AGENDA
COMMUNITY ADVISORY COMMITTEE MEETING
SEPTEMBER 17, 2019
1:00 P.M.

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

I. CALL TO ORDER

II. COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR

1. Approve July 23, 2019 minutes of the SCPA Community Advisory Committee meeting (pg. 3)
2. Recommend that the Board Adopt a New Commercial Rate Structure and Rates for the Remainder of the 2019/2020 Fiscal Year (pg. 9)

III. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

3. Recommend that the Board Approve and Delegate Authority to the Chief Executive Officer to Execute a Contract with the Center for Sustainable Energy to Implement a Sonoma and Mendocino County CALeVIP Project in 2020 (pg. 15)
4. Receive Internal Operations and Monthly Financial Report and Provide Input as Appropriate (pg. 21)
5. Discuss and Provide Input as Appropriate on the Proposed Successor Program to SCP's NetGreen Program (pg. 35)
6. Recommend that the Board Adopt a Resolution to Award the Construction Contract for the Advanced Energy Center to the Low Bidder, Agbayani Construction Corporation and Waive Immaterial Bidding Irregularities; Reject Bid Protest from Arntz Builders, Inc.; and Make CEQA Exemption Findings (pg. 57)
7. Receive Legislative and Regulatory Updates and Provide Input as Appropriate (pg. 71)

IV. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

Comments are restricted to matters within the Committee's jurisdiction. Please be brief and limit comments to three minutes.

V. COMMITTEE MEMBER ANNOUNCEMENTS

VI. ADJOURN

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation, an alternative format, or requires another person to assist you while attending this meeting, please contact the Clerk of the Board at (707) 978-3467, as soon as possible to ensure arrangements for accommodation.

COMMONLY USED ACRONYMS AND TERMS

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

Sonoma Clean Power

DRAFT MEETING MINUTES
COMMUNITY ADVISORY COMMITTEE MEETING
JULY 23, 2019
1:00 PM

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

I. CALL TO ORDER

Chair Dowd called the meeting to order at 1:00 p.m.

Committee Members Present: Chair Dowd, Vice Chair Mattinson, and Committee Members Baldwin, Brophy, Chaban, Como, Nicholls, Quinlan, and Wells

Staff present: Geof Syphers, Chief Executive Officer; Michael Koszalka, Chief Operating Officer; and Jessica Mullan, General Counsel

II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

None

III. COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR

1. Approve June 27, 2019 Meeting Minutes

Committee Member ("CM") Quinlan requested that item #2 be moved to Regular Calendar for discussion and CM Baldwin requested that item #3 be moved to Regular Calendar for discussion.

Motion to approve the June 27, 2019 Community Advisory Committee ("CAC") meeting minutes by CM Nicholls.

Second: CM Brophy

Motion passed: 9-0-0

IV. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

2. Recommend that the Board Authorize the CEO to Negotiate and Execute an Amended and Restated Power Purchase Agreement with IP Malbec, LLC under ProFIT Program

CM Baldwin asked General Counsel (GC) Mullan about the estoppel terms listed in the agreement, and GC Mullan noted that the estoppel terms are routine and were likely a condition of lender financing for the Power Purchase Agreement.

CM Wells asked about bonuses for payment options and whether this agreement addresses issues raised by a separate developer at a recent Board meeting; GC Mullan stated that the revised agreement is intended to clarify the terms for bonus payments and CEO Syphers noted that the Board declined to address the bonus payment incentives for the agreement that CM Wells referenced.

CM Brophy asked about any fiscal impacts due to delaying the Commercial Operation Date ("COD"); CEO Syphers stated that energy costs are likely to go down as energy will be procured from less expensive sources in the meantime.

Motion to Recommend that the Board Authorize the CEO to Negotiate and Execute an Amended and Restated Power Purchase Agreement with IP Malbec, LLC under ProFIT Program by CM Baldwin.

Second: CM Wells

Motion passed: 9-0-0

3. Recommend that the Board Approve an Amended Contract with TLCD Architecture for Advanced Energy Center

CM Quinlan asked about additional costs referenced in the staff report for this item; Programs Manager Chad Asay detailed the issues that have increased costs beyond those in the initial scope of work, such as minimal planning documents being on-file with the City of Santa Rosa, seismic upgrades that only became apparent following an initial demolition in the space, and a new ADA ramp as the existing sidewalk was not built to current code.

CM Baldwin asked about negotiating rent due to issues with building; Programs Manager Asay noted that landlord already waived the first eleven months of rent for the space.

Motion to recommend that the Board approve an amended contract with TLCD Architecture for the Advanced Energy Center by CM Quinlan.

Second: CM Baldwin

Motion passed: 9-0-0

4. Receive Operations Report and Provide Input as Appropriate

CEO Syphers detailed SCP's open recruitments for a Commercial Accounts Specialist and Programs Manager and asked that the Committee Members refer individuals as appropriate. He then noted the start date for the new Energy Analyst on the Power Services team, that position's roles and responsibilities, and the need for more staff considering California's restructuring energy market and additional CPUC regulatory obligations.

CEO Syphers then updated the CAC on SCP's new headquarters building, Lake County outreach efforts regarding their interest in community choice, and the adoption of EverGreen by the following member jurisdictions: the City of Cotati, the City of Sebastopol, and select accounts for both the Town of Windsor and the County of Sonoma.

Chair Dowd detailed a recent meeting of a subcommittee of the City of Santa Rosa's Board of Public Utilities (which he serves on), and that he has notified general counsel at both the City and SCP of potential conflicts of interest as it relates to SCP's Evergreen program. CM Brophy asked about conflict of interest concerns with CAC members advocating for EverGreen; GC Mullan advised the Committee that members are free to advocate as a private individual but should not make representations that they are acting in an official capacity.

CEO Syphers provided a community outreach update, including SCP's sponsorship of the Sonoma County Fair's Hall of Flowers exhibit.

He then noted that several CAC members have terms ending this year and staff will be going to the Board for authorization to open recruitments; he encouraged members to reapply as there are no limits on terms. CEO Syphers then provided an overview of total SCP accounts relative to total eligible accounts.

Programs Manager Asay updated the Committee on the LEAD Locally grant, including the separate projects that are underway related to the grant. He then gave a construction update on the Advanced Energy Center ("AEC") and provided a video walkthrough of the space to illustrate some of the proposed design elements. CEO Syphers noted the value of the AEC in hosting trainings, educational events, and serving as a community resource for decarbonization of the grid.

Vice Chair Mattinson asked about staff at AEC and whether SCP will have dedicated staff; Programs Manager Asay discussed potential staffing models for the AEC, which will likely be open after normal business hours and weekends.

Senior Programs Manager Rachel Kuykendall updated the Committee on Reach Codes and her work with jurisdictions across the state in adopting all-electric building codes. She then detailed the likelihood that the cities of Santa Rosa and Petaluma will adopt all-electric codes for all new low-rise residential construction, and efforts with the cities of Sebastopol & Cloverdale and the Town of Windsor to adopt.

CEO Syphers provided a brief report on a recent meeting with PG&E CEO Bill Johnson, including CEO Johnson's commitment to meet with CCAs on a more regular basis and his request that CalCCA help PG&E explore exiting retail electric generation (i.e., become a "wires-only" company). CEO Syphers touched on the PG&E bankruptcy, including California Senate Bill 1054.

CEO Syphers reported on the Monthly Compiled Financial Statements, including progress on reaching financial reserves. Chair Dowd requested that CEO Syphers detail the recent rate approval by SCP's Board of Directors; CEO Syphers recounted the Board's decision to set rates at 2% savings.

Public comment: none

5. Review and Recommend that the Board of Directors Approve Bill Protection for Customers Transitioned onto the E-TOU-C Rate for a Maximum of 12 Months

Director of Customer Service, Erica Torgerson, provided background on the switch to E-TOU-C rates and the reasoning behind offering bill protection for SCP customers.

Both CM Mattinson and CM Como noted their support. CM Como asked what SCP is doing to educate around peak pricing and suggested that SCP develop materials to educate customers around this matter; Director Torgerson stated that the CPUC is undertaking a statewide marketing campaign around this issue. CM Quinlan asked how confident staff is in the budgetary estimate should the Board approve bill protection and Director Torgerson noted that she is confident in the provided estimate.

Public comment: Rick Learned spoke about Time of Use rates and reminders that help guide customer behavior.

Motion to Recommend that the Board of Directors Approve Bill Protection for Customers Transitioned onto the E-TOU-C Rate for a Maximum of 12 Months by CM Nicholls.

Second: CM Brophy

Motion passed: 9-0-0

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

CM Como recused himself prior to discussion of this item and left the meeting at approximately 2:23 p.m.

CEO Syphers thanked the Committee for their efforts in stopping AB 54. He then highlighted bills that have been suspended, which include: SB 155 (Resource Adequacy), SB 350 (Central Procurement Entity), and SB 520 (Provider of Last Resort). For the Regulatory Update, he detailed Resource Adequacy & PCIA proceedings, and he closed by noting that a more detailed update will be provided at the next SCP Board of Directors meeting.

CM Chaban left at approximately 2:40 p.m.

Public comment: none

V. COMMITTEE MEMBER ANNOUNCEMENTS

Chair Dowd requested that Committee members review the upcoming meeting schedule. CM Mattinson asked about the CAC recruitment process and CEO Syphers stated that details on the item would be forthcoming.

VI. ADJOURN

Chair Dowd adjourned the meeting at approximately 2:40 p.m.

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Sonoma Clean Power

Staff Report – Item 02

To: Sonoma Clean Power Authority Community Advisory Committee

From: Erica Torgerson, Director of Customer Service

Issue: Recommend that the Board Adopt a New Commercial Rate Structure and Rates for the Remainder of the 2019/2020 Fiscal Year

Date: September 17, 2019

Requested Action:

Recommend the Board adopt a new commercial rate structure and corresponding rates that preserve a 2.0% savings for customers.

Background:

In 2016, Pacific Gas & Electric (PG&E) filed an application with the California Public Utilities Commission (CPUC) to "Revise its Electric Marginal Costs, Revenue Allocation and Rate Design" (A. 16-06-013). One of the changes proposed was to shift commercial and agricultural peak rates to later in the afternoon and early evening and a second was to shorten the summer season from six months to four months.

These changes closely mirror changes recently approved by SCP's Board of Directors with the Time-of-Use (TOU) transition of residential customers to TOU rates with a late afternoon, early evening peak period. In addition, the majority of PG&E's residential rates will also move to a shorten four month summer season starting in October.

The reasons for the shift in peak period are the same as they were for the residential transition. Retail rates need to better approximate the changes in wholesale costs throughout the day in order to make customer investments in batteries, targeted evening-time efficiency measures, and demand response programs work. Without these changes, climate and rate goals would be harmed because incentives would remain tilted toward net production of mid-day solar rather than evening release of stored energy and other measures to offset high-cost and high-emission energy.

PG&E Implementation:

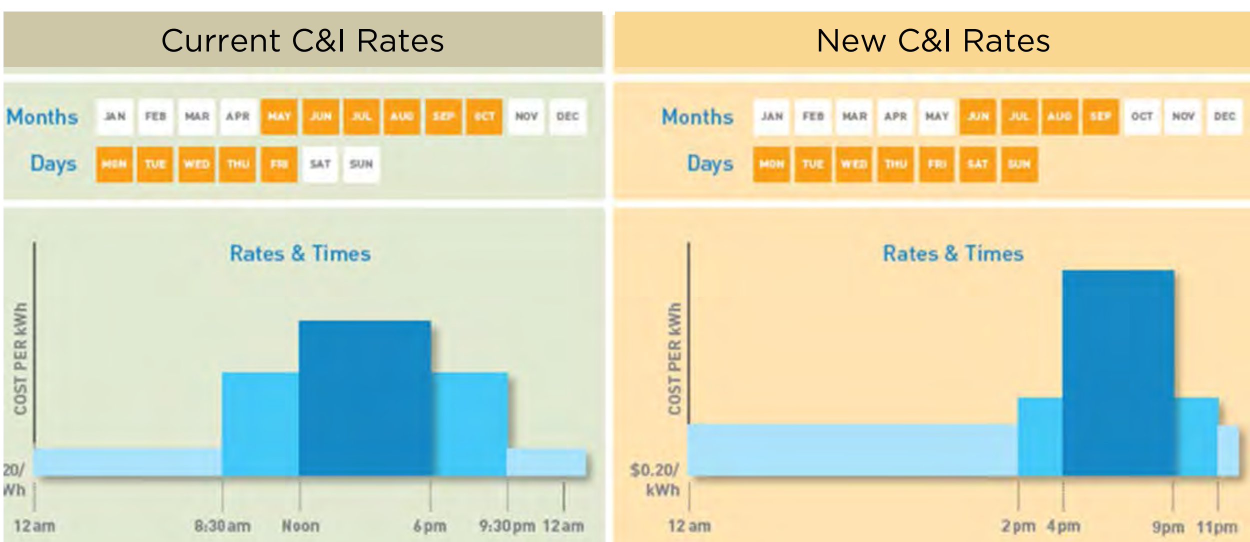
On November 1, 2019, PG&E will close all current commercial and industrial rates to new customers. These rates include: A-1, A-6, A-10, E-19, and E-20 and their variations. New customers requesting to start service will be place on a rate under PG&E's new "B" rate structure for "Business" customers.

Table 1.

Current C&I Rates	New C&I Rates	Customer Type
A-1	B-1	Business Low Use
A-6	B-6	Business Low Use Alternative
A-10	B-10	Business Medium Use
E-19	B-19	Business Medium-High Use
E-20	B-20	Business High Use

The new "B" rate structure will have a peak period from 4pm-9pm every day and a partial peak period from 2pm-4pm and 9pm-11pm every day. The remaining hours are off-peak. See Figure 1 below for how it compares to the current Commercial and Industrial (C&I) rate structure.

