes. The new AG-5-B and AG-5-E rates target a 3% savings for SCP customers vs. PG&E bundled customers on total electric bills and correct an error PG&E made in its last ratemaking process.

Background

PG&E updated their generation and delivery rates on July 1, 2024. SCP then updated rates on August 1, 2024, so that SCP customer total bills had a target of 3% below PG&E's bundled service total bills.

PG&E later identified an error with their July 1, 2024, rate change. Specifically, AG-5-B and AG-5-E bundled customer generation energy rates did not decrease as they should have, which PG&E corrected effective September 1, 2024.

Per Section 4.5.2.1.1 of SCPA's Joint Powers Agreement,

"...the Chief Executive Office may change any rate for power sold by the Authority or any charge for services provided by the Authority if (a) the need for the change arises from...(ii) a change in rates or charges imposed on the Authority or its customers by PG&E, the CPUC, or any other regulatory agency...; and (b) the Chief Executive Officer determines, following consultation with the Chair of the Board of Directors, that the change is reasonably necessary for budgetary reasons or to keep the

Authority's rates and charges competitive. Changes in rates or charges made by the Chief Executive Officer under this Section shall be brought to the Board of Directors at the next scheduled meeting for consideration and shall expire after 90 days unless ratified by the Board of Directors.”

Discussion

On September 1, 2024, PG&E updated their AG-5-B and AG-5-E rates to reflect lower bundled customer generation energy rates that should have taken effect on July 1, 2024. In response, and because PG&E’s new rates were below SCP’s rates, the CEO decided to update SCP’s AG-5-B and AG-5-E rates on October 1, 2024, to target a 3% savings for SCP customers vs. PG&E bundled customers on total electric bills.

Figure 1:

SCP RATE SCHEDULE	Season	Charge type	Charge unit	Time of Use	Aug 1, 2024 SCP GENERATION RATE	Oct 1, 2024 SCP GENERATION RATE	Sep 1, 2024 PG&E GENERATION RATE	Oct 1, 2024 SCP WITH PG&E DELIVERY & SURCHARGES	Sep 1, 2024 PG&E TOTAL BUNDLED RATES
AG-5-B	Summer	Energy	\$/kWh	On Peak	\$ 0.12009	\$ 0.10506	\$ 0.12325	\$ 0.22322	\$ 0.23012
AG-5-B	Summer	Energy	\$/kWh	Off Peak	\$ 0.12012	\$ 0.10508	\$ 0.12325	\$ 0.22248	\$ 0.22936
AG-5-B	Winter	Energy	\$/kWh	Part Peak	\$ 0.10818	\$ 0.09314	\$ 0.11082	\$ 0.20654	\$ 0.21293
AG-5-B	Winter	Energy	\$/kWh	Off Peak	\$ 0.10752	\$ 0.09246	\$ 0.11014	\$ 0.20654	\$ 0.21293
AG-5-B	Summer	Demand	\$/kW	Total	\$ 7.65	\$ 7.65	\$ 8.45	\$ 26.00	\$ 26.80
AG-5-B	Summer	Demand	\$/kW	On Peak	\$ -	\$ -	\$ -	\$ 9.34	\$ 9.34
AG-5-B	Winter	Demand	\$/kW	Total	\$ -	\$ -	\$ -	\$ 18.35	\$ 18.35
AG-5-E	Summer	Energy	\$/kWh	On Peak	\$ 0.12009	\$ 0.10506	\$ 0.12325	\$ 0.22322	\$ 0.23012
AG-5-E	Summer	Energy	\$/kWh	Off Peak	\$ 0.12012	\$ 0.10508	\$ 0.12325	\$ 0.22248	\$ 0.22936
AG-5-E	Winter	Energy	\$/kWh	Part Peak	\$ 0.10818	\$ 0.09314	\$ 0.11082	\$ 0.20654	\$ 0.21293
AG-5-E	Winter	Energy	\$/kWh	Off Peak	\$ 0.10752	\$ 0.09246	\$ 0.11014	\$ 0.20654	\$ 0.21293
AG-5-E	Summer	Demand	\$/kW	Total	\$ 7.65	\$ 7.65	\$ 8.45	\$ 26.00	\$ 26.80
AG-5-E	Summer	Demand	\$/kW	On Peak	\$ -	\$ -	\$ -	\$ 9.34	\$ 9.34
AG-5-E	Winter	Demand	\$/kW	Total	\$ -	\$ -	\$ -	\$ 18.35	\$ 18.35

Fiscal Impact

Due to the very small number of customers on these rates, the October 1, 2024, AG-5-B and AG-5-E rate changes are not expected to materially impact FY2024-25 revenue.



Staff Report - Item 09

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 Feedback as Appropriate

Date: October 3, 2024

PROGRAMS UPDATES

Alerts Through GridSavvy Rewards

In August, enrollment in Alerts through GridSavvy Rewards reached 11,015 bringing the program closer to the goal of 13,000 participants for 2024. To support this goal, the \$25 enrollment incentive has been extended, allowing customers to join the program throughout the year.

GridSavvy Rewards - Smart Thermostats

The GridSavvy Rewards smart thermostat enrollment incentive has increased to \$100. This incentive can be applied to the purchase of a new smart thermostat from SCP's webstore (www.shopgridsavvy.store) or earned by enrolling an existing eligible thermostat. Currently, over 400 smart thermostats are participating.

Additional manufacturer discounts are available in the webstore from September 23rd to October 7th which can be combined with our incentive, making several smart thermostat models free to customers.

GridSavvy Rewards for Electric Vehicle - Pilot Launch

Sonoma Clean Power has launched a new pilot program, GridSavvy Rewards for EVs, in partnership with ev.energy. This program builds on the success of the

existing GridSavvy Rewards for EV Chargers program, which helps reduce demand during peak hours (4-9 pm).

The new pilot program, called GridSavvy Rewards for EVs, optimizes EV charging based on customers' preferences, battery levels, vehicle location, home solar use, and grid emissions. The program allows participants to manage charging remotely and helps them save money by charging at cheaper and cleaner times while earning incentives.

Since the initial launch in June, the program has seen:

- 170 EVs enrolled
- 132 MWh delivered through managed charging
- 30% of charging sessions using residential solar

Participants can earn up to \$10 per month, plus a \$100 sign-up bonus, for optimizing their charging through the ev.energy app. This also helps reduce emissions by charging when renewable energy is most available and shifting energy use away from peak demand times.

Sonoma Clean Power and ev.energy are continuing to improve the program and recruit more pilot participants. Eligible participants must be an SCP customer with compatible EVs or home chargers, as listed on the website.

More details can be found on the SCP website:

<https://sonomacleanpower.org/programs/electric-vehicles>

E-Bike Commuter Program

Sonoma Clean Power's E-bike Commuter Program is available to businesses, non-profits, and other organizations to encourage their staff to commute on electric bikes. Eleven grants totaling \$167,750 were approved in May and June of this year, with over \$35,000 provided to enrolled organizations to date.

On August 27, SCP staff traveled to Mendocino County to meet with Brooktrails Township to celebrate their enrollment in the E-bike Commuter Program (photo, below). The Township is using their \$20,000 grant to purchase ten electric bikes, which will be used by Community Services District staff to replace vehicle miles related to service calls and maintenance.



Listening to Feedback from Non-Profits - EV Incentives

The local non-profit, Conservation Corps North Bay recently utilized Sonoma Clean Power's Non-Profit EV Incentives, and had this to say about the impact and benefit of this program:

"As a job training program that focuses on preparing local youth for careers in the environmental sector, it is important to us to work toward electrifying our fleet to be in alignment with our mission.

As a nonprofit organization, we are continually looking for ways to steward the income we earn and receive, spend it wisely, and save where we can. The rebate helped us do that, especially at a time when vehicle costs have increased significantly since the pandemic.

We have been working to replace the vehicles our staff use for corpsmember support services and meetings outside the office with EVs to lower our gas bills and align with our environmental focus."



