AGENDA
COMMUNITY ADVISORY COMMITTEE MEETING
THURSDAY, SEPTEMBER 21, 2023
1:00 P.M.

EXCEPT AS PERMITTED BY GOVERNMENT CODE SECTION 54953(F), MEMBERS OF THE COMMUNITY ADVISORY COMMITTEE MAY PARTICIPATE IN THE SEPTEMBER 21, 2023, MEETING AT THE LOCATION SHOWN BELOW.

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

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

- Webinar link: https://us06web.zoom.us/j/89591222887
- Telephone number: 1 (669) 444-9171
- Meeting ID: 895 9122 2887

How to Submit Public Comment When Participating Remotely:

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

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

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

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

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

PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

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

COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR

COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

COMMITTEE MEMBER ANNOUNCEMENTS

ADJOURN

COMMONLY USED ACRONYMS AND TERMS

CAC	Community Advisory Committee
CAISO	California Independent Systems Operator – the grid operator
CCA	Community Choice Aggregator – a public power provider
CEC	California Energy Commission
CleanStart	SCP's default power service
CPUC	California Public Utilities Commission
DER	Distributed Energy Resource
ERRA	Energy Resource Recovery Account – one of PG&E's rate cases at the CPUC
EverGreen	SCP's 100% renewable, 100% local energy service, and the first service in the United States providing renewable power every hour of every day.
Geothermal	A locally available, low-carbon baseload renewable resource
GHG	Greenhouse gas
GRC	General Rate Case – one of PG&E's rate cases at the CPUC
GridSavvy	GridSavvy Rewards are available to SCP customers for reducing household energy use when needed to help California ensure reliable low-emission power. A form of 'demand response.'
IOU	Investor-Owned Utility (e.g., PG&E)
IRP	Integrated Resource Plan – balancing energy needs with energy resources
JPA	Joint Powers Authority
MW	Megawatt is a unit of power and measures how fast energy is being used or produced at one moment.
MWh	Megawatt-hour is a unit of energy and measures how much energy is used or produced over time.
NEM	Net Energy Metering. NEM is a billing mechanism that credits solar energy system owners for the electricity they add to the grid.
NetGreen	SCP's net energy metering bonus
PCIA	Power Charge Indifference Adjustment – a fee charged by PG&E to all electric customers to ensure PG&E can pay for excess power supply contracts that it no longer needs.
RA	Resource Adequacy – a required form of capacity that helps ensure there are sufficient power resources available when needed.
RPS	Renewables Portfolio Standard refers to certain kinds of renewable energy which qualify to meet state requirements, including wind, solar, geothermal.
SCP	Sonoma Clean Power
TOU	Time of Use, used to refer to rates that differ by time of day

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DRAFT MEETING MINUTES
COMMUNITY ADVISORY COMMITTEE MEETING
THURSDAY, JULY 20, 2023
1:00 P.M.

CALL TO ORDER

(1:03 p.m. - Video Time Stamp: 00:03:10)

Chair Morris called the meeting to order.

Committee Members present: Chair Morris, Vice Chair Quinlan, and Members Hollinshead, Dowd, Kelly, Wells, Nicholls, Booth, and Lipp. Members Fenichel and Wells were absent with prior notice.

Staff present: Michael Koszalka, Chief Operating Officer; Stephanie Reynolds, Director of Internal Operations; Kate Kelly, Director of Public Relations and Marketing; Neal Reardon, Director of Regulatory Affairs; and Chris Golik, Finance Manager.

PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(1:04 p.m. - Video Time Stamp: 00:04:27)

Public Comment: None

COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR

(1:05 p.m. - Video Time Stamp: 00:05:18)

1. Approve May 11, 2023, Draft Community Advisory Committee Meeting Minutes
2. Receive Geothermal Zone Update
3. Recommend that the Board Approve and Delegate Authority to the CEO or his Designee to Execute First Amendment to Contract with Frontier Energy Inc to add $10,536 for an Amount Not-to-Exceed $150,179 through August 30, 2023, to Close Out Remaining Projects with On-Bill Financing Agreements
4. Review Resolution 2023-03 Authorizing Investment of Monies in the Local Agency Investment Fund

5. Recommend the Board of Directors Approve and Delegate Authority to the CEO or his Designee to Execute an Agreement for Professional Services with Alternative Energy Systems Consulting, Inc. through December 31, 2024, with a Not-To-Exceed Amount of $118,000 to Provide Technical Assistance for Sonoma Clean Power's Workplace Charging Research Project

6. Recommend that the Board of Directors Authorize the CEO, or his Designee, to Execute a Contract with BlastPoint for New Data-Driven Customer Insights through June 30, 2024, with a Not-to-Exceed Amount of $176,000

   Chair Morris requested that the Item 1 be changed to reflect an error in the May 11 meeting minutes and should say "Chair Morris called the meeting to order."

   Public Comment: None

   Member Lipp abstained from Item 5 due to a potential conflict of interest with the counterparty.

   Motion to approve the May 11, 2023, Community Advisory Committee Consent Calendar with the change to Item 1 included by Chair Morris

   Second: Member Nicholls

   Motion passed by roll call vote.

   AYES: Morris, Quinlan, Hollinshead, Dowd, Wells, Nicholls, Booth
   ABSENT: Fenichel, Kelly
   ABSTAIN: Member Lipp, Item 5

COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR

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

   (1:08 p.m. - Video Time Stamp: 00:08:28)

   Stephanie Reynolds, Director of Internal Operations, shared a video regarding Sonoma Clean Power's (SCP) work with Career Technical Education (CTE). Ms. Reynolds announced that the Town of Windsor voted to transition all accounts to EverGreen. Kate Kelly, Director of Public Relations and Marketing, discussed SCP's community outreach and events, highlighting Sonoma County's Pride Event, Adopt-a-Road trash removal, Cloverdale's Friday Night Lights, Country Summer, and the upcoming Sonoma County Fair Hall of

Flowers. Director Kelly also noted that SCP had begun its Community Benefits Grant Program with Calpine.

Member Hollinshead asked who the non-profits were who received the grants and Director Kelly answered that she would get back to the Committee with the information. Chair Morris asked what the amounts of the grants were and Director Kelly answered that $79,000 was given in total.

Michael Koszalka, Chief Operating Officer (COO), gave an update on GridSavvy Rewards Alerts and stated that it had grown from 2,000 enrollees last year to 7,000 this year. Member Quinlan asked what the participation rates for GridSavvy Rewards Alerts events were and COO Koszalka replied that data would be available after October. COO Koszalka then discussed SCP's Community Needs Assessments focusing on underserved communities. Director Reynolds then gave an update on changes to initiatives, programs, and incentives offered by SCP and COO Koszalka added that low-income incentives will stay the same.

Member Hollinshead requested a list of State and Federal incentives and Member Nicholls added that he had his contractor run rebates for him. Vice Chair Quinlan asked if SCP had a feel for why there was an increase in the use of incentives and COO Koszalka answered that there was a marked increase when the process changed from sending rebates to contractors to sending them directly to customers. Member Lipp stated he appreciated that SCP helped low-income individuals but worried that some customers would be negatively impacted by the reductions in rebates and incentives. COO Koszalka responded that the community needs assessments may provide more information on who would be impacted by changes in SCP rebates.

COO Koszalka shared financial news stating that for the current fiscal year energy costs are trending lower than expected. He discussed resource adequacy and stated that on June 6, 2023, the California Public Utilities Commission (CPUC) fined SCP $442,012 for being 1.5% short in the year-ahead filing for the month of July 2023 and 11% short for the month of August. This fine was levied because – even though SCP eventually filled its entire regulatory obligation – it was after the CPUC's designated year-ahead deadline for compliance.

Member Hollinshead asked why increased solar and battery storage is a reduced commodity. Neal Reardon, Director of Regulatory Affairs, responded that as more solar energy is produced, its value as a commodity goes down. He added that the CPUC assigns the different values to resources. Chair

Morris asked if the citations were the reason that community choice aggregators (CCAs) couldn't add cities and Director Reardon answered that it was. Vice Chair Quinlan asked if the citation was appealable, and Director Reardon answered that it was, but appealing these decisions takes a great deal of time and expense and is generally not successful.

Public Comment: None

8. Receive Legislative Regulatory Updates, Provide Feedback, and Recommend Positions to the Board as Appropriate

   (1:51 p.m. - Video Time Stamp: 00:51:37)

   Director Reardon discussed how SCP customers currently do not receive a credit for greenhouse gas (GHG) emissions-free resources they pay for in utility portfolios and SCP has been pushing the California Public Utilities Commission (CPUC) for this credit. The CPUC recently agreed to this credit going forward. He discussed resource adequacy and the new "slice of day" concept to meet all needs. He added that the CPUC is getting serious on resource adequacy enforcement. Finally, he stated that the Legislature is on a brief summer recess.

   No bill positions were presented during the discussion therefore no vote of the Committee was required for this item.

   Public Comment: None

COMMITTEE MEMBER ANNOUNCEMENTS

(1:58 p.m. - Video Time Stamp: 00:57:58)

None

ADJOURN

(1:58 p.m. - Video Time Stamp: 00:58:34)

The meeting was adjourned by unanimous consent.

Sonoma Clean Power

Staff Report – Item 02

To: Sonoma Clean Power Authority Community Advisory Committee

From: Brian Goldman, Principal Compliance Analyst
Neal Reardon, Director of Regulatory Affairs

Issue: Recommend Board Approval of a Resolution Attesting to the Accuracy of Sonoma Clean Power Authority's 2022 Power Source Disclosure Annual Reports for CleanStart and EverGreen Products and 2022 Power Content Label

Date: September 21, 2023

Recommendation

Staff requests the Committee to recommend that the Board of Directors approve a resolution affirming the 2022 Power Source Disclosure Annual Reports for Sonoma Clean Power Authority's (SCP) CleanStart and EverGreen products (PSD Annual Reports) and SCP's 2022 Power Content Label and attest to their veracity. The resolution is attached to this staff report as Attachment A, the 2022 PSD Annual Reports are attached to the resolution as Exhibit 1 and Exhibit 2, and the 2022 Power Content Label is attached to the resolution as Exhibit 3.

Background

The California Public Utilities Code requires all retail sellers of electric energy, including SCP, to disclose "accurate, reliable, and simple-to-understand information on the sources of energy"[1] that are delivered to their respective customers each year. SCP submitted its 2022 PSD Annual Reports on June 1, 2023. The PSD Annual Reports include SCP's specified power purchases, resales, and self-consumption of energy by fuel type. Information from SCP's 2022 PSD Annual Reports is included in SCP's 2022 Power Content Label. The Power Content Label is mailed to SCP

[1] PUC § 398.1(b).

customers and posted on both SCP's and the California Energy Commission's (CEC) websites.

Discussion

Staff will recommend that the Board adopt a resolution approving SCP's 2022 PSD Annual Reports for SCP's CleanStart and EverGreen products and attest to the veracity of the data in the PSD Annual Reports. Adoption of the attached resolution as recommended by staff enables SCP to comply with the CEC regulation implementing SB 1305.[2]

During the 2022 calendar year, SCP provided CleanStart customers with an energy supply including 50.3% RPS eligible renewable energy from geothermal (17%), biomass and biowaste (16.4%), eligible hydroelectric (.4%), solar (9%), and wind (7.5%). For EverGreen customers, SCP provided 100% renewable energy to participating customers including 86.5% purchased from geothermal sources and 13.5% purchased from solar sources. For comparison, California's total renewable energy ratio is 35.8%.

Since 2020, retail sellers must include greenhouse gas (GHG) data for generation and procurement in the PSD Annual Reports and on the Power Content Label.[3] SCP reports that it produces a GHG Emissions Intensity of 112 pounds of carbon dioxide equivalent per megawatt-hour (lbs. CO_2e/MWh) for its CleanStart product, and just 70 lbs. CO_2e/MWh for its EverGreen product, compared to the 2022 California Utility Average of 422 lbs. CO_2e/MWh.

Fiscal Impact

Adoption of the Resolution will not result in any financial impact to SCP.

Attachments

- Attachment A – Resolution Approving SCP 2022 Power Source Disclosure Annual Reports for CleanStart and EverGreen Products and Approving and Attesting to the Veracity of SCP's Power Content Label, available at this link or by request from the Clerk of the Board

[2] 20 CCR § 1390-1394.
[3] Modification of Regulations Governing the Power Source Disclosure Program, May 4, 2020, p. 15.

Staff Report – Item 03

To: Sonoma Clean Power Authority Community Advisory Committee

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

Issue: Recommend the Board of Directors Approve an Update to the NetGreen Tariff to Adjust Sonoma Clean Power Authority's Premium Net Surplus Compensation Rate

Date: September 21, 2023

Recommendation

Recommend the Board of Directors approve revisions to the NetGreen 2.0 Tariff.

Background

In 2020, SCPA's Board of Directors approved the initial SCPA Tariff for NetGreen. The Board approved the transition to the NetGreen 2.0 Tariff revisions on December 1, 2022, effective January 1, 2023, primarily affecting cash out. Cash out is an annual process which pays customers who generate more energy than they consume over the course of a year a Premium Net Surplus Compensation (PNSC) payment. Approximately 3% of SCP's total customer base received a check for PNSC for the cash out in Spring 2023. The average cash out was $225. SCP has approximately 27,100 NetGreen customers

Note: This adjustment is unrelated to the recent CPUC approval of the Net Billing Tariff (NBT), also known colloquially as NEM 3.0.