Figure 1.



Another addition, although not shown above, is a super-off peak period that will be from 9am-2pm every day from March through May only.

The "B" rates have a shorter summer season compared to the current C&I rates. The "B" rate structure has a summer season that only includes June, July, August, and September. Summer season rates are typically higher than winter season rates. In addition, the TOU periods are the same for winter and summer seasons (with the exception of the super-off peak period) and every day (including weekends).

Optional (Opt In) Period:

The new “B” rates will remain optional for current customers for one year, then will become mandatory in November 2020. At that time, PG&E will shift all C&I customers to the new “B” rates with the exception of certain solar customers based on the customer’s Permission To Operate date (more below).

Figure 2.

Commercial & Industrial Customer Communication & Support:

Figure 2 outlines PG&E’s communication plan for customers. SCP will also include information on our website and for our call center.

<u>Pre-Transition Communication</u>

- Tentative Opt-In outreach to benefiters (direct mail/email)
- Pre-transition education, ~60 days prior to mandatory transition (direct mail/email)
- Pre-transition notice, ~30 days prior to mandatory transition (direct mail/email)
- Most impacted customers receive additional touch (person-to-person)

<u>Post-Transition Customer Communication</u>

- Customer receives first bill on new rates
- On-bill messaging indicates that customer has transitioned and reinforces information about new time periods

<u>Customer Support</u>

- PG&E website updated to include information about transition and new Time-of-Use periods
- PG&E’s “Your Account” platform allows customers to run rate comparison and enroll in new rate

- PG&E Business Customer Service Center hold messaging and CSRs will inform customers about upcoming transition to new time-of-use periods
- Assigned Reps available as a resource for their defaulting customers
- Industry and community outreach partnerships

PG&E's Preliminary Estimates of Customer Impact:

PG&E provided the following preliminary analysis of how the mandatory transition would impact customers across their service territory. As shown in Table 2, the structure should be price neutral or a benefit for most customers, which will help with customer acceptance.

Table 2.

Benefiter	Neutral	Impacted	Most Impacted
22% Sees more than a 5% annual decrease in bills	77% Sees between a 4.9% decrease and a 2% increase in annual bills on the new time periods	<1% Sees between a 2% and $100 annual increase and a 7% annual and $100 increase in bills on the new time periods	<1% C&I customers who see more than a 7% and $500 annual increase on the new time periods

Time-of-Use Period Grandfathering Terms for Solar Customers:

Based on a settlement of parties, the CPUC issued Decision 17-01-006. This Decision allows solar customers up to 10 years of grandfathering based on the customer's Permission To Operate date for customers who completed an interconnection application by July 31, 2017 (non-public agencies) and December 31, 2017 (public agencies). The duration of grandfathering period shall not continue beyond July 31, 2027 for non-public agencies and December 31, 2027 for public agencies.

Although the Time-of-Use (TOU) periods will be grandfathered, PG&E's rates (and subsequently SCP's rates) will adjust to reflect underlying costs starting in March 2021. The effect of this will lessen the difference between peak and off-peak prices. Existing rates with the highest TOU differentials (A-6 and Option R of E-19 and E-20) have "glidepaths" previously approved by the CPUC.

Rates:

PG&E has stated it intends to file the draft "B" rate tariff sheets on September 11th with illustrative prices. It is anticipated by staff (based on past experience) the final PG&E prices (retail rates) will not be filed until October 31st, effective November 1st.

Staff Recommendation for SCP in Response to PG&E Rate Changes:

Staff requests the Committee recommend to the Board of Directors the adoption of the new commercial rate structure ("B" rates) and corresponding rates for SCP customers as well, which will provide a 2.0% total bills savings for customers compared to the rates PG&E puts into effect on November 1st. This will maintain the savings approved by SCP's Board of Directors on July 11, 2019 that went into effect on September 1st for SCP customers.

Fiscal Impact:

It is anticipated by staff, the new rates will not have much of a financial impact for SCP for this fiscal year as they do not become mandatory until November 2020. Before the rates and structure become mandatory for customers, SCP will go through another budget and rate cycle to fully evaluate how much the shift in peak period will effect customer usage and conservation during the peak period.

Up Next:

Agricultural customers also be transitioning to later peak periods starting first quarter of 2020. Staff will update the Committee on that change in January 2020.

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Staff Report – Item 03

To: Sonoma Clean Power Authority Community Advisory Committee

From: Nelson Lomeli, Programs Manager

Issue: Recommend that the Board Approve and Delegate Authority to the Chief Executive Officer to Execute a Contract with the Center for Sustainable Energy to implement a Sonoma and Mendocino County CALeVIP Project in 2020

Date: September 17, 2019

Recommendation:

Recommend that the Board of Directors (Board) Approve and Delegate Authority to the Chief Executive Officer to execute a contract substantially in the form attached (Attachment A) with the Center for Sustainable Energy (CSE) to implement a Sonoma and Mendocino County California Electric Vehicle Infrastructure Project (CALeVIP) Project in 2020 with an aggregate not-to-exceed amount of $1,650,000 over three years.

Background:

The California Electric Vehicle Infrastructure Project (CALeVIP), funded by the California Energy Commission (CEC) and administered statewide by CSE, works to address regional needs for electric vehicle (EV) charging infrastructure throughout California. CALeVIP leverages local partnerships to implement an incentive program to facilitate the installation of public Level 2 and Direct Current Fast Charging (DCFC). The goal is to address the gap in charging infrastructure and thus encourage wider adoption of EVs.

The CEC, in partnership with the National Renewable Energy Lab (NREL), created the CEC EV Infrastructure Projection Tool (EVI-Pro), which estimates the infrastructure needs to achieve California's zero-emission vehicle goals by 2025. Using the tool, the CEC estimates a gap of over 1,000 Level 2 connectors in Sonoma and 182 connectors in Mendocino. For DCFC, the CEC estimates a gap of 154 chargers in Sonoma and 6 in Mendocino.

In late 2018, Staff assembled a partnership of the Bay Area Air Quality Management District (BAAQMD), Mendocino County Air Quality Management District (MCAQMD), Northern Sonoma County Air Pollution Control District (NSCAPCD), and the Sonoma County Regional Climate Protection Authority

(RCPA) to submit a Letter of Intent to the Energy Commission to collaborate with CSE on implementation of a regional CALeVIP project in 2020. The letter stated that if selected, SCP would match CEC funding with $500,000 per year for three years, subject to Board approval, and the NSCAPCD would match CEC funding with $50,000 per year for three years, subject to their Board approval. BAAQMD will allow eligible CALeVIP projects to take advantage of their Charge! incentive program and MCAQMD and RCPA will provide technical support and resources.

In May 2019, Energy Commission staff sent a recommendation to Commissioner Patty Monahan selecting Sonoma and Mendocino County as a regional 2020 CALeVIP project, naming it the "Sonoma Coast" Incentive Project. On August 14, 2019, Energy Commission staff held a CALeVIP workshop in SCP offices announcing the funding levels for the "Sonoma Coast" Incentive Project of $5.1 million from CEC and up to $1.65 million from the partnership. CEC scheduled the launch of the "Sonoma Coast" Project for October 2020.

Discussion:

The attached contract is between SCPA and CSE to administer and implement a Sonoma and Mendocino CALeVIP project beginning in October 2020. In cooperation with the partnership, CSE will:

- design a targeted regional incentive program that will provide rebates for the installation of public Level 2 and DCFC charging stations;
- determine an appropriate incentive structure and amount in coordination with CEC staff;
- provide application support, including a staffed help desk;
- design, develop, configure, and launch a robust, user friendly website with a funding visualization, instructions, forms, resources, requirements, and application;
- develop an Integrated Communications Plan that will identify goals, target audience, methods, and schedule of marketing efforts;
- develop marketing, outreach, and educational materials in conjunction with SCPA marketing team;
- develop a curated EV Charging Installation 101 resource that will describe the charger capabilities, load considerations, typical requirements, utility connections requirements, and best practices;
- process and evaluate applications for incentive payments;
- collect data on applications, implementation, and charger utilization;
- create and manage separate accounts for SCPA funds and CEC funds; and
- provide a final report on the project when funding is exhausted.

CALeVIP Program Information:

The following information is based on previous CALeVIP projects and is subject to change with the launch of the Sonoma and Mendocino Project. Illustrative purposes only – to be finalized as part of the Service CSE is providing.

Incentive Levels:

- Level 2: $5,000 per connector (up to 10 connectors) + additional adders:
  - Multi-Unit Dwelling (MUD): +$1,000 per connector
  - Located in a Disadvantage Community (DAC): +$500 per connector
  - Located in a Low-Income Community (defined using AB 1550 maps): +$500 per connector
  - Located in a Rural Community (defined as any unincorporated community in the county): +$1,000 per connector.
- DCFC: Up to four (4) chargers
  - ≥50 kW chargers: up to $50,000 or 75% of total project cost
    - 50 kW chargers installed in a low-income community: up to $60,000 or 80% of total project cost
  - 100+ kW chargers: up to $70,000 or 75% of total project cost
    - 100+ kW chargers installed in a low-income community: up to $80,000 or 80% of total project cost

Eligibility:

- Open to site owners and private companies with a valid CA Business License
  - Applicants must have executed site host agreement before applying.
- Eligible site locations including workplaces, multi-unit complexes, universities, grocery stores, retail gas stations, hospitals, hotels, airports, libraries, transit hubs, curbside, and public parking garages.
- Chargers must be available to the public (meaning anyone at the workplace or MUD can use it and not assigned to a specific person or unit).
- DCFC must be available 24/7/365 and be well-lit and secure.

Requirements:

- Level 2: must accept multiple forms of payments, be networked for 2 years, capable of providing 6.2 kW of power, able to revert to open communication protocol standards, and be Energy Star Certified.

- DCFC: must accept multiple forms of payments, provide CHAdeMO and SAE CCS plugs, be networked for 5 years, able to revert to open communication protocol standards, and be Energy Star Certified.

Eligible Cost:

- Equipment itself, panel upgrades, transformers, energy storage, planning and design, installation labor cost (Prevailing Wage), utility service orders, and signage, networking agreements, extended warranties, stub-outs, and demand management equipment.
- Incentives will not pay for permits, solar panels, and other cost paid by other rebates or programs.

Fiscal Impact:

The aggregate not-to-exceed amount under the agreement is $1,650,000, which includes:

- a Services Fee of $115,500 in aggregate paid by SCPA to CSE when key milestones are met; and
- An aggregate incentive funding commitment from SCP of $1,534,500 over the three years to fund public Level 2 and DCFC infrastructure and program administration. SCP funding would be disbursed to SCP customers only.

  SCP's funding commitment also includes a $50,000 per year pass-through funding commitment for three years made by NSCAPCD to the project and to be reimbursed by NSCAPCD. NSCAPCD funds would be disbursed to NSCAPCD-sited projects only.

Staff budgeted $500,000 in the current FY19-20 programs budget when it was anticipated the program would launch in Q1 of 2020.

Staff will be budgeting $550,000 in future fiscal years programs budget to cover SCPA's funding commitment, the pass-through funding commitment from NSCAPCD, which will be reimbursed by NSCAPCD, and the Contractor Services Fee.

Overall, the CEC is committing $5.1 million towards incentives for a total amount of $6,750,000. $6 million will be allocated to Sonoma County and $750,000 to Mendocino, based on calculated need.

Attachments

- Attachment A - Professional Services Agreement with Center for Sustainable Energy for Sonoma-Mendocino CALeVIP Project

  Attachments for this item can be accessed through this link or by request from the Clerk of the Board

- Attachment B - CALeVIP Letter of Intent from SCP, BAAQMD, MCAQMD, NSCAPCD, RCPA

  Attachments for this item can be accessed through this link or by request from the Clerk of the Board

- Attachment C - California Energy Commission Staff Workshop Presentation

  Attachments for this item can be accessed through this link or by request from the Clerk of the Board

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Sonoma Clean Power

Staff Report – Item 04

To: Sonoma Clean Power Authority Community Advisory Committee

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

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

Date: September 17, 2019

SCP NAMED ONE OF THE BEST PLACES TO WORK

Sonoma Clean Power was named as one of the winners of the 14th Annual Best Places to Work award by the North Bay Business Journal. The 109 organizations selected were analyzed by the editorial staff of the Business Journal on the basis of several criteria, including the employer application, survey ratings by employees, number of responses, size of the company, breakdown of responses from management and non-management, and written comments by employees. Thousands of employees participate in these surveys each year. We are very proud as this is the first time SCP has received this award.

RECRUITMENTS FOR THE SCP TEAM

Our team is growing! Our new Energy Analyst, Ryan Tracey started this month and will providing much needed help to the Procurement Team with forecasting, risk management and data analysis. We also have another new team member starting with the Programs Team at the end of the month. The new Programs Manager will help SCP with the formation and implementation of new and existing programs. Finally, we have one recruitment still in process for a Commercial Accounts Specialist, and plan on filling that vacancy in the near future.

HEADQUARTERS BUILDING UPDATE

On September 5th, the 431 E Street project was approved and passed through the City's planning process. Next steps are as follows:

1) Approval of lot line adjustment

   This is required before a building permit can be issued. E-mail traffic indicates that this is nearly complete. It is an administrative process that does not require a hearing or Council approval.

2) Issuance of Building Permit

   The building permit has been applied for and our schedule anticipates initial comments back from the City in early October and permit issuance in early December. This timeline is based on comments regarding review times from City staff.