CUSTOMER PARTICIPATION RATES
(TOT = Town or Territory)

Meters and Participation by TOT

COUNTY	Eligible	SCP	% Part.	% Opt Out
MENDOCINO	38,159	30,027	78.7%	21.3%
FORT BRAGG INC	4,069	3,394	83.4%	16.6%
POINT ARENA INC	338	286	84.6%	15.4%
UNINC MENDOCINO CO	31,020	24,190	78.0%	22.0%
WILLITS INC	2,732	2,157	79.0%	21.0%
SONOMA	230,575	202,218	87.7%	12.3%
CLOVERDALE INC	3,977	3,274	82.3%	17.7%
COTATI INC	3,873	3,465	89.5%	10.5%
PETALUMA INC	27,719	24,588	88.7%	11.3%
ROHNERT PARK INC	19,725	17,307	87.7%	12.3%
SANTA ROSA INC	80,084	70,746	88.3%	11.7%
SEBASTOPOL INC	4,499	4,097	91.1%	8.9%
SONOMA INC	6,410	5,608	87.5%	12.5%
UNINC SONOMA CO	74,238	64,380	86.7%	13.3%
WINDSOR INC	10,050	8,753	87.1%	12.9%
Total	268,734	232,245	86.4%	13.6%

Current EverGreen Enrollment by TOT

COUNTY	SCP Meters	EverGreen Meters	EverGreen %
⊖ MENDOCINO	30,027	458	1.53%
FORT BRAGG INC	3,394	42	1.24%
POINT ARENA INC	286	30	10.49%
UNINC MENDOCINO CO	24,190	366	1.51%
WILLITS INC	2,157	20	0.93%
⊖ SONOMA	202,218	3,793	1.88%
CLOVERDALE INC	3,274	26	0.79%
COTATI INC	3,465	128	3.69%
PETALUMA INC	24,588	630	2.56%
ROHNERT PARK INC	17,307	241	1.39%
SANTA ROSA INC	70,746	1,208	1.71%
SEBASTOPOL INC	4,097	186	4.54%
SONOMA INC	5,608	86	1.53%
UNINC SONOMA CO	64,380	1,021	1.59%
WINDSOR INC	8,753	267	3.05%
Total	232,245	4,251	1.83%

MONTHLY COMPILED FINANCIAL STATEMENTS

The year-to-date change in net position is more than projections by approximately \$13,250,000. Year-to-date revenue from electricity sales is slightly under budget by less than 3% and cost of energy is under budget projections by approximately 8%. Year-to-date electricity sales reached \$270,976,000.

SCP maintains a balanced portfolio by procuring electricity from multiple sources. Net position reached a positive \$285,519,000, which indicates healthy growth as SCP continues to make progress towards its reserves. Approximately \$163,190,000 is set aside for operating reserves.

Other operating expenses continued near or slightly below planned levels for the year.

BUDGETARY COMPARISON SCHEDULE

The accompanying budgetary comparison includes the 2023/24 amended budget approved by the Board of Directors.

The budget is formatted to make comparisons for both the annual and the year-to-date perspective. The first column, 2023/24 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 slightly under budget by less than 3% at the end of the reporting period. The cost of electricity is less than the budget-to-date by approximately 8%. 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.

ATTACHMENTS

- June 2024 Financial Statements

UPCOMING MEETINGS

- Community Advisory Committee - October 17, 2024
- Board of Directors - November 7, 2024
- Community Advisory Committee - November 21, 2024
- Board of Directors - December 5, 2024



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 June 30, 2024, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the year 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 -
August 19, 2024 -

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION

As of June 30, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 69,683,125
Accounts receivable, net of allowance	22,170,547
Other receivables	4,077,142
Accrued revenue	14,974,619
Prepaid expenses	892,006
Deposits	3,400,358
Investments	174,973,411
Total current assets	<u>290,171,208</u>

Noncurrent assets

Other receivables	1,075,435
Deposits	846,256
Capital assets, net of depreciation	18,600,975
Total noncurrent assets	<u>20,522,666</u>
Total assets	<u>310,693,874</u>

LIABILITIES

Current liabilities

Accrued cost of electricity	16,512,867
Accounts payable	1,072,084
Advances from grantors	2,382,376
Other accrued liabilities	1,349,458
User taxes and energy surcharges due to other governments	699,351
Supplier security deposits	954,000
Total current liabilities	<u>22,970,136</u>

Noncurrent liabilities

Supplier security deposits	2,205,121
Total liabilities	<u>25,175,257</u>

NET POSITION

Investment in capital assets	18,600,975
Unrestricted	266,917,642
Total net position	<u>\$ 285,518,617</u>

SONOMA CLEAN POWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended June 30, 2024

OPERATING REVENUES

Electricity sales, net	\$ 268,326,405
Evergreen electricity premium	2,649,939
Grant revenue	1,379,931
Total operating revenues	272,356,275

OPERATING EXPENSES

Cost of electricity	172,165,474
Contract services	8,965,599
Staff compensation	8,405,941
Program rebates and incentives	3,798,775
Other operating expenses	2,225,837
Depreciation	1,400,732
Total operating expenses	196,962,358
Operating income	75,393,917

NONOPERATING REVENUES (EXPENSES)

Interest and other investment income	9,264,855
Nonoperating revenues (expenses), net	9,264,855

CHANGE IN NET POSITION

	84,658,772
Net position at beginning of year	200,859,845
Net position at end of period	\$ 285,518,617

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 275,077,841
Receipts from grantors	1,120,131
Receipts of security deposits	7,679,032
Other operating receipts	1,604,597
Payments to electricity suppliers	(170,266,294)
Payments for other goods and services	(10,807,352)
Payments of staff compensation	(8,278,191)
Payments of tax and surcharges to other governments	(3,488,746)
Payments for program rebates and incentives	(4,915,809)
Net cash provided (used) by operating activities	<u>87,725,209</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Payments to acquire capital assets	<u>(1,586,968)</u>
------------------------------------	--------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and other investment income received	5,094,098
Proceeds from certificates of deposit matured	65,000,000
Purchase of investments	(152,000,000)
Net cash provided (used) by investing activities	<u>(81,905,902)</u>

Net change in cash and cash equivalents	4,232,339
Cash and cash equivalents at beginning of year	65,450,786
Cash and cash equivalents at end of period	<u>\$ 69,683,125</u>

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2024

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 75,393,917
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,400,732
(Increase) decrease in:	
Accounts receivable, net	2,997,963
Other receivables	422,930
Accrued revenue	(2,364,784)
Prepaid expenses	581,801
Deposits	5,388,699
Increase (decrease) in:	
Accrued cost of electricity	2,749,136
Accounts payable	44,062
Advances from grantors	(692,306)
Accrued liabilities	1,207,287
User taxes due to other governments	(20,428)
Supplier security deposits	616,200
Net cash provided (used) by operating activities	<u>\$ 87,725,209</u>

NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES

Unrealized appreciation and timing differences in investment income \$ 4,170,757



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying Budgetary Comparison Schedule for the Operating Fund of Sonoma Clean Power Authority (a California Joint Powers Authority) for the year ended June 30, 2024, 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 -
August 19, 2024 -

SONOMA CLEAN POWER AUTHORITY
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2024

	2023/24 YTD Amended Budget	2023/24 YTD Actual	2023/24 YTD Amended Budget Variance (Under) Over	2023/24 Amended Budget Remaining
REVENUE AND OTHER SOURCES:				
Electricity (net of allowance) *	\$ 275,994,000	\$ 268,276,698	\$ (7,717,302)	\$ 7,717,302
Evergreen Premium (net of allowance)	2,689,000	2,649,939	(39,061)	39,061
CEC Grant	902,000	687,625	(214,375)	214,375
Investment returns	7,659,000	9,264,855	1,605,855	(1,605,855)
Miscellaneous Income	2,058,000	742,013	(1,315,987)	1,315,987
Total revenue and other sources	<u>289,302,000</u>	<u>281,621,130</u>	<u>(7,680,870)</u>	<u>7,680,870</u>
EXPENDITURES AND OTHER USES:				
CURRENT EXPENDITURES				
Cost of energy and scheduling	186,460,000	172,165,474	(14,294,526)	14,294,526
Data management	2,680,000	2,557,623	(122,377)	122,377
Service fees- PG&E	990,000	979,146	(10,854)	10,854
Personnel	8,346,000	8,405,941	59,941	(59,941)
Energy Center, marketing & communications	3,301,000	2,627,722	(673,278)	673,278
Customer service	220,000	138,115	(81,885)	81,885
General and administration	1,515,000	1,308,746	(206,254)	206,254
Legal	475,000	139,952	(335,048)	335,048
Regulatory and compliance	460,000	296,341	(163,659)	163,659
Accounting	309,000	285,110	(23,890)	23,890
Legislative	220,000	96,033	(123,967)	123,967
Other consultants	624,000	362,220	(261,780)	261,780
Industry memberships and dues	695,000	651,160	(43,840)	43,840
Program implementation	8,101,000	3,968,760	(4,132,240)	4,132,240
Program - CEC grant	1,712,000	1,579,283	(132,717)	132,717
Total current expenditures	<u>216,108,000</u>	<u>195,561,626</u>	<u>(20,546,374)</u>	<u>20,546,374</u>
OTHER USES				
Capital outlay	1,900,000	1,515,805	(384,195)	384,195
Total expenditures, other uses	<u>218,008,000</u>	<u>197,077,431</u>	<u>(20,930,569)</u>	<u>20,930,569</u>
Net increase (decrease) in available fund balance	<u>\$ 71,294,000</u>	<u>\$ 84,543,699</u>	<u>\$ 13,249,699</u>	<u>\$ (13,249,699)</u>

* Represents sales of approximately 2,086,000 MWh for 2023/24 YTD actual.

