



**AGENDA**  
**COMMUNITY ADVISORY COMMITTEE MEETING**  
**JULY 23, 2019**  
**1:00 PM**

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

**I. CALL TO ORDER**

**II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA**

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

**III. COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR**

1. Approve June 27, 2019 CAC Meeting Minutes (pg.3)
2. Recommend that the Board Authorize the CEO to Negotiate and Execute an Amended and Restated Power Purchase Agreement with IP Malbec, LLC under ProFIT Program (pg. 9)
3. Recommend that the Board Approve an Amended Contract with TLCD Architecture for Advanced Energy Center (pg. 13)

**IV. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR**

4. Receive Operations Report and Provide Input as Appropriate (pg. 21)
5. Review and Recommend that the Board of Directors Approve Bill Protection for Customers Transitioned onto the E-TOU-C Rate for a Maximum of 12 Months (pg. 37)
6. Receive Legislative and Regulatory Updates and Provide Input as Appropriate (pg. 43)

**V. COMMITTEE MEMBER ANNOUNCEMENTS**

**VI. ADJOURN**

*DISABLED ACCOMMODATION: If you have a disability which requires an accommodation, an alternative format, or requires another person to assist you while attending this meeting, please contact the Clerk of the Board at (707) 890-8491, as soon as possible to ensure arrangements for accommodation.*

## COMMONLY USED ACRONYMS AND TERMS

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



**DRAFT MEETING MINUTES  
COMMUNITY ADVISORY COMMITTEE MEETING  
JUNE 27, 2019  
1:00 PM**

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

**I. CALL TO ORDER**

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

Staff present: Geof Syphers, Chief Executive Officer; Mike Koszalka, Chief Operating Officer; Stephanie Reynolds; Director of Internal Operations; and Jessica Mullan, General Counsel.

Committee Members present: Chair Dowd, Vice Chair Mattinson, and Members Brophy, Chaban, Como, Fenichel, Nicholls, and Quinlan.

*CM Baldwin arrived at approximately 1:02 P.M.*

Chair Dowd announced that CM Como had identified potential conflicts of interest and will be recusing himself from the standing Legislative and Regulatory Update; Chair Dowd stated that the Legislative and Regulatory Update will be moved on the agenda out of consideration for CM Como's schedule.

CM Brophy requested that item #2 be removed from the consent calendar for the purposes of further discussion.

**II. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA**

Public comment: Mary Fricker, reporter for Sonoma West Publishing, introduced herself and thanked the Committee members for their assistance with a story she is writing about SCP.

**III. COMMUNITY ADVISORY COMMITTEE CONSENT CALENDAR**

1. Approve May 21, 2019, Community Advisory Committee Meeting Minutes

Motion to approve the May 21, 2019, Community Advisory Committee Meeting Minutes by CM Nicholls.

Second: CM Mattinson.

Motion passed: 8-0-1

#### **IV. COMMUNITY ADVISORY COMMITTEE REGULAR CALENDAR**

2. Recommend Board Approval of Professional Services Agreement with S2 Advertising for Comprehensive Media Consulting Services

CM Brophy requested additional information from staff regarding background on the contract, details on the scope of work and clarification on the overall dollar amount.

CEO Syphers stated that the consultant, S2 Advertising, works on a commission basis for placing ads on behalf of SCP, and that most of the contract value is pass-through costs for direct ad placement. Director of Public Affairs & Marketing, Kate Kelly, noted that S2 helps SCP obtain lower costs for direct ad placement, tracks ad metrics, produces media on behalf of SCP, and streamlines the overall payment process by providing a single invoice for multiple media placements. CM Brophy requested additional clarification on the fee structures for the agreement and General Counsel Mullan detailed instances where S2 would receive commission (direct ad placement) versus an hourly rate (production of media).

CM Quinlan asked if there are formal metrics for tracking the effectiveness of advertising, and Director Kelly stated that customer retention rates are the primary method for measuring the effectiveness of advertising; she noted that the Marketing department is considering a comprehensive customer satisfaction survey but has not moved forward due to the large cost associated with this type of survey. CEO Syphers stated that SCP also has participation data from each program that SCP operates.

CM Brophy asked about retention rates and requested that staff provide a graphic of retention rates over time. CEO Syphers noted that this information is available in SCP's Integrated Resource Plan and will be updated in 2020; Director of Internal Operations, Stephanie Reynolds, advised the CAC that she would include in the Operations Report for the next CAC meeting.

CM Fenichel asked about sponsorship opportunities like Country Summer and whether S2 Advertising advises SCP on which sponsorships to pursue; Director Kelly noted that these determinations are generally made on the staff level.

Public comment: None

Motion to Recommend Board Approval of Professional Services Agreement with S2 Advertising for Comprehensive Media Consulting Services by CM Fenichel.

Second: CM Nicholls

Motion passed: 9-0-0

### 3. Receive Operations Report and Provide Input as Appropriate

CEO Geof Syphers introduced the item by providing an update on SCP's NetGreen program, which in its current iteration, provided \$862k to 2,027 customers who generated excess value from their solar arrays. This is the largest payout since SCP instituted the program. CEO Syphers noted that staff will likely be bringing an item back to the CAC due to pending building code changes calling for solar installations on all new residential buildings beginning in January 2020, and the impacts this will have on the NetGreen program.