3) SCP is required by City of Santa Rosa ordinance to commit 1% of estimated construction costs to the creation of public art. SCP staff have completed the selection process for an artist to create and install a sculpture at 431 E Street. A contract with Jonathan and Saori Russell is being negotiated and will be signed under the CEO authority.

RATE CHANGES

E-19 and E20 Option R Rates

The Board approved the SCP Customer Rates for September 1, 2019 at the July 11, 2019 meeting based on approved PG&E and PCIA rates (AL 5573-E effective July 1, 2019). Since then, PG&E implemented a rate revision (AL 5573-E-A) to Option R of Schedules E-19 and E-20 effective July 1, 2019 as a result of identified errors. PG&E identified that the generation rates for all Option R rates of Schedule E-19 and E-20 were found to be in error. This error was caused by inadvertently imputing additional revenue in the process of designing the rates. As a result, the generation energy rates, and total energy rates were too high.

CEO Syphers consulted the Chair and Vice Chair of the Board of Directors on August 13, 2019 to update SCP's Schedules E-19 and E-20 Option R rates to go into effect on September 1, 2019 at a 2% total bill savings compared to PG&E and the decision was made to update the rates. This item will be on the Board of Director's October 3, 2019 Agenda on the consent calendar for ratification by the full board.

LAKE COUNTY COMMUNICATIONS REGARDING SCP MEMBERSHIP

Progress on exploring service to Lake County continues. To date, SCP has requested load and demand data from PG&E, met with staff from Lake County, and supported the development of a draft calendar for the entire process. Because of significant new noticing and compliance processes around resource adequacy at the CPUC, the timeline for launching service to a new geographic territory is now about 15 to 16 months longer than it was in the past.

The current draft schedule would move swiftly through a feasibility review to be completed by February 2020, a final vote regarding whether SCP's Board will extend a formal offer of service by July 2020. If SCP's Board chooses not to extend service, staff will work with Lake County to identify alternative means of receiving service from another CCA or on its own. Staff planning around the calendar assumes the Board will choose to offer service.

Passage of all Lake County ordinances would also be on a normal schedule, and would need to happen by October 2020. At that point an updated Implementation Plan can be completed and filed with the CPUC. It is important that the plan be filed before the end of 2020 to allow service to begin in 2022.

What follows the filing of the updated Implementation Plan, however, is a slower process than we used with Mendocino County because of new rules in E—4907 relating to a one-year noticing period and a much longer than typical procurement cycle for resource adequacy. These factors put the start of service at the beginning of the summer rate season in 2022.

Because of the significance of this decision, staff will regularly return to the Committee and Board and bring regular updates on this process for input.

COMMUNITY ADVISORY COMMITTEE (CAC) RECRUITMENTS FOR 2020

At the August, 2019 Board of Directors Meeting, the Board appointed Directors Slayter, Okrepkie, Hopkins and King to serve as an ad hoc committee to review applications for the CAC committee. The committee met with staff in August to review the recruitment timeline, proposed process, and informational materials. The recruitment went live on August 30th and applications will be accepted until October 14th. After October 14th, the committee will review applications and hold interviews before determining a recommendation for the Board at the November 14th meeting.

PROGRAMS

Transit Electrification Study

The study in currently underway with the Cadmus Group and the four transit agencies – Santa Rosa CityBus, Petaluma Transit, Sonoma County Transit, and Mendocino County Transit. Site visits have been conducted and analysis on infrastructure and policy is currently underway.

Lead Locally (CEC Grant)

The Lead Locally Research Team is now installing the new technologies and monitoring energy savings for all Phase 1 pilot homes. These products are not yet market ready and this study will create the documentation necessary to determine if the items are viable for our climate zone. SCP has begun recruitment for 50 additional sites for the Phase 2 Technology Demonstration study on market ready technologies such as; daylighting retrofits and phase change materials for commercial properties, night ventilation, induction cooktops, and economizers for residential homes. The Night Ventilation sites have been determined and The Research Team is monitoring the baseline usage for those homes. The Phase 2 study will help determine the best strategies for deployment of the technologies at our Advanced Energy Center.

An open recruitment and application for manufacturers and distributors to display and deploy emerging technologies at the Advanced Energy Center is publicly available until the opening of the Center. This application can be found on the SCP website.

The Lead Locally team opened bids for construction services on July 16. A recommendation to award the selected lowest bidder is included as a staff item in this agenda. If approved at the October Board meeting, construction will commence in October and may be completed by late spring in 2020.

Municipal Solar + Storage RFQ

At the encouragement of the Board of Directors, SCP is engaging with our member municipalities to conduct a Technical Analysis of Municipal Solar and Energy Storage. The analysis will look at existing solar facilities owned or operated by our member municipalities in order to maximize their value, determine feasibility of adding energy storage, and identify the requirements and cost to disconnect or "island" during emergency events. An RFQ was released on July 2, 2019 and firm was selected. Staff is now engaging in contract negotiation and will be bringing a contract to the Committee and Board this fall. We are engaging our member cities and have received positive feedback.

PermaGreen

Staff is finalizing the contract for the PermaGreen program, which would allow customers to make a multi-year commitment (20 years for residential and 10 for commercial) to EverGreen service in the case that on-site renewable energy does not make sense for their property. If proven viable, PermaGreen could offer an alternative to the on-site solar panel requirements for the new California energy code. Staff anticipates allowing 1 commercial property and 1 residential property into the program at its outset, and then opening up the program to additional properties in the coming months.

Advanced Energy Rebuild

224 homes have now applied for Advanced Energy Rebuild, about one third of which have chosen to rebuild all-electric homes. Staff is continuing work with PG&E to outline the framework for a 2020 program offering.

Low Carbon Reach Codes

An "all-electric" reach code would mandate that all new construction within a jurisdiction use high efficiency electric equipment, reducing the greenhouse gas emissions of new homes by more than two thirds. Santa Rosa, Petaluma, and Windsor continue the public meeting process, with the goal to potentially have reach codes effective by January 1st, 2020. Cloverdale has also recently re-engaged on this effort, and has its first public meeting scheduled for September 11th.

MONTHLY COMPILED FINANCIAL STATEMENTS AND BUDGETARY COMPARISON SCHEDULE

See attached preliminary financial statements and budgetary comparison schedule for the period ending June 30, 2019. The fiscal year-end reports will be finalized after the completion and acceptance of the outside audit by Pisenti and Brinker which we are planning on presenting at the November Board meeting.

UPCOMING MEETINGS:

BOD MEETING – OCTOBER 3, 2019

CAC – OCTOBER, TBD

BOD MEETING – NOVEMBER 14, 2019 (Off regular schedule)

BOD MEETING – DECEMBER 5, 2019

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Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended June 30, 2019, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

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

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

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

Maher Accountancy

San Rafael, CA
September 3, 2019

TEL 415.459.1249
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SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2018 through June 30, 2019

	2018/19 YTD Amended Budget	2018/19 YTD Actual	2018/19 YTD Amended Budget Variance (Under) Over	2018/19 YTD Actual/ Amended Budget %	2018/19 Amended Budget	2018/19 Amended Budget Remaining
REVENUE AND OTHER SOURCES:						
Electricity (net of allowance) *	$ 176,855,000	$ 172,215,645	$ (4,639,355)	97%	$ 176,855,000	$ 4,639,355
Evergreen Premium (net of allowance)	412,000	455,454	43,454	111%	412,000	(43,454)
CEC Grant	1,927,000	1,603,260	(323,740)	83%	1,927,000	323,740
BAAQMD grant	62,000	55,375	(6,625)	0%	62,000	6,625
Interest income	946,000	1,104,358	158,358	117%	946,000	(158,358)
Miscellaneous Income	-	503	503	0%	-	(503)
Total revenue and other sources	180,202,000	175,434,595	(4,767,405)	97%	180,202,000	4,767,405
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	146,345,000	145,314,794	(1,030,206)	99%	146,345,000	1,030,206
Data management	3,089,000	3,158,651	69,651	102%	3,089,000	(69,651)
Service fees- PG&E	959,000	953,613	(5,387)	99%	959,000	5,387
Personnel	3,661,000	3,536,210	(124,790)	97%	3,661,000	124,790
Outreach and communications	1,144,000	985,821	(158,179)	86%	1,144,000	158,179
Customer service	440,000	216,550	(223,450)	49%	440,000	223,450
General and administration	531,000	480,656	(50,344)	91%	531,000	50,344
Legal	710,000	624,674	(85,326)	88%	710,000	85,326
Accounting and auditing	204,000	148,385	(55,615)	73%	204,000	55,615
Technical consultants	190,000	100,204	(89,796)	53%	190,000	89,796
Legislative and regulatory advocacy	128,000	124,446	(3,554)	97%	128,000	3,554
Other consultants	160,000	115,314	(44,686)	72%	160,000	44,686
CalCCA Trade Association	400,000	300,000	(100,000)	75%	400,000	100,000
Program implementation	4,510,000	2,741,597	(1,768,403)	61%	4,510,000	1,768,403
Program - CEC grant	2,415,000	1,415,292	(999,708)	59%	2,415,000	999,708
Program development and evaluation	100,000	1,101	(98,899)	1%	100,000	98,899
Total current expenditures	164,986,000	160,217,308	(4,768,692)	97%	164,986,000	4,768,692
OTHER USES						
Collateral deposit payments	1,409,000	1,538,290	129,290	109%	1,409,000	(129,290)
Collateral deposit payments returned	-	(372,500)	(372,500)	-	-	372,500
Capital outlay	1,190,000	1,165,469	(24,531)	98%	1,190,000	24,531
Total expenditures, Other Uses and Debt Service	167,585,000	162,548,567	(5,036,433)	97%	167,585,000	5,036,433
Net increase (decrease) in available fund balance	$ 12,617,000	$ 12,886,028	$ 269,028	102%	$ 12,617,000	$ (269,028)

** Represents sales of approximately 2,414,000 MWh for 2018/19 YTD actual.*

RESERVES	Current Balance	% of FY Target	FY Target Balance
Operating Cash Reserve	$ 51,123,294	62%	$ 83,088,000
Program Cash Reserve	9,223,924	56%	16,617,600
Collateral Cash Reserve	1,143,372	8%	14,634,500
	$ 61,490,590	54%	$ 114,340,100

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2018 through June 30, 2019

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$	12,886,028
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:		
Subtract depreciation expense		(59,857)
Add back capital asset acquisitions		1,165,469
Subtract collateral deposits returned		(372,500)
Add back collateral deposits		1,538,290
Change in net position	$	15,157,430

See accountants' compilation report.

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Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Management
Sonoma Clean Power Authority

Management is responsible for the accompanying financial statements of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the statement of net position as of June 30, 2019, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

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

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

Maher Accountancy

San Rafael, CA
September 3, 2019

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SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of June 30, 2019

ASSETS

Current assets	
Cash and cash equivalents	$ 42,187,641
Investment in Sonoma County Investment Pool	15,402,798
Accounts receivable, net of allowance	17,248,908
Other receivables	1,136,168
Accrued revenue	10,409,152
Prepaid expenses	1,617,136
Deposits	332,079
Investments	10,208,015
Total current assets	98,541,897
Noncurrent assets	
Land	860,520
Capital assets, net of depreciation	4,118,138
Deposits	5,459,242
Total noncurrent assets	10,437,900
Total assets	108,979,797

LIABILITIES

Current liabilities	
Accounts payable	1,799,787
Accrued cost of electricity	13,687,997
Advanced from grantors	444,625
Other accrued liabilities	630,499
User taxes and energy surcharges due to other governments	498,332
Total current liabilities	17,061,240

NET POSITION

Investment in capital assets	4,978,658
Unrestricted	86,939,899
Total net position	$ 91,918,557

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2018 through June 30, 2019

OPERATING REVENUES	
Electricity sales, net	$ 172,215,645
Evergreen electricity premium	455,454
Grant revenue	1,658,635
Total operating revenues	174,329,734
OPERATING EXPENSES	
Cost of electricity	145,314,794
Staff compensation	3,536,210
Data manager	3,158,651
Service fees - PG&E	953,613
Consultants and other professional fees	2,892,866
Legal	624,674
Communications	1,204,014
General and administration	874,455
Program rebates and incentives	1,658,031
Depreciation	59,857
Total operating expenses	160,277,165
Operating income	14,052,569
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,104,358
Gain on sale of equipment	503
Total nonoperating revenues (expenses)	1,104,861
CHANGE IN NET POSITION	15,157,430
Net position at beginning of period	76,761,127
Net position at end of period	$ 91,918,557

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2018 through June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from electricity sales	$ 172,466,526
Receipts from grantors	821,538
Receipts from supplier for security deposits	35,600
Tax and surcharge receipts from customers	2,337,583
Deposits and collateral returned	372,500
Payments to purchase electricity	(146,139,613)
Payments for staff compensation	(3,379,303)
Payments for contract services	(6,951,432)
Payments for communications	(1,472,619)
Payments for general and administration	(805,700)
Payments for program rebates and incentives	(1,758,431)
Return of security deposits to suppliers	(21,000)
Tax and surcharge payments to other governments	(2,332,060)
Deposits and collateral paid	(1,538,290)
Payments for charitable contributions	(108,000)
Net cash provided (used) by operating activities	11,527,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(1,255,978)
Net cash provided (used) by capital and financing activities	(1,255,978)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	1,079,315
Purchase of certificate of deposit	(10,208,015)
Net cash provided (used) by investing activities	(9,128,700)
Net change in cash and cash equivalents (including County Investment Pool)	1,142,621
Cash and cash equivalents at beginning of year	56,447,818
Cash and cash equivalents at end of year	$ 57,590,439
Reconciliation to the Statement of Net Position	
Cash and cash equivalents	$ 42,187,641
Investment in Sonoma County Investment Pool	15,402,798
Cash and cash equivalents	$ 57,590,439

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2018 through June 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$	14,052,569
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		48,238
Revenue reduced for uncollectible accounts		(1,096,511)
Charitable contributions considered an operating activity for cash flow purposes only		(108,000)
(Increase) decrease in net accounts receivable		1,711,751
(Increase) decrease in other receivables		(928,379)
(Increase) decrease in accrued revenue		(836,130)
(Increase) decrease in prepaid expenses		(1,086,605)
(Increase) decrease in current deposits		(1,132,290)
Increase (decrease) in accounts payable		396,581
Increase (decrease) in accrued cost of electricity		428,061
Increase (decrease) in advance from grantors		(55,375)
Increase (decrease) in accrued liabilities		96,949
Increase (decrease) in user taxes and energy surcharges due to other governments		21,840
Increase (decrease) in supplier security deposits		14,600
Net cash provided (used) by operating activities	$	11,527,299

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Staff Report – Item 05

To: Sonoma Clean Power Authority Community Advisory Committee

From: Erica Torgerson, Director of Customer Service
Danielle Baker, Senior Customer Care Specialist
Nelson Lomeli, Programs Manager

Issue: Discuss and Provide Input as Appropriate on the Proposed Successor Program to SCP's NetGreen Program

Date: September 17, 2019

Requested Committee Action:

Provide input on the following questions:

1) Should SCP consider phasing out its current net energy metering program, NetGreen, in favor of a successor program?