	Current Balance	Long-Term Targeted	% of Long-Term Target
RESERVES			
Operating Reserve (as of June 30, 2023)	<u>\$ 163,190,000</u>	<u>\$ 171,080,000</u>	<u>95%</u>

SONOMA CLEAN POWER AUTHORITY
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND (CONTINUED)
RECONCILIATION OF NET INCREASE IN AVAILABLE FUND BALANCE
TO CHANGE IN NET POSITION
Year Ended June 30, 2024

Net increase (decrease) in available fund balance per budgetary comparison schedule:	\$	84,543,699
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:		
Subtract depreciation expense		(1,400,732)
Add back capital asset acquisitions		1,515,805
Change in net position	\$	<u>84,658,772</u>



Staff Report - Item 10

To: Sonoma Clean Power Authority Board of Directors

From: Neal Reardon, Director of Regulatory Affairs
Miles Horton, Legislative Policy & Community Engagement Manager
Geof Syphers, Chief Executive Officer

Issue: Receive Legislative and Regulatory Updates, Approve Legislative Positions, and Provide Direction as Appropriate

Date: October 3, 2024

Requested Action

Receive legislative and regulatory updates, approve legislative positions, and provide direction as appropriate.

Regulatory Updates

CPUC Judge Rules PG&E Proposal to Reduce Financial Credits for CCA Customers Out of Scope

On August 1, 2024, the assigned Administrative Law Judge (ALJ) on PG&E's 2025 Energy Resources Recovery Account (ERRA) Forecast Application (A. 24-05-009) ruled the utility's proposal to increase CCA customer rates by reducing the credit paid to them was rejected as out of scope.

As background, for-profit utilities are granted the ability to recover both their costs and allowed levels of shareholder profits from the customers in their service territory. There are three over-arching types of rate cases in which Commission staff and interested stakeholders like CCAs can evaluate these utility requests: ERRA Forecast Proceedings, ERRA Compliance Proceedings, and General Rate Cases. In this current ERRA Forecast Proceeding, PG&E estimates and proposes a given amount of funds to be included in all customer rates beginning in January of 2025. The utility's actual costs are then recorded throughout 2025 and compared with this estimate. If these costs are deemed in compliance with the approved methodology, any under or over-collections are included as a debit or credit to future rates.

In this 2025 ERRA Forecast Application, PG&E proposed to modify the methodology used to calculate the financial credit CCA customers receive in exchange for the costs they pay to maintain PG&E's assets. Specifically, PG&E proposed to lower the bill credit paid for Resource Adequacy ("RA"). All load-serving entities, including CCAs and for-profit utilities, are required to purchase RA and share the underlying contract information with the CPUC and CAISO. The intent is to ensure that all electricity providers have enough capacity under contract to maintain a reliable grid. Between 2019 and 2023, the average market cost of RA surged nearly 500%. This resulted in higher costs for load-serving entities like CCAs which are actively purchasing RA in the market. PG&E, on the other hand, has existing long-term contracts for resources that provide the bulk of their RA needs. Since CCA customers pay an equal share for these contracts but are not granted the RA attribute itself, they receive a financial credit. The value of that financial credit is based on weighted-average market prices. Thus, when market prices increase, PG&E is required to grant CCA customers a higher credit. This puts downward pressure on CCA customer bills. In this 2025 ERRA Case, PG&E proposed to put a ceiling on the maximum amount they would credit CCA customers.

SCP customer bills would have increased by \$125 million in 2025 under PG&E's proposal. This equates to a typical residential customer paying an additional \$500 over the year.

Fortunately, the assigned Administrative Law Judge issued a Ruling which agreed with CCA advocacy that PG&E should not be allowed to implement this change. Specifically, it stated that "we are persuaded by CalCCA and DACC that this proceeding is the incorrect venue to address these issues." However, the Judge did not decide on the merit of PG&E's proposal and invited the utility to introduce this in another venue, stating that the proposal "may merit consideration in another rulemaking."

Legislative Updates

The legislative session wrapped up on August 31 at midnight. The Governor now has until September 30 to sign or veto legislation. While that would usually be the end of this year's legislative activity until the new Legislature is sworn in come December, the Governor has called a special session to take place this fall on oil prices. His goal is to secure legislation requiring sufficient oil reserves to be in place before refineries can be brought offline for maintenance or other purposes, to avoid price shocks to

consumers. It remains to be seen whether the Legislature has the political appetite to pass such a bill.

In the final days of the session, the Legislature passed AB 3264 (Petrie-Norris & R. Rivas), which requires improved reporting on various aspects of utility- and other energy-related spending with an eye toward controlling future costs. Of note, this bill contains provisions requiring CCAs like Sonoma Clean Power to report on our program expenses to the Public Utilities Commission.

Sonoma Clean Power-Sponsored Legislation

Sonoma Clean Power's sponsored legislation, AB 1359 (Papan), made it to the Governor's desk after receiving broad, bipartisan support through the legislative process. This bill modifies an existing law specifying that the California Division of Geologic Energy Management (CalGEM) must serve as lead agency under the California Environmental Quality Act (CEQA) for all geothermal exploration projects, the first phase of a geothermal development. As CalGEM has not approved a single new exploration project under this section since the state adopted a goal of 100% clean energy, this could have presented a serious threat to the success of Sonoma Clean Power's GeoZone effort.

After eleventh-hour negotiations with the Governor's team, AB 1359 would allow a geothermal developer to choose whether they want CalGEM or the county in which the project is located to serve as the CEQA lead agency on the project. Numerous letters of support from the geothermal industry, environmental groups, and others have been sent to the Governor's office requesting his signature on this bill. Should AB 1359 be signed into law, it would take effect immediately.

Other Legislative Updates

Several bills Sonoma Clean Power supported made it to the Governor's desk, where most are still awaiting signature or veto at the time of writing. These include:

- **AB 2292 (Petrie-Norris) - Transmission - Pending**

AB 2292 would delete a duplicative requirement that the Public Utilities Commission consider the cost-effectiveness of new transmission projects for a second time, after the Commission as well as the California Independent System Operator have already reviewed the cost-effectiveness of such projects earlier in the approval process. This small but important tweak should help speed up approvals of new transmission lines, which are critical to bringing

more clean energy online in time to meet our ambitious climate goals.

- **AB 2666 (Boerner) - Investor-owned utility revenue - SIGNED**

This bill requires the Public Utilities Commission to look at the actual costs an electric or gas corporation has incurred in the past, not just their authorized costs, in future general rate cases and other authorizations to collect revenue.

- **SB 1006 (Padilla) - Grid-enhancing technologies - Pending**

Grid-enhancing technologies (GETs) have significant potential to help increase the capacity of existing transmission lines, which would allow more clean energy to be interconnected to the grid and delivered to customers. For example, reconductoring an existing transmission line with more advanced conductors could increase a line's capacity while saving ratepayers significant amounts of money by allowing cleaner, cheaper power to come to market. SB 1006 would require investor-owned transmission utilities to develop strategic plans to deploy GETs over the years to come.

- **SB 1130 (Bradford) - FERA eligibility - Pending**

Generally speaking, the California Alternate Rates for Energy (CARE) program provides investor-owned utility customers who live at or below 200% of the federal poverty line to receive discounts of 30-35% on their electric bills and 20% on their gas bills. The Family Electric Rate Assistance (FERA) Program provides reduced electric bills to people who don't qualify for CARE but may still need help paying their bills, up to 250% of the federal poverty line.

While anyone who meets those criteria can receive CARE benefits, FERA eligibility is currently limited to households of three people or more. SB 1130 would eliminate that requirement and allow all eligible customers to receive FERA benefits, even if they live in a household of only 1 or 2 individuals. Because eligibility for CARE/FERA benefits is used as a metric for eligibility for various other clean energy, electric vehicle, and energy efficiency programs targeted at lower-income customers, this bill would have the effect of expanding eligibility for several rebate and incentive programs. This legislation would also require utilities to report on FERA enrollment numbers to help address under enrollment.

- **SB 1221 (Min) - Building decarbonization pilot program - Pending**

Would create a pilot program aimed at demonstrating the feasibility of neighborhood-scale building electrification and removal of natural gas infrastructure. Specifically, the Public Utilities Commission would designate up

to 30 “neighborhood priority decarbonization zones” in which gas providers would cease to serve customers, assuming sufficient access to an alternative energy source (presumably electricity) is available. The bill would test implementation of this concept in anticipation of broader decarbonization efforts down the road.

One other bill opposed by Sonoma Clean Power, **SB 1298 (Cortese)**, died in the final days of the session. This legislation would have authorized the Energy Commission to “exempt from certification” backup generation for new data centers, up to 150 MW in size. For background, the Energy Commission conducts a certification process before authorizing new power plants in which it reviews potential environmental impacts, consistency with the state’s climate goals, and other relevant factors. Should they deem the proposed facility in the public interest, they give it the green light and the developer can move forward with building it.