Director Reynolds updated the CAC on recent outreach from the County Administrator of Lake County regarding that jurisdiction's interest in community choice. She then noted that the City of Cotati approved switching their municipal accounts to EverGreen. Director Reynolds noted that the City of Sebastopol and the County of Sonoma seemingly adopted EverGreen based on media reports, but staff is still waiting for confirmation from the respective jurisdictions. CM Quinlan asked whether CAC members are prohibited from advocating on behalf of jurisdictions adopting EverGreen and General Counsel Mullan said she would research the matter.

Director Reynolds then detailed SCP hosting the Mike Hauser Academy, which is a local summer program for incoming high school freshman that focuses on STEM education. CM Mattinson asked if SCP will continue to have a student representative on the CAC, and Director Reynolds stated this will be considered at an upcoming meeting once recruitments for the CAC are opened.

Director of Programs Cordel Stillman provided an update on the Programs Strategic Action Plan, which is updated on a biennial basis and outlines progress and goals for existing programs, as well as potential programs to adopt in the future.

CM Baldwin asked about the status of investigating the use of biomass power generation in SCP territory. Director Stillman noted that this technology isn't easily deployed due to the cost-effectiveness of biomass generation. CM Nicholls detailed a recent meeting with Rural Counties Representatives of California and their efforts towards biomass adoption and stated that he could put staff in contact with them to potentially leverage resources.

CM Chaban asked about new programs such as CalEV funding. Director Stillman stated that SCP's application for CalEV grant funding has received positive feedback and it seems likely that SCP may be a recipient of the grant for installing level 2 and 3 charges throughout SCP's service territory.

Director Reynolds updated the CAC on the Monthly Financial Statements; CM Quinlan noted his disagreement with the characterization that net position indicated healthy growth whereas in his opinion there was a net decrease. CEO Syphers detailed how this discrepancy is primarily caused by the seasonality of electric rates. In summer, commercial customers pay a higher energy rate and also have demand charges, so SCP's revenues are much higher. This means that nearly all of SCP's net income occurs during the summer months, so small negative values for a given winter month are not uncommon.

Public comment: None

4. Recommend Board Approval of a Contact with Sonoma Water for Continuation of the Energy Education Program

Director of Programs Cordel Stillman detailed terms of the agreement with Sonoma Water, which provides energy education programs to local schools, and will extend the program through 2021 at a rate of \$275k per year.

CEO Syphers noted that this agreement previously came to the CAC and the Board and was approved for a two-year term; however, staff inadvertently executed a one-year agreement hence the item being brought back.

Public comment: none

Motion to Recommend Board Approval of the Contract with Sonoma Water for Continuation of the Energy Education Program by CM Quinlan

Second: CM Nicholls

Motion passed: 9-0-0

*CM Como left the meeting at approximately 2:06 p.m.*

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

CEO Syphers provided the legislative and regulatory report, which included updates on the Power Charge Indifference Adjustment fee (anticipated to save SCP customers approximately \$6 million); the State of California's Commission on Catastrophic Wildfire Cost and Recovery draft report; an update on CPUC Chairman Michael Picker's resignation announcement; and SCP's various legislative positions on pending bills, including AB 56 (Oppose), AB 684 (Support), AB 1635 (Support if Amended), SB 155 (Oppose as amended May 1, 2019), SB 167 (Support), SB 255 (Support), SB 350 (Allow to Negotiate), and SB 520 (Allow to Negotiate).

Chair Dowd asked about Chairman Picker leaving the CPUC. CEO Syphers suggested that Chairman Picker will likely step down by the end of the year.

CM Chaban asked about SB 167 (Wildfire Mitigation Plans De-energizing - Dodd) and implications for SCP customers and the organization's budget; CEO Syphers stated that initial estimates indicate that there will not be a significant impact on finances, but he would want to get through fire season prior to giving a definitive answer. He noted that the larger impact would be to SCP's customers should there be multi-day shutoffs.

Public comment: none

## **V. COMMITTEE MEMBER ANNOUNCEMENTS**

Chair Dowd thanked staff for attending the CAC meetings and their contributions.

## **VI. ADJOURN**

Chair Dowd adjourned the meeting at approximately 2:29 p.m.

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## Staff Report – Item 02

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To: Sonoma Clean Power Authority Community Advisory Committee

From: Carlos Gomes, Energy Market Analyst

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

Date: July 23, 2019

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### Requested Committee Action

Staff requests that the Committee recommend that the Board of Directors (“Board”) take the following actions, consistent with the parameters set forth in this Staff Report:

- (1) Authorize the Chief Executive Officer (“CEO”) to Negotiate and Execute an Amended and Restated Power Purchase Agreement (“PPA”) with IP Malbec, LLC under the ProFIT Program; and**

The Amended and Restated PPA will extend the Commercial Operations Date (“COD”) to December 17, 2019, clarify the payment and bonus structure under the PPA, and make other conforming changes.

- (2) Delegate authority to the CEO to execute any other related documents that are necessary to administer the PPA.**

The related documents, including any subsequent amendments or lender consents, must be in a form approved by the General Counsel and be otherwise consistent with SCP’s Joint Powers Agreement and Board-adopted policies. In addition, such amendments and documents may not change the PPA price or term.