2) If the answer to question #1 is yes, then what should the NetGreen successor program look like?

The Basics

Net Energy Metering (NEM):

When a customer installs a solar system (or other generating technology), PG&E will install a special meter that measures how much electricity is being put into the grid by the system (energy generated exceeding the customer's energy needs) and how much electricity is being used by the home or business from the grid (energy consumed) and calculates the amount of net energy consumed or generated. This tracking is done in a standard unit of energy measurement called a kilowatt-hour (kWh).

SCP's Current NetGreen Program (Net Monthly Billing with Annual Cash Out):

SCP's net energy metering program is called NetGreen. NetGreen was adopted by SCP's Board of Directors in 2013. The NetGreen program credits customers for excess energy generated from an onsite generating system such as rooftop solar. The program credits customers at the SCP CleanStart retail rate, at the time of generation, plus a bonus penny per kWh for excess electricity generated and delivered back onto the grid. The customer is billed on their net consumption each month and any net generation credits are accrued in an escrow account to be used for future SCP charges. The following table illustrates SCP's current retail CleanStart rates during the summer peak period for common rates used by solar customers.

Residential Rates	CleanStart Retail Rate	Penny per kWh	SCP Cash Out Rate
E-1	$ 0.08544	$ 0.01	$ 0.09544
E-6	$ 0.21965	$ 0.01	$ 0.22965
E-TOU-B	$ 0.18768	$ 0.01	$ 0.19768
EV-A	$ 0.24043	$ 0.01	$ 0.25043

Commercial Rates	CleanStart Retail Rate	Penny per kWh	SCP Cash Out Rate
A-1 TOU	$ 0.11450	$ 0.01	$ 0.12450
A-6	$ 0.34826	$ 0.01	$ 0.35826
A-10 TOU	$ 0.14280	$ 0.01	$ 0.15280
E-19-S Option R	$ 0.27313	$ 0.01	$ 0.28313
E-20-S Option R	$ 0.24777	$ 0.01	$ 0.25777

Each spring, if a customer's NetGreen escrow balance exceeds $100, SCP will automatically send a check equivalent to their escrow balance up to $5,000 to the customer. If a customer's NetGreen escrow balance is below $100, the credits roll-over to the following month. Incremental values of credit balances in excess of $5,000 are forfeited by the customer and re-set to zero. By law, Net Energy Metering Aggregation customers (customers who combine usage and generation from two or more sites) are not eligible to receive credit cash-outs and credits are re-set to zero annually.

PG&E's Current NEM Program (Annual True-Up Only):

In contrast to SCP's net monthly billing, the PG&E NEM program uses an annual true-up process. PG&E only invoices NEM customers a meter reading fee each month of approximately $10 and the net PG&E delivery charges or credits are only shown as an informational line item on their bill.

At the end of the customer's true-up period (which varies for each customer based on their interconnection date or the date they enrolled in SCP service), if the customer has a dollar credit balance, PG&E will calculate how many kWh of true over-generation (i.e. a total negative net usage in kWh for the 12-month period) that customer has contributed to the grid. PG&E then uses a Net Surplus Compensation (NSC) $/kWh rate and applies that to the total annual kWh of over-generation for the cash out amount. The NSC rate is set monthly based on CPUC Decision 11-06-016. PG&E's Net Surplus Compensation (NSC) rate is based on current approximate wholesale prices for the previous 12 months. Following is a table of PG&E's NSC rates. See Exhibit A for full table.

Month of True Up	PG&E NSC Rate
May-18	$ 0.02878
June-18	$ 0.02836
September-18	$ 0.02931
October-18	$ 0.02837
November-18	$ 0.02886
December-18	$ 0.02951
January-19	$ 0.03174
February-19	$ 0.03232
March-19	$ 0.03523
April-19	$ 0.03590
June-19	$ 0.03561
May-19	$ 0.03565

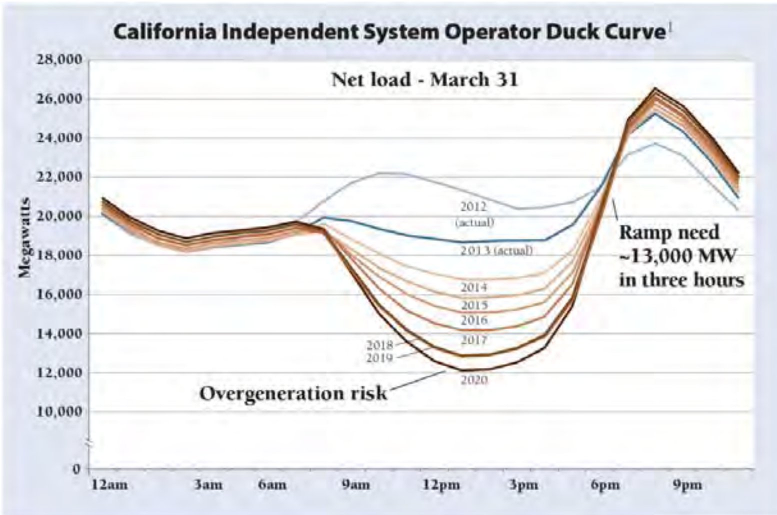
If at the end of the customer's true-up period, the customer's running total is a charge, PG&E will bill the customer for those charges on their annual true-up statement.

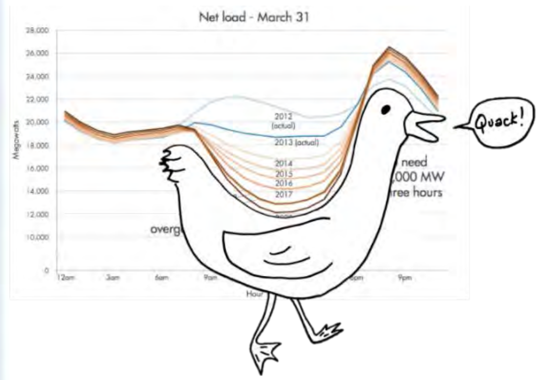
Question #1: Should SCP consider phasing out its current net energy metering program, NetGreen, in favor of a successor program?

In the California energy market, the peak demand for grid power now occurs near or after sunset for 9 or 10 months of the year, when solar power is dramatically reduced or no longer available. In SCP's territory, where a substantial amount of solar electric capacity has been installed by customers, the amount of power that must be generated from sources other than solar rapidly increases in late afternoon and peaks in the mid-evening hours, producing what is referred to as "the Duck Curve."

The California Independent System Operator (CAISO) has been monitoring and analyzing the Duck Curve for many years and their biggest finding is the growing gap between morning and evening prices relative to midday prices. According to their last study, the U.S. Energy Information Administration found that the wholesale energy market prices over the past six months during the 5 p.m. to 8 p.m. period (the "neck" of the duck) have increased to $60 per megawatt-hour, compared to about $35 per megawatt-hour in the same time frame in 2016. They have also measured a drastic decrease in the midday prices, now averaging $15 per megawatt-hour. These high peaks and deep valleys are forecast to get more extreme over the next five years as more solar power is installed and Title 24 begins requiring solar on every new home beginning in 2020.

A crucial part of this curve comes from the net load (the difference between expected load and anticipated electricity production from the range of energy sources). In certain times of the year (namely spring and summer), the curves create a "belly" appearance in the midday that then drastically increases in the late afternoon, early evening creating the steep neck of the "Duck".





Should SCP Revisit NetGreen Now?

During the midday, a large amount of solar energy is generated by customer-owned systems that lowers the demand for grid electricity. The abundant supply of energy during the mid-day coupled with a lack of supply during high demand afternoon/evening hours explains the large disparity between midday and evening energy prices.

In addition, California's current ability to ramp up power output by the necessary 12,000 MW increase (and growing) in the late afternoon is currently limited by the number of natural gas turbines which are already running, since it can take 6 to 12 hours to start a combined cycle gas turbine. Significantly increasing California's supply of solar energy without a large amount of storage could therefore cause an increase in greenhouse emissions, or at best provide very little net benefit.

Due to these challenges and concerns, staff sees a growing mismatch between the financial incentives of the NetGreen program and the effectiveness of that program in reducing overall greenhouse gas emissions.

Additionally, since the NetGreen program was developed in 2013, rooftop solar panels have dropped in price by 32 percent[1] and California's building code was updated to mandate solar power on all new residential construction starting January 2020. Additional background information is available in the appendix of this Staff Report.

With these industry-wide changes, SCP wants to ensure it has a net energy metering program that will be fiscally sustainable as more customers move to rooftop solar. As the following table shows, SCP's annual cash out has

[1] U.S. Solar Photovoltaic System Cost
Benchmark: Q1 2018 - National Renewable Energy Laboratory

increased by 25% since 2016, is expected to reach nearly $1,000,000 in 2020 and to continue growing every year.

Year	Cash Out Amount	Credits Forfeited (Over $5,000 Cap)	Number of Accounts Cashed Out	Notes
2015	$ 206,647.24	$ (92,928.08)	249	Partial year
2016	$ 689,697.24	$ (148,814.97)	1,362	Dry, sunny winter
2017	$ 605,467.59	$ (260,241.61)	1,368	Very wet and cloudy winter
2018	$ 639,723.02	$ (188,377.28)	1,528	First cash out that includes Mendocino County
2019	$ 862,240.79	$ (296,617.26)	2,027	Mild summer, less A/C use necessary
Totals	$ 3,003,775.88	$ (986,979.20)	6,534	

SCP currently serves 225,795 accounts, of which 14,787 are NEM customers (as of July 1, 2019). SCP serves 82% of eligible NEM customers in its service territory. In terms of kilowatt-hours (kWh) 85% of SCP's NEM customers, are net consumers of electricity (meaning they use more than they produce annually) and 15% are net generators of electricity (meaning they produce more than they use annually).

With SCP's current NetGreen program, customers don't have to be net generators to receive a cash out because credits earned are often at more expensive, peak energy prices, but energy consumed is often at cheaper, off-peak hours, thus giving the customer a positive credit balance in spring. However, the customer still put less kilowatt-hours onto the grid than kilowatt-hours they took off the grid.

To ensure that SCP's NetGreen expenditures are still having a strong benefit on greenhouse gas emissions, are fiscally sustainable over the next several years, and are not causing grid reliability problems, staff recommends revisiting the NetGreen program.

Question #2: If the answer to question #1 is yes, then what should the NetGreen successor program look like?

If the Community Advisory Committee and Board of Directors agree with staff's belief that the answer to Question #1 is yes, then how should the successor program be designed? Staff has considered multiple factors and scenarios which are described in more detail in the appendix of this Staff Report before landing on the following recommended program design. Staff also researched and compared other utility NEM programs to evaluate options, see Exhibit B for a list of program designs by utility.

Staff Recommendation:

Staff recommends SCP maintain the current NetGreen program net monthly billing process but evolve the program's annual cash-out to a Net Surplus Compensation (NSC) cash out process that pays customers a rate closer to wholesale prices when a customer over-generates kilowatt-hours on an annual basis. We recommend using PG&E's NEM NSC annual cash-out process, but improve on the financial benefit by increasing the NSC amount compared to PG&E.

Following the spring 2020 annual cash out, staff proposes to shift NEM customers to an NSC program for the annual cash out, similar to PG&E's with a few added benefits.

- Monthly billing would continue with generation credits being applied at the CleanStart retail rate plus the bonus penny per kWh netted against the electricity consumed each month.
  - Staff proposes to continue the bonus penny to make up the difference between SCP's lower generation rates compared with PG&E's generation rates (see example below).
    - SCP's E-1 Rate: $0.08544/kWh + PCIA + FF = $0.11306
    - PG&E's E-1 Rate: $0.11757/kWh
    - Difference: $0.00451
- Customers who are net energy generators in kilowatt-hours during the annual cash out period (spring to spring) would be paid for excess energy at SCP's Premium Net Surplus Compensation Rate (PNSC).
  - SCP's PNSC rate would be set at 2.0x of PG&E's 12-month NSC average for the calendar year preceding the cash out.
    - 2018 Average PG&E NSC Rate: $0.02842
    - 2019 Annual Cash-Out SCP PNSC Rate: $0.05684
- Just as in the current NetGreen program, customers with a NetGreen PNSC balance of $100 or more in the spring will automatically receive a check up to the cash out cap of $5,000. Incremental credit balances in excess of $5,000 will be forfeited and re-set to zero.
- Customers with a NetGreen PNSC balance below $100 will have their PNSC balance rolled over to the following month.
  - There's a potential that some customers with a NetGreen credit balance above $100 may have less than $100 in PNSC and would therefore not receive a check but instead have the PNSC rolled over to the next month.