Building on an existing exemption for smaller backup generation, this legislation proposed to grant backup power for data centers similar treatment to help keep those data centers running when the grid is unreliable. Sonoma Clean Power strongly opposed the potentially widespread deployment of diesel generators big enough to power the city of Santa Rosa, with immense potential to impact the state’s clean energy and air quality objectives.

Fortunately, thanks in part to the dogged lobbying of Sonoma Clean Power and other stakeholders, the Assembly Appropriations Committee put amendments in the bill requiring that the owner/operators of these generators fully mitigate or offset any air emissions that they produced. The author ultimately killed his own bill rather than move forward with those amendments.

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Staff Report - Item 11

To: Sonoma Clean Power Authority Board of Directors

From: Erica Torgerson, Managing Director of Customer Service
Danielle McCants, Customer Operations Manager

Issue: Approve a Five-Year Contract with Sacramento Municipal Utility District for Data Management, Billing, and Contact Center Services

Date: October 3, 2024

Recommendation

Approve a five-year contract with Sacramento Municipal Utility District (SMUD) for data management, billing, and contact center services.

Background

Sonoma Clean Power (SCP) entered into its first Master Professional Services Agreement and First Addendum with Noble Americas Energy Solutions, LLC (now Calpine Energy Solutions, LLC) (Calpine) for data management, billing, and call center services in November 2013. SCP was the second Community Choice Aggregator (CCA) created and launched in California, and Calpine was the only company offering CCA services at that time. For the last ten years, SCP has encouraged other providers to enter the market in data and billing management for CCAs to create a more competitive market. SCP has continued its relationship with Calpine through four subsequent amendments. The current contract with Calpine expires on December 31, 2027, but SCP may terminate at its own convenience April 30, 2025. To terminate, SCP must provide written notice to Calpine of its intent to terminate the contract by November 1, 2024.

Discussion

Today, in California, two data, billing, contact center management service providers support CCAs: SMUD and Calpine. When evaluating options for data management services, SCP is well acquainted with the market players.

The current Calpine Energy Solutions LLC was birthed from Sempra Energy Solutions, founded as a subsidiary of Sempra Energy in San Diego, California in 1997 to provide energy management services and retail power solutions, primarily targeting commercial and industrial customers. In 2007, Sempra Energy Solutions was sold to Noble Group Limited, a global commodity trading company. Following the acquisition, the subsidiary was renamed Noble Americas Energy Solutions. Under Noble Americas Energy Solution, the company continued to expand its customer base and broaden its energy service offerings before Noble Americas Energy Solutions was spun off and acquired by Calpine Corporation, which rebranded to Calpine Energy Solutions. Calpine provides services to over 20 CCAs across California, including CCAs in San Diego Gas & Electric, Southern California Edison, and Pacific Gas & Electric territories.

Calpine quickly became the dominant provider in the early years, enjoying a market with no competition, leveraging its economies of scale and established relationship with PG&E. However, the rapid growth in clients Calpine serves and a legacy of staff without a strong customer focus has led to long-standing concerns about service quality.

SMUD was formed in 1928 when the California Legislature passed the Sacramento Municipal Utility District Act, enabling the formation of SMUD. It took two decades before SMUD was able to start delivering electric service customers due to legal and political battles, primarily with PG&E for the purchase of their infrastructure in SMUD's territory. SMUD continued to grow and expand and eventually became the first large California utility to meet the state's 20% Renewable Portfolio Standard (RPS) goal, demonstrating its commitment to clean energy. Today, SMUD is recognized as one of the most progressive and innovative municipal utilities in the United States, with a strong commitment to sustainability, reliability, and community service.

In the past few years, SMUD entered the CCA market for data, billing, and call center management to add a new revenue source for the benefit of its own customers through lower rates, more programs, and the betterment of its community. As a publicly owned utility, SMUD does not have shareholders and does not charge for profits. In 2018, Ava Community Energy (Ava), formerly East Bay Community Energy, and Valley Clean Energy (Valley) both started their service directly with SMUD, having never used Calpine. More recently in 2022, MCE made the decision to switch from Calpine to SMUD.

With only two market participants in California, SCP was aware of what Calpine offers but required additional information about working with SMUD. Luckily, both the programs department and the marketing department at SCP have worked closely with SMUD on a Community Needs Assessment (previously presented to the Committee and Board) and survey research reviews, focus groups research, and recommendations based that research, respectively. Both departments were happy with the work SMUD performed as a consultant.

SCP staff have also interviewed employees from Ava, Valley, and MCE to understand the pros and cons of the service SMUD offers. In addition, staff met with SMUD staff multiple times to learn about their offerings, their CCA community energy services, their proficiency in billing, customer service, and relationship with PG&E. As a public agency, SCP knows the value of transparency and a customer-first mindset and has found SMUD to have the same values.

SMUD's services carry a cost premium over Calpine of \$0.22 per customer per month -- \$620,400 per year in total - which staff fully appreciate needs justification. In the spirit of leaving the door open to future work with Calpine and encouraging the industry to continue to develop a robust and competitive market for these critical services, staff elected to focus remarks in this report more on the positive attributes of SMUD rather than dwell on the service quality challenges with Calpine. In that spirit, staff summarize the argument for this transition as:

1. Engaging a contractor with a strong customer service focus and a dedicated track record to solving ratepayer and CCA problems quickly.
2. Engaging a contractor with a track record of transparently informing CCA clients of errors and problems and working to resolve them in a collaborative manner.
3. Using a contractor that has deep experience with public power and a demonstrated commitment to SCP's mission of helping customers cut energy use and costs, and lowering greenhouse gas emissions.
4. All three of SMUD's existing CCA clients - Ava, Valley Clean Energy and MCE, have provided very strong reviews to SCP and encouraged our working with SMUD.

Community Advisory Committee

This item will be provided as information only to the Committee on October 17, 2024, assuming Board approval on October 3, 2024.

Fiscal Impact

Approving this agreement would increase costs by \$620,400 per year, or about 22 cents per customer per month. SCP's current contract with Calpine includes a monthly fixed fee of \$25,000 per month plus \$0.86 per meter, per month. This is on average \$225,600 per month and \$2,707,200 per year. After negotiations with SMUD, the proposed price is a \$0 fixed fee, a \$1.17 per meter per month fee, plus a \$0.01 per meter per month fee for SQMD services. At \$1.18 per meter per month, the average monthly fee for SMUD is \$277,300 per month and \$3,327,600 per year.

Attachments

- Attachment 1 - Foundational Services Agreement available at [this link](#), or by request to the Clerk of the Board
- Attachment 2 - Task Order #1 - Initial Services available at [this link](#), or by request to the Clerk of the Board



Staff Report - Item 12

To: Sonoma Clean Power Authority Board of Directors

From: Garth Salisbury, Chief Financial Officer
Deb Emerson, Managing Director, Power Procurement
Chris Golik, Revenue Manager

Issue: Approve Proposed Resolution 2024-03 which Authorizes the Execution and Delivery of a Clean Energy Purchase Contract and Other Documents in Connection with the Issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds

Date: October 3, 2024

Requested Action

Adopt proposed resolution 2024-03 (Attachment 1) authorizing the execution and delivery of a clean energy purchase contract and certain other documents in connection with the issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds, "Series 2024 xx;" and certain other actions required to ensure the reduction in the costs of renewable energy therewith.

Background

The proposed prepayment transaction would reduce the cost of energy from existing PPAs that Sonoma Clean Power (SCP) has already executed. To effectuate the prepayment and to satisfy tax law requirements, SCP must assign the contracts through Limited Assignment Agreements to a highly rated financial institution that will be in the role of the prepaid supplier, in this case the commodities subsidiary of Goldman Sachs; J. Aron & Company LLC (J. Aron). Once the PPAs are assigned, tax-exempt bonds would be issued to finance the prepayment. These bonds would be issued by the California Community Choice Financing Authority (CCCFA) and would be secured by the contractual rights and transaction cashflows pursuant to a Trust Indenture. SCP would not be responsible to repay the bonds, and the bonds would not be a debt of SCP. The bonds would carry the credit ratings of the funding recipient

which in this case may be Goldman Sachs Group, based upon the contractual arrangements ultimately securing the bonds.

However, by utilizing Goldman Sachs, as we approach the date of the pricing of the bonds, Goldman will canvass the market to see which of several possible counterparties will be willing to take the “funding” (proceeds of the bond issue) at the highest possible interest rate which will result in the best savings to SCP. This flexibility will allow us to maximize the savings from the transaction by effectively shopping the funding to the highest bidder at the time of the transaction.