## Background

Sonoma Clean Power (“SCP”) approved launch of its Feed-in-Tariff Program (“ProFIT”) program on July 10, 2014. In connection with the SCP Board’s action to launch the program, the Board also approved a standard Power Purchase Agreement (“PPA”) contract for ProFIT program developers to use and a ProFIT program tariff. At subsequent Board meetings, updates to the Program and Bonus structure were considered and adopted as well (August 7, 2014).

With multiple participants now in the ProFIT program: (1) developers have started requesting changes to interim project milestones and other business terms as they make their way through the development process; and (2) in reviewing the standard ProFIT PPA related to those requests, staff has also recognized some opportunities to update and clarify language in the ProFIT program’s standard form PPA, particularly as it relates to the bonus incentive payment and documentation requirements.

In October/November 2018 the CAC and the Board approved an amended and restated PPA with another ProFIT developer, Cloverdale Solar Center LLC ([Item 5](#)). SCP expects the Amended and Restated PPA with IP Malbec to largely track the revisions made as part of the Cloverdale renegotiation.

## Discussion

SCP and the IP Malbec, LLC (“IP Malbec”) entered into a Feed-in-Tariff Program (“ProFIT”) Power Purchase Agreement (“Original PPA”) for a 989 kW AC solar project located in Willits, CA on December 18, 2017. The expected Commercial Operation Date (“COD”) in the Original PPA was June 8, 2019. The PPA price of \$0.095 per kW of Delivered Energy will not change. IP Malbec has also requested the training incentive, which is a \$0.01 per kWh for Delivered Energy bonus payment, during the first 5 years.

IP Malbec has experienced a number of project delays, including (1) delays in obtaining a conditional use permit from Mendocino County; (2) disruptions and changes in financing following the PG&E bankruptcy filing; (3) delays in execution of an interconnection agreement with PG&E following the PG&E bankruptcy filing; and (4) weather related delays, including heavy rainfall in May 2019.

IP Malbec held its construction groundbreaking on May 6, 2019; however, IP Malbec has requested a COD extension to December 17, 2019.

The Original PPA includes a provision allowing for a 6-month extension due to

unanticipated delays arising from permitting, or transmission/distribution owner's commitment of the interconnection. Staff has reviewed the Original PPA as well as the documentation IP Malbec has provided in support of its request for the COD extension. Staff recommends accepting and negotiating the Amended PPA with IP Malbec to extend the COD to December 17, 2019.

In addition, IP Malbec has requested bonus payment incentives (training incentive). As with the Cloverdale project renegotiations, Staff recommends that the Amended and Restated PPA with IP Malbec be revised to clarify and update the payment and bonus structure, as well as the documentation requirements for securing incentives. SCP recommends that the delegation of authority to the CEO to negotiate and execute an Amended and Restated PPA with IP Malbec include such updates and clarifications.

In addition to the specific changes noted above, SCP staff expects the Amended & Restated PPA will also: memorialize changes to financing of the project in the Recitals, updates project contacts, update the milestone date, clarifies contract price and bonus payment structure; and details documentation required to receive bonus payment.

Finally, it is staff's understanding that IP Malbec is in the process of closing term and tax equity financing for the project. In connection with such financing, SCP may be asked by the lender and developer to execute a lender consent and/or PPA estoppel. As a result, staff has requested the delegation of authority to the CEO to execute documents necessary to administer the PPA, which would include such lender consents or estoppels; provided that the related documents, including any subsequent amendments or lender consents, must be in a form approved by the General Counsel and be otherwise consistent with SCP's Joint Powers Agreement and Board-adopted policies. In addition, such amendments and documents may not change the PPA price or term.

#### Next Steps

- Negotiate, finalized and execute an Amended and Restated PPA with IP Malbec; and
- Work with IP Malbec, as necessary, to negotiate and execute Lender Consent and/or estoppel related to project financing.

#### **Fiscal Impact**

None. The Amended and Restated PPA would not change the PPA price.

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## **Staff Report - Item 03**

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To: Sonoma Clean Power Authority Community Advisory Committee

From: Chad Asay, Programs Manager

Issue: Recommend that the Board Approve and Delegate Authority to the CEO to Execute First Amendment to Contract with TLCD Architecture

Date: July 23, 2019

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### **Requested Board Action:**

Staff requests that the Community Advisory Committee ("CAC") recommend that the SCP Board of Directors ("Board") Delegate Authority to the Chief Executive Officer ("CEO") to execute a first amendment to the contract with TLCD Architecture to add \$125,663 to the not-to-exceed amount over the term due to unforeseen engineering and design costs at the Advanced Energy Center ("AEC").

### **Background:**

SCP's initial contract with TLCD Architecture ("TLCD") was approved by the Board on December 6, 2018 to design a complete remodel of the leased, vacant space into a new marketplace and demonstration space. The initial term of the contract was through October 31, 2019.

### **Discussion:**

This is the first amendment to the TLCD contract to expand the scope to cover additional, unforeseen engineering and design work. The first amendment would extend the term to March 1, 2020 and increase the not-to-exceed amount under the contract by \$125,663 to increase the total not-to-exceed amount under the contract from \$507,779 to \$633,442.