- NetGreen Aggregation customers are not eligible to receive net surplus compensation per state law and will have credits re-set to zero annually.

Conclusion/Fiscal Impact:

During the 2019 annual cash out, SCP cashed out 2,027 customer accounts whose credit balance exceeded $100 for a total of $862,241 and rolled over $82,837 in credits for 2,696 customers whose balance was below $100. Due to SCP's credit cap of $5,000 per account, $296,617 worth of credits were forfeited by customers.

If during 2019, SCP was operating under staff's proposed program, SCP would have cashed out 702 customer accounts whose credit balance exceed $100 for a total of $211,522 and rolled over $25,753 in credits for 1,540 customers whose balance was below $100. Due to SCP's credit cap of $5,000 per account, $29,368 worth of credits would be forfeited by customers.

Here are those numbers summarized in a table:

	Cash Out of Credits	Cash Out Customers	Roll-Over Credits	Roll-Over Customers	Forfeited Credits	Forfeited Customers
Current Program	$ 862,241	2,027	$ 82,837	2696	$ 296,617	32
Proposed Program	$ 211,522	702	$ 25,753	1540	$ 29,368	2
Difference (Savings)	$ (650,719)	(1,325)	$ (57,084)	(1,156)	$ (267,249)	(30)

The savings to SCP would flow back into SCP's budget and staff recommend allocating that amount towards greenhouse gas savings programs that target reductions during the late afternoon and early evening peak, such as building electrification programs, demand response programs, and energy storage (batteries) programs.

Staff seek Committee input on all of the above recommendation and also on a potential timeline for implementation below.

Proposed Timeline: Below is staff's proposed implementation timeline:

2019	Staff to prepare proposed updated NetGreen successor program for CAC and BOD review and provide input
September 2019	Draft plan presented to CAC for input
October 2019	Draft plan with input from CAC presented to BOD
November 2019	Proposed final plan presented to CAC for recommendation
December 2019	Adoption by BOD

April 2020	Update NetGreen Welcome Letter to reflect NSC program
April/May 2020	Last cash out under the current NetGreen program (retail rate + $0.01) New SCP NetGreen successor tariff to open Include language around the revised program in the annual cash out letter.
June 2020	Direct mail to all NEM customers informing them of the revised NetGreen program.
April/May 2021	1st cash-out under SCP's Premium Net Surplus Compensation program. Pay out at SCP's PNSC Rate *(e.g. $0.05684/kWh)* for customers with over $100 in credits up to $5,000.

Exhibit A

Net Surplus Compensation Rates for Energy

True-up Month	NSC Rate* ($/kWh)
Jan. 2017	0.02703
Feb. 2017	0.02754
Mar. 2017	0.02793
Apr. 2017	0.02777
May 2017	0.02719
June 2017	0.02710
July 2017	0.02715
Aug. 2017	0.02746
Sep. 2017	0.02739
Oct. 2017	0.02819
Nov. 2017	0.02793
Dec. 2017	0.02844
Jan. 2018	0.02822
Feb. 2018	0.02793
Mar. 2018	0.02749
Apr. 2018	0.02836
May 2018	0.02878
June 2018	0.02836
July 2018	0.02801
Aug. 2018	0.02781
Sep. 2018	0.02931
Oct. 2018	0.02837
Nov. 2018	0.02886
Dec. 2018	0.02951
Jan. 2019	0.03174
Feb. 2019	0.03232
Mar. 2019	0.03523
Apr. 2019	0.03590
May 2019	0.03565
June 2019	0.03561
July 2019	0.03513

** Per D.11-06-016, the electricity portion of the NSC rate is the simple rolling average of PG&E's default load aggregation point price from 7 a.m. to 5 p.m., corresponding to the customer's 12-month true-up period.*

"PG&E" refers to Pacific Gas and Electric Company, a subsidiary of PG&E Corporation.

Exhibit B

Below is a brief synopsis of what other NEM programs follow in order of most generous to least.

CCA	Program Model	Monthly Billing Rate for Net Generators	Annual Cash Out
Redwood Coast Energy Authority	Retail + $0.01; net generators earn an extra $0.01 on 100% renewable product (equivalent to the premium)	Retail + $0.01	Annually in May for balances over $100 as requested. Balances below $100 roll over.
Sonoma Clean Power (Current)	Retail + $0.01	Retail + $0.01	Annually in spring for balances over $100 up to $5,000. Balances below $100 roll over.
MCE Clean Energy	Retail + $0.01	Retail + $0.01	Annually in April for balances over $100 up to $5000. Balances below $100 roll over.
Peninsula Clean Energy	Retail + $0.01	Retail + $0.01	Annually in April for balances over $100. Balances below $100 roll over.
Silicon Valley Clean Energy	Retail rate; additional $0.008/kWh credit for 100% renewable option	Retail	Annually in April for balances over $100 up to $5000. Balances below $100 roll over.
King City Community Power	Retail Rate; credits tracked in dollars	Retail	Annually in July for balances over $100 up to $5000. Payments in excess of $5000 are subject to KCCP approval.
CleanPowerSF	NSC at $0.0893/kWh (3x PG&E NSC rate)	Retail	Annually in April; applied as a bill credit or by check upon request

CCA	Program Model	Monthly Billing Rate for Net Generators	Annual Cash Out
Sonoma Clean Power (Proposed)	NSC at double PG&E's rate; monthly billing at retail plus the bonus penny	Retail + $0.01	Annually in spring for balances over $100. Balances below $100 roll over.
Apple Valley Choice Energy	NSC at $0.06/kWh	Retail	Annually in April
Lancaster Choice Energy	NSC at $0.06/kWh	Retail	Annually in October; no minimum or maximum balance
Pico Rivera Innovative Municipal Energy	NSC at $0.06/kWh	Retail	Annually in September for balances over $100. Balances below $100 roll over.
Rancho Mirage Energy Authority	NSC at $0.06/kWh	Retail	Annually in May
San Jacinto Power	NSC at $0.06/kWh	Retail	Annually in October
Solana Energy Alliance	NSC at $0.06/kWh	Retail	
Clean Power Alliance	NSC at 10% higher than SCE ($0.04492/kWh as of May 2019)	Retail	Annually in April for balances above $100, balances below roll over
SDG&E	NSC at wholesale ($0.04289 April 2019)	Retail	Annually at true-up
Southern California Edison	NSC at wholesale ($0.03846 April 2019)	Retail	Annually at true-up
Valley Clean Energy	NSC at wholesale plus + $0.01	Retail	Annually at account true-up for balances over $100. Balances below $100 roll over.
San Jose Clean Energy	NSC at 25% higher than PG&E ($0.03552/kWh)	Retail	NSC applied as a bill credit annually, but may request a check

CCA	Program Model	Monthly Billing Rate for Net Generators	Annual Cash Out
PG&E	NSC at wholesale ($0.03590 April 2019)	Retail	Annually at true-up
Pioneer Community Energy	NSC at $0.03/kWh	Retail	Annually in March/April for balances over $25. Balances below $25 roll over.
East Bay Community Energy	Mixed NSC	Existing & new NEM customers – Retail Low income & municipal customers – Retail + $0.01	Annually in April for balances above $100, balances below roll over; Existing NEM customers, PG&E NSC; New solar customers greater of retail capped at $2500 or PG&E NSC; CARE/FERA retail plus $0.01

Appendix

This appendix provides additional background, research, and thoughts that staff had while preparing the subject Staff Report. Some of this information may also be presented in the Staff Report.

Benefits of Current NetGreen Program:

SCP's current NetGreen program has the following customer benefits:

- **NetGreen Credits**. SCP credits the full retail CleanStart rate plus a bonus for energy generated. Those credits are banked monthly to be used to offset any SCP generation charges you may have throughout the year.
- **Generator Bonus.** SCP gives a bonus of $0.01/kWh for all net energy generated. Makes up the difference between PG&E's lower generation rates compared to SCP generation rates.
- **Annual Cash Out**. Each spring, if a customer's NetGreen credit balance is $100 or greater, SCP will automatically send the customer a check for the full retail credit balance up to $5,000. If a customer has less than $100 in credits, those credits simply roll over to the following month.
- **Monthly Billing**. SCP heard from customers, that they did not like receiving a large bill once a year, so SCP uses monthly billing for any generation usage not covered by the customer's NetGreen balance.

Costs of the Existing NetGreen Program:

The direct financial costs of SCP's existing NetGreen program have the following components:

- **Wholesale Energy Benefit**. Customers with solar power offset SCP's wholesale value of energy for the amount they send back to the grid. The average wholesale value of solar production has fallen dramatically in recent years to about $0.015 per kWh of value, down from about $0.065 just five years ago.
- **Non-Energy Costs**. NEM customers rely on SCP for all resource adequacy, shaping services (the cost of matching real-time supply with real-time demand), long-term renewable energy contract hedging for compliance, CAISO market fees, billing and customer communication services, customer programs, legal and contract services, staffing, rent, insurance, and miscellaneous business expenses. None of these costs

are paid for by solar customers because SCP currently has no fixed charges or other mechanism for recovering such costs. These costs total an estimated $0.039 per kWh in 2019.

- **One Cent Premium**. Customers who generate more electricity than they use are currently credited at the retail rate at the time of generation plus a bonus penny ($0.01/kWh) anytime they over-generate. For May 1, 2018 through April 30, 2019 this amounted to $162,691.99 across 1,972 accounts.

- **Cash Out**. The below table summarizes the cash out payments made each year to solar customers since inception of the program.

Year	Cash Out Amount	Credits Forfeited (Over $5,000 Cap)	Number of Accounts Cashed Out	Notes
2015	$ 206,647.24	$ (92,928.08)	249	Partial year
2016	$ 689,697.24	$ (148,814.97)	1,362	Dry, sunny winter
2017	$ 605,467.59	$ (260,241.61)	1,368	Very wet and cloudy winter
2018	$ 639,723.02	$ (188,377.28)	1,528	First cash out that includes Mendocino County
2019	$ 862,240.79	$ (296,617.26)	2,027	Mild summer, less A/C use necessary
Totals	**$ 3,003,775.88**	**$ (986,979.20)**	**6,534**	

The bottom line is that NetGreen carries an increasing cost that continues to rise, as the wholesale value of midday energy has fallen, and costs for resource adequacy have more than doubled.

Changing Landscape:

A number of factors will influence NetGreen's costs and environmental benefits in the near future, including:

- **California Building Code Updates and Implications**. California's Building Energy Efficiency Standards are updated on an approximately three-year cycle. The 2019 Standards will continue to improve upon the 2016 Standards for new construction of, and additions and alterations to, residential and nonresidential buildings. The 2019 Standards will go into effect on January 1, 2020 (for building permit applications submitted on or after that date). The 2019 standard requires solar photovoltaic (PV) systems for all new homes.

- **Increasing Delivery Rates**. PG&E rates are expected to increase dramatically to absorb some of the estimated $30 billion in past fire liabilities, fire-hardening of the grid, wildfire monitoring, and increasing costs of capital. Examples of ongoing CPUC proceedings and legislation include:

- General Rate Case A. 18-12-009;
    - Wildfire Non-Bypassable Charge R.19-07-017; and
    - California Assembly Bill 1054

- **Distributed Energy Resources**. The cost of solar panels and equipment remains very low. In addition, the cost of battery storage is still high but falling quickly for both utility scale and behind-the-meter.

- **Neck of the Duck**. Planned retirement of older natural gas plants will limit ability to rely on that resource type for meeting the evening ramp (neck of the duck) and could result in increased peak pricing, greenhouse gas emissions, and investment in battery storage.

- **Residential Time-of-Use.** Residential customers' electricity rates are moving to default time-of-use, with peak prices from 4 to 9 pm in 2021.

- **Peak Period Shift**. Commercial and agricultural customers' electricity rates will shift to peak prices between 4 to 9 pm and 5 to 8 pm respectively starting later this year.

SCP's Goals in Program Design:

Sonoma Clean Power is "*turning the tide on the climate crisis, through bold ideas and practical programs*." In designing this successor program, staff worked to ensure the program would be innovative, practical, and inclusive. Staff also looked to the Authority's Joint Powers Agreement to ensure we were meeting the Authority's purpose of:

- Reducing greenhouse gas emissions in Sonoma County and neighboring regions;

- Providing electric power and other forms of energy to customers at a competitive cost;

- Carrying out programs to reduce total energy consumption;

- Stimulating and sustaining the local economy, including by developing or promoting local distributed energy resources; and

- Promoting long-term electric rate stability, energy security, reliability, and resilience.

The successor program needs to ensure:

- Incentive funds are effectively reducing greenhouse gas emissions in our communities;
- SCP's financial resources are being used in an efficient manner that keeps rates competitive for all customers;
- Incentives help drive behavior and purchase decisions that lower customer energy costs and support climate benefits;
- Customers are incentivized to install local distributed energy resources and help drive the "solar plus" market, specifically the energy storage market;
- This program, like all SCP programs, is highly accessible to a diverse population of customers.