Under the proposed prepayment transaction, SCP would continue to purchase the energy from the projects through a Clean Energy Purchase Contract executed with CCCFA. The prepaid energy from the projects would be purchased by SCP at a discount of 8-10% or more, representing a savings of approximately \$3-5 million per year. The final amount of the prepayment (and the number and consequent value of the PPAs included) will vary determined by market conditions at the time of the actual pricing/sale of the bonds, but SCP expects 5-6 PPAs to be included. Currently, SCP anticipates prepaying the contracts for two solar projects, one solar plus storage project, one wind project and two geothermal projects. More favorable market conditions may allow more PPAs to be prepaid that produce the minimum 8% savings.

The transaction, as proposed, would be structured as a 30-year prepayment transaction. The 30-year term of the prepayment transaction exceeds the terms of the PPAs which generally run from 15-20 years. SCP may assign new or different PPAs in the future to maintain the required cashflow from the prepaid PPAs.

The initial term of the bonds is expected to be 7-10 years. At the end of the first bond pricing period, the bonds would be refinanced or “remarketed” as long as the minimum savings thresholds are met. In the unlikely event the minimum savings thresholds cannot be met for the remarketed bonds, or if the transaction is terminated for any reason, the Limited Assignment Agreements also terminate and PPAs included in the prepayment transaction would revert back to SCP at their original terms and prices. Consequently, the financial risk to SCP in the proposed transaction is simply the “loss of the savings” or, in other words, the loss of the discount in the price of the energy from the PPAs resulting from the prepayment.

Discussion

Adopting the proposed resolution would mean approving the following documents giving SCP certain rights described herein.

Clean Energy Purchase Contract - Between SCP and CCCFA. The Clean Energy Purchase Contract provides for the sale of the renewable energy to be delivered by CCCFA to SCP over the term of the prepayment. The energy will be comprised of quantities of electricity designated under the assigned PPAs that have been prepaid and any excess quantities delivered as produced by the projects. Under the Clean Energy Purchase Contract, CCCFA would agree to deliver, and SCP would agree to purchase all of the energy delivered under the assigned PPAs and to purchase the prepaid amounts of energy at a discount during the Delivery Period. The payments for energy delivered under the Clean Energy Purchase Contract would be payable solely from SCP customer revenues generated from the sale of electricity.

Limited Assignment Agreements - Among SCP, J. Aron and the original power purchase agreement counterparty assigning certain rights and obligations of SCP under the PPA to J. Aron. There are 5-6 or more proposed Limited Assignment Agreements reflecting each PPA being assigned and prepaid. These Limited Assignment Agreements transfer certain rights including the right to purchase the energy and renewable energy attributes to J. Aron to allow them to be prepaid and eventually resold to SCP under the Clean Energy Purchase Contract.

Operational Services Agreement - Between SCP and CCCFA and provides for SCP to perform all operations, scheduling, invoicing and all aspects of managing the PPAs and delivery of the prepaid energy on behalf of CCCFA like we are currently doing before the prepayment.

Custodial Agreement - Among SCP, J. Aron and US Bank as Custodian, providing for US Bank to collect and distribute amounts payable by SCP and J. Aron to the PPA counterparties as appropriate to facilitate the proposed prepayment transaction.

Memorandum of Understanding - Between SCP and CCCFA and states that the rating agency and green bond second party opinion fees are partially SCP's responsibility if the transaction doesn't close.

Appendix A of Preliminary Official Statement - This is the Appendix of the disclosure document for the bonds describing SCP as the purchaser of the prepaid renewable energy in the proposed transaction. Appendix A describes the history of SCP, SCP's service area, customers, sources of renewable energy and other facts to inform bond investors of the financial and operational strength of the organization.

Proposed Resolution 2024-03 - The proposed Resolution would give staff the authority to complete negotiations on the prepayment transaction and to finalize and execute

the necessary documents and contracts to complete the proposed transaction. The authority provided to staff under the proposed Resolution to finalize all negotiations and execute all necessary contracts and documents is contingent upon the following parameters being satisfied: 1) the bonds issued to finance the prepayment shall not be obligations of SCP, 2) the aggregate stated principal amount of the bonds shall not exceed \$1,500,000,000, 3) the Monthly Discount Percentage (savings) from the transaction shall be at least 8% on an annual basis and 4) CCCFA total cost of issuance including all underwriting, legal and consultant fees will not exceed 1.0% of the amount of the bond proceeds.

The authority provided for under the proposed Resolution is important because the execution of the proposed transaction will be extremely market sensitive; SCP expects that final documentation would need to be executed within a 24-hour to 48-hour period when market conditions permit. As such, the proposed Resolution provides the authority needed so that staff may quickly and efficiently complete the transaction to capture the required savings when available in the market.

If the parameters of the prepayment transaction are satisfied, the proposed Resolution would also give authorization to staff to direct CCCFA to pay vendors that provided services to SCP, including drafting, preparing, and finalizing the transaction documents in order to complete the proposed prepayment transaction. These professional services include legal counsel, bond counsel, tax counsel, municipal financial advisor, swap advisor, trustee, green bond verifier, rating agency, underwriter of the bonds, and any other vendor required to complete the issuance of the bonds. Payment to these vendors would be considered a cost of issuance and would be paid by CCCFA directly out of the proceeds of the sale of the bonds. Per the Resolution, the total cost of issuance to CCCFA, including all underwriting, legal and consultant fees, would not exceed 1.0% of the amount of the bond proceeds.

Note: Over 95% of the cost of the fees and services provided by the deal team participant are on a contingency basis. In other words, if the transaction doesn't close, most of the vendors do not get paid. However, two participants in the transaction do not work on a contingency basis: the Rating Agency and the Green Bond verifier. In the unlikely event that the transaction doesn't close, Goldman Sachs has agreed to split the cost of these two vendors with SCP. Our estimate of the cost of half of these fees is \$175,000.

Fiscal Impact

If executed, the proposed prepayment transaction would save SCP \$3.0 to \$5.0 million or more per year on the cost of the energy from the prepaid PPAs after all upfront and ongoing costs of the transaction are paid during the initial reset.

Community Advisory Committee Review

The Community Advisory Committee reviewed a presentation on the Planned Power Purchase Agreement Prepayment Transaction on September 19, 2024, which gave a description of the prepay transaction and the expected savings generated. The associated agreements were not finalized until after the Committee meeting.

Attachments

- Attachment 1 - Resolution 2024-03 which Authorizes the Execution and Delivery of a Clean Energy Purchase Contract and Other Documents in Connection with the Issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds
- Attachment 2 - SCP 2024 - Clean Energy Purchase Contract available at [this link](#), or by request to the Clerk of the Board
- Attachment 3 - SCP 2024 - Form of Limited Assignment Agreement available at [this link](#), or by request to the Clerk of the Board
- Attachment 4 - SCP 2024 - Letter Agreement re Limited Assignment available at [this link](#), or by request to the Clerk of the Board
- Attachment 5 - MOU Rating and Opinion Fee MOU available at [this link](#), or by request to the Clerk of the Board
- Attachment 6 - Operational Services Agreement available at [this link](#), or by request to the Clerk of the Board
- Attachment 7 - PPA Custodial Agreement available at [this link](#) or by request to the Clerk of the Board
- Attachment 8 - Draft Appendix A available at [this link](#) or by request to the Clerk of the Board
- Attachment 8 - SCP Renewable PPA Prepayment Transaction Update PowerPoint

RESOLUTION NO. 2024-03

RESOLUTION OF THE BOARD OF DIRECTORS OF SONOMA CLEAN POWER AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A CLEAN ENERGY PURCHASE CONTRACT AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY (CCCFA) CLEAN ENERGY PROJECT REVENUE BONDS; AND CERTAIN OTHER ACTIONS REQUIRED TO ENSURE THE REDUCTION IN THE COSTS OF RENEWABLE ENERGY THEREWITH

THE BOARD OF DIRECTORS OF SONOMA CLEAN POWER AUTHORITY DOES HEREBY FIND, RESOLVE, AND ORDER AS FOLLOWS:

WHEREAS, Sonoma Clean Power Authority ("**Sonoma Clean Power Authority**" or "**SCPA**") was formed on June 4, 2012, under the provisions of the Joint Exercise Powers Act of the State of California, Government Code section 6500 *et seq.* (the "**JPA Law**") and as set forth in that certain Third Amended and Restated Joint Powers Agreements Relating to and Creating the Sonoma Clean Power Authority, effective as of October 13, 2016;

WHEREAS, Sonoma Clean Power Authority is duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California, is duly authorized to transact business, having obtained all necessary and legally required filings, governmental licenses, and approvals in the State of California, and has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage;

WHEREAS, Sonoma Clean Power Authority is a community choice aggregator (as defined in Section 331.1 of the California Public Utilities Code (the "**Public Utilities Code**")), and is a public agency (as defined in the JPA Law) that has implemented a CCA program pursuant to Section 366.2 of the Public Utilities Code, and possesses the power to purchase and sell electric energy and enter into related contracts for such purposes;