TLCD spent additional time searching for and preparing building drawings due to a lack of existing documentation. Additionally, TLCD needed to spend additional time resolving building-wide issues including seismic safety of exterior walls, fire separation with adjacent spaces, sewer and fire sprinkler terminations and connections within the SCP tenant space, and also needed to coordinate between SCP and the building owner scopes of work. The City of Santa Rosa Planning Department also required TLCD and their engineers adjust the initial design plan to include an exterior ADA ramp and to complete related improvements at the 5th Street building entrance/exit, study the exterior walls for seismic structure, and to design the connection of fire sprinkler system to City water service.

**Fiscal Impact:**

In FY 19/20 SCP budgeted \$4.2M dedicated to CEC grant administration, labor and tenant improvements. Additionally, there are \$509K in grant funds dedicated to the AEC tenant improvements. SCP will dedicate the full \$509,000 in grant funds to the AEC construction project and then makeup for the difference with SCP funds. Even with the additional funds allocated to this contract, no budget adjustment will be needed for this amendment.

**Attachments:**

- First Amendment to the Professional Services Agreement for the Sonoma Clean Power Authority with TLCD Architecture for the Sonoma Clean Power Authority Energy Marketplace

**FIRST AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT FOR  
THE SONOMA CLEAN POWER AUTHORITY WITH TLCD ARCHITECTURE  
FOR THE SONOMA CLEAN POWER AUTHORITY ENERGY MARKETPLACE**

This First Amendment (“First Amendment”) to the Professional Services Agreement for the Sonoma Clean Power Authority with TLCD Architecture for the Sonoma Clean Power Authority Energy Marketplace (the “Agreement”) is entered into between the Sonoma Clean Power Authority (“SCPA”), a California Joint Powers Authority, and TLCD Architecture a California Corporation (“Consultant”) as of August 1, 2019 (“First Amendment Effective Date”). SCPA and Consultant are, at times individually referred to herein as “Party” and collectively as “Parties”.

WHEREAS, the Parties entered into the Agreement dated December 6<sup>th</sup>, 2018 for Consultant to provide engineering, architectural, design and other related support services for SCP’s renovation of a commercial building located at 741 4<sup>th</sup> Street, Santa Rosa CA. The building will serve as SCP’s Energy Marketplace and include a showcase of zero-carbon technologies, including heat pumps, induction cooktops, and energy efficiency measures; and

WHEREAS, SCPA now desires to extend the term of the Agreement from October 31, 2019 to March 1, 2020; and

WHEREAS, SCPA now desires to expand and revise the Services provided by Consultant to include the design of the security system, address an American with Disabilities Act (“ADA”) ramp, and perform work related to a fire sprinkler system, incorporate Solatubes; and

WHEREAS, SCPA now desires to increase the total not-to-exceed amount under the Agreement by \$125,663 to increase the aggregate not-to-exceed amount under the Agreement from \$507,779 to \$633,442; and

WHEREAS, in accordance with section 30.5 all changes to the Agreement must be in writing and signed by all Parties.

NOW, THEREFORE, the Parties agree as follows:

1. The “Appendices Included” list on the cover page of the Agreement is hereby amended as follows:

“APPENDICES INCLUDED:

Appendix A (Scope of Services)

Including:

Appendix A1 (Approved Additional Services)

Appendix B (Compensation Schedule)

Including:

Appendix B1 (Fixed Fees for Base Services)

Appendix B2 (Hourly Rates)

Appendix C (Insurance)  
Appendix D (Electric Program Investment Charge (EPIC)  
Standard Grant Terms and Conditions)”

2. The definition of “Agreement” in Section 1 (Definitions) of the Agreement is hereby amended as follows:

“Agreement attachments and	This Agreement together with all  appendices and other documents incorporated herein by reference, including, but not limited to, Appendices “A,” (including Appendix “A1”) “B,” (including Appendices “B1” and “B2”) and “C,” attached hereto.”
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3. Appendix A1 (Approved Additional Services) attached to the First Amendment is hereby added to the Agreement following Appendix A.

4. Section 2 of the Agreement is hereby superseded and replaced as follows:

**“2. Term of Agreement**

Unless terminated earlier in accordance with sections 13 and 14 of this Agreement, the term of this Agreement (“Term”) shall begin on the Effective Date and shall end when all work comprising the Services is deemed performed under this Agreement or no later than March 1, 2020.”

5. Section 1.7.13 in Appendix A of the Agreement is hereby superseded and replaced as follows:

“1.7.13 [INTENTIONALLY OMITTED]”

6. Section 1.7.21 in Appendix A of the Agreement is hereby superseded and replaced as follows:

“1.7.21 [INTENTIONALLY OMITTED]”

7. Section 1.7.35 in Appendix A of the Agreement is hereby superseded and replaced as follows:

“1.7.35 [INTENTIONALLY OMITTED]”

8. Section 1.1 in Appendix B of the Agreement is hereby superseded and replaced as follows:



“1.1 Excluding Additional Services only, the amount of compensation to be paid to Consultant for all services under this Agreement shall not exceed six hundred and thirty-three thousand, and four hundred and forty-two dollars (\$633,442) referred to hereafter as the Not-To- Exceed Amount (“NTE”). Total compensation due Consultant shall be the actual amount invoiced based upon the Consultant’s hourly billing, which may be less than the NTE amount. Reimbursable Expenses are included in the NTE. The NTE also includes within its scope the scope of all subconsultants and their reimbursables, and shall constitute full compensation for the Services.”