Factors SCP Controls when Designing the Successor Program:

- **Bonus Penny**: Regardless of whether a customer receives electric generation from SCP or PG&E, the customer is credited monthly at the retail rate when they over-generate allowing them to offset their monthly bill. Since SCP rates are lower than PG&E, the monthly over-generation credit rate is also lower. The bonus penny helps make up the difference in generation rates.
- **Cash Out Cap:** The maximum cash out amount per account before credits are forfeited. The current cap is $5,000 per account.
- **Cash Out Rate:** The cash out rate makes the most significant impact on the amount SCP pays in incentives to solar customers. Under SCP's current program, SCP pays customers the retail CleanStart rate, plus the bonus penny at the annual spring cash out. In contrast, PG&E's net energy metering program pays customers out at the Net Surplus Compensation (NSC) rate set monthly based on CPUC Decision 11-06-016 at their annual true-up and more closely aligns with wholesale energy costs.
- **Roll Over Credits:** Under SCP's current program, customers with credit balances less than $100 at the time of the annual cash out do not receive a cash out check, but credits are rolled over to the following month. Using the roll over method allows customer who haven't reached that $100 threshold to never lose out on credits.

Factors that are Limited when Designing the Successor Program:

- **Monthly Billing vs Annual True-Up:** When SCP initially designed its program, it purposely designed it to include net monthly billing compared to an annual true-up process like PG&E's. This was based on customer feedback, operational constraints of Calpine's billing system (Calpine is SCP's billing agent), and financial stability as a new agency. Since that time, Calpine does have some CCAs which bill some of their customers on an annual basis. However, Calpine has advised SCP that it continues to be operationally difficult to have customers on an annual true-up cycle and that even when offered, customers are unlikely to change once they've converted to monthly billing. Staff does not recommend offering annual true-ups as an option at this time.
- **Mandating Time-of-Use Rates:** SCP cannot mandate a customer be on a time-of-use rate to participate in our NetGreen program without either creating a second NEM program for those customers that refuse to transition to a time-of-use rate or returning those customers back to PG&E to take service on their NEM tariff. Also, Staff recognizes that with the default Time-of-Use Transition coming in March 2021 for SCP customers, most customers will be on a time-of-use rate at that point and all new NEM customers are required to take service on a time-of-use rate.
- **Differentiating NEM 1.0 vs NEM 2.0 Customers:** Staff analyzed whether it could design different NetGreen programs based on what version of NEM a customer was on, 1.0 vs 2.0. However, SCP does not currently receive which version a customer in a trackable format, thus this could lead to operational difficulties and additional customer confusion.
- **Mandating Multiple Version of NetGreen:** Overall, staff believes having more than one NetGreen program would be difficult to manage operationally and explain to customers and solar venders. NEM billing is complicated enough without adding multiple programs.

Current NetGreen Participation & Design:

SCP currently serves 225,795 accounts, of which 14,787 are NEM customers (as of July 1, 2019). SCP serves 82% of eligible NEM customers in its service territory. In terms of kilowatt-hours (kWh) 85% of SCP's NEM customers, are net consumers of electricity (meaning they use more than they produce annually) and 15% are net generators of electricity (meaning they produce more than they use annually). The largest concentration of NEM customers take service on SCP's E-1 rate. This is a residential tiered rate that has a flat generation and delivery rate. Below is a breakdown of NEM E-1 customers' annual usage.

E-1 Customers		
Usage Range	# of Customers	% of Customers
over 50,001 kWh	13	0.2%
20,001 through 50,000 kWh	75	1.3%
10,001 through 20,000 kWh	415	7.4%
5,001 through 10,000 kWh	1077	19.2%
2,501 through 5,000 kWh	1268	22.6%
101 through 2,500 kWh	1740	31.1%
0 through 100 kWh	101	1.8%
-1 through -100 kWh	99	1.8%
-101 through -2,500 kWh	666	11.9%
-2,501 through -5,000 kWh	109	1.9%
-5,001 through -10,000 kWh	33	0.6%
over -10,001 kWh	6	0.1%
Total	5602	

Below is a breakdown of all SCP NEM customers' annual usage.

All Customers		
Usage Range	# of Customers	% of Customers
over 1,000,000 kWh	22	0.1%
50,001 through 1,000,000 kWh	287	1.9%
20,001 through 50,000 kWh	405	2.7%
10,001 through 20,000 kWh	1298	8.8%
5,001 through 10,000 kWh	2994	20.2%
2,501 through 5,000 kWh	3214	21.7%
101 through 2,500 kWh	4114	27.8%
0 through 100 kWh	211	1.4%
-1 through -100 kWh	192	1.3%
-101 through -2,500 kWh	1572	10.6%
-2,501 through -5,000 kWh	301	2.0%
-5,001 through -10,000 kWh	123	0.8%
-10,001 through -20,000 kWh	36	0.2%
-20,001 through -50,000 kWh	11	0.1%
over -50,000 kWh	7	0.0%
Total	14787	

SCP's annual cash out paid $862,240.79 to customers that had a credit balance of more than $100 for the period of May 2018-April 2019. Due to the $5,000 cap, $296,617.26 worth of credits were forfeited. SCP carried over $82,837.16 in credit balances below $100.

Analysis of Various Factors and Designs:

First, staff looked into converting from paying the retail rate to a Net Surplus Compensation (NCS) rate that more closely aligns with average wholesale prices for excess energy generated by customers. In California, Assembly Bill 920 requires PG&E and other state utilities to offer payment for surplus kilowatt-hours sent back to the electric grid by renewable energy systems. PG&E's NSC rate is based on current market prices for the previous 12 months. See Exhibit A.

Second, staff looked at other CCAs and IOUs to survey how they are approaching these same issues. See Exhibit B.

Finally, to evaluate program design options SCP analyzed different scenarios that looked at a variety of factors including different NSC rates and credit caps.

<u>Staff settled on three scenarios to present that all:</u>

- Keep the bonus penny for over-generation to make up for SCP's lower generation rates compared to PG&E;
- Maintain the credit cap at $5,000 per account;
- Keep the annual cash out period in the spring;
- Cash out customers if their credit balance exceeds $100; and
- Roll over credits if balance is below $100 at the spring cash out.

Scenarios:

For comparison, here is a snapshot of the 2019 actual cash out.

2019 Actual NetGreen	Cash Out of Credits	Cash Out Customers	Roll-Over Credits	Roll-Over Customers	Forfeited Credits	Forfeited Customers
Retail Rate	$ 862,241	2,027	$ 82,837	2,696	$ 296,617	32

For this analysis, staff used PG&E's average 2018 NSC rate. Staff proposes always using the previous calendar year's 12 month average. For 2018, the average was $0.02842. See Exhibit A.

<u>Scenario 1:</u>

Net Surplus Compensation rate set at PG&E's previous calendar year twelve-month average.

Scenario 1 NSC Rate	Cash Out of Credits	Cash Out Customers	Roll-Over Credits	Roll-Over Customers	Forfeited Credits	Forfeited Customers
$ 0.02842	$ 84,497	303	$ 57,341	1,939	$ 7,983	2

<u>Scenario 2:</u>

Net Surplus Compensation rate set at 1.5x PG&E's previous calendar year twelve-month average.

Scenario 2 NSC Rate	Cash Out of Credits	Cash Out Customers	Roll-Over Credits	Roll-Over Customers	Forfeited Credits	Forfeited Customers
$0.04263	$ 147,177	514	$ 60,292	1,728	$ 17,263	3

Scenario 3:

Net Surplus Compensation rate set at 2.0x PG&E's previous calendar year twelve-month average.

Scenario 3 NSC Rate	Cash Out of Credits	Cash Out Customers	Roll-Over Credits	Roll-Over Customers	Forfeited Credits	Forfeited Customers
$0.05684	$ 211,522	702	$ 58,753	1,540	$ 29,368	4

Other Factors Analyzed:

Staff analyzed a reduced cash out cap for the three scenarios.

		Cash Out Cap at $5,000				Cash Out Cap at $2,500				
	NSC Rate	Cash Out of Credits	Cash Out Customers	Forfeited Credits	Forfeited Customers	Cash Out of Credits	Cash Out Customers	Forfeited Credits	Forfeited Customers	Difference (Savings to SCP)
Scenario 1	$0.02842	$ 84,497	303	$ 7,983	2	$ 77,796	303	$ 4,684	4	$ (6,701)
Scenario 2	$0.04263	$ 147,177	514	$ 17,263	3	$ 135,729	514	$ 13,710	6	$ (11,448)
Scenario 3	$0.05684	$ 211,522	702	$ 29,368	4	$ 196,826	702	$ 24,064	8	$ (14,696)

Staff analyzed a reduced cash out cap for the three scenarios which had minimal financial impact to SCP and impacted very few customers. Reducing the cap from the current $5,000 to $2,500 had a financial savings to SCP of $14,696 in the most extreme case. Staff does not believed to be large enough to warrant the change.

Staff determined the NSC rate has a more significant financial impact than the cash out cap. See summary of scenarios below:

	NSC Rate	Cash Out of Credits	Roll-Over Credits	Forfeited Credits
Scenario 1	$0.02842	$ 84,497	$ 57,341	$ 7,983
Scenario 2	$0.04263	$ 147,177	$ 60,292	$ 17,263
Scenario 3	$0.05684	$ 211,522	$ 58,753	$ 29,368

In looking at the cash out of paying customers at PG&E's NSC rate compared to 200% of PG&E's NSC rate, it would put $127,025 more dollars in the pockets of SCP solar customers and sustain a substantial advantage for those customers to remain with SCP.

Conclusion:

Staff recommends SCP evolve the NetGreen program to a Net Surplus Compensation (NSC) cash out process that pays customers a rate closer to wholesale prices when a customer over-generates on an annual basis, but still provides a financial benefit compared to PG&E's net energy metering program.

Based on its analysis, staff further recommends Scenario 3, which sets the NSC rate at a premium compared to PG&E's NSC rate. Each January, SCP would look at PG&E's previous calendar year's 12 month average NSC rate. SCP would then set its Premium Net Surplus Compensation rate or PNSC rate at 200% of that average for the upcoming calendar year. The cap would remain at $5,000.

Proposed NetGreen Successor Program:

- Following the spring 2020 annual cash out, SCP shifts NEM customers to a Net Surplus Compensation (NSC) program for the annual cash out, similar to PG&E's with a few added benefits.
- Monthly billing continues with generation credits being applied at the CleanStart retail rate plus the bonus penny per kWh against the electricity consumed each month.
- Customers who are **<u>net energy generators in kilowatt hours</u>** during the annual cash out period (spring to spring) will be paid for excess energy at SCP's Premium Net Surplus Compensation Rate (PNSC).
  - SCP's PNSC rate will be set at **2.0x PG&E's 12-month NSC average** for the calendar year preceding the cash out.
    - PG&E's 2018 12-month NSC Rate Average: $0.02842
    - 2019 Annual Cash-Out PNSC Rate: $0.05684 *(illustrative only)*
- Customers with a NetGreen PNSC balance of $100 or more in the spring will automatically receive a check up to $5,000. Credit balances in excess of $5,000 will be forfeited and re-set to zero.
- Customers with a PNSC balance below $100 will have their PNSC balance rolled over to the following month.
  - There's a potential that some customers with a NetGreen credit balance above $100 may have less than $100 in PSNC and would therefore not receive a check but instead have the PSNC rolled over to the next month.
- NetGreen Aggregation customers are not eligible to receive net surplus compensation per state law and will have credits re-set to zero annually.

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Staff Report – Item 06

To: Sonoma Clean Power Authority Community Advisory Committee

From: Chad Asay, Programs Manager

Issue: Recommend the Board Adopt a Resolution to Award the Construction Contract for the Advanced Energy Center to the Low Bidder, Agbayani Construction Corporation and Waive Immaterial Bidding Irregularities; Reject Bid Protest from Arntz Builders, Inc.; and Make CEQA Exemption Findings

Date: September 17, 2019

Requested Action

Recommend that the Board of Directors ("Board") adopt the attached Resolution which takes the actions identified below.

Summary of the Resolution

If approved by the Board, the attached resolution (Attachment A) would:

1. Approve the plans and specifications for the Advanced Energy Center ("AEC") on file with the SCP Clerk of the Board;

2. Award a Construction Contract for the AEC to the low bidder, Agbayani Construction Corporation ("Agbayani") in the amount of $2,822,000 and waive immaterial bidding irregularities;

3. Reject Bid Protest Submitted by Arntz Builders, Inc ("Arntz").

4. Authorize the CEO to execute any awarded construction contract and any required construction change orders up a not-to-exceed amount of $282,200 which is equal to 10% of the contract amount, and authorize the CEO to pay all proper claims; and

5. Find that the AEC construction project is exempt from the California Environmental Quality Act ("CEQA") pursuant to sections 15301 and 15302 of the CEQA Guidelines.

Background

Project Goal – To provide an Advanced Energy Center retail location for Sonoma Clean Power ("SCP") that maintains a healthy workplace while showcasing energy efficiency and fuel switching in the built environment.

SCP was awarded the California Energy Commission's EPIC Grant 17-304 to, among other things, establish the AEC in order to speed deployment of market-ready advanced energy efficiency technologies. The AEC will be a physical storefront where SCPA customers may view and purchase energy-saving items from third-party vendors. Vendors will demonstrate energy-saving items at individual vendor displays in the AEC. SCP contracted with TLCD Architecture to design the AEC project, and has engaged the services of Sixth Dimension as the AEC project's construction manager. The AEC will be located at 741 4th Street, in Santa Rosa, California.

Discussion

The AEC project involves a complete remodel of the leased, vacant space into a new marketplace and demonstration area. The estimated cost of the construction of the AEC project is $3.01 M, funded by a combination of grant and SCP funds.