WHEREAS, Sonoma Clean Power Authority, acting pursuant to the JPA Law, may enter into a joint exercise of powers agreement with one or more other public agencies pursuant to which such contracting parties may jointly exercise any power common to them and, pursuant to California Government Code Section 6588, to exercise certain additional powers;

WHEREAS, pursuant to the provisions of the JPA Law, Sonoma Clean Power Authority and certain other California community choice aggregators entered into a joint powers agreement (the "**Joint Powers Agreement**") pursuant to which the CCCFA (the "**Issuer**") was organized for the purpose, among other things, of entering into contracts and issuing bonds to assist community choice aggregators, including

Sonoma Clean Power Authority, in financing the acquisition of supplies of clean energy;

WHEREAS, the Issuer is authorized by its Joint Powers Agreement to acquire supplies of clean energy and to issue revenue bonds to finance the cost of acquisition of such supplies, and is vested with all powers necessary to accomplish the purposes for which it was created;

WHEREAS, Sonoma Clean Power Authority has determined that it is desirable to acquire a long-term supply of clean energy from the Issuer pursuant to a clean energy prepayment transaction (the "**Prepayment Transaction**");

WHEREAS, Sonoma Clean Power Authority has determined to authorize pursuant to this Resolution the undertaking of the Prepayment Transaction with the Prepaid Supplier (defined below);

WHEREAS, in connection with the foregoing, Sonoma Clean Power Authority is requesting the Issuer to agree to purchase on a prepaid basis certain quantities of clean energy from Aron Energy Prepay, LLC, a Delaware limited liability company (the "**Prepaid Supplier**") and to sell such clean energy to Sonoma Clean Power Authority, as contemplated herein (the "**Project**");

WHEREAS, Sonoma Clean Power Authority is requesting that the Issuer finance the costs of the Project with the proceeds of its clean energy project revenue bonds, with a Series designation determined by the Issuer based on the timing and sequence of issuance (the "**Bonds**");

WHEREAS, Sonoma Clean Power Authority has determined to authorize the representatives of Sonoma Clean Power Authority to take all necessary action to accomplish the purchase of clean energy from the Issuer and to assist the Issuer in the issuance, sale, and delivery of the Bonds; and

WHEREAS, there have been submitted to the Board for approval forms of the following agreements to which Sonoma Clean Power Authority is a party (collectively, the "**SCPA Documents**");

1. Clean Energy Purchase Contract between Sonoma Clean Power Authority and the Issuer;
2. Custodial Agreement by and among Sonoma Clean Power Authority, the Issuer, J. Aron & Company LLC, a New York limited liability company ("**J. Aron**") and a custodial bank to be named therein;
3. Form of Limited Assignment Agreement, by and among Sonoma Clean Power Authority, the counterparty to the power purchase agreement described therein and J. Aron, and;

4. Letter Agreement between Sonoma Clean Power Authority and J. Aron regarding matters relating to Assignment Agreements;
5. Operational Services Agreement relating to the Project, between Sonoma Clean Power Authority and the Issuer; and
6. Memorandum of Understanding between Sonoma Clean Power Authority and the Issuer indemnifying Issuer against certain fees.

WHEREAS, there have also been submitted to the Board forms of the following additional documents relating to the Project:

1. Appendix A to the Preliminary Official Statement to be used in connection with the offering and sale of the Bonds (together with the SCPA Documents, the "**Project Documents**");

NOW, THEREFORE, IT IS HEREBY DETERMINED, AFFIRMED, AND ORDERED BY THE BOARD OF DIRECTORS OF THE SONOMA CLEAN POWER AUTHORITY as follows:

Section 1. AUTHORIZED REPRESENTATIVES. The following named individuals are the authorized representatives of Sonoma Clean Power Authority with the respective titles specified below (collectively referred to as "**Authorized Representatives**" and individually referred to as an "**Authorized Representative**"):

<u>NAMES</u>	<u>TITLES</u>
Geof Syphers	Chief Executive Officer
Garth Salisbury	Chief Financial Officer
Mike Koszalka	Chief Operating Officer

Section 2. SCPA Documents. The proposed forms of the SCPA Documents, attached hereto as Exhibit A, are hereby approved. The form of Limited Assignment Agreement may be used, in a substantially similar form, for assignments of the initial or any additional SCPA power purchase agreements, as needed to maintain the transactions approved hereby, and any such Limited Assignment Agreements shall be included in the SCPA Documents are hereby approved. Subject to the parameters set forth in Section 5 of this Resolution, any Authorized Representative is hereby authorized and directed, for and on behalf of Sonoma Clean Power Authority, to execute and deliver the SCPA Documents in substantially similar form, with such changes and insertions therein as the Authorized Representatives executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Appendix A to the Preliminary Official Statement. Appendix A to the Preliminary Official Statement is hereby approved. Any Authorized Representative is hereby authorized and directed, for and on behalf of Sonoma Clean Power Authority, to execute and deliver a certificate as to the information regarding Sonoma Clean Power Authority contained in such Appendix A, with such changes and insertions

therein as the Authorized Representative approving the same may deem necessary or appropriate. Sonoma Clean Power Authority hereby authorizes the inclusion of such Appendix A in the Preliminary Official Statement and the final Official Statement, in each case with such changes as may be approved as aforesaid.

Section 4. Actions Authorized. The Authorized Representatives, each acting alone, are hereby authorized and directed, for and in the name and on behalf of Sonoma Clean Power Authority, to execute and deliver any and all documents, including, without limitation, any tax certificate relating to its expected use of the energy to be purchased by it from the Project, any continuing disclosure certificate or similar agreement required for the offering or sale of the Bonds, and any and all closing certificates to be executed in connection with the issuance of the Bonds and to take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which Sonoma Clean Power Authority has approved in this Resolution, for the issuance, sale and delivery of the Bonds, and to consummate by Sonoma Clean Power Authority the transactions contemplated by the Power Supply Contract for the Project, the SCPA Documents approved hereby and the other Project Documents presented to the Board herewith, including any subsequent amendments, waivers or consents entered into or given under or in accordance with such documents.

Section 5. Transaction Parameters. The approvals provided for herein shall be subject to the following parameters:

(a) the Bonds will not be obligations of Sonoma Clean Power Authority, but will be limited obligations of the Issuer payable solely from the revenues and other amounts pledged thereto, including amounts payable by Sonoma Clean Power Authority under the Power Supply Contract;

(b) the aggregate principal amount of the related Series of Bonds shall not exceed \$1,500,000,000;

(c) the "Monthly Discount Percentage" as provided for in the Clean Energy Purchase Contract shall result in at least 8% savings on an annual basis; and

(d) CCCFA total cost of issuance including all underwriting, legal and consultant fees for the Project will not exceed 1.0% of the amount of the proceeds of the Bonds issued by CCCFA with respect to such Project.

Section 6. Execution and delivery of the SCPA Documents by an Authorized Representative shall be conclusive evidence that the parameters set forth in Section 5 have been met, and all actions heretofore taken by the Authorized Representatives with respect to the issuance of the Bonds are hereby ratified, confirmed, and approved.

Section 7. If Section 5 and Section 6 listed herein have been met, an Authorized Representative may direct CCCFA to make payments to vendors that provided

professional services to SCPA to complete the SCPA Documents and ultimately the issuance of the Bonds with respect to the Project. These professional services include legal counsel, bond counsel, tax counsel, municipal financial advisor, swap advisor, trustee and trustee counsel, underwriter of the bonds, underwriter’s counsel, and any other vendor required to complete the issuance of the Bonds. Payment to these vendors is considered a cost of issuance and will be paid by CCCFA out of the proceeds of the sale of the Bonds.

IT IS HEREBY FURTHER DETERMINED AND ORDERED that the Authorized Representatives are duly elected, appointed, or employed by or for Sonoma Clean Power Authority, as the case may be. This Resolution now stands of record on the books of Sonoma Clean Power Authority, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

IT IS HEREBY FURTHER DETERMINED AND ORDERED that any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved.

IT IS HEREBY FURTHER DETERMINED AND ORDERED that this Resolution shall take effect upon its passage, shall be continuing and shall remain in full force and effect unless and until expressly revoked by further resolution of the Board of Directors.

PASSED AND ADOPTED on this 3rd day of October 2024.

JURISDICTION	NAME	AYE	NO	ABSTAIN/ ABSENT
Cloverdale	Director Lands			
Cotati	Director Lemus			
Petaluma	Director Barnacle			
Rohnert Park	Director Elward			
Santa Rosa	Director Rogers			
Sebastopol	Director Zollman			
Sonoma	Director Farrar-Rivas			
Willits	Director Strong			
Windsor	Director Fudge			
County of Mendocino	Director Gjerde			
County of Sonoma	Director Hopkins			


In alphabetical order by jurisdiction

Lynda Hopkins, Chair

ATTEST:

Darin A. Bartow, Clerk of the Board

SCP Renewable PPA Prepayment Transaction Update



The logo for Sonoma Clean Power, featuring three horizontal bars (yellow, green, blue) to the left of the text "Sonoma Clean Power".