9. Appendix B-1 Fixed Fees for Base Services attached to the Agreement is hereby superseded and replaced by Appendix B-1 - Amended Fixed Fees for Base Services attached to this First Amendment.

10. Except as set forth above, all terms and conditions of the Agreement remain in full force and effect.

By signing below, the signatories warrant that each has authority to execute this First Amendment on behalf of their respective Parties, and that this Agreement is effective as of the First Amendment Effective Date.

**SONOMA CLEAN POWER  
AUTHORITY**

**TLCD Architecture**

BY: \_\_\_\_\_  
Geof Syphers  
Chief Executive Officer

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

APPROVED AS TO FORM

BY: \_\_\_\_\_  
General Counsel

DATE: \_\_\_\_\_

Appendix A-1  
APPROVED ADDITIONAL SERVICES

Consultant agrees to provide and SCPA approves Consultant's performance of the following work as Additional Services:

- A. Brelje & Race Consulting Engineers to provide construction documents and construction administration services for the exterior ramp and related improvements at the 5<sup>th</sup> Street building entrance/exit (not-to-exceed amount of \$13,400);
- B. Scott AG agrees to provide additional services beyond subconsultant's original contract allowance (not-to-exceed amount of \$10,250);
- C. TEECOM to design a security system (not-to-exceed amount of \$25,000);
- D. Brelje & Race to design connection of fire sprinkler system to City water service (not-to-exceed amount of \$4,040);
- E. Additional services of Cromb Associates to reflect added scope in construction cost estimate (not-to-exceed amount of \$3,000)
- F. Additional services of Consultant to incorporate Solatubes into the scope of work, additional time spent searching for and preparing building drawings due to lack of existing documentation, unforeseen additional time spent resolving building-wide issues including fire separation, sewer and fire sprinkler terminations and connections within SCP tenant space, and coordination between SCPA and building owner scope and ADA access issues at 5<sup>th</sup> Street, as well as coordination with sub-consultants on items A-E above (not-to-exceed amount of \$69,973)

TOTAL NOT-TO-EXCEED AMOUNT FOR ADDITIONAL SERVICES SET FORTH IN APPENDIX A-1: \$125,663

APPENDIX B-1  
AMENDED FIXED FEES FOR BASE SERVICES

SCP Energy Marketplace Fee Worksheet  
November 20, 2018  
Revised July 12, 2019 to Include Contract Amendment 1

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## **Staff Report – Item 04**

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To: Sonoma Clean Power Authority Community Advisory Committee

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

Issue: Receive Internal Operations Report and Provide Input as Appropriate

Date: July 23, 2019

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### **RECRUITMENTS FOR THE SCP TEAM**

At this time, SCP has two open recruitments for new staff positions. The first, a Commercial Accounts Specialist, will provide SCP with additional coverage for outreach and customer service for our commercial accounts. The second position, Programs Manager, will be responsible for design and implementation of SCP programs. We expect both positions to be filled within the next few months. SCP has also recently offered the position of Energy Analyst to a candidate and the offer was accepted. The Analyst is expected to start in September and will work with our procurement team and work on power supply planning, demand load forecasting, risk management, and settlements.

### **HEADQUARTERS BUILDING UPDATE**

Work continues on preparing bid documents for construction. We are waiting for comments from the City of Santa Rosa building department on planning level documents while we ready permit level plans. Our construction management team is performing a “constructability review” of the plans EHDD prepared and any comments they have will be incorporated into the final documents. We hope to be ready to put the project out to bid this fall.

After reviewing many applications and reviewing four finalists' proposals, SCP staff and consultants selected a husband and wife team of artists to design, construct and install a sculpture for the entryway to 431 E Street. A contract for the project will be coming to the CAC and the Board in the near future. A preview of the design will be available at that time.

## **LAKE COUNTY COMMUNICATIONS REGARDING SCP MEMBERSHIP**

Following the direction given by the Board of Directors at the June meeting, CEO Syphers connected with Lake County's Chief Administrative Officer, Carol Huchingson. There will be a meeting between CEO Syphers and Lake County staff on 7/25 to discuss the County's expressed interest in community choice.

## **EVERGREEN OUTREACH TO SCP MEMBER JURISDICTIONS IS WORKING!**

At the request of SCPA Board members, SCP staff have continued outreach to the staff of all member agencies with information about the value and costs of EverGreen service and an offer to meet and discuss further. Prior to June 19, the City of Sonoma had been the only local government that had registered all of its municipal accounts for EverGreen service.

In the last month, we have had an amazing response from our members. On June 6, the Town of Windsor contacted SCP staff and requested certain key municipal accounts be upgraded to EverGreen. On June 25, the City Council of Cotati voted unanimously to convert all of their accounts to EverGreen. On July 16, the City of Sebastopol voted to convert all of their accounts to Evergreen and the County of Sonoma recently included funds to go toward EverGreen premiums in its adopted budget for a large portion of their accounts. The City of Santa Rosa held a Climate Subcommittee meeting to formally discuss transitioning their municipal accounts over to EverGreen service and will be looking to formally vote on the item in the coming months, as well. We are very excited about this momentum and staff continues to work to keep it going.