Discussion

Staff proposes revisions to the Premium Net Surplus Compensation (PNSC) and cash out process of SCPA's NetGreen 2.0 Tariff. Effective January 1, 2020, the California Solar Mandate requires all newly built homes to install solar photovoltaic systems. Due to the significant increase in rooftop solar resulting from said mandate and the large growth in solar interconnection applications prior to the April 14, 2023, deadline for customers to lock in their NEM 2.0 reservation, staff recommends revisions. These revisions aim to better align with current energy market prices and to ensure fiscal responsibility across all customer classes.

The proposed revisions to SCPA's NetGreen tariff are as follows:

1. Change the methodology under which the PNSC is calculated, to mitigate unintended impacts resulting from current unusually high energy prices while still supporting solar customers.

2. Change the threshold at which a check will be automatically issued to $200 (from $100); amounts under $200 would be provided through an on-bill credit.

3. Sunset the "Net Generator Bonus" (i.e., bonus penny) effective July 1, 2024.

Staff is not recommending any programmatic changes to the NetGreen offering, however, as the wholesale rate for energy increases, it is no longer reasonable for SCP to pay two times the Net Surplus Compensation (NSC) rate to solar customers. This would result in a large subsidy of solar customers from all non-solar customers, including low-income customers.

Net Surplus Compensation (NSC)

California AB 920 (Huffman) requires utilities to pay customers for surplus electricity generated annually, based on the value of that electricity delivered to the utility. The California Public Utilities Commission (CPUC) directed investor-owned utilities to calculate NSC based on the average wholesale value of electricity during solar generating hours over a calendar year.

In 2019, SCP's Board of Directors approved setting SCP's NSC rate to be double the 12-month average of PG&E's NSC rate with a maximum payment of $5,000. At that time, the NSC rate was on average between two to five cents. Since then, energy costs have increased rapidly and based on the current methodology, SCP's NSC rate in May 2024 is forecasted to increase by more than 230%. To ensure payments remain more reasonably close to energy value during periods of market fluctuations, staff propose an NSC adder of $0.01/kWh. This would result in an updated forecast NSC of $0.094/kWh, which is in line with the rate used during 2023 cash out.

On-Bill Payment Thresholds

The current SCP NetGreen 2.0 Tariff has a $100 threshold for checks to be automatically issued to customers; NSC payments under this threshold are provided as an on-bill credit. This results in an enormous number of check payments which must be issued annually. For example, in 2023, SCP issued 4,028 cash out checks to customers.

Staff propose to raise the threshold for a check to be issued to $200. If the $200 threshold had been implemented during the Spring 2023 cash out, SCP would have issued 1,583 fewer checks and more bill credits instead, with customers receiving the same value over time.

Proposed changes have four key benefits to customers:

1. Customers do not always cash the checks issued by SCP. In contrast, bill credits directly applied to customer invoices provide a more effective means of ensuring timely receipt and utilization of payments for customers.
2. SCP initiates follow-up with customers who haven't deposited their checks. However, in numerous cases, SCP encounters difficulty in establishing contact with the customer. Minimizing these occurrences would result in a reduction of customer frustrations, unutilized funds, and delays in the check reissuance process.
3. Customers whose balance exceeds $200 due to over-generation will receive a check. This is due to the entirety of a bill credit might not be completely utilized in such cases.
4. Under updated PG&E billing procedures, on-bill credits are treated equivalent to cash payments on customer bills. SCP-provided credits are seamlessly applied to all utility charges.

Sunset Net Generator Bonus

SCP currently provides an additional $0.01/kWh retail credit, referred to as the bonus penny or net generation bonus, on all over-generation in a billing period. The bonus penny has been in place since the inception of the NetGreen program as an additional incentive for solar customers and to remain competitive with PG&E. Under this structure, SCP pays a premium retail rate for exported electricity that is higher than the value of the electricity during the bill cycle. This is due to customers exporting electricity in the middle of the day when it may not be needed on the electric grid. As solar has expanded in California, the value of the electricity over-generated in the middle of the day is much lower than when the NetGreen structure was established. Staff recommends that the $0.01/kWh credit be phased out on July 1, 2024, as part of the transition to the revised tariff.

Fiscal Impact

The Spring 2023 annual cash out paid out over $1.4 million to solar customers who over-generated via check and approximately $118,000 via on bill credits. With the large growth outlined above, the 2024 cash out is predicted to be more than $3.5 million. Staff recommend using the reduced NSC rate, which would incentivize batteries and other all electric appliances to better take advantage of customer over-generation during solar hours. Any new program incentives would be brought to the Committee and Board before implementation.

Attachments

- Attachment A – Redlined NetGreen Tariff
- Attachment B – Final NetGreen Tariff

Sonoma Clean Power
431 E Street
Santa Rosa, CA 95404
sonomacleanpower.org

NetGreen 2.0 Tariff
Net Energy Metering Program

APPLICABILITY: This net energy metering (NEM) schedule is applicable to customers who use a Renewable Electrical Generation Facility (REGF) as defined in Pacific Gas & Electric Company (PG&E)'s Electric Schedule NEM, NEM2, or a California Public Utilities Commission (CPUC) approved successor NEM schedule. This rate schedule is available to customers that have a completed PG&E NEM Application, complied with all PG&E NEM interconnection requirements, received Permission to Operate, and are placed on PG&E Electric Schedule NEM, NEM2, or a successor NEM schedule. This includes customers served by Virtual Net Energy Metering (NEMV), Virtual Net Energy Metering for Multifamily Affordable Housing (NEMVMASH), NEM Aggregation (NEMA), Multiple Tariff facilities, and any other forms of Net Energy Metering as defined by PG&E Electric Schedules NEM, NEM2 and successor NEM schedules.

TERRITORY: This tariff is available to active Sonoma Clean Power (SCP) customers located in SCP's service territory, which includes the Cities of Cloverdale, Cotati, Fort Bragg, Petaluma, Point Arena, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Willits, the Town of Windsor, and the unincorporated areas of Sonoma County and Mendocino County (excludes the Cities of Healdsburg & Ukiah).

RATES: All SCP rates charged under this schedule will be in accordance with the customer-generator's CleanStart Rate Schedule. A customer-generator served under this schedule is responsible for all applicable SCP charges from its CleanStart Rate Schedule including energy and demand charges, EverGreen premium (for EverGreen customers), taxes, and surcharges. Charges or credits for energy (kWh) supplied or delivered to SCP will be based on net metered usage in accordance with the customer CleanStart Rate Schedule and this Tariff.

PG&E NEM tariffs and rates still apply. SCP customers will continue to be subject to the terms, conditions, and billing procedures of PG&E for services other than electric generation.

SCP rates and rate design, including the rates and rate design reflected in this Tariff, are subject to change from time to time. Customers should take this into consideration when making any long-term decisions based on rate structures that are currently in place.

BILLING: For customer-generators taking service on the CleanStart Rate Schedule, any net monthly consumption or generation shall be valued as follows:

1. Monthly Settlement of SCP Charges and/or Credits:

   a. "Net Electric Consumption" is defined as when customer energy usage exceeds generation during any billing cycle and shall be billed in accordance with applicable TOU period-specific rates/charges, as described in the CleanStart Rate Schedule and Rates.

   b. "Net Electric Generation" is defined as when customer energy generation exceeds usage during any billing TOU period and shall be credited in accordance with applicable TOU period-specific rates/charges, as described in the customer-generator's CleanStart Rate Schedule.

   c. "EverGreen Premium" is defined as SCP's voluntary 100% renewable service. The EverGreen Premium is charged on all net consumption of energy during a billing cycle. It is not credited to customers for over-generation.

   d. Any charges due for Net Electric Consumption will be assessed in each monthly statement. If the customer's account has available credits from current or previous Net Electric Generation, these credits will be applied against usage charges first before any charges are assessed.

   e. Any excess Net Electric Generation credits will be tracked by SCP on the customer's bill as a credit and will be applied to future billing cycles within the same SCP Annual Cash Out period as defined below.

   f. Credit balances do not have any cash value except as defined in the Cash Out process below.

2. SCP Annual Cash Out and True-Up:

   a. Following the final date and bill for each customer's April billing cycle (if the customer does not have an April meter read, the prior or next available month will be used), SCP will initiate a True-Up of each customer account's NEM balance. Any accrued credit balance will be reset to zero at the beginning of the next 12-month period.

   b. A review will be conducted for each customer's kilowatt-hour consumption and generation during the spring to spring annual true-up. If the customer's account generated more electricity than it consumed, it is eligible for a Cash Out payment at SCP's ~~Premium~~ Net Surplus Compensation (~~P~~NSC) rate.

   c. ~~The~~ SCP's "~~Premium~~ Net Surplus Compensation" rate is ~~intended to reflect double (200%)~~ a $0.01/kWh increase on PG&E's 12-month Net Surplus Compensation (NSC) average for the calendar year preceding the Cash Out.

d. ~~The PNSC rate will be updated each January for the remainder of the calendar year based on double (200%) PG&E average NSC for the previous calendar year.~~ ~~The~~SCP's NSC rate will be updated annually as part of SCP's rate setting process, with consideration for changes in PG&E's NSC rate and other market factors. PG&E's NSC is set monthly at the rolling average of PG&E's default load aggregation point price from 7 a.m. to 5 p.m.

e. The ~~P~~NSC rate is located on SCP's Rate Sheets located on its website at www.sonomacleanpower.org.

f. ~~P~~NSC payments are subject to a cap of $5,000 per account annually.

g. Customers will receive ~~P~~NSC payments automatically, paid by check if they have $~~1~~200 or more, to the customer's mailing address on their PG&E account. Customers with surplus credit balances of less than $~~1~~200 will receive an on-bill credit on their monthly statement.

3. Customers Returning to PG&E Bundled Service and Account Closures:

a. SCP customers with NEM service may opt out and return to PG&E ~~bundled~~ service at any time, subject to SCP and PG&E's terms and conditions for return to bundled service. Customers are advised that PG&E will perform a True-Up of their account for any PG&E charges at the time of return to PG&E bundled service.

b. Customers returning to PG&E service or closing their PG&E account will have an SCP True-Up to determine if the customer is eligible for ~~P~~NSC. ~~P~~NSC will be paid automatically (if applicable) by check to the customer's PG&E mailing addresses unless another address is provided by the customer. There is no minimum threshold for receiving a ~~P~~NSC check, but the maximum ~~P~~NSC is $5,000 and any credits above that will be forfeited.

4. Aggregated NEM

a. Per the California Public Utilities Commission Section 2827(h)(4)(B), aggregated NEM customers are "permanently ineligible to receive net surplus electricity compensation." SCP's aggregated ~~NEM~~ NetGreen accounts are ineligible to receive ~~P~~NSC payments and will have credits re-set to zero during the SCP True-Up period.

TERMS AND CONDITIONS:	Nothing in the NetGreen 2.0 Tariff precludes or supersedes SCP's Terms and Conditions. SCP's Terms and Conditions can be found at sonomacleanpower.org/terms-and-conditions.

More information about SCP's NetGreen program can be found online at sonomacleanpower.org/programs/netgreen or by calling 1 (855) 202-2139.

Sonoma Clean Power
431 E Street
Santa Rosa, CA 95404
sonomacleanpower.org

NetGreen 2.0 Tariff
Net Energy Metering Program

APPLICABILITY: This net energy metering (NEM) schedule is applicable to customers who use a Renewable Electrical Generation Facility (REGF) as defined in Pacific Gas & Electric Company (PG&E)'s Electric Schedule NEM, NEM2, or a California Public Utilities Commission (CPUC) approved successor NEM schedule. This rate schedule is available to customers that have a completed PG&E NEM Application, complied with all PG&E NEM interconnection requirements, received Permission to Operate, and are placed on PG&E Electric Schedule NEM, NEM2, or a successor NEM schedule. This includes customers served by Virtual Net Energy Metering (NEMV), Virtual Net Energy Metering for Multifamily Affordable Housing (NEMVMASH), NEM Aggregation (NEMA), Multiple Tariff facilities, and any other forms of Net Energy Metering as defined by PG&E Electric Schedules NEM, NEM2 and successor NEM schedules.

TERRITORY: This tariff is available to active Sonoma Clean Power (SCP) customers located in SCP's service territory, which includes the Cities of Cloverdale, Cotati, Fort Bragg, Petaluma, Point Arena, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Willits, the Town of Windsor, and the unincorporated areas of Sonoma County and Mendocino County (excludes the Cities of Healdsburg & Ukiah).

RATES: All SCP rates charged under this schedule will be in accordance with the customer-generator's CleanStart Rate Schedule. A customer-generator served under this schedule is responsible for all applicable SCP charges from its CleanStart Rate Schedule including energy and demand charges, EverGreen premium (for EverGreen customers), taxes, and surcharges. Charges or credits for energy (kWh) supplied or delivered to SCP will be based on net metered usage in accordance with the customer CleanStart Rate Schedule and this Tariff.