The construction work involves interior renovation work of an existing building, with only minor exterior repairs and improvements. The construction contractor will be tasked with demolition on the first and second floor, and the construction of tenant improvements to approximately 9,500 SF. Construction will include a demonstration kitchen, upgrades to the HVAC system, construction of a training room, the addition of a small ADA ramp to the rear entrance (the only exterior element of work), electrical improvements, and fire sprinklers throughout the building interior.

Staff issued a notice inviting bids for construction services on June 4, 2019. Initially bids were due on June 25, 2019. The bid opening date was then extended to July 16, 2019. A summary of bids is attached to this staff report (Attachment B). Agbayani Construction Corporation was determined to be the lowest responsible bidder with a bid of $2,822,000.

On July 18, 2019, staff received a bid protest from the second low bidder, Arntz, alleging issues related to Agbayani's subcontractor list. SCP requested and Agbayani provided a response to issues alleged by Arntz and also to minor bidding irregularities SCP staff had identified in Agbayani's bid. Staff reviewed the Protest with the SCP General Counsel and determined it lacked merit, as stated in the attached letter SCP drafted in response to the Arntz bid protest (Attachment C). In addition, staff reviewed the following minor bidding irregularities with SCP General Counsel and determined that each of the following could be waived as a matter of law as immaterial, since none of these minor irregularities affected the amount of Agbayani's bid, nor afforded it a competitive advantage not available to other bidders:

1) Agbayani's bid omitted proof of its capacity to provide the required builder's risk and pollution liability insurance. The confirming letter from Agbayani's insurance broker was subsequently submitted.

2) Two of the three similar projects listed by Agbayani were completed in 2017 instead of 2018 or 2019. Staff is satisfied that Agbayani has sufficient relevant experience.

3) Agbayani omitted a description of its safety program. The entire safety program, including its safety rating, was subsequently submitted, and staff is satisfied with the safety program and safety rating.

Staff recommends that the Board waive the above immaterial irregularities as allowed by law.

A Notice of Intent to Award to Agbayani Construction was issued publicly on August 23, 2019. Construction is anticipated to begin in October 2019 and is estimated to be complete by late April 2020.

Fiscal Impacts

In FY 19/20 SCP budgeted $4.2 M to CEC grant administration, labor and tenant improvements. Additionally, there are $509K in grant funds dedicated to the AEC tenant improvements.

Environmental Review

As described in more detail in the attached Resolution, the AEC project is a renovation of an existing leased space and is therefore categorically exempt from CEQA under Class I (Existing Facilities) and Class II (Replacement or Reconstruction), per sections 15301 and 15302 of the CEQA Guidelines, respectively.

Attachments

- **Attachment A** - Resolution
- **Attachment B** - Summary of Bids
- **Attachment C** – SCP Response to Bid Protest

Related Items "On File" with the Clerk of the Board

- SCP Advanced Energy Center Project Manual, Bid Set, and Supplementary Photographic Exhibit
- SCP Advanced Energy Center Bid Addenda 1-4

Attachment A

[NOT YET ADOPTED]

RESOLUTION NO. 2019 – XX

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SONOMA CLEAN POWER AUTHORITY AWARDING, APPROVING AND DELEGATING AUTHORITY TO THE CEO TO EXECUTE A CONSTRUCTION CONTRACT WITH AGBAYANI CONSTRUCTION CORPORATION FOR THE CONSTRUCTION OF THE ADVANCED ENERGY CENTER IMPROVEMENTS, FINDING OF CEQA EXEMPTIONS, REJECTING A BID PROTEST SUBMITTED BY ARNTZ BUILDERS, INC., AND ASSOCIATED ACTIONS

WHEREAS, the Sonoma Clean Power Authority ("SCP") was awarded the California Energy Commission's EPIC Grant 17-304 to, among other things, site and construct an Advanced Energy Center ("AEC") retail location to speed deployment of market-ready advanced energy efficiency technologies.

WHEREAS, the AEC will be a physical retail location at which SCPA customers may view and purchase energy-saving items directly from private, third-party vendors;

WHEREAS, the AEC will be constructed in an existing, leased building that is approximately 9,500 square feet in the downtown Santa Rosa, California;

WHEREAS, the construction work for the AEC project involves renovation of a currently vacant space, including: (1) demolition work on the first and second floors, (2) construction of new interior tenant improvements such as a demonstration kitchen and training rooms, upgraded HVAC systems, and associated mechanical, electrical and fire sprinkler work; and (3) minimal exterior improvements required in connection with interior renovation, including connections for mechanical, electrical and fire sprinkler work and an ADA ramp;

WHEREAS, the AEC project was bid on June 4, 2019, and 4 bids were received and opened on July 16, 2019;

WHEREAS, Agbayani Construction Corporation was determined to be the lowest responsible bidder based on its bid for $2,822,000; and

WHEREAS, staff determined that Agbayani Construction Corporation satisfies the bidding requirements for the AEC project;

WHEREAS, on July 18, 2019, SCP staff received a bid protest letter from Arntz Builders, Inc., the second low bidder, alleging that the Agbayani Construction Company bid was non-responsive due to issues related to the subcontractor list;

WHEREAS, Agbayani provided satisfactory responses to staff regarding three minor bidding irregularities pertaining to (1) builder's risk and pollution liability insurance, (2) dates of completion of similar projects, and (3) safety program details.

WHEREAS, SCP staff have consulted with the General Counsel and have concluded that: (1) the bid protest lacks merit; (2) the three minor bidding irregularities identified by staff may be waived as a matter of law as immaterial, since none of these minor irregularities affected the amount of Agbayani's bid, nor afforded it a competitive advantage not available to other bidders: and (3) the bid may be awarded to Agbayani Construction Company as the lowest responsible bidder;

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

Section 1. Finds that the foregoing recitals are true and correct and a substantive part of this Resolution.

Section 2. Finds that the AEC project is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to a Class I (Existing Facilities) and Class II (Replacement or Reconstruction) because the AEC project is a renovation of the interior space of an existing building in Santa Rosa's downtown with only minor exterior repairs and improvements required in connection with the indoor tenant improvements.

Section 3. Finds that the AEC project presents no unusual circumstances or other exceptions that would preclude applicability of either the Class I (Existing Facilities) or Class II (Replacement or Reconstruction) CEQA Exemptions.

Section 4. Approves the plans and specifications for the AEC on file with the SCP Clerk of the Board.

Section 5. Finds and determines that the allegations regarding the bid of Agbayani Construction Company for the AEC project according to the bid protest submitted by Arntz Builders, Inc. dated July 18, 2019, are without merit. The Board of Directors therefore rejects the bid protest submitted by Arntz Builders, Inc.

Section 6. Finds and determines that the three minor bidding irregularities identified by staff may be waived as immaterial since none of these minor irregularities affected the amount of Agbayani's bid, nor afforded it a competitive advantage not available to other bidders. Based on staff's recommendation, the Board of Directors therefore waives the three minor bidding irregularities.

Section 7. Awards the Construction Contract for the AEC project's construction to Agbayani Construction Corporation in the amount of $2,822,000, conditioned on Agbayani Construction Corporation's timely executing the construction contract and submitting of all required documents, including, but not limited to executed bonds, certificates of insurance and endorsement in accordance with project bid and contract documents.

Section 8. Authorizes the CEO to execute the Construction Contract with Agbayani Construction Corporation for $2,822,000, and authorizes the CEO to execute any required construction change orders up to a not-to-exceed amount of two hundred and eighty two thousand and two hundred ($282,200), which is ten percent (10%) of the Contract Amount, and authorizeS the CEO to pay all proper claims for performance of the Construction Contract.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

DULY ADOPTED this 3rd[th] day of October, 2019

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

In alphabetical order by jurisdiction

____

Chair, Sonoma Clean Power Authority

Attest:

____

Clerk of the Board

APPROVED AS TO FORM:

____

General Counsel,
Sonoma Clean Power Authority

Attachment B

Summary of Bid Process and Bids

Staff issued a notice inviting bids for construction services advertising the AEC construction project on June 4, 2019. Initially bids were due on June 25, 2019. The bid opening date was then extended to July 16, 2019. The bidding period was 42 calendar days. SCP received 4 bids from qualified contractors on July 16, 2019.

Bid Name/Number	Agbayani Construction Corporation
Proposed Length of Project	198 calendar days
Total Calendar Days to Respond to Bid	42
Pre-Bid Meeting Date	June 11, June 12, and July 8, 2019
Number of Potential Bidders Attending Pre-Bid Meeting	7
Number of Bids Received	4
Bid Price Range	$2,822,000 to $3,494,000

SCP received bids from Agbayani Construction Corporation. Arntz Builders Inc., CWS Construction Group Inc., and Midstate Construction Corporation. The low bid submitted by Agbayani Construction Corporation is $2,822,000 and is 7% below SCP staff's estimate for the project.

Sonoma Clean Power

50 Santa Rosa Ave., 5th Floor
Santa Rosa, CA 95404

Delivered via email & certified mail

August 21, 2019

JP Van Zee, Senior Project Manager
Arntz Builders, Inc.
431 Payran Street
Petaluma, CA 94952

Re: Sonoma Clean Power Advanced Energy Center Project

Response to Bid Protest

Dear Mr. Van Zee:

This letter responds to your bid protest, dated July 18, 2019, protesting the bid submitted by Agbayani Construction Corporation ("ACC"), the apparent low bidder for the above-referenced project ("Project"), on behalf of Arntz Builders, Inc. ("Arntz"), the second low bidder. Following review and analysis of the protest and consultation with legal counsel, I have determined that your protest lacks merit for the reasons stated below. Therefore, I will recommend that the Governing Board for the Sonoma Clean Power Authority ("SCPA") award the contract for the Project to ACC as the lowest responsible bidder.

I. Legal Standards

As set forth in Article 3.1.B of Section 00200 (*Instructions to Bidders*) of the bid documents for this Project, and in accordance with the terms of the SCPA's authority as a joint powers agency, the apparent low bid is determined in accordance with Public Contract Code section 20128, which provides that the contract will be awarded to the lowest responsible bidder.

Pursuant to Article 3.2.D of Section 00200 (*Instructions to Bidders*), the SCPA "may conduct reasonable investigation...as Owner deems necessary to assist in the evaluation of any Bid and to establish Bidder's responsibility...." Public agencies are afforded discretion to make determinations of responsibility:

> "An agency has discretion to determine whether a low bidder is 'responsible,' that is, whether the bidder has the fitness, quality, and capacity to perform the proposed work satisfactorily." (*D.H. Williams Const. Inc. v. Clovis Unified Sch. Dist.* (2007) 146 Cal.App.4th 757, 763 ("*Williams*").)

With respect to issues of responsiveness, in Article 1.9 of Section 00100 (*Advertisement for Bids)*, the SCPA expressly reserves its rights to waive minor or inconsequential bidding defects or irregularities:

> "Owner specifically reserves the right, in its sole discretion, to reject any or all Bids, to re-bid, or to waive inconsequential defects in bidding not involving time, price, or quality of the work. Owner may reject any and all Bids and waive any minor irregularities in the Bids."

Article 3.3.C of Section 00200 (*Instructions to Bidders*) also states that the SCPA may "waive any informalities or minor irregularities." In general, issues of responsiveness are determined by looking exclusively at the face of the bid. (*Great West Contractors, Inc. v. Irvine Unif. Sch. Dist.* (2010) 187 Cal.App.4th 1425, 1453.) Therefore, allegations that go beyond the face of the bid—e.g., allegations based on speculation as to future behavior—are generally not relevant for determining responsiveness.

II. Issues and Facts

In its protest, Arntz asserts that ACC's bid "must be deemed nonresponsive" because ACC has allegedly violated Public Contract Code section 4104(b) by listing two subcontractors for work that Arntz identifies as "Abatement" and by listing two subcontractors for work that Arntz identifies as "Low Voltage & Camera."

In this regard, ACC's submittal of Section 00430 (*Subcontractors List*), includes the following listed subcontractors and description of work:

Subcontractor Name:	**ACC's Description of Work:**
MG Remediation, Inc.	"Abatement"
Central Valley Environmental	"Demo & Abatement"
Netronix Integration, Inc.	"—Low Voltage —Security Camera"
Consolidated Network Corp.	"—Low Voltage —Camera"

The descriptions provided by ACC for the two sets of subcontractors are similar, but not identical. More significantly, ACC has represented that in both cases, the two subcontractors listed for similarly described work, will not be performing the same work. In each instance, according to ACC, one of the two listed subcontractors will only be performing work excluded from the scope provided by the primary subcontractor. ACC has not indicated that it will self-perform work for which it does not possess the requisite license.

Arntz also alleges that ACC "did not provide sufficient descriptions of the work to be performed." However, neither the Public Contract Code nor case law construing the requirements of section 4104 establish any standards for determining the relative sufficiency of descriptions of the work on a subcontractor list form. Even if the descriptions arguably could have been more detailed or precise, that does not render the bid nonresponsive.

III. Analysis

While Arntz states that ACC's bid is "nonresponsive," the bid protest actually raises issues of responsibility pursuant to the *Williams* case, citied above. According to Arntz, the allegedly insufficient descriptions in the subcontractor list form gave ACC "the ability to decide, after the opening of bids, what work would be delegated to which subcontractor." In other words, Arntz speculates that ACC may violate the requirements of the Subletting and Subcontracting Fair Practices Act (Public Contract Code section 4100 et seq.) (the "Act").

In *Williams*, a school district rejected a low bid as nonresponsive because it listed an unlicensed subcontractor. The court concluded that this was not an issue of *responsiveness*, but a question of *responsibility* based on speculation as to the bidder's intentions:

> "If an agency had reason to believe a bidder knowingly listed a subcontractor, whether licensed or not, with the intention of substituting a different subcontractor once the prime contract was awarded, the agency clearly would be entitled to reject the prime bidder as not responsible...." (*Williams, supra,* at 766.)