## **SCP COMMUNITY OUTREACH, MARKETING & PR UPDATE**

SCP is supporting the communities we serve through sponsoring and attending a variety of events and efforts this summer, including sponsoring The Sonoma County Fair Hall of Flowers. Be sure to visit the exhibit just

outside the Hall of Flowers to experience SCP's garden, highlighting the types of renewable energy within our power mix. Other efforts/events: Korbel Winery Environmental Health and Safety Fair, Demystifying Electric Vehicles Workshop; Sonoma County Farm Bureau's Love of the Land, Cotati Kids' Day, Guelaguetza Tierra del Sol, Sonoma Tuesday Night Market, Mendocino County/Good Farm Fund Midsummer Night's Feast, Sonoma County Hispanic Chamber Golf Tournament, Cloverdale's Friday Night Live at the Plaza, and more.

Current marketing focuses include strategy and outreach in support of the Advanced Energy Center, developing and implementing strategies to increase EverGreen participation and working to recapture lost accounts/retain levels of customer participation. We are also working on better understanding our customer base via market and demographic research to aid in targeted marketing efforts.

We continue to enjoy favorable exposure in local, regional and industry publications through our public relations program and see steady increases in our social media followers, with strong engagement from our social audiences.

## **CAC RECRUITMENTS FOR 2020**

At the August 2019 Board of Directors Meeting, SCP staff will be asking the Directors for authorization to open a recruitment for Community Advisory Committee members to fill potential vacancies at the end of 2019. There will also be a request for the Board to appoint an ad hoc committee to review applications, conduct interviews and make recommendations to the Board on appointments at either the November or December meeting. Currently six CAC members have terms ending December 31, 2019: Bill Mattinson, Paul Brophy, Joe Como, Anita Fenichel, Mike Nicholls and Ken Wells. These members will be able to participate in the recruitment, as there are no CAC term limits specified in the SCP Joint Powers Authority (JPA). Section 4.5.1 of the JPA states the CAC must have a minimum of seven members and a maximum of eleven members and each shall serve a four-year term

## **SCP HISTORICAL ACCOUNT DATA**

At the June 26, 2019 CAC meeting, CM Brophy requested that staff provide graphics showing the total number of accounts served by SCP. Attached to the Operations Report is a historical chart which illustrates the total number of SCP accounts compared to total eligible accounts within our service territory, from the period of May 2014 through November 2018. Staff will

provide updated information on an annual basis concurrent with compliance filings, unless requested at an earlier date by Committee or Board members.

## **PROGRAMS**

### *Transit Electrification Study*

Staff has engaged the Cadmus Group to conduct a transit electrification study for the four transit agencies. Cadmus was selected from a competitive solicitation. To date, Cadmus has conducted intake meetings with the four transit agencies to understand the level of electrification efforts at each agency in order to be more efficient in the study. In early August, staff anticipates an in-depth analysis from Cadmus on policy work and project management and also from their subcontractors on planning, design, engineering and relationships with manufacturers.

### *Lead Locally (CEC Grant)*

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

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

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

### *Municipal Solar + Storage RFQ*

At a recent Board of Directors meeting, the Board encouraged SCP to engage with the member municipalities on solar and resiliency topics. In that effort, Staff released an RFQ for Consultant Services for Technical Analysis of



Municipal Solar + Energy Storage on July 2, 2019. The RFQ invites interested consultants to submit statements of qualifications to conduct a technical analysis of existing solar facilities owned or operated by our member municipalities to maximize their value, determine feasibility of adding energy storage, and identify the requirements and cost to disconnect during emergency events. The RFQ is currently open and will close at 4:00 P.M. on July 26, 2019.

### *Advanced Energy Rebuild*

208 homes have now applied for Advanced Energy Rebuild, about one third of which have chosen to rebuild all-electric homes. PG&E recently submitted an advice letter to the California Public Utilities Commission to extend the program through the end of 2020. Staff is working with PG&E to outline the framework for the 2020 program offering.

### *Low Carbon Reach Codes*

An “all-electric” reach code would mandate that all new construction within a jurisdiction use high efficiency electric equipment, reducing the greenhouse gas emissions of new homes by more than two thirds. Santa Rosa, Petaluma, and Windsor continue the public meeting process, with the goal to potentially have reach codes effective by January 1<sup>st</sup>, 2020.

## **MONTHLY COMPILED FINANCIAL STATEMENTS**

May marks the first month of the summer rate season, a period where aggregate rates are greater than in the winter. The year-to-date growth in net position is slightly below projections due primarily to lower than anticipated electricity sales. Year-to-date electricity sales reached \$156,817,000.

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

SCP continues to procure electricity from multiple sources. Net position reached a positive \$90,909,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Of this net position, approximately \$61,276,000 is set aside for reserves (Operating Reserve:

\$51,039,000; Program Reserve: \$9,207,000; and Collateral Reserve: \$1,132,000).

## **BUDGETARY COMPARISON SCHEDULE**

The accompanying budgetary comparison includes the 2018/19 amended budget approved by the Board of Directors in March 2019.

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

Revenue from electricity sales to customers is under the year-to-date budget by approximately 2%.

The cost of electricity is a near match to the budget-to-date. Variation in this account is typically due to fluctuating market cost of energy on open position purchases.

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

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

## **UPCOMING MEETINGS:**

*NO CAC MEETING IN AUGUST*

BOD MEETING - AUGUST 1, 2019

*NO BOARD MEETING IN SEPTEMBER*

CAC MEETING - SEPTEMBER 17, 2019

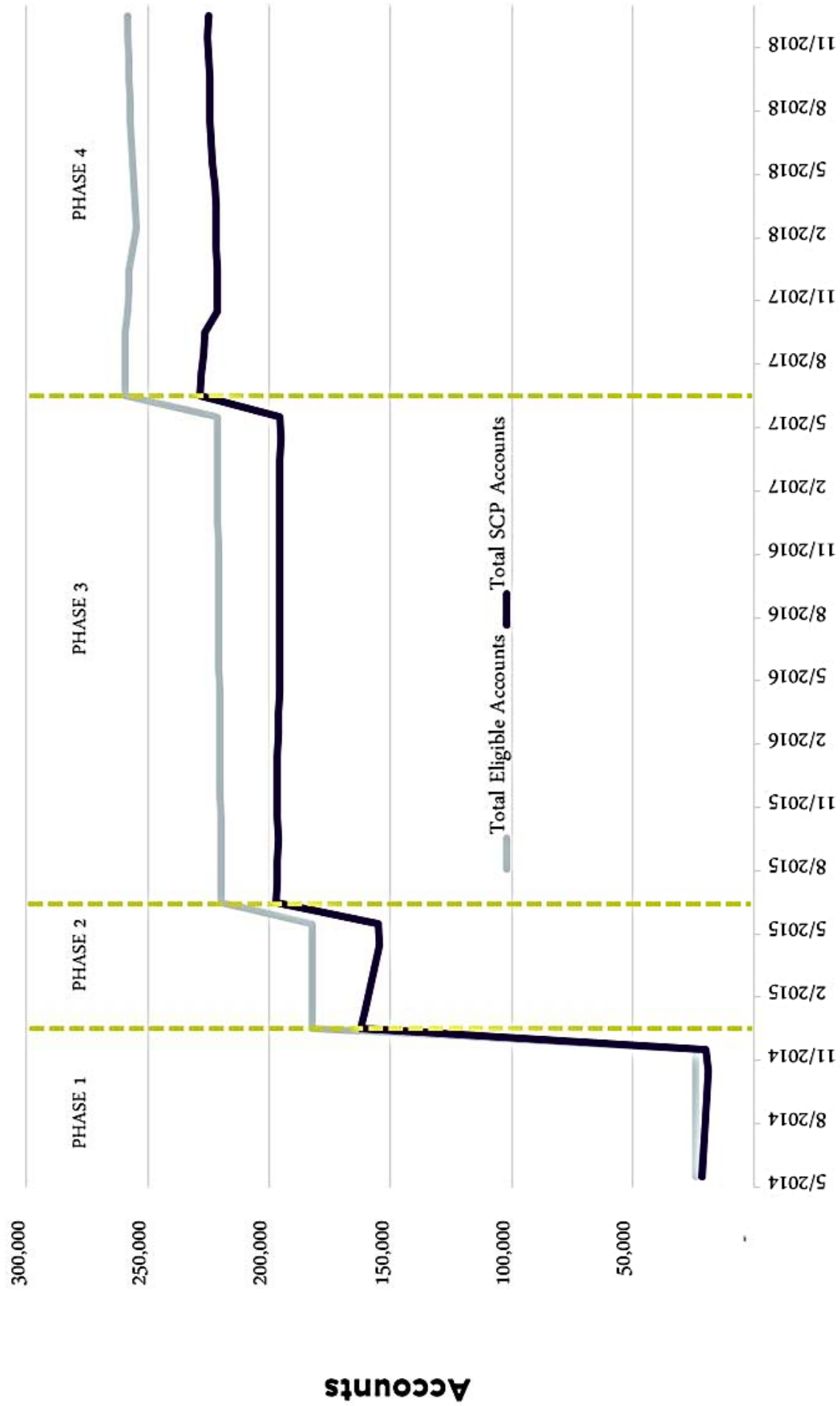
BOD MEETING - OCTOBER 3, 2019



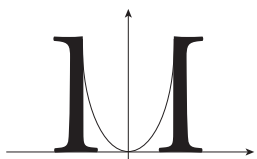
**Community Advisory Committee  
2019 Members and Terms**

NAME	SIGNED OATH	TERM	TERM ENDS
1. Dick Dowd, Chair	September 29, 2014	4- year term	End of 2021
2. Bill Mattinson, Vice Chair	October 17, 2013	4-year term	End of 2019
3. Paul Brophy	October 17, 2013	4-year term	End of 2019
4. Joe Como	February 16, 2016	4-year term	End of 2019
5. Anita Fenichel	February 16, 2016	4-year term	End of 2019
6. Mike Nicholls	February 16, 2016	4-year term	End of 2019
7. Ken Wells	December 16, 2015	4-year term	End of 2019
8. Joel Chaban	January 16, 2018	4-year term	End of 2021
9. Helen Sizemore	January 16, 2018	4-year term	End of 2021
10. Denis Quinlan	January 16, 2018	4-year term	End of 2021
11. Karen Baldwin	January 16, 2018	4-year term	End of 2021

## Total SCP Accounts versus Total Eligible Accounts May 2014 through November 2018



- Phase 1** All C&I and 5,000 residential customers in unincorporated Sonoma County, Cotati, Santa Rosa, Sebastopol, Sonoma, Windsor.
- Phase 2** All remaining customers in Phase 1 areas.
- Phase 3** All customers in Petaluma, Rohnert Park and Cloverdale.
- Phase 4** All of Mendocino County.



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

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

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

*Maher Accountancy*

San Rafael, CA  
July 1, 2019



# SONOMA CLEAN POWER AUTHORITY

## STATEMENT OF NET POSITION

As of May 31, 2019

### ASSETS

#### Current assets

Cash and cash equivalents	\$ 41,593,859
Investment in Sonoma County Investment Pool	15,402,798
Accounts receivable, net of allowance	16,280,931
Other receivables	754,773
Accrued revenue	8,336,325
Prepaid expenses	2,084,074
Deposits	202,079
Investments	10,185,279
Total current assets	<u>94,840,118</u>

#### Noncurrent assets

Land	860,520
Capital assets, net of depreciation	3,691,744
Deposits	5,459,242
Total noncurrent assets	<u>10,011,506</u>
Total assets	<u>104,851,624</u>

### LIABILITIES

#### Current liabilities

Accounts payable	1,032,519
Accrued cost of electricity	11,532,188
Advanced from grantors	453,250
Other accrued liabilities	503,336
User taxes and energy surcharges due to other governments	421,732
Total current liabilities	<u>13,943,025</u>

### NET POSITION

Investment in capital assets	4,552,264
Unrestricted	86,356,335
Total net position	<u>\$ 90,908,599</u>

**SONOMA CLEAN POWER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**July 1, 2018 through May 31, 2019**

**OPERATING REVENUES**

Electricity sales, net	\$ 156,394,076
Evergreen electricity premium	423,033
Grant revenue	1,398,224
Total operating revenues	<u>158,215,333</u>

**OPERATING EXPENSES**

Cost of electricity	131,610,466
Staff compensation	3,071,536
Data manager	2,893,484
Service fees - PG&E	869,260
Consultants and other professional fees	2,547,487
Legal	519,012
Communications	1,109,147
General and administration	807,333
Program rebates and incentives	1,578,502
Depreciation	54,676
Total operating expenses	<u>145,060,903</u>
Operating income	<u>13,154,430</u>

**NONOPERATING REVENUES (EXPENSES)**

Interest income	992,539
Gain on sale of equipment	503
Total nonoperating revenues (expenses)	<u>993,042</u>

**CHANGE IN NET POSITION**

	14,147,472
Net position at beginning of period	<u>76,761,127</u>
Net position at end of period	<u><u>\$ 90,908,599</u></u>

# SONOMA CLEAN POWER AUTHORITY

## STATEMENT OF CASH FLOWS

July 1, 2018 through May 31, 2019

### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from electricity sales	\$ 159,628,507
Receipts from grantors	789,851
Receipts from supplier for security deposits	35,600
Tax and surcharge receipts from customers	2,285,817
Deposits and collateral returned	372,500
Payments to purchase electricity	(134,821,805)
Payments for staff compensation	(3,069,648)
Payments for contract services	(6,663,669)
Payments for communications	(1,394,036)
Payments for general and administration	(861,647)
Payments for program rebates and incentives	(1,582,302)
Tax and surcharge payments to other governments	(2,332,060)
Deposits and collateral paid	(1,408,290)
Payments for charitable contributions	(108,000)
Net cash provided (used) by operating activities	<u>10,870,818</u>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(1,145,472)</u>
Net cash provided (used) by capital and financing activities	<u>(1,145,472)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificate of deposit	(10,185,279)
Interest income received	<u>1,008,772</u>
Net cash provided (used) by investing activities	<u>(9,176,507)</u>

Net change in cash and cash equivalents (including County Investment Pool)	548,839
Cash and cash equivalents at beginning of year	<u>56,447,818</u>
Cash and cash equivalents at end of year	<u>\$ 56,996,657</u>

### Reconciliation to the Statement of Net Position

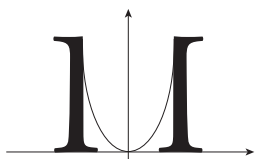
Cash and cash equivalents	\$ 41,593,859
Investment in Sonoma County Investment Pool	<u>15,402,798</u>
Cash and cash equivalents	<u>\$ 56,996,657</u>



**SONOMA CLEAN POWER AUTHORITY**  
**STATEMENT OF CASH FLOWS (continued)**  
**July 1, 2018 through May 31, 2019**

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 13,154,430
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	53,031
Revenue reduced for uncollectible accounts	788,027
Charitable contributions considered an operating activity for cash flow purposes only	(108,000)
(Increase) decrease in net accounts receivable	795,190
(Increase) decrease in other receivables	(588,260)
(Increase) decrease