PG&E NEM tariffs and rates still apply. SCP customers will continue to be subject to the terms, conditions, and billing procedures of PG&E for services other than electric generation.

SCP rates and rate design, including the rates and rate design reflected in this Tariff, are subject to change from time to time. Customers should take this into consideration when making any long-term decisions based on rate structures that are currently in place.

BILLING: For customer-generators taking service on the CleanStart Rate Schedule, any net monthly consumption or generation shall be valued as follows:

1. Monthly Settlement of SCP Charges and/or Credits:

   a. "Net Electric Consumption" is defined as when customer energy usage exceeds generation during any billing cycle and shall be billed in accordance with applicable TOU period-specific rates/charges, as described in the CleanStart Rate Schedule and Rates.

   b. "Net Electric Generation" is defined as when customer energy generation exceeds usage during any billing TOU period and shall be credited in accordance with applicable TOU period-specific rates/charges, as described in the customer-generator's CleanStart Rate Schedule.

   c. "EverGreen Premium" is defined as SCP's voluntary 100% renewable service. The EverGreen Premium is charged on all net consumption of energy during a billing cycle. It is not credited to customers for over-generation.

   d. Any charges due for Net Electric Consumption will be assessed in each monthly statement. If the customer's account has available credits from current or previous Net Electric Generation, these credits will be applied against usage charges first before any charges are assessed.

   e. Any excess Net Electric Generation credits will be tracked by SCP on the customer's bill as a credit and will be applied to future billing cycles within the same SCP Annual Cash Out period as defined below.

   f. Credit balances do not have any cash value except as defined in the Cash Out process below.

2. SCP Annual Cash Out and True-Up:

   a. Following the final date and bill for each customer's April billing cycle (if the customer does not have an April meter read, the prior or next available month will be used), SCP will initiate a True-Up of each customer account's NEM balance. Any accrued credit balance will be reset to zero at the beginning of the next 12-month period.

   b. A review will be conducted for each customer's kilowatt-hour consumption and generation during the spring to spring annual true-up. If the customer's account generated more electricity than it consumed, it is eligible for a Cash Out payment at SCP's Net Surplus Compensation (NSC) rate.

   c. SCP's "Net Surplus Compensation" rate is a $0.01/kWh increase on PG&E's 12-month Net Surplus Compensation (NSC) average for the calendar year preceding the Cash Out.

d. SCP's NSC rate will be updated annually as part of SCP's rate setting process, with consideration for changes in PG&E's NSC rate and other market factors. PG&E's NSC is set monthly at the rolling average of PG&E's default load aggregation point price from 7 a.m. to 5 p.m.

e. The NSC rate is located on SCP's Rate Sheets located on its website at www.sonomacleanpower.org.

f. NSC payments are subject to a cap of $5,000 per account annually.

g. Customers will receive NSC payments automatically, paid by check if they have $200 or more, to the customer's mailing address on their PG&E account. Customers with surplus credit balances of less than $200 will receive an on-bill credit on their monthly statement.

3. Customers Returning to PG&E Bundled Service and Account Closures:

a. SCP customers with NEM service may opt out and return to PG&E service at any time, subject to SCP and PG&E's terms and conditions for return to bundled service. Customers are advised that PG&E will perform a True-Up of their account for any PG&E charges at the time of return to PG&E bundled service.

b. Customers returning to PG&E service or closing their PG&E account will have an SCP True-Up to determine if the customer is eligible for NSC. NSC will be paid automatically (if applicable) by check to the customer's PG&E mailing addresses unless another address is provided by the customer. There is no minimum threshold for receiving a NSC check, but the maximum NSC is $5,000 and any credits above that will be forfeited.

4. Aggregated NEM

a. Per the California Public Utilities Commission Section 2827(h)(4)(B), aggregated NEM customers are "permanently ineligible to receive net surplus electricity compensation." SCP's aggregated NetGreen accounts are ineligible to receive NSC payments and will have credits re-set to zero during the SCP True-Up period.

TERMS AND CONDITIONS: Nothing in the NetGreen 2.0 Tariff precludes or supersedes SCP's Terms and Conditions. SCP's Terms and Conditions can be found at sonomacleanpower.org/terms-and-conditions.

More information about SCP's NetGreen program can be found online at sonomacleanpower.org/programs/netgreen or by calling 1 (855) 202-2139.

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Staff Report – Item 04

To: **Sonoma Clean Power Authority Community Advisory Committee**

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

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

Date: **September 21, 2023**

COMMUNITY ADVISORY COMMITTEE RECRUITMENT UPDATE

The CAC Recruitment opened to the public on August 16, 2023, and will remain open until October 2, 2023. On August 3, the BOD appointed Directors Elward, Gjerde, Rogers, and Farrar-Rivas to serve on the Ad Hoc committee to review applications and make appointment recommendations to the Board. SCP encourages all members of the CAC to re-apply and reach out to your local communities so that SCP can have the most diverse applicant pool possible.

ART EXHIBIT AT SCP BUSINESS OFFICE

On Saturday, September 9th, SCP celebrated the end of our first local art exhibition at the Business Office. Artworks featuring ten local artists have been on display for the last five months, much to the enjoyment of staff and visitors alike. SCP appreciates the opportunity to share this artwork and support local artists from our communities.

NORTH BAY BUSINESS JOURNAL'S BEST PLACES AWARD

For the fifth year in a row, SCP has been named one of the North Bay Business Journal's Best Places to Work. SCP's award was based on the employer application, confidential survey ratings by employees, the number of responses, and a breakdown of responses by management and non-managers. SCP holds our team in high regard and will work to continue this winning streak for years to come.

RECENT AND UPCOMING COMMUNITY EVENTS

With community events season coming to a close, Sonoma Clean Power has been sponsoring and participating in several events benefitting Sonoma and Mendocino counties including the Sonoma County Fair, the recent Closing Reception for the Art at SCP Exhibit, the 14th Annual Fiesta de Independencia, a group volunteer project at Redwood Empire Food Bank, Los Cien's Latinx Cultural Experience and the Gravenstein Apple Fair, to name just a few.

Upcoming events include the LIME Foundation's Dream Big Gala, The Made In Santa Rosa Foundation's Annual Luncheon, Los Cien's 10th Annual State of the Latinx Community Address, the Petaluma Education Foundation annual event, and the Sonoma Clean Power Electric Vehicle Showcase and Event, to be held at the Advanced Energy Center on September 30th.

SCP/PG&E ANNUAL JOINT RATE MAILER

Attached to this report is one example of the joint-rate mailers drafted in partnership between SCP and PG&E. These were emailed and sent via USPS (to customers with no email address on file) starting on 7/28/23. The version of the joint-rate mailer sent to each customer is based on their current rate (i.e., residential, commercial, agricultural, EV, etc.). These annual reports are to provide all SCP and PG&E customers with a comparison of typical rates, charges and electric generation portfolio content.

UPDATE ON COMMUNITY NEEDS ASSESSMENTS

In response to requests from the Ad Hoc Committee, a detailed presentation of program design and activities geared toward SCP's equity work will be given at the October Board and CAC meetings.

SCP continues to conduct needs assessments in three important areas: transportation and mobility, residential energy use and resiliency, and agricultural energy use. A commercial energy use and resiliency study will begin later this year. We remain committed to making informed choices in program development to meet the needs of our community with particular emphasis on Environmental Social Justice communities, low-income, and underserved populations.

Transportation and mobility needs:

A series of 3 focus groups is being planned in coordination with local community-based organizations, as well as a survey that will provide a territory-wide perspective on community needs for transportation and mobility.

Residential energy use and resiliency needs:

An online survey is being conducted in both English and Spanish to gather insights from our residential customers. 20,000 residential customer emails have been randomly selected from SCP's customer database to take part in the survey. Response rates will be closely monitored among different customer groups to ensure the final responses are representative of our service area's population.

To hear from customers who may not have access to internet, computers, or mobile phones, SCP will partner with local community groups. These groups will help identify these customers and encourage them to fill out paper surveys in person. This is important because it includes people who can't do online surveys, and they often get left out of research.

A final report with customer insights and recommended approaches will be completed near the end of 2023.

FUEL SUBSTITUTION AND ELECTRIFICATION INCENTIVES PER APPLIANCE

SCP staff monitors federal, state, and regional incentives for energy efficiency, electrification and fuel-substitution projects that are available to our residential customers. These incentives are in addition to or supplemental to SCP offerings and incentives. Each incentive has its own eligibility criteria, product specifications, and application process.

Attached to the end of this staff report is a list of active and anticipated incentives by technology/appliance. For a comprehensive list of current rebates and their associated requirements, visit The Switch Is On: https://incentives.switchison.org/. Note there are many more programs specifically targeted at multi-family, electric vehicles, distributed energy resources, and non-residential customers not included in the attached list.

INVESTMENTS

The goals of SCP's Investment Policy, in order of priority, are to protect SCP's cash balances, retain sufficient liquidity, and produce a return on investment to preserve value over time. Allowed investments are listed in the Local Agency Investment Guidelines issued by the California Debt and Investment Advisory Commission (CDIAC), which is included in SCP's Investment Policy (Financial Policy B.5).

SCP maintains investments with two banks and the Sonoma County Treasury Investment Pool. The bank funds are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized at 110% per California Government Code Section

16521. The summary below reflects year-to-date figures for the twelve months ended June 30, 2023.

Investment Summary

Twelve Months Ended June 30, 2023

Investment Type	Avg. Balance	Interest Earned	Avg. Annual Percentage Yield
Money Market (1)	$8,338,409	$228,309	2.78%
Certificate of Deposit (CD) (1)	$822,779	$44,924	5.61%
Insured Cash Sweep (ICS) (2)	$38,752,732	$784,988	2.05%
Certificate of Deposit Account Registry Service (CDARS) (2)	$20,594,081	$983,143	4.89%
Sonoma County Treasury Investment Pool (3)	$36,673,513	$615,078	1.69%
Total (4)	**$105,181,513**	**$2,656,442**	**2.56%**

Investment Location	Avg. Balance
Summit State Bank	$31,304,132
River City Bank	$37,203,868
Sonoma County Treasury Investment Pool (3)	$36,673,513
Total (4)	**$105,181,513**

(1) Collateralized at 110% per California Government Code Section 16521
(2) Insured by the Federal Deposit Insurance Corporation (FDIC)
(3) Excludes fair market value adjustment from financial statements
(4) Excludes cash in non-interest-bearing accounts

MONTHLY COMPILED FINANCIAL STATEMENTS THROUGH JUNE 30, 2023

The year-to-date change in net position is better than projections by approximately $7,580,000. Year-to-date revenue from electricity sales is slightly under budget by less than 2% and cost of energy is under budget projections by about 3%. Year-to-date electricity sales reached $276,560,000.

SCP maintains a balanced portfolio by procuring electricity from multiple sources. Net position reached a positive $200,860,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Approximately $95,207,000 is set aside for operating reserves.

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

BUDGETARY COMPARISON SCHEDULE

The accompanying budgetary comparison includes the 2022/23 budget approved by the Board of Directors.

The budget is formatted to make comparisons for both the annual and the year-to-date perspective. The first column, 2022/23 YTD Budget, allocates the Board approved annual budget at expected levels throughout the year with consideration for the timing of additional customers, usage volumes, staffing needs etc. This column represents our best estimates, and this granular approach was not part of the Board approved budget.

Revenue from electricity sales to customers is slightly under budget by less than 2% at the end of the reporting period.

The cost of electricity is less than the budget-to-date by approximately 3%. Variation in this account is typically due to fluctuating market cost of energy on open position purchases.

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

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

ATTACHMENTS

- Joint Rate Mailer – E-TOU-C
- Fuel Substitution and Electrification Incentives List
- June 2023 Financial Statements

UPCOMING MEETINGS

- Board of Directors – October 5, 2023
- Community Advisory Committee – October 19, 2023
- Board of Directors – November 2, 2023
- Community Advisory Committee – November 16, 2023

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PG&E®

We support your power to choose

As part of our mutual commitment to support your energy choice, Sonoma Clean Power (SCP) and Pacific Gas and Electric Company (PG&E) have partnered to provide you with a comparison of typical residential electric rates, average monthly charges and generation portfolio contents.

If this comparison does not address your specific rate, please visit PG&E online at **pge.com/cca** or call **1-866-743-0335**. For information on SCP's generation rates, please visit **sonomacleanpower.org** or call **1-855-202-2139**.

Sonoma Clean Power
P.O. Box 1030
Santa Rosa, CA 95402-1030

Understanding your energy choice

2023 Residential Electric Rate Comparison, E-TOU-C*	PG&E	Sonoma Clean Power CleanStart	Sonoma Clean Power EverGreen
Generation Rate ($/kWh)	$0.13638	$0.13087	$0.15587
PG&E Delivery Rate ($/kWh)	$0.20672	$0.20672	$0.20672
PG&E PCIA/FF ($/kWh)	$0.01412	$0.00459	$0.00459
Total Electricity Cost ($/kWh)	$0.35722	$0.34218	$0.36718
Average Monthly Bill ($)	**$154.84**	**$148.32**	**$159.16**

*This compares electricity costs for an average residential customer in the SCP/PG&E service area (Sonoma and Mendocino counties) with an average monthly usage of 433 kilowatt-hours (kWh). This is based on a representative 12-month billing history for all customers on E-TOU-C rate schedules. Rates are effective June 01, 2023 for PG&E and February 01, 2023 for SCP.

Generation Rate is the cost of creating electricity to power your home. The generation rate varies based on your energy provider and the resources included in your energy provider's generation supply.

PG&E Delivery Rate is a charge assessed by PG&E to deliver electricity to your home. The PG&E delivery rate depends on your electricity usage, but is charged equally to both SCP and PG&E customers.

The **PCIA** is a charge to ensure that both PG&E customers and those who have left PG&E service to purchase electricity from other providers pay the above market costs for generation resources that were procured by PG&E on their behalf. "Above market" refers to expenditures for electric generation resources that cannot be fully recovered through sales of these resources at current market prices. PG&E acts as a collection agent for the **Franchise Fee (FF)** surcharge, which is levied by the California Public Utilities Commission (CPUC) on behalf of cities and counties in PG&E's service territory for all customers. PG&E bundled customers pay the PCIA and FF fees associated with the most current available vintage year. PG&E charges SCP customers the PCIA and FF fees based on the year they transitioned to SCP service. Visit sonomacleanpower.org for more information.

If this comparison does not address your specific rate, please visit PG&E online at **pge.com/cca** or call **1-866-743-0335**. For information on SCP's generation rates, please visit **sonomacleanpower.org** or call **1-855-202-2139**.

2022 Electric Power Generation Mix*	PG&E	Sonoma Clean Power CleanStart	Sonoma Clean Power EverGreen
Specific Purchases	**Percent of Total Retail Sales (MWh)**		
Renewable	38%	50%	100%
• Biomass & Biowaste	5%	16%	0%
• Geothermal	1%	17%	87%
• Eligible Hydroelectric	2%	0%	0%
• Solar Electric	22%	9%	14%
• Wind	9%	8%	0%
Coal	0%	0%	0%
Large Hydroelectric	8%	40%	0%
Natural Gas	5%	0%	0%
Nuclear	49%	1%	0%
Other	0%	0%	0%
Unspecified Sources of Power**	0%	9%	0%
TOTAL	**100%**	**100%**	**100%**

*As reported to the California Energy Commission's Power Source Disclosure Program. PG&E data is subject to an independent audit and verification that will not be completed until October 1, 2023. The figures above may not sum up to 100 percent due to rounding.

**Unspecified sources of power refers to electricity that is not traceable to a specific generating facility, such as electricity traded through open market transactions. Unspecified sources of power are typically a mix of all resource types, and may include renewables.

 7.23 CCC-0623-6383

Fuel-substitution and electrification incentives per appliance

Below is a list of active and anticipated incentives by technology/appliance. For a comprehensive list of **current** rebates and their associated requirements, visit The Switch Is On: https://incentives.switchison.org/. Note there are many more programs specifically targeted at multi-family, electric vehicles, distributed energy resources, and non-residential customers that are not included here.

Air-source heat pump heating and cooling

Program	Incentive Amount	Who Applies?	Eligible Customers	Website
IRS Federal Tax Credit	Up to $2,000	Taxpayer	Home must be an existing home in US. New construction is not eligible.	https://www.energystar.gov/about/federal_tax_credits/air_source_heat_pumps
Clean TECH CA (branded as TECH)	$1,000	Participating Contractor	Single-family homeowners, multi-family property owners.	https://incentives.switchison.org/
Sonoma Clean Power	$1,000	Customer	Sonoma Clean Power customers.	https://scpadvancedenergycenter.org/residential-rebates
BayREN Home+*	$400	Participating Contractor	Sonoma County customers who receive electric or gas service from PG&E .	https://www.bayren.org/heat-pumps
Coming 2024: IRA High-Efficiency Electric Home Rebates (HEERA)	$8,000	TBD	Point-of-sale rebates for low- or moderate-income residents (at or below 150% Area Median Income) or LMI multi-family housing.	https://www.rewiringamerica.org/app/ira-calculator

Heat pump water heater

Program	Incentive Amount	Who Applies?	Eligible Customers	Website
IRS Federal Tax Credit	Up to $2,000	Taxpayer	Home must be an existing home in US. New construction is not eligible.	https://www.energystar.gov/about/federal_tax_credits/water_heaters_non_solar
Golden State Rebates*	$700	Contractor or Customer	Investor-owned utility customers, tank size specifications.	https://goldenstaterebates.com/goldenstaterebat

				es/rebates/heat-pump-water-heaters/
Sonoma Clean Power	$700	Customer	Single-family homeowners, multi-family property owners, tenants/landlords.	https://scpadvancedenergycenter.org/residential-rebates
BayREN Home+*	$400	Participating Contractor	Sonoma County customers who receive electric or gas service from PG&E.	https://www.bayren.org/hp-water-heaters
Coming Fall 2023: Self-Generation Incentive Program (branded as TECH)	$3,100	Participating Contractor	Single-family homeowners, multi-family property owners.	https://incentives.switchison.org/
Coming 2024: IRA High-Efficiency Electric Home Rebates (HEERA)	$1,750	TBD	Point-of-sale rebates for low- or moderate-income residents (at or below 150% Area Median Income) or LMI multi-family housing.	https://www.rewiringamerica.org/app/ira-calculator

Induction cooking

Program	Incentive Amount	Who Applies?	Eligible Customers	Website
Sonoma Clean Power	$500	Customer	Sonoma Clean Power customers.	https://scpadvancedenergycenter.org/residential-rebates
BayREN Home+*	$250	Participating Contractor	Sonoma County customers who receive electric or gas service from PG&E.	https://www.bayren.org/homeowners/induction-cooktops
Coming 2024: IRA High-Efficiency Electric Home Rebates (HEERA)	$840	TBD	Point-of-sale rebates for low- or moderate-income residents (at or below 150% Area Median Income) or LMI multi-family housing.	https://www.rewiringamerica.org/app/ira-calculator

Whole home retrofits

Program	Incentive Amount	Who Applies?	Eligible Customers	Website
CA Energy Smart Homes*	$5,550	Customer	Each property must install heat pump space heating, heat pump water heating, induction cooking, and an electric dryer.	https://scpadvancedenergycenter.org/residential-rebates

IRA Coming 2024: Homeowner Managing Energy Savings (HOMES)	Up to $8,000	TBD	Homeowner or aggregator (energy savings company).	https://www.energy.ca.gov/programs-and-topics/programs/inflation-reduction-act-residential-energy-rebate-programs-california

Note: *These are CPUC-funded incentives and cannot be layered. Customer/Contractor must select only one program.*

Rebate application process and assistance

Sonoma Clean Power's rebate application is designed to be user-friendly and easy to complete. SCP's customer service team at the Advanced Energy Center answers customer questions over the phone and in-person.

We understand that rebate applications are submitted electronically, and that may not be accessible to everyone. For those that do not have connectivity or capabilities to submit a Sonoma Clean Power application, we can assist with a submission in-person at the Advanced Energy Center.

BayREN Home+ and TECH Clean CA rebate applications are submitted by the contractor, so the customer is largely left out of the application process aside from authorization signatures.

Golden State Rebate is also designed to be simple for a customer/homeowner to complete. The program administrator, CLEAResult offers oboth an email address and phone number to field any questions.

MAHER
ACCOUNTANCY

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, 2023, 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
August 16, 2023

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

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of June 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	$ 65,450,786
Accounts receivable, net of allowance	25,168,510
Other receivables	3,125,083
Accrued revenue	12,609,835
Prepaid expenses	1,473,807
Deposits	8,789,058
Investments	86,253,076
Total current assets	202,870,155
Noncurrent assets	
Land	860,520
Capital assets, net of depreciation	17,536,150
Deposits	846,256
Total noncurrent assets	19,242,926
Total assets	222,113,081
LIABILITIES	
Current liabilities	
Accrued cost of electricity	12,939,088
Accounts payable	1,018,452
Advanced from grantors	3,074,682
Supplier security deposits	2,467,200
Other accrued liabilities	1,034,035
User taxes and energy surcharges due to other governments	719,779
Total current liabilities	21,253,236
NET POSITION	
Investment in capital assets	18,396,670
Unrestricted	182,463,175
Total net position	$ 200,859,845

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2023

OPERATING REVENUES	
Electricity sales, net	$ 271,954,226
Evergreen electricity premium	2,661,646
Grant revenue	624,015
Total operating revenues	275,239,887
OPERATING EXPENSES	
Cost of electricity	187,499,814
Contract services	9,024,836
Staff compensation	7,381,276
Other operating expenses	1,702,146
Program rebates and incentives	3,155,539
Depreciation	1,394,577
Total operating expenses	210,158,188
Operating income (loss)	65,081,699
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	1,958,716
Investment earnings (loss)	2,692,871
Nonoperating revenues (expenses), net	4,651,587
CHANGE IN NET POSITION	69,733,286
Net position at beginning of period	131,126,559
Net position at end of period	$ 200,859,845

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 280,616,885
Receipts from grantors	3,955,568
Other operating receipts	3,452,362
Payments to electricity suppliers	(187,424,754)
Payments for other goods and services	(11,233,943)
Payments for staff compensation	(7,298,120)
Tax and surcharge payments to other governments	(3,399,274)
Payments for program rebates and incentives	(5,677,569)
Deposits and collateral paid	(9,560,000)
Deposits and collateral returned	6,150,000
Net cash provided (used) by operating activities	69,581,155
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Grant revenue	1,958,716
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments to acquire capital assets	(293,374)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	1,100,747
Purchase of certificates of deposit	(50,000,000)
Net cash provided (used) by investing activities	(48,899,253)
Net change in cash and cash equivalents	22,347,244
Cash and cash equivalents at beginning of year	43,103,542
Cash and cash equivalents at end of period	$ 65,450,786

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2023

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

Operating income (loss)	$ 65,081,699
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	1,394,577
Revenue adjusted for provision for uncollectible accounts	2,859,914
(Increase) decrease in:	
Accounts receivable	(1,124,513)
Other receivables	(940,372)
Accrued revenue	821,974
Prepaid expenses	1,487,436
Deposits	(3,326,077)
Increase (decrease) in:	
Accrued cost of electricity	(1,861,619)
Accounts payable	(293,207)
Advanced from grantors	3,074,682
Accrued liabilities	61,897
User taxes due to other governments	44,364
Supplier security deposits	2,300,400
Net cash provided (used) by operating activities	$ 69,581,155

See accountants' compilation report.

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying Budgetary Comparison Schedule for the Operating Fund of Sonoma Clean Power Authority (a California Joint Powers Authority) for the period ended June 30, 2023, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

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

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

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

Maher Accountancy

San Rafael, CA
August 16, 2023

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

SONOMA CLEAN POWER AUTHORITY
BUDEGTARY COMPARISON SCHEDULE - OPERATING FUND
Year Ended June 30, 2023

	2022/23 YTD Amended Budget	2022/23 YTD Actual	2022/23 YTD Amended Budget Variance (Under) Over	2022/23 YTD Actual / Amended Budget %	2022/23 Amended Budget	2022/23 Amended Budget Remaining
REVENUE AND OTHER SOURCES:						
Electricity (net of allowance) *	$ 279,200,000	$ 273,897,872	$ (5,302,128)	98%	$ 279,200,000	$ 5,302,128
Evergreen Premium (net of allowance)	2,389,000	2,661,646	272,646	111%	2,389,000	(272,646)
CEC Grant	1,414,000	624,015	(789,985)	44%	1,414,000	789,985
Investment income	1,488,000	2,692,871	1,204,871	181%	1,488,000	(1,204,871)
Miscellaneous Income	1,025,000	15,070	(1,009,930)	0%	1,025,000	1,009,930
Total revenue and other sources	285,516,000	279,891,474	(5,624,526)	98%	285,516,000	5,624,526
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	193,510,000	187,499,814	(6,010,186)	97%	193,510,000	6,010,186
Data management	2,677,000	2,623,343	(53,657)	98%	2,677,000	53,657
Service fees- PG&E	979,000	986,057	7,057	101%	979,000	(7,057)
Personnel	7,650,000	7,381,276	(268,724)	96%	7,650,000	268,724
Energy Center, marketing & communications	2,951,000	2,359,764	(591,236)	80%	2,951,000	591,236
Customer service	291,000	160,933	(130,067)	55%	291,000	130,067
General and administration	1,190,000	1,131,645	(58,355)	95%	1,190,000	58,355
Legal	430,000	290,464	(139,536)	68%	430,000	139,536
Regulatory and compliance	460,000	207,845	(252,155)	45%	460,000	252,155
Accounting	258,000	268,900	10,900	104%	258,000	(10,900)
Legislative	220,000	96,000	(124,000)	44%	220,000	124,000
Other consultants	746,000	365,284	(380,716)	49%	746,000	380,716
Industry memberships and dues	560,000	469,126	(90,874)	84%	560,000	90,874
Program implementation	5,456,000	2,402,789	(3,053,211)	44%	5,456,000	3,053,211
Program - CEC grant	4,180,000	2,520,371	(1,659,629)	60%	4,180,000	1,659,629
Total current expenditures	221,558,000	208,763,611	(12,794,389)	94%	221,558,000	12,794,389
OTHER USES						
Capital outlay	600,000	189,536	(410,464)	32%	600,000	410,464
Total expenditures, other uses	222,158,000	208,953,147	(13,204,853)	94%	222,158,000	13,204,853
Net increase (decrease) in available fund balance	$ 63,358,000	$ 70,938,327	$ 7,580,327		$ 63,358,000	$ (7,580,327)

** Represents sales of approximately 2,156,000 MWh for 2022/23 YTD actual.*

RESERVES	Current Balance	Long-Term Targeted	% of Long-Term Target
Operating Reserve (as of June 30, 2022)	$ 95,207,000	$ 171,080,000	56%

SONOMA CLEAN POWER AUTHORITY

BUDGETARY COMPARISON SCHEDULE - OPERATING FUND (CONTINUED)
RECONCILIATION OF NET INCREASE IN AVAILABLE FUND BALANCE
TO CHANGE IN NET POSITION

Year Ended June 30, 2023

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$	70,938,327
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:		
Subtract depreciation expense		(1,394,577)
Add back capital asset acquisitions		189,536
Change in net position	$	69,733,286

See accountants' compilation report.

Staff Report – Item 05

To:	**Sonoma Clean Power Authority Community Advisory Committee**
From:	**Neal Reardon, Director of Regulatory Affairs** **Geof Syphers, Chief Executive Officer**
Issue:	**Receive Legislative and Regulatory Updates and Provide Feedback**
Date:	**September 21, 2023**

Requested Action

Receive legislative and regulatory updates and provide feedback as appropriate.

Regulatory Updates

North Coast Resiliency Initiative Findings Presented to Public

The California Public Utilities Commission hosted a public workshop on July 11th to introduce the findings of the North Coast Resiliency Initiative Report. This initiative began in 2021 to determine the causes of, and to craft mitigations for, electrical outages that impact customers along California's North Coast during wildfire season.

As background, during California's 2019 wildfire season, approximately 86 substations serving over 270,000 "safe-to-energize" customers within Pacific Gas and Electric's (PG&E) service territory lost their transmission source one or more times. Safe-to-energize refers to customers who are located outside of the weather conditions that triggered PG&E to de-energize portions of the electricity grid, but are served by a distant transmission line or lines that have been de-energized due to those conditions. If the grid configuration were different, these customers would remain energized. See imagine below detailing outages caused on safe-to-energize customers through indirect impacts.

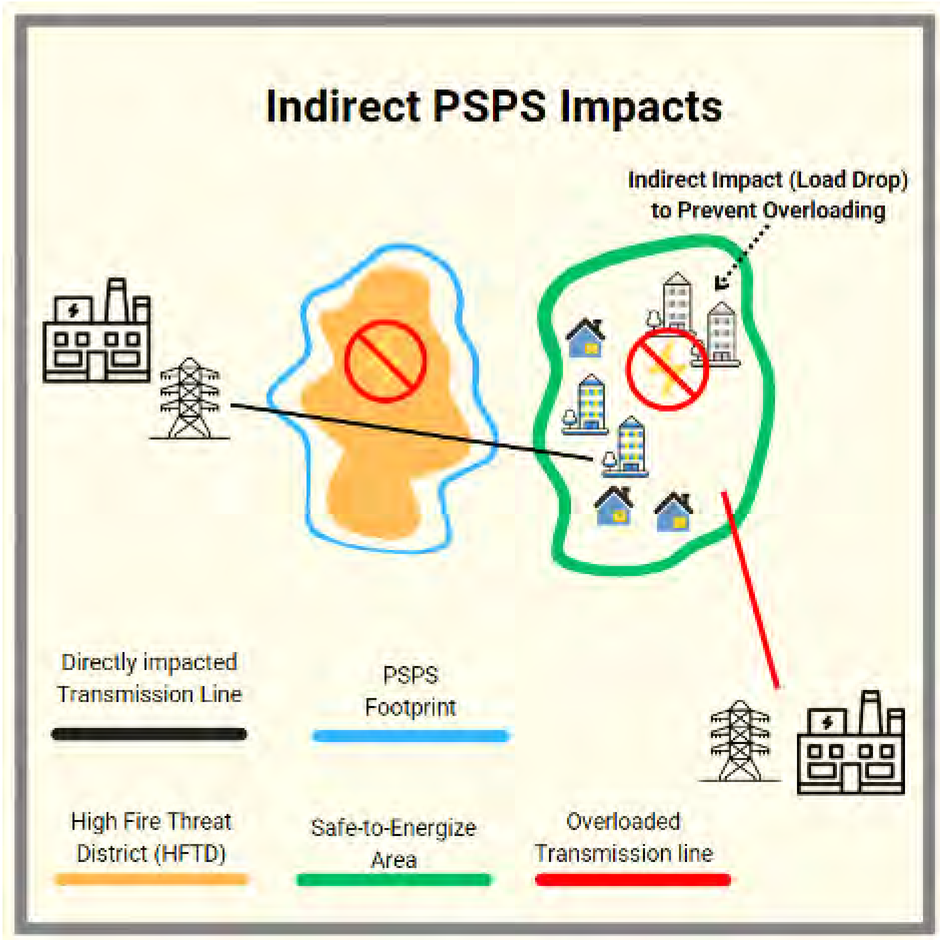


Image 5: *Simplified Diagram of an Indirect PSPS Impact. The Deenergization of the Directly Impacted Transmission Line on the Left Causes the Transmission Line on the Right to Become Overloaded, Requiring Load Drop in the Safe-to-Energize Area.*

In 2020, PG&E launched its temporary generation program to keep the lights on for these otherwise safe-to-energize customers during PSPS events. It included plans to deploy over 200 MWs of temporary diesel generators at up to 32 substations in the North Coast. PG&E also considered, but did not pursue, longer-term solutions at 17 of these 32 substations. This effort was initiated in part to identify alternatives to temporary diesel generation in the area due to concerns about local air quality and environmental impact. Along with the CPUC, representatives from the California Energy Commission, Independent System Operator, PG&E, MCE and Sonoma Clean Power formed the Steering Committee which was responsible for the majority of the initiative's work.

The goal was to identify, evaluate, and develop a plan for implementing mitigations to transmission-level Public Safety Power Shutoff (PSPS) outages affecting otherwise safe-to-energize customers. For the purposes of the initiative, the "North Coast" was defined as Marin, Sonoma, Napa, and portions of Mendocino, Lake, and Solano counties. CPUC staff determined these geographic boundaries at the beginning of the initiative, based on the locations of actual and predicted future PSPS events and on the structure of the local electrical grid.

Over the past two years, the Steering Committee met on a bi-weekly basis to share information and document progress. In the Fall of 2022, PG&E's updated PSPS modeling indicated a reduction in the number of potential future transmission-level PSPS events along the North Coast. The utility found that repairing or replacing several components on transmission lines could reduce the remaining transmission-level PSPS events even further, reducing the modeled number of regional impacts from nine to three over a 10-year period. PG&E estimated that this mitigation could be implemented before the end of 2023 at a cost of potentially less than $500,000. The Steering Committee unanimously supported PG&E making these cost-effective investments in their transmission system to improve reliability for customers in the North Coast region.

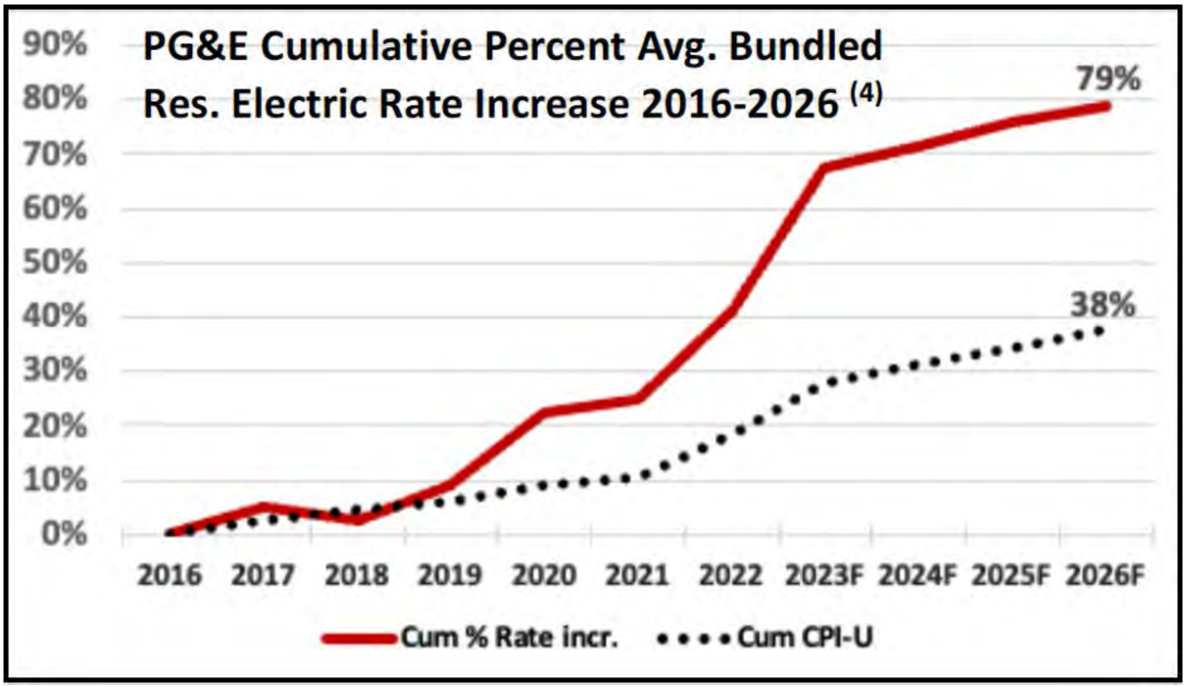
While encouraging, this solution only applies to the indirect, transmission-level PSPS outages. The prevalence of direct transmission-level PSPS outages for customers within high-fire-threat areas, as well as distribution-level outages are not reduced by the grid improvements described above.

<u>CPUC Considering Proposals to Reduce Risk of Utility-Induced Wildfires</u>

PG&E's General Rate Case ("GRC") has been underway since last Spring. General Rate Cases, in conjunction with the Energy Resource Recovery Account ("ERRA") proceedings, are the two central venues in which the utilities propose – and gain guaranteed cost recovery for – investments in transmission, distribution, generation, incentives for staff retention, etc. A critical issue in this year's GRC is how to best ensure reliable service and reduce the on-going threat of utility infrastructure causing additional wildfires.

PG&E's initial proposal, made via press release instead of through a formal proceeding, was to bury 10,000 miles of electrical lines. In practice, the utility has been proposing annual, incremental targets towards this publicly stated goal. PG&E's progress has been very slow. In 2021, the utility reported 72 miles of undergrounding. In 2022, they achieved another 180 miles for a total of 252 miles of the 10,000-mile goal. In the current General Rate Case, PG&E is requesting cost recovery for a significantly larger undergrounding effort totaling 2,100 miles. While this would reduce the risk of utility equipment starting additional wildfires, it would come at a cost of over $6 billion dollars to ratepayers. Coupled with other approved rate increases, this would yield a significant increase in customer charges over the period from 2016-2026.

Below is a graph produced by The Utility Reform Network ("TURN") showing the PG&E's cumulative rate increases compared with the Consumer Price Index over the same period.



If the full 10,000-mile undergrounding effort were approved, TURN estimates that it would take over a decade to complete and would add $18,000 per customer over the next 50 years.

According to TURN, PG&E can reduce most of its wildfire risk by a back-to-basics strategy of improving vegetation management and complying with existing requirements. TURN outlines a significantly cheaper alternative to undergrounding: covered conductors. Lines would be triple insulated and run along the ground as opposed to either elevated on poles or buried underneath. TURN notes that this solution is not only more cost effective – coming in at $2.1 billion compared with PG&E's $6.3 billion proposal – but could be deployed in a fraction of time. In this approach, undergrounding would be reserved for the highest risk areas where burying lines is the most cost-effective approach to mitigate the risk of fire.

The assigned Administrative Law Judge is expected to issue a Proposed Decision this year. SCP staff will continue to closely monitor the proceeding and may return to the

CAC and Board with a request to publicly support aspects of TURN's proposal to reduce fire risk while supporting affordability.

Aliso Canyon Gas Storage Filled

The CPUC unanimously voted on August 31 to direct Southern California Gas to increase the amount of natural gas stored in Aliso Canyon. The action was opposed by local residents and environmental groups because of the facility's accidental release of over 100,000 tons of methane in 2015. The facility is California's largest gas storage resource and provides significant protection against winter price spikes as gas usage peaks across the U.S. However, it is also a symbol of California's failure to reduce reliance on fossil fuel heating and power quickly enough. The Decision raises the allowed storage capacity from 41 to 69 billion cubic feet of natural gas, which consists of flammable gases – primarily methane – extracted from deep underground.

Legislative Update

The legislative session ends September 14, when all bills need to pass in order to continue on to the Governor. With SCP's primary legislative objectives secured, the agency's lobbying is essentially done for 2023. Updates on bills are provided next, but staff first wish to thank CalCCA for its extraordinary work in sustaining the right of CCAs to purchase reliability resources in advance of any CPUC-ordered state procurement.

Staff also wish to thank Senator McGuire for his tireless work protecting CCAs from repeated attacks this session, and for rallying fellow lawmakers to press for critical changes to AB 1373. Senator McGuire was recently elevated to Pro Tem starting in January and staff look forward to working collaboratively with him in 2024 on important energy, climate and ratepayer issues.

Energy Reliability Budget Trailer Bill / AB 1373

CalCCA worked with SCP and its members across California to successfully secure a number of critical amendments to the Budget Trailer Bill (aka AB 1373), sufficient for SCP and all other CCAs to be neutral.

So-called "frontstop" procurement of "eligible energy resources" must now be done with the Department of Water Resources and not PG&E or the other investor-owned utilities. Frontstop procurement is industry jargon for the CPUC having the power to request DWR to buy resources without any option for IOUs or CCAs to buy them first.

Eligible energy resources are defined as new resources that meet all five of the following criteria:

1. The resource directly supports the state's SB 100 zero-carbon and renewable energy goal by 2045;
2. The CPUC determines the resource to not be under contract at sufficient levels as shown in electric providers' most recent individual integrated resource plans;
3. The resource has a construction and development lead time of at least five years;
4. The resource does not generate electricity using fossil fuels or fuels derived from fossil fuels;
5. The resource does not use combustion to generate electricity (except ancillary and necessary to facilitate geothermal electricity generation).

In practical matters, this will include offshore wind and may also include Salton Sea geothermal power, but could theoretically include additional similarly complex resources requiring new transmission systems and very long construction schedules. The shift to DWR is critical because the costs of these resources will now be shared by *all* California electric customers, rather than only the customers of CCAs and the IOUs.

DWR already has statutory authority to buy the output from a number of natural gas power plants to supplement California's grid reliability under a program called the Strategic Reliability Reserve. Unfortunately, this pathway creates a risk that California's dependency on natural gas for electric reliability will be sustained for many years without any utility or CCA *appearing* to purchase or use the energy. As a result, SCP staff are keenly focused on daylighting this situation and ensuring that all greenhouse gas emissions are properly reported, and also to ensure that state purchases of natural gas power doesn't reduce the market value for renewable power and storage.

The bill reiterates existing law that so-called "backstop" procurement can still be ordered by the CPUC for the IOUs to buy "diverse" resources and assign those costs to CCAs, but importantly now clarifies that CCAs must be provided an opportunity to buy those resources first. "Backstop procurement of diverse resources" is industry jargon for resources that the CPUC deems essential for system reliability or achieving the state's climate goals, but which IOUs and CCAs are afforded an opportunity to purchase on their own before any central procurement order is issued.

"Diverse resources" are not defined in statute, but is widely interpreted to mean resources needed to integrate renewables – especially solar power – into the grid in a manner that continues to ensure system reliability. In practice, this could be interpreted to include almost anything.

Many other details in the bill will have to be sorted out in future regulatory proceedings and potentially in clean-up bills.

At Senator McGuire's request, the bill includes budget line-item language to make future General Fund investments easier for the California Coastal Commission to work on permitting for prospective offshore wind energy development, specifically for the regions leased by the Bureau of Ocean Energy Management of the U.S. Department of the Interior.

The bill is expected to pass and be signed by the Governor.

Status of Other Bills

- **AB 50 (Wood) – Timely Electrical Interconnection – Support**

  Sets reporting requirements for IOUs that are failing to timely connect new homes and businesses to the grid. Requires IOUs to share information about where the grid is deficient and will likely lead to problems with new construction, home electrification and EV charging.

- **AB 538 (Holden) – Regionalization – Watch**

  This is a 2-year bill. Would join California's largest grid reliability operations at CAISO with grid operators in other states to "regionalize" the reliability of our grid. The Author's goal is to increase coordination across state boundaries to create a more efficient wholesale power market, lower costs and lower emissions by allowing more day-ahead planning for the use of clean power resources outside California.

- **AB 593 (Haney) – Carbon emission reduction – Support**

  Bill is on hold this year and is eligible for consideration in 2024. Would require the CEC by June 2024 to identify an emission reduction strategy with milestones for the building sector. To date, the State's building codes have a number of implied emission reduction elements (e.g., energy efficiency) but are not explicitly linked. The strategy would need to maximize workforce development, minimize impacts on ratepayers, support the State's extreme heat goals, switch to heat pumps in areas with extreme weather, and reduce barriers for low-income households.

- **AB 914 (Friedman) – Transmission upgrade CEQA timelines – Watch**

  This is a two-year bill. This bill originally proposed CEQA exemptions for expanding the capacity of existing transmission lines, but despite support from labor, the IOUs and municipal power, it was narrowed to simply setting a two-year timeline for permitting review. The bill pertains to infrastructure projects needed to accommodate increased electrical demand associated with transportation electrification, building electrification and distributed-energy projects, and the renewable energy and storage supply resources needed to provide for those new loads.

- **AB 982 (Villapudua) – Public Purpose Programs – Watch**

  This bill is a two-year bill. Would shift the financing from gas and electric rates to state general tax appropriations for most programs funding low-income weatherization, energy efficiency, customer-owned renewable energy and storage incentives, home insulation programs, rate assistance for food banks and the small-scale biomass program.

- **SB 233 (Skinner) – EV Bidirectional Capability – Support**

  Bill is dead. The bill would have required the CEC to study and make recommendations on the costs and benefits of bidirectional charging and submit a report to the Governor and Legislature by January 1, 2026.

- **SB 319 (McGuire) – Electricity transmission planning – Support**

  Would require the CEC, CPUC, and CAISO to review and report on their transmission needs and plans over the next decade.

- **SB 410 (Becker) – Powering Up Californians Act – Support**

  Would require the CPUC to ensure IOUs connect new buildings and electricity service capacity upgrades to customers on a reasonable timeframe. Sets an average and maximum timeline in which electrical utilities should connect customers to the grid.

- **SB 527 (Min) – Neighborhood Decarbonization – Support**

  Held in the first house. Would require the CPUC for a five-year pilot period to facilitate neighborhood-scale retrofits from gas to electric infrastructure when it is cost effective (e.g., during times when the gas infrastructure would otherwise need major repairs or replacement), and where it prioritizes alleviating the pollution burden in areas with the highest impacts (e.g., low-income, disadvantaged). After five years, the pilot would be assessed and the CPUC would decide in its sole discretion whether to continue it. Critically, the bill would clarify that a gas company does not have an obligation to provide gas when SB 527 conditions allow a conversion to electric energy.

- **SB 537 (Becker) – Public meeting teleconference – Support**

  Would allow multijurisdictional, cross county legislative bodies to use alternate teleconferencing provisions similar to the emergency provisions indefinitely and without regard to a state of emergency. Requires a multijurisdictional legislative body to provide a record of attendance on its internet website within seven days after a teleconference meeting along with immunocompromisation in the list of health exemptions from previous legislation.

Proposed New Legislative Positions

None.

Attachments

- Attachment A - SB 233 Support
- Attachment B - AB 1068 Valencia - SCP Oppose
- Attachment C - AB 1373 Garcia - SCP Neutral

Sonoma Clean Power

431 E Street
Santa Rosa, CA 95404

sonomacleanpower.org

August 22, 2023

The Honorable Nancy Skinner
Member of the Senate
1021 O Street, Suite 8630
Sacramento, CA 95814

Subject: SB 233 (Skinner) – Support as Amended on August 14, 2023

Sonoma Clean Power (SCP) is pleased to support SB 233 (Skinner) as amended on August 14, 2023, which will require the California Energy Commission (CEC) to convene a stakeholder working group to make recommendations on the costs and benefits of bidirectional charging and submit a report to the Governor and Legislature by January 1, 2026. We support the amendments taken on August 14, 2023, that considers the potential benefits and cost impacts to consumers and ratepayers along with making sure the report considers the technological innovation or infrastructure upgrades needed from the electricity sector to implement the various modes of bidirectional charging.

SCP recognizes the importance of expanding California's electric vehicle (EV) infrastructure. Building on SCP's successful Drive EV program, where over 1,250 EVs were incentivized, SCP partnered with the California Energy Commission and three local air districts. Together we launched an incentive project, investing potentially over $6 million to expand publicly accessible EV charging infrastructure in Sonoma and Mendocino counties. SB 233 will assist California with understanding how EV bidirectional charging not only expands the usefulness of an EV, but can also strengthen California's grid.

Sonoma Clean power is the public electricity provider for Sonoma and Mendocino counties. We provide our customers with cleaner electricity at competitive rates from sources like solar, wine, geothermal and hydropower, and promote local solutions to climate change. SCP is a not-for-profit agency, independently run by the participating Cities of Cloverdale, Cotati, Fort

Bragg, Petaluma, Point Arena, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Willits, Windsor, and the Counties of Sonoma and Mendocino.

Thank you for your leadership on this very important issue.

Sincerely,

Geof Syphers, CEO

cc: Members of the Assembly Appropriations Committee

Sonoma Clean Power

431 E Street
Santa Rosa, CA 95404

sonomacleanpower.org

September 7, 2023

The Honorable Avelino Valencia
Member of the Assembly
1021 O Street, Suite 4650
Sacramento, CA 95814

Re: **AB 1068 (Valencia) – Oppose**

Dear Assembly Member Valencia:

We appreciate the time your staff and sponsor provided to Sonoma Clean Power (SCP) regarding our concerns with AB 1068 and your acceptance of SCP's proposed amendment that will ensure the written ex parte is relevant to the content changed in the decision. However, we still have grave concerns with reducing transparency and giving well-funded actors like the investor-owned utilities a new advantage over public advocates.

Therefore, Sonoma Clean Power, unfortunately, must oppose your AB 1068. As amended, AB 1068 authorizes the California Public Utilities Commission (CPUC), by order or rule, to prohibit only oral ex parte communications in rate setting cases and catastrophic wildfire proceedings, along with expressly authorizing a written ex parte communication to occur at any time without restriction during rate setting cases and catastrophic wildfire proceedings if copies of the communication are transmitted to all parties on the same day as the original communication.

Sonoma Clean Power is the public electricity provider for Sonoma and Mendocino counties. We provide our customers cleaner electricity at competitive rates from sources like solar, wind, geothermal and hydropower, and promote local solutions to climate change. SCP is a not-for-profit public agency, independently run by the participating Cities of Cloverdale, Cotati, Fort Bragg, Petaluma, Point Arena, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Willits, Windsor, and the Counties of Sonoma and Mendocino.

Again, we appreciate your consideration of our concerns and will be closely monitoring the CPUC process if AB 1068 becomes law.

Sincerely,

Geof Syphers, CEO

cc: Members of the Senate

Sonoma Clean Power

431 E Street
Santa Rosa, CA 95404

sonomacleanpower.org

September 7, 2023

The Honorable Eduardo Garcia
Member of the Assembly
1021 O Street, Suite 8120
Sacramento, CA 95814

Re: AB 1373 (Garcia) – Neutral

Dear Assembly Member Garcia:

As the public electricity provider for Sonoma and Mendocino counties, Sonoma Clean Power (SCP) is pleased to inform you that with the September 7th amendments SCP has adopted a neutral position on AB 1373.

We appreciate your attention to detail in making sure the language in AB 1373 has guardrails around the Department of Water Resources (DWR) as they take on the task of being California's central procurement entity. Your understanding of SCP's concerns about preserving the existing right of CCA's to self-procure diverse resources that are not otherwise procured by the DWR in their central procurement capacity is appreciated.

However, as California moves to meet its renewable and zero-carbon energy resources and reliability goals with the passage of AB 1373, we must not forget that future decisions made by DWR as the central procurement entity could have significant consequences for ratepayers.

We share and applaud your commitment to improving the state's energy reliability and resource diversity and look forward to continuing to work with you to address California's energy reliability needs.

Sincerely,

Geof Syphers, CEO

cc: The Honorable Steven Bradford
The Honorable Anthony Portantino
The Honorable Mike McGuire
The Honorable Bill Dodd
The Honorable Damon Connolly

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Staff Report – Item 06

To:	**Sonoma Clean Power Authority Community Advisory Committee**
From:	**Ryan Tracey, Director of Planning & Analytics** **Geof Syphers, Chief Executive Officer**
Issue:	**Receive Geothermal Opportunity Zone Update**
Date:	**September 21, 2023**

Background

The Geothermal Opportunity Zone (GeoZone) is SCP's initiative to guide the development of local geothermal power that is compatible with community values and enables SCP to phase-out its dependency on natural gas power plants for reliability. The Community Advisory Committee (CAC) meetings are a regularly scheduled public forum for the community to receive updates and provide input on the GeoZone. The updates provided to the CAC each month, and minutes from any discussion are posted on SCPA's website at https://sonomacleanpower.org/geozone-public-updates. Additional background on the GeoZone can be found on the GeoZone webpage at https://sonomacleanpower.org/geozone.

Special Community Stakeholder Meeting

SCP hosted a special community stakeholder meeting in Cloverdale on September 18th to discuss proposed principles for new geothermal development. The presentation and summary of the meeting will be posted on the GeoZone webpage in the coming weeks. At the time of this report, people registered to participate include SCP's GeoZone partners and members of the local community, local and state government, labor, and environmental non-governmental organizations (NGOs). Feedback from this event will be shared with the public and the Community Advisory Committee to help craft a set of principles for new geothermal development.

Geothermal Listening Tour

In late August, SCP's CEO and Director of Planning and Analytics met with community members around Lake County to better understand how geothermal development can impact communities. Lake County was visited because unlike Sonoma and Mendocino counties, it has a concentration of local communities that are near existing geothermal power facilities. The tour provided SCP staff with important background to inform the September 18th Cloverdale workshop and early stakeholder engagement for the GeoZone. A document summarizing the listening tour is included as an appendix to this staff memo and is posted on the GeoZone webpage.

Partner Activity

Chevron New Energies and Eavor Inc. continue to be focused on evaluating potential site opportunities for GeoZone pilot projects. Identifying potential project sites involves the partners connecting with landowners, researching mineral ownership rights (which govern who has the right to extract heat from the ground), geologic modeling, and characterizing electric grid transmission infrastructure. Eavor is currently completing an evaluation of surface geology to calibrate their modeling. Meanwhile, both Chevron New Energies and Eavor are working with contractors to develop a permitting plan. After site control is secured, both entities will need to apply for a geothermal exploration permit which will trigger a California Environmental Quality Act (CEQA) process. This process is distinct from a separate CEQA process that will be required for a future geothermal power plant and wellfield.

Cyrq Energy's long duration energy storage project is dependent on securing a commercial agreement from an existing geothermal operator. SCP is supporting Cyrq Energy in developing a business case, including forecasting potential market revenues, to inform discussions with a potential host. Securing a commercial agreement may be dependent on engineering work beyond a feasibility analysis Cyrq Energy performed to support a grant application earlier this year.

Grant Funding

SCP and GeoZone partners are still awaiting news on two grant applications to the Department of Energy: Cyrq Energy's application to the Office of Clean Energy Demonstration's Long Duration Energy Storage Demonstrations grant (selections expected in Fall 2023) and Chevron New Energies' application to the Geothermal Technology Office's Enhanced Geothermal Systems Pilot Demonstration grant (selections expected October 2023). SCP submitted an application to PG&E's Innovation Pitch Fest in August proposing a partnership for progressing GeoZone, but was not selected as a presenter. However, PG&E offered to potentially connect on GeoZone in Q4 of 2023. SCP is also working on connecting with the California Energy

Commission to identify potential funding opportunities for the above-market costs of early GeoZone pilot projects.

Advocacy

SCP's CEO published an op ed in the August 13, 2023, Press Democrat on the North Coast's Dirty Little Secret, highlighting our entire state's heavy dependency on natural gas fired power plants – many in poor neighborhoods in the Central Valley and Southern California. The article (attached in the appendix to this report) makes a case that the North Coast needs to stop exporting our air and water pollution to poor communities that have no effective political advocacy and draws the connection to GeoZone Initiative as SCP's most promising means to achieve this goal.

SCP continues to invest in regulatory and legislative advocacy that is supportive of the GeoZone. In early September, SCP submitted comments in response to the California Energy Commission's kick-off of the 2025 Senate Bill 100 report that highlighted the importance of considering advanced geothermal technologies in planning the resource portfolio to meet the state's decarbonization goals. The last SB 100 report, released in 2021, relied on retaining natural gas capacity to provide reliability—which continues to burden neighboring disadvantaged communities with air and water pollution. Advanced geothermal technologies and other "clean firm" resources provide the types of capabilities that would allow the state to evaluate portfolios that do not require fossil resources and their corresponding health impacts.

SCP has also been closely monitoring several California Independent System Operator (CAISO) stakeholder initiatives that impact development of local resources. SCP submitted comments on the CAISO's proposed reforms to the interconnection process requesting that load serving entities like SCP have more influence on projects that receive deliverability. SCP also advocated for prioritization for projects that improve resource diversity and have long-lead times—such as geothermal. SCP is also working with CalCCA on advocacy in the CAISO's generation deliverability stakeholder process and is preparing for the CAISO to release more details on its 2023-24 Transmission Planning Process (TPP). To unlock local project development, it will be critical that the CAISO approve several large network upgrades in PG&E territory.

Attachments

- Attachment A – SCP Geothermal Listening Tour Summary
- Attachment B – Press Democrat Op Ed on the North Coast's Dirty Little Secret

SCP Geothermal Listening Tour Summary

On August 23 and 24, Sonoma Clean Power's CEO and Director of Planning and Analytics met with community members throughout Lake County to better understand and learn about how geothermal energy can impact communities. Lessons from these meetings are informing SCP's process for exploring the development of new geothermal power in Sonoma and Mendocino Counties as part of the "GeoZone". We chose to visit Lake County because that area has a population living closer to geothermal facilities than in Sonoma and Mendocino Counties, despite the fact that most of the existing geothermal facilities are located in Sonoma County.

During our tour, some community members shared specific concerns about how existing geothermal power facilities are operating, but we explained that we were not there to address problems with any existing facilities since we do not own or operate them. Rather, our goal is to plan ahead to build new facilities. For that reason, these notes record comments in a manner that captures concerns without connecting them to the individual who shared it and without details about specific locations.

The listening tour provided us with important background heading into SCP's planning for new geothermal facilities and gives SCP's private development partners insight into likely community concerns when they consider projects in Sonoma and Mendocino Counties.

Themes from these meetings included:

- <u>Transparency and early community engagement is critical.</u>
  Experiences of surprises and projects proposed by unknown organizations can lead to distrust, which is difficult to overcome later. Make sure that project proponents are known, visible and available to answer community questions. We were thanked repeatedly for meeting with community members before a project is proposed and encouraged to continue.

- <u>Projects are always evaluated in context, not in isolation.</u>
  We were repeatedly reminded that everything SCP is doing in a community – all of the benefits and all of the impacts – are considered when deciding if a project should receive community support or opposition. Advice is to think through the entire relationship with the community near a project. A community's receptiveness to new development can be influenced by the past—as an example, much of Lake County feels a sense of exploitation from the long-lasting environmental impacts of logging, mining, geothermal development, and wetland reclamation.

- Engage early with local tribes.
  If projects are likely to be proposed near Cloverdale, engage early with the Cloverdale Rancheria, Hopland, Dry Creek, and even Point Arena. We were advised that tribes often have been engaged too late to effectively evaluate the potential impact to cultural resources.

- Access to experts should extend to the community.
  Trusted experts in geothermal operations, seismicity, and air quality are available as part of the existing geothermal facilities, and access to their data and viewpoints are very important to the community. Some of the examples provided included the experts who engage with the existing Geysers area Geothermal Air Monitoring Program and Seismic Monitoring Advisory Committee.

- Air quality monitoring is working.
  Existing Geysers area geothermal air quality monitoring and abatement is functioning well, and any new geothermal facilities would be advised to learn from it and potentially duplicate it. Some concerns that local air monitoring stations might be improved by having local power backup were raised, but overall opinion was that the system is working, and that air quality issues are generally addressed well. Decades ago, there were more issues with hydrogen sulfide emissions, so we would be well-served to study how improvements were made.

- Water is (and will always be) complicated.
  We heard recognition that when water sources come from more than one basin or supplier, it can get complicated and involve many stakeholders. There was an understanding that the environmentally-preferred disposal of treated wastewater is high value, but also concern that any water supplied to new geothermal operations in the dryer months will be difficult to obtain. Advice to SCP is to work on a sustainable and environmentally-appropriate water supply early in the process, since this will be a key constraint.

- Induced seismicity is a deep concern for close neighbors.
  We learned that in residential areas close to existing geothermal production, frequent small earthquakes are common. There was recognition that some of the quakes are naturally occurring because of local faults, but also concern that many of the quakes are created because of the geothermal operations. We learned that sensors allow the seismic monitoring program to evaluate induced seismicity, and that a fund exists to compensate homeowners for damage caused by induced quakes. We took away that limiting induced seismicity on close neighbors and providing an accessible mechanism for reimbursing damages is an important element in good design.

- Plan for end-of-life.
  We heard that thinking far ahead to how a facility can be appropriately retired someday is important. What does decommissioning look like?

- Provide communities with multiple ways to provide input.
  We heard that public meetings are important, but that providing opportunities for written input both during and outside of public meetings is equally important. Not all people are comfortable speaking. We heard that leveraging local organizations, such as the municipal town councils in Lake County, as a venue for engaging the community is effective.

- Give context for the GeoZone work.
  Provide the public with early information about why new geothermal energy is needed, both to provide year-round reliability and to end our existing dependency on natural gas power plants in poor communities. We heard we need to share the context about what the State is requiring, what other power sources SCP is building, and why SCP is looking in certain regions of Sonoma and Mendocino Counties.

- Cracking rock or "fracking" has a bad reputation from oil and gas.
  We heard that there is a dislike and a distrust of hydraulic fracturing. There was understanding that there are a wide variety of methods – some better and some worse – but the lesson was that if a new project is going to use any of these techniques in a geothermal project it would be subject to significant skepticism, scrutiny and review. While perhaps something that shouldn't be generalized, the bad reputation from the natural gas industry makes the use of this technique in the geothermal industry harder.

- Traffic and noise in rural areas.
  Neighbors reminded us that even impacts like traffic and noise in rural areas can be disruptive. We are advised to care about these impacts early and find ways to minimize them.

- Drawing on community knowledge.
  After many decades of living near geothermal facilities, some members of our local community have developed significant knowledge on local geology, water, air quality and seismicity. We would do well to tap into that expertise at the right time by continuing to meet people and learn what they know.

- Make reasonable economic assessments.
  Some experiences in the past with developers who made overly-ambitious claims about tax revenues and job creation led to community skepticism. Advice is to get off on the "right foot" by ensuring that claims about community value are reasonable from the start.

- <u>Learn about other community energy projects and engage.</u>
  In our travels throughout Lake County, we learned about community support for other kinds of energy projects, such as tank-to-tank pumped hydropower as a means of energy storage and a small "direct-use" geothermal project for heating. We learned more about how local residents and elected officials view the potential removal of Scott Dam. We learned about concerns that there aren't nearly enough local electricians to support California's transition toward electric appliances and the upgrades needed. We learned that the solar potential in some of the Lake County areas we visited is under-appreciated, since the winters are often sunnier than in other parts of California. We learned that local communities want access to the power that is produced in their backyard so they can enjoy the benefits when they are bearing the impacts. More generally, we were encouraged to be fully engaged in the spectrum of local community energy projects in the regions around any potential GeoZone projects to ensure we understand them and can support the community's ambitions.

We are grateful to the significant time community members from around Lake County shared with us and specifically wish to thank those who sat down with us for extended conversations:

Robert Stark

Supervisor Eddie Crandall

Holly Harris

Chuck Lamb

Former Supervisor Denise Rushing

Anderson Springs Community (six residents)

Close to Home: North Coast's dirty little energy secret

Californians across the state rely on dirty power plants to keep the lights on, including all of us here in Sonoma and Mendocino counties. | 14

The AES power plant in Long Beach. (BRIAN VAN DER BRUG / Los Angeles Times)

GEOF SYPHERS
GEOF SYPHERS IS CEO OF SONOMA CLEAN POWER,.
August 13, 2023

What does turning on your lights in Sonoma County or Mendocino County have to do with childhood asthma in Southern California?

The answer lies in the interconnectivity of our electric grid. During periods of peak demand, our local renewable energy sources are not enough. That's when gas-fired power plants, including three in Oxnard, Long Beach and Huntington Beach are fired up, creating air pollution in neighborhoods largely populated by low-income families.

On Tuesday, the state Water Resources Control Board will vote on extending the deadline for compliance with certain water quality standards, which will allow continued operation of those three plants. Sadly, they may have to approve a three-year extension to avoid blackouts. If they do, they will violate a long-standing agreement to close them by the end of 2023.

But we can't only place the blame on them.

Californians across the state rely on these dirty plants to keep the lights on, including all of us here in Sonoma and Mendocino counties.

This is a critical issue for our clean energy future as well as for the affected communities.

We're privileged on the North Coast to have no gas-burning power plants in our neighborhoods, but it's past time we took responsibility for exporting our air pollution to poor communities in Southern California. A workable plan that keeps California's lights on with renewable energy is overdue.

In 2018, state Senate Bill 100 boldly set a goal of reaching 100% renewable power by 2045, but it did not create a plan to get there.

Solar and batteries will solve our summer power needs in just a few years, but we still will need offshore wind, geothermal and long-duration storage to close even a single fossil fuel power plant. That's because of the long dark periods in the winter when solar isn't producing and batteries are empty.

Two years ago, Sonoma and Mendocino counties partnered with Sonoma Clean Power to guide development of new geothermal resources in our region and preserve the precious existing Geysers power system. Our goal is to test some of the newest environmental technologies and find ways to scale up 24-hour renewable energy.

Building more local geothermal will allow us to shut down one dirty power plant someday, but on a state level California still needs a plan to quickly retire all 39,500 megawatts of them.

California needs to invest in replacing old, leaky windows in low-income neighborhoods. We need water heaters — the second-biggest consumer of energy in most households — to operate on renewable power. We need appliances and electric vehicles to automatically adjust their power use to avoid stressing the grid.

We also need to start building transmission lines to accommodate tripling power production. We cannot pretend that delaying these projects is acceptable, because people are suffering every day we delay.

To do this, California needs a plan that agrees to modest environmental impacts in exchange for definite closures of our dirtiest power plants. We need development that provides great jobs and is supported by unions in exchange for narrowing the standards for suing critical clean energy projects.

We also need to protect the rights of community-owned power providers, like Sonoma Clean Power, to continue building renewable energy resources.

Some voices in Sacramento are pushing for the state Public Utilities Commission to be allowed to order PG&E to build all power sources on behalf of community-owned power providers. Instead, the PUC should focus state efforts where they belong — on hard-to-build stuff like offshore wind — and support community-owned power providers in their pursuit of renewable power projects.

Communities across California are suffering from the consequences of our inaction. Instead of making the water board decide between keeping the lights on and helping our communities of concern survive, we need a workable plan to build a reliable renewable energy system now.

Geof Syphers is CEO of Sonoma Clean Power, which serves the residents and businesses in Sonoma and Mendocino counties.

Sonoma Clean Power

Staff Report – Item 07

To: **Sonoma Clean Power Authority Community Advisory Committee**

From: **Carolyn Glanton, Programs Operations Manager**
Rebecca Simonson, Director of Programs

Issue: **Recommend that the Board of Directors Approve and Delegate Authority to the CEO or his Designee to Execute an Agreement with Enphase Energy for a Battery Storage Grid Services Manager program with a Not-To-Exceed Amount of $980,000 through November 30, 2029**

Date: **September 21, 2023**

Recommendation

Recommend that the Board of Directors approve and delegate authority to the CEO or his designee to execute an agreement with Enphase Energy through November 30, 2029, with a not-to-exceed amount of $980,000 for services related to battery storage management as part of the GridSavvy Rewards program.

Background

In 2017, Sonoma Clean Power (SCP) introduced the GridSavvy program, allowing SCP to remotely send signals to eligible residential smart devices, such as EV chargers and thermostats, to reduce peak demand. Customers can also receive alerts when the grid is stressed so they can turn off devices and save energy. This program enhances grid reliability, lessens the need for new transmission line capacity, reduces the reliance on natural gas power plants during peak periods (thereby cutting emissions), and paves the way for phasing out fossil fuel power plants in the long run.

SCP currently uses AutoGrid as our demand response partner for behavioral, EV chargers, and thermostats.

Customer load flexibility programs such as GridSavvy Rewards have become a priority for the state in the past several years because of the potential to transition to clean energy at affordable prices.

In response to ongoing challenges with extreme weather and grid performance in California, the California Public Utilities Commission (CPUC) introduced the Emergency Load Reduction Program (ELRP) in 2021. This program was specifically designed to prevent rotating outages during peak electricity demand from May to October by using flexible customer load. Following the heatwaves of 2022, Governor Gavin Newsom declared a State of Emergency, urging energy providers to take immediate action to reduce the strain on the energy infrastructure, increase energy capacity, and make energy supply more resilient. The ELRP was dispatched to conserve customer demand, including with statewide alerts asking customers to reduce load.

Discussion

Staff are proposing to expand GridSavvy Rewards in response to interest from SCP's Board and Committee and because of the ability to design an attractive incentive program involving no subsidy whatsoever. The proposal is for piloting battery storage as an option to further support grid reliability efforts and provide additional flexible load, and to establish incentive levels that are fully funded by the market value of that load flexibility. SCP proposes to partner with Enphase Energy as a pilot with a long-term goal to add more battery manufacturers over time.

Recent years have seen the installation of numerous Enphase battery storage systems in the Sonoma Clean Power service area, driven by wildfires and power outages. These battery storage systems enable customers to store surplus energy during off-peak hours and utilize it during peak times or emergencies, ensuring a consistent power supply. However, an estimated 40% of Enphase battery customers opt for the "standby only" mode, where the battery remains dormant until a power outage occurs.

Customers with eligible Enphase battery storage systems would be able to enroll in the GridSavvy Rewards battery storage option. SCP will manage the battery storage system by signaling the battery to charge during the day when solar energy is abundant, energy costs and grid emissions are low, and to utilize the stored energy within the battery during peak evening hours when solar energy is ramping down, energy costs and grid emissions are increasing. Customers decide how much energy they want to enroll from their system. SCP will not signal battery use if a severe storm is forecasted to make reasonable efforts to ensure the battery remains fully charged in case of an outage. The proposed pilot will include a one-year enrollment period with customers signing up for five years. Customers will receive an incentive for participating based on the battery capacity they enroll. See Attachment A for further details. The incentive levels provided are calculated to be covered by the reduced energy and capacity costs for SCP by optimizing the management of these batteries. In this way, lower income customers that do not have access to battery storage systems will not be subsidizing this program.

SCP will use the Enphase Grid Services Manager service to administer the GridSavvy Rewards Enphase Battery System Program. Enphase will enroll participants in the program through the Enphase App. They will also provide customer support for Enphase products and the Enphase App.

In our service area, the current Enphase market comprises around 1,100 customers, accounting for 8 MW and 22 MWh of capacity. While this capacity is already significant, it is also expanding daily.

This program will offer valuable and adaptable assistance through residential solar and battery systems, particularly during the hottest months in the state when energy demand peaks, and energy supplies become more constrained.

By utilizing batteries to offset reliance on natural gas power plants, SCP can contribute to curbing air pollution in the vicinity of those facilities, particularly benefitting communities of people of color and low-income residents, notably in Southern California and the Central Valley.

Fiscal Impact

The agreement for Enphase services is not to exceed $980,000 through November 30, 2029. The approved Fiscal Year 2023/2024 budget includes this fiscal year amount. Future years of the agreement will remain contingent on the SCP Board of Directors' approval of the following fiscal years' budgets.

Attachments

- Attachment A – Draft Enphase Agreement and Statement of Work, available at this link or by request to the Clerk of the Board

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Sonoma Clean Power

Staff Report – Item 08

To: **Sonoma Clean Power Authority Community Advisory Committee**

From: **Geof Syphers, CEO**
Mike Koszalka, COO
Chris Golik, Revenue Manager

Issue: **Discuss and Provide Feedback on Staff Proposed Customer Rate Reductions which would Establish Parameters Following Changes to Distribution Utility Rates and Fees on or After January 1, 2024, and Amendments to Financial Policy B2 to allow Local Investments with Excess Reserve Funds**

Date: **September 21, 2023**

Recommendation

Two items in this report are for discussion and feedback from the Committee. After reviewing this proposal with the Committee and then the Board in their October meeting, staff will bring a specific proposal back to the Committee in the October meeting.

1) Staff propose to amend Financial Policy B2 to allow local investments per the redlines in Attachment A and to establish ongoing local investments during years when costs and rates are favorable.

2) Provide feedback on staff proposed methodology for reduced customer rates to be implemented after PG&E's changes to its Power Charge Indifference Adjustment (PCIA) fee and rates expected on or soon after January 1, 2024. Report the known excess financial reserves as of January 1, 2024, and allocate the excess above SCP's Long-Term Target accordingly:

   - **60% to rate reductions in 2024 and 2025**

     Return 60% of excess reserves to ratepayers in 2024 and 2025 in the form of rate reductions such that the savings relative to PG&E's bundled customers is expected to be the same in both calendar years of 2024 and 2025 based on then-current regulatory filings and known market information. Reset all rate classes so SCP customer total bills have an equal target percentage difference from PG&E's bundled service total bills.

- **30% to establish a local investment fund**

  The purpose of the fund would be to lower customer rates over time by investing in long-term assets to lower SCP's energy expenditures or generate revenues to offset customer rates. Specific investments would be brought to the Board for approval prior to commitment.

- **10% for customer incentives in 2024 and 2025**

  Details on such incentives would be proposed and approved by the Board in a future meeting, but staff are contemplating proposing incentives that are exclusively or primarily geared toward low-income or disadvantaged customers in response to Board input in past meetings.

Background

It is valuable for rating agencies to see that SCP's Board of Directors is willing to raise rates to cover costs when necessary and build reserves when prudent. We're in good times now, with significant reserves growth over the past 18 months. It is also prudent for excess reserves to be used to protect customers from future rate shock, which staff is proposing.

SCP reached its long-term financial reserves target between July and August 2023 about nine months ahead of the ten-year goal. This is a positive development and creates the opportunity for SCP to lower rates and make investments in local energy projects that have the potential to generate income to offset customer rates far into the future.

SCP's goals with customer rate setting include:

- Protect customers from sudden large changes in rates;
- Have few rate changes in a given year to provide stability for customers;
- Save customers money when we can, while still achieving progress on SCP's climate goals;

- Maintain the minimum balance of long-term cash reserves to sustain SCP's investment-grade credit rating and ability to secure affordable sources of energy and seek to build and sustain the target balance of long-term cash reserves to ensure adequate liquidity to survive extreme energy market conditions (e.g., a broad energy crisis or a rapid increase in PG&E's fees).

Over the past nine-and-a-half years, SCP has had rates that were lower than PG&E 80% of the time while supplying a consistently more environmentally preferred portfolio of power sources. Today, SCP customers enjoy bills that are between 3% and 5% lower than those of customers who have chosen PG&E for their power generation needs.

This proposal aims to enhance SCP customer savings by implementing further rate savings and proactively planning to limit the scale and risk of rate increases over the next two years. The exact amount of customer savings will depend on PG&E's new rates and fees, which PG&E will likely not make public until December 31, 2023, however, it is reasonable to assume with today's information that savings will increase above 5% for both years.

PG&E is expected to implement changes to the Power Charge Indifference Adjustment (PCIA) and PG&E's rates on January 1, 2024, or soon after that. While SCP does not expect to have final numbers for these changes until December 31, 2023, the most recent PG&E forecast indicates:

- An increase in PG&E delivery costs for all customers;
- A large decrease in PG&E's bundled service generation costs; and
- A small increase in the Power Charge Indifference Adjustment for CCA customers.

There are multiple pending cases with the CPUC that are hard to predict and will have significant impacts on PG&E's 2024 rates. PG&E's update to PCIA is currently expected to include a catch-up amount to make up for under collecting in 2023, but the outlook can change quickly based on changes to the market cost of energy. The potential for severe weather events like the heat storm in September 2022 adds to uncertainty. As with past years, the outlook should become clearer over the next few months.

Further out, SCP's cost of energy will increase significantly in 2025 when some of the existing fixed-price contracts end and SCP is more exposed to current high market prices of energy.

Discussion

As used in the past five years, to facilitate the implementation of new customer rates as soon as possible following PG&E's expected changes on January 1, 2024, staff is recommending the use of rate setting parameters. If PG&E's final numbers are available on December 31, 2023, SCP expects to be able to implement new rates on February 1, 2024. If PG&E's updates are delayed, then staff propose to make SCP's rate change as soon as feasible after the information becomes available.

As a result of achieving its long-term financial reserves target, SCP can offer customers further savings relative to PG&E. Additionally, excess reserves give SCP an opportunity to protect customers from future large changes in rates and the ability to invest in local energy projects, in response to interest from the Committee and Board.

When SCP implements new rates, staff are recommending the then-most-recently-reported excess financial reserves be allocated as follows:

- **60% to rate reductions in 2024 and 2025**

  Return 60% of excess reserves to ratepayers in 2024 and 2025 in the form of rate reductions such that the savings relative to PG&E's bundled customers is expected to be the same in both calendar years of 2024 and 2025 based on then-current regulatory filings and known market information. Reset all rate classes so SCP customer total bills have an equal target percentage difference from PG&E's bundled service total bills. Per policy, staff will return to the Board following rate implementation to have the final rate tables ratified by the Board.

- **30% to establish a local investment fund**

  The purpose of the fund would be to lower customer rates over time by investing in long-term assets to lower SCP's energy expenditures or generate revenues. Specific investments would be brought to the Board for approval.

- **10% for customer incentives in 2024 and 2025**

  Details on such incentives would be proposed and approved by the Board in a future meeting, but staff are contemplating proposing incentives that are exclusively or primarily geared toward low-income or disadvantaged customers in response to Board input in past meetings.

Any subsequent excess financial reserves will be returned to customers based on a future action of the Board.

Staff also are anticipating rate-payer value in making on-going investments in local income-producing projects to offset rates. While any allocation would be subject to annual Board authorization, setting up an expectation in the next several months could provide a helpful benchmark to future Boards of Directors. Staff propose:

In years when SCP rates are…	…budget toward local income-producing investments
> 3% above bundled rates	0% of Revenues
Between equal and 3% above bundled rates	1% of Revenues
Between 3% below bundled rates and equal	2% of Revenues
Between 6% and 3% below bundled rates	3% of Revenues
More than 6% below bundled rates	4% of Revenues

Financial Impact

The proposed rate reductions, establishment of a local investment fund, and dedication of funds to customer program incentives are designed to return the excess funds collected to customers and have no impact on SCP's current expenditures budget or dedicated long-term financial reserves.

Attachments

- Attachment A – B.2 Financial Reserves Amended 2023.09.12 - Redline