1

Presentation to SCP Board of Directors October 3, 2024



The logo for Sonoma Clean Power, featuring three horizontal bars (yellow, green, blue) to the left of the text "Sonoma Clean Power".

2

Agenda

1. Discussion of tax law and history of tax-exempt energy prepayment transactions in the US and in California
2. High Level Discussion of Prepayment Transaction
3. Resolution 2024-03 and proposed documents to effectuate the Prepayment Transaction
4. Next Steps on SCP's first Prepayment Transaction.



3

History and Tax Law Behind Municipal Prepaid Energy Transactions

- Municipal electric and gas utilities (and tax-exempt entities such as CCAs) in the US can prepay for a supply of electricity or natural gas from a taxable (corporate) entity and fund that prepayment with tax-exempt municipal bonds.
- Prepayment transactions are legal and Codified in US Tax Law:
 - Treasury Regulation § 1.148-1(e)(2)(iii) and
 - Congress enacted legislation specifically allowing gas prepayment transactions (National Energy Policy Act of 2005; Section 1327).



4

History and Tax Law Behind Municipal Prepaid Energy Transactions

- Over **110** municipal prepayment transactions totaling over **\$75 Billion** have been completed in the US (mostly for natural gas)
- Prepayment transactions are **saving utility ratepayers billions of \$ in reduced rates and energy charges** and will continue to do so over the 30-year life of the transactions.



5

Recent History of CCA Renewable Energy Prepayment Transactions in California

- In 2021, five CCAs – MCE, SVCE, EBCE (now Ava Energy), CPA and 3CE formed the **California Community Choice Financing Authority (CCCFA)**
- Since late 2021, there have been 12 municipal bond issuances through CCCFA totaling \$11.5 billion – all for renewable electricity on behalf of CCAs around the State of California
- Recently CPA closed the largest renewable energy prepayment to date:
 - \$1,525,000,000 that will save CPA ratepayers almost \$12 million/year for the first 8 years totalling over \$93 million



6

SCP Prepayment Transaction Team

- SCP has RFP'd for a prepaid supplier/bank to structure the prepayment and underwrite the bonds:
 - Goldman Sachs/J. Aron* was selected.
- Additional team members of legal and financial consultants retained (or to be retained) to assist SCP to negotiate/structure the transaction include:
 - SCP Prepayment/Disclosure Counsel – Chapman and Cutler*
 - SCP Bond/Tax Counsel – Orrick Herrington & Sutcliffe*
 - SCP Municipal Financial Advisor – Public Financial Management*

*These consultants work on a contingency basis and are paid from bond proceeds only if the issue closes



7

Joining California Community Choice Financing Authority (CCCFA)

- SCP Board to consider Resolution to join CCCFA conduit at the this Board Meeting
 - One time "Membership Fee" of \$50,000 to join
 - \$20,000 Deal Fee paid from bond proceeds each time SCP does a transaction through
- SCP would agree to pay its equal share (with the other member CCAs) of ongoing net operating expenses of the Authority (net of new member and deal fees each year) going forward;
 - Last year's cash call to members was \$30,000



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SCP Prepayment Transaction Description/Update

- Five-six of SCP's existing renewable PPA's are assigned or "novated" to Goldman Sachs, the taxable prepaid power supplier and underwriter of the bonds;
 - These contracts that we already have in place
 - PPA contract terms remain the same
 - Tax-exempt bonds would be issued by CCCFA to prepay the contracts
- Bonds finance issuance costs, reserves and the prepayment to Goldman Sachs;
 - **IMPORTANT:** Bonds are *not a debt* of SCP
- SCP expects to get savings on the energy from the contracts of 8-10+% or \$3-5 million year, depending upon market conditions at the time of the pricing and the size of the bond issue.



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SCP Prepayment Transaction Primary Documents Summary

- **Clean Energy Purchase Contract:** Between SCP and J. Aron to purchase the prepaid quantities of renewable energy from the 5-6 PPAs
- **Limited Assignment Agreements:** Assigns certain aspects of the PPA contracts to J. Aron so that they can be prepaid.
 - These contracts that we already have in place
 - Fundamental PPA contract terms remain the same
- **Custodial Agreement:** Sets up a custodian to receive payments for energy and cash flows from J. Aron that produces the savings and pays principal and interest on the Bonds.
 - **IMPORTANT:** Bonds are *not a debt* of SCP
- **Operational Services Agreement:** Ensures that normal day-to-day activities such as scheduling the energy and invoicing continues as it always has between SCP and the PPA counterparties.
- **Appendix A of the Official Statement:** Appendix in the document used to market the bonds to investors that describes SCP, its history, operations, etc.



10

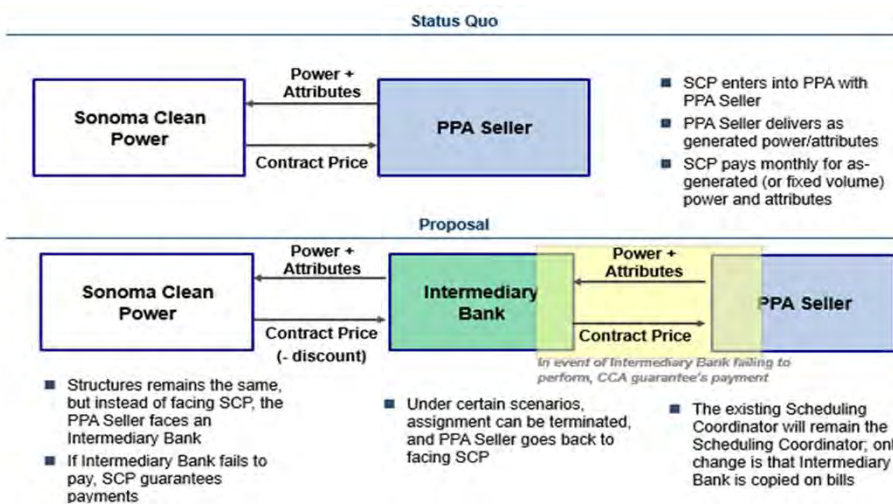
SCP Prepayment Transaction Next Steps

- Upon approval of Resolution 2024-03 – Staff will work diligently to complete document and contract negotiations with the transaction counterparties over the next 3-4 weeks.
- CCCFA will consider SCP’s request to become a member of the JPA at a special meeting in the next two weeks
- Staff and transaction team will go back to CCCFA for approval of documents and to execute the transaction at their meeting on October 24
- Upon approval from CCCFA and finalizing documents and marketing materials, we hope to market the tax-exempt bonds to investors during the last week of October, or the first week of November.
- Market conditions will determine the size of the transaction and the savings.
- Close the transaction 7-10 days later.



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PPA Assignment Graphic Before and after the Limited Assignment



12

Thank you



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Staff Report - Item 13

To: Sonoma Clean Power Authority Board of Directors
From: Geof Syphers, Chief Executive Officer
Issue: Reduce Agency Expenses by an Estimated \$46 Million for the Six-Year Period from 2025 through 2030 by Accepting an Allocation of Energy from the Diablo Canyon Nuclear Power Plant
Date: October 3, 2024

Recommendation

Accept SCP's share of carbon-free energy from the Diablo Canyon Nuclear Power Plant for the years 2025 through 2030, lowering agency expenses an estimated \$46 million, and delegate authority to the CEO to take the necessary actions to file that acceptance each of the six years with the CPUC.

Background

Following successful CCA advocacy at the California Public Utilities Commission (CPUC) in 2020, CCAs throughout PG&E's service territory were offered shares of the large hydro and nuclear energy their customers were paying for. At that time, SCP chose to accept the large hydro allocation and reject the nuclear allocation.

This decision was consistent with past practice, as SCP has not pursued procurement of nuclear power since its inception due to concerns about the high costs and risks associated with the technology. California has also generally been moving toward closing the state's last remaining reactors, with San Onofre closing in 2013 and Diablo Canyon originally scheduled to close one reactor in 2024 and the other in 2025.

Those closure plans changed following the September 2022 heat storm. Due to the extreme measures California had to take to keep the lights on that month, Senate Bill 846 (Dodd, 2022) was urgently passed, directing the CPUC to push back the closure date for Diablo Canyon.

On December 14, 2023, the CPUC approved the extension of operations of PG&E's Diablo Canyon Nuclear Power Plant at least until October 31, 2029 (Unit 1) and October 31, 2030 (Unit 2). The CPUC's decision and subsequent Advice Letter 7295-E submitted on June 12, 2024, requires PG&E to offer SCP and all other power providers the option to receive Diablo Canyon's nuclear output. The allocation would begin January 2025 and go through October 2030. Any power provider that decides to accept this allocation will show nuclear energy as one of their power sources.