The court found that the school district wrongfully rejected the low bid as nonresponsive instead of affording the low bidder a due process hearing on the issue of responsibility, and further observed that an awarding agency has recourse to statutory remedies in the event of a future violation of the Act:

> "Further, if the agency discovered such action after the contract was awarded, the agency may take remedial action: 'A prime contractor violating any of the provisions of [the act] violates his or her contract and the awarding authority may exercise the option, in its own discretion, of (1) canceling his or her contract or (2) assessing the prime contractor a penalty....' (Pub. Contract Code, § 4110.)" (*Williams, supra,* at 766.)

In the absence of actual evidence that ACC is not a "responsible bidder," as that term is defined in the Public Contract Code and case law, the SCPA has no basis for disqualifying ACC as a non-responsible bidder and could not do so without a due process hearing.

IV. Conclusion

Based on the foregoing, the SCPA rejects the contention that ACC's bid is nonresponsive based on its subcontractor list form. Assuming the Board is otherwise satisfied that ACC is a responsible bidder, the Board may award the contract for the Project to ACC as the lowest responsible bidder. Alternatively, the SCPA retains the right to reject all bids.

The SCPA appreciates Arntz's participation in the bid for the Project and wishes it success in future bids.

Sincerely,

Cordel Stillman, Director of Programs

c: Agbayani Construction Corporation
Geof Syphers, Chief Executive Officer, Sonoma Clean Power
General Counsel, Sonoma Clean Power
Karl, Schultz, 6th Dimension

Staff Report – Item 07

To: Sonoma Clean Power Authority Community Advisory Committee

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

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

Date: September 17, 2019

Requested Committee Action:

Receive Legislative and Regulatory Updates and Provide Input as Appropriate

REGULATORY REPORT

PG&E Energy Resource Recovery Account (ERRA)

PG&E submitted an Application for approval of 2020 ERRA revenue requirements in June. This Application proposes to raise the PCIA charged to departing customers significantly (SCP's 2014 vintage residential customers would pay 60% more in PCIA than they do today). SCP and a coalition of Northern California CCAs are heavily engaged in this proceeding and have retained external consultants who can review PG&E's confidential work papers to assist us in our defense. We have already identified a significant amount of areas where the Application deviates from required practice and previous precedent.

A pre-hearing conference was held on August 15th. Testimony was submitted on September 10th, with PG&E's Rebuttal due September 24th. Evidentiary Hearings to address disputed issues of fact and law will be held from September 30th to October 2nd. Following those hearings, and subsequent data requests, opening and reply briefs will be due October 21st and 31st. The Commission intends to resolve and implement rates by January 1st of 2020.

Resource Adequacy (RA)

A Motion for Approval of a Settlement was filed with the CPUC by a diverse group of stakeholders, including CalCCA, SDG&E, Shell Energy, and Calpine. This Settlement outlines the terms by which a Central Procurement Entity ("CPE") would purchase RA on behalf of LSEs which did not do so on their own accord. It is in direct response to a proposal denied by the Commission earlier this year to implement a central buyer for all RA, regardless of LSEs' desire to enter into their own contracts. Following that vote, the Commission directed stakeholders develop their own version of a central buyer framework for RA.

Comments on the Central Buyer Settlement are due September 30th, with replies due October 15th. Following that stakeholder feedback, the Commission may modify, adopt, or deny the settlement proposal. It should be noted that the Settlement does not propose which entity should function as the CPE (e.g. an IOU, a new or existing State agency), but details the responsibility, function, and timing of actions. As proposed, the Central Procurement Entity would assume responsibility in 2021 for the 2022 Resource Adequacy year.

In addition to the discussion of a central buyer, we await a ruling after comments on rules for counting imports for resource adequacy. This issue overlaps with the IRP where reliance on imports for resource adequacy is also being considered.

Integrated Resource Planning (IRP)

On July 22nd, 44 stakeholders submitted over 700 pages of comments on a CPUC Ruling initiating a procurement track and seeking comment on potential reliability issues. The Ruling described a near-term need for 2,000 MW of capacity to ensure reliability, and proposed – as a partial solution – to direct SCE to procure 500 MW of capacity in the near term. The ruling posed a series of questions to parties intended to answer this central question of whether a need exists, when it will materialize, and appropriate measures to mitigate it.

Of particular note, the ISO's response to this Ruling has raised the stakes. The ISO estimates a need for up to 4,400 MW of resources to meet "net peak" – late afternoon hours when demand remains high but solar generation drops off. CalCCA will be engaging with the CAISO to establish a working group to address this deficiency analysis and propose solutions.

LEGISLATIVE REPORT

As of the drafting date for this item, the Legislature is in its last four days of the 2019 legislative session. There are many bills still waiting to be acted upon before the Legislature adjourns on Friday, September 13th.

Assemblyman Mayes was given the greenlight to allow PG&E to introduce AB 235 (Mayes) which would allow PG&E to borrow $20 billion in tax-free bonds from the State of California. However, Senate leadership only allowed introduction of the bill on the condition that the bill will stay in the Senate Energy, Utilities & Communications Committee until the Legislature returns in January. The dynamics of the different stakeholders created an atmosphere that did not allow for any type of negotiations to take place. The shareholders of PG&E will be working during the interim in hopes of bringing a compromise to the table as soon as the Legislature returns.

Because the bill was written to have ratepayers be directly responsible for all wildfire costs and then reimbursed through an undecided mechanism which could allow for cost shifts onto ratepayers, SCP submitted a letter in opposition to AB 235. SCP will be working with all stakeholders to work on a plan that does not have the potential to shift wildfire costs onto ratepayers.

The last remaining bill SCP has concerns with is SB 520 by Senator Hertzberg. SB 520 establishes a provider of last resort process that favors the three incumbent investor owned utilities even though one IOU (Sempra) would like to exit the electric retail market and another IOU (PG&E) is in bankruptcy with an uncertain future. SCP is specifically opposed to the IOU cost recovery language for serving as the POLR which could result in CCAs paying twice for the same costs imposed on the system due to customers being returned to the IOU. SB 520 does not clarify what ratepayers will be required to pay for setting up the IOUs (or another entity) as POLR. Since it is a systemwide cost, all ratepayers should be responsible. However, as drafted, the IOUs could seek the cost recovery only from ratepayers from CCAs and direct access energy providers.

The Governor will have until October 13th to sign or veto all legislation passed by the Legislature.

SCP LEGISLATIVE POSITIONS

AB 56 (E. Garcia) – Central Procurement – DIED IN COMMITTEE ON JULY 10
Board Action: Oppose
Hearing: Senate Energy, Utilities & Communications Committee -- July 10, 2019

AB 56 would authorize the California Public Utilities Commission and the California Energy Commission to jointly establish the "California Clean Electricity Authority" if certain findings regarding need for the Authority as a means to help achieve California's clean energy goals, plug gaps in current procurement by retail sellers, and that the Authority can reasonably manage power supply commitments previously entered into by electrical corporations.

AB 235 (Mayes) - Electrical corporations: wildfire victim recovery bonds
Location: SENATE – ENERGY & UTILITIES COMMITTEE
SCP Position: Oppose

AB 235 would allow PG&E to borrow up to $20 billion in tax-free loans from the State of California, using ratepayers as the borrower, and would create a method for reimbursing ratepayers that SCP has concerns could lead to increased ratepayer costs. See attached letter for details.

AB 684 (Levine) – Building Standards
Location: ASSEMBLY – CONCURRENCE ON SENATE AMENDMENTS PENDING
Board Action: Support

AB 684 would require the Department of Housing and Community Development and the Building Standards Commission to research, develop, and propose building standards for electric vehicle parking spaces in existing multifamily and non-residential buildings.
AB 684 was placed on the consent calendar and passed the Senate Housing Committee on July 2, 2019.

AB 1362 (O'Donnell) – CCA Code of Conduct
Location: ASSEMBLY – CONCURRENCE ON SENATE AMENDMENTS PENDING
Prior Board Action: Neutral
Recommend: Support as amended May 16, 2019.

AB 1362 was amended to require the CPUC to establish a centralized procurement clearinghouse of load-serving entities' residential electric rate tariffs and programs. When the bill was heard in the Assembly, AB 56 was amended to remove the mandate that CCAs comply with the code of conduct, which applies to utilities that have shareholders that can assume costs for lobbying and marketing. However, the “clearinghouse” language remained in the bill. After discussing this concern with the Senate Energy, Utilities and Communications Committee consultant, the committee’s suggestion to the author to amend the bill to remove the reference to the clearinghouse and instead require the CPUC to post this information on their website. Assemblyman O’Donnell accepted the amendment. AB 1362 was approved by the committee as amended and was passed to the Senate Appropriations Committee.

SB 155 (Bradford) – Integrated Resource Plan
Location: Enrollment
Prior Board Action: Allow staff to negotiate
Current Position: Neutral
Senator Bradford accepted the amendments proposed by the Assembly Appropriations Committee and SCP removed its opposition. The Assembly Appropriations Committee amendments made sure the IRP will stay as a planning document.

SB 167 (Dodd) – Wildfire Mitigation Plans De-energizing
Location: Enrolled
Board Action: Support
SB 167 requires electrical corporations to develop protocols for de-energizing portions of their distribution system within their wildfire mitigation plans. The protocols are related to mitigating the public safety impacts of disabling reclosers and de-energizing portions of the electrical distribution system along with considering the impacts on customers who are receiving medical baseline-allowances.

SB 255 (Bradford) – Diverse Business Enterprises –
Location: Senate – Concurrence in Assembly Amendments Pending
Board Action: Support
SB 255 expands the CPUC utility supplier diversity program by lowering the annual gross revenue threshold for participation from $25 million to $15 million in California and would include CCAs, electric service providers, distributed energy resource companies, and certain wholesale electric generators. SB 255 will be heard in the Assembly Appropriations Committee when the Legislature returns from summer recess.

SB 350 (Hertzberg) – Central Buyer AUTHOR PULLED BILL FROM FILE… 2-YEAR BILL
Board Action: Allow to Negotiate

SB 350 authorizes the CPUC to consider changes within the resource adequacy program, including the use of a multi-year centralized resource adequacy mechanism.

SB 520 (Hertzberg) – Provider of Last Resort
Location: Assembly Floor
Board Action: Oppose
SB 520 authorizes the CPUC to develop threshold attributes for load serving entities to serve as a "provider of last resort" or POLR.

Sonoma Clean Power

50 Santa Rosa Ave., 5th Floor
Santa Rosa, CA 95404

sonomacleanpower.org

September 9, 2019

The Honorable Ben Hueso, Chairman
Senate Energy, Utilities & Communications Committee
State Capitol, Room 4035
Sacramento, CA 95814

Re: AB 235 (Mayes) -- OPPOSE

Dear Chairman Hueso:

Sonoma Clean Power (SCP) is the community choice electric provider for Sonoma and Mendocino Counties. SCP is a governmental agency owned by its ratepayers and operated by a board of directors consisting of local elected officials from each incorporated city and county in its jurisdiction. In 2017, 5,900 homes were destroyed by fires in SCP's service territory.

SCP opposes AB 235 (Mayes) as amended on September 6, 2019 because the bill fails to adequately ensure ratepayers will be reimbursed, and introduces significant risk that PG&E will not be able to emerge from bankruptcy in time to participate in the AB 1054 insurance program. SCP must oppose AB 235 because the bill:

<u>Could shift bond costs to ratepayers</u>. AB 235 proposes to make all bonds the direct obligation of ratepayers and then separately reimburse ratepayers through a reduction in its Return on Equity (ROE). This mechanism fails to ensure that full reimbursement will occur because ROE has no fixed baseline from which a definite reduction can be measured from year to year, making this a moving target which would require regular litigation and investigation to attempt to prove that the reduction in ROE was sufficient to fully reimburse ratepayers for all bond costs.

<u>Introduces significant risk that PG&E's plan of reorganization will not be timely funded</u>. The dependency of using tax-free lending will require the IRS to provide a private letter ruling to allow a for-profit entity to benefit from a tax-free loan. The IRS typically takes 18 to 24 months to consider a matter like this, and that would not be quick enough to meet the deadline of June 30, 2020 for emerging from bankruptcy, as is required for PG&E to participate in the State's recent AB 1054 insurance coverage. Relying on a successful IRS approval is also risky on any schedule. This means that relying on a loan from AB 235 adds significant risks to PG&E's plan of reorganization, and jeopardizes participation in the State's AB 1054 insurance program.

In addition to those core problems, the bill also has numerous issues relating to the ratepayer reimbursement mechanism during stressful events, such as future bankruptcies, periods of marginal ability to raise capital, and inappropriately handles major events such as municipalization. There are also issues relating to the separate and different treatment of 2017 and 2018 fire costs, despite both being pre-petition, in that PU Code 925(e) only specifies 2017 fires and does not expressly state the same for 2018 fires. Such language could allow 2018 fire costs to be shifted to ratepayers. This is also discussed in PU Code 926(b) where PG&E claims the SB 901 stress test is eliminated for 2017-2018 fires, however the language in (b) is conditional on the IOUs requesting financing through the tax-exempt bonds before it prevents them from using the stress test. So, it appears PG&E could use the stress test for 2018 fires under this bill so long as they don't request tax-exempt bonds for those particular costs, while still drawing funds for the 2017 fires.

As a ratepayer-owned government agency, we must oppose the bill because it fails to adequately protect ratepayers. Thank you for your consideration of our concerns.

Sincerely,

Geof Syphers

Geof Syphers, CEO

P.O. Box 1030, Santa Rosa, CA 95402 www.sonomacleanpower.org