Discussion

Since this CPUC decision was made on the basis of supporting grid reliability for California as a whole, and not on behalf of PG&E's customers alone, state lawmakers decided the costs of continuing to operate Diablo Canyon will be spread across all ratepayers in the state, including SCP's customers. As a matter of equality, because all customers are being charged the costs to operate the nuclear plant, the statute required they also receive the corresponding energy.

What is unusual, however, is that the CPUC is making individual power providers decide whether the nuclear energy we all pay for shows up on our Power Content Labels or not. This puts SCP in the uncomfortable position of having to accept nuclear energy - with the lower rates that decision would involve - OR increasing rates to pay for additional carbon-free energy for the next five years.

Staff fully appreciate the schism between California mandating that all customers pay for nuclear power to supply reliability, but then allowing each power provider to decide if they wish to show that resource or not... for a price.

A Parallel Problem: Eroding Transparency

SCP and California's CCAs have consistently defended our ability to make our own choices about power resources, so the CPUC offering us a choice about whether to accept or reject nuclear energy is superficially consistent with that goal. However, the critical distinction is that the CPUC's decision does not allow SCP to cash out the value of our allocation and apply those funds to alternate power sources. Presumably, this is due to the state's determination that this resource is too critical for reliability to risk defunding it.

As a result, the choice is:

- A) Pay for nuclear plus an equal volume of hydropower at an expense of about \$92 million¹ over six years; or
- B) Pay for nuclear alone at an expense of about \$46 million over six years.

A similar and parallel problem is happening with natural gas fired power plants. The newly created Strategic Reliability Reserve is operated by the California Department of Water Resources for the purpose of retaining extra power resources for extreme weather events beyond the excess resources all power providers must already provide. The Strategic Reliability Reserve has three natural gas fired power plants in it so far.

The problem is that when those Reserve power plants operate, the energy they produce is not reported on any power provider's Power Content Label. Likewise, staff believe the emissions from those power plants are not yet reported by individual power providers. This creates a situation where California's grid appears cleaner than it actually is, as the emissions from several natural gas power plants are hidden from the public. It also creates a potential temptation for more fossil resources to be placed into the Strategic Reliability Reserve to make it appear that California is meeting its climate goals, even when it may not be. The costs of the Strategic Reliability Reserve are borne by all ratepayers, including SCP customers.

SCP's Geothermal Opportunity Zone initiative to build 600 MW of local geothermal power is geared to eliminate SCP's need to pay to keep California's dirtiest natural gas power plants on life support. However, it will take a number of years to construct those geothermal resources, so SCP cannot ignore this issue.

The situation with choosing to accept or reject nuclear energy from Diablo Canyon is similar to the Strategic Reliability Reserve because it will soon be possible to hide some of the dependency of load-serving entities like SCP on nuclear power by paying for extra short-term carbon-free energy to keep nuclear off of power source disclosures.

Short-term carbon-free resources are almost exclusively from existing large hydropower since other renewable resources are generally sold on long-term contracts. This means the power providers that choose to accept a nuclear allocation will have lower costs. The providers that choose not to show nuclear energy on their

¹ \$92 million is staff's estimate based on current energy market conditions, but the actual expense could be higher or lower.

reports will be required to purchase the equivalent volume of replacement energy resources.

There is also growing risk that sufficient additional hydropower will not be available to purchase for two reasons: First, climate goals in the Pacific Northwest requiring power providers to decrease their use of natural gas and coal power are leaving less hydropower available for sale into California. Second, increasing variability in rainfall due to the climate crisis is causing years where hydropower production is substantially below contracted amounts. Rejecting the Diablo Canyon allocation would therefore be a risk for meeting's SCP climate targets.

It is also staff's opinion that hiding problematic power sources creates risks that the public will not push for them to be permanently shut down. This may be increasingly important because staff believe there is a significant risk the State could continue to add natural gas power plants to the Strategic Reliability Reserve and continue to extend the operations of Diablo Canyon beyond 2030. The risk of these further actions is due to delays in constructing sufficient transmission capacity to support growing electric demand, and a lack of baseload renewable sources like offshore wind and geothermal to support winter and nighttime reliability.

Impacts

There is no obligation to accept an allocation of nuclear energy, and acceptance or rejection of the nuclear allocation will have no impact on the extension of operating Diablo Canyon, which has already been approved. To date, the CPUC has required that all SCP customers pay for PG&E nuclear generation costs through the Power Charge Indifference Adjustment ("PCIA"). Now, SCP customers – along with all California ratepayers – will pay for these same costs through a separate non-bypassable charge. The acceptance of the allocation would reduce SCP's obligation to purchase energy from other resources and thereby lower ratepayer costs.

The volume of nuclear power to be offered is still being determined by PG&E and the CPUC, but those offers will ultimately be made to all power providers across California, not just those within PG&E territory. Staff estimates that the allocation PG&E offers to SCP may be approximately 183,000 MWh of nuclear energy per year, with lower amounts in the first year (2025) and the last year (2030).

Separately from the allocation, SCP customers will pay for approximately \$46 million of Diablo Canyon's operations, regardless of the Board's decision on this item. This estimate is from the Alliance for Nuclear Responsibility. The question is whether it is

worth paying an additional estimated cost of about \$46 million – beyond the initial \$46 million – between 2025 and 2030 to procure energy from non-nuclear resources to remove nuclear power from SCP’s Power Content Label. The estimate of this hydropower expense is made based on current market conditions, and could be significantly higher or lower when an actual transaction occurs.

Options

In comparing the options of accepting or rejecting the allocation of PG&E’s nuclear energy, staff have compiled a table to illustrate some of the issues.

	Reject Allocation	Accept Allocation
Ratepayer Impact	Status Quo is maintained. SCP would have to keep buying between \$3 and \$10 million per year of large hydropower and SCP customers would also have to pay PG&E an estimated \$46 million to continue operating its nuclear power plant through 2030.	Saves customers an estimated \$46 million total from 2025 through 2030 in avoided additional energy purchases.
Climate Impact	None.	None.
Power Content Label	Status Quo. SCP would continue to report only its contracted resources and any unspecified source energy.	Changes. SCP would report between about 1% and 9% nuclear for CleanStart (depending on the year), and 0% for EverGreen.
Grid Reliability	None.	None.

	Reject Allocation	Accept Allocation
Environmental Target Risk	Sustained risk that SCP would be unable to procure sufficient short-term carbon-free energy due to a market shortage of hydropower and limited options for procuring solar, wind, geothermal and other renewables on a short-term basis.	Lowers SCP risk for complying with environmental targets.

In August, staff from multiple load-serving entities met with PG&E and the CPUC to formulate allocation ratios for Diablo’s output. PG&E submitted these ratios for CPUC approval on August 30th. Staff are now waiting for CPUC staff to confirm the agreed-upon allocation ratios. Once they do so, PG&E will contact all load serving entities and request a decision on whether they accept the nuclear allocation within 30 days. Beginning in January of 2025, all customers will begin paying for Diablo Canyon’s extension.

Community Advisory Committee Review and a Recommended Plan

On September 19, 2024, the Community Advisory Committee discussed this item, and after expressing several concerns about the safety and environmental risks of nuclear power, voted unanimously to recommend the Board accept the allocation for 2025 through 2030. Importantly, the Committee called for better transparency about the safety of the power plant (e.g., requesting public release of metal embrittlement reports), and called for SCP to play a role in demanding a credible plan to definitively close the plant in 2030, and to work to prevent further extensions.

Staff agree with the Committee’s input and recommend the Board consider a plan that reluctantly accepts the allocation while ensuring we also:

1. Keep EverGreen nuclear free – SCP's 100% local renewable energy service should continue to remain nuclear free.
2. Advocate for a concrete and actionable plan to close Diablo Canyon in 2030 – California's track record for closing old, expensive and environmentally hazardous power plants is not good, and growing electric loads could lead future lawmakers and regulatory agencies to continue to extend Diablo

Canyon unless a solid closure plan is adopted, and sufficient transmission and renewable generation resources are built.

3. Direct SCP's legislative and regulatory staff and SCP's lobbyist to monitor bills and proceedings for opportunities to advocate for system planning that enables and requires the closure of Diablo Canyon in 2030.

Fiscal Impact

A decision to reject the allocation would preserve the status quo, meaning SCP customers would have to keep buying between \$3 and \$10 million per year of short-term hydropower and SCP customers would also have to continue paying PG&E an estimated \$46 million to continue operating its nuclear power plant through 2030.

A decision to accept the allocation would lower SCP's Power Supply expenses by an estimated \$46 million total between January 2025 and October 2030, with lower annual savings in the first and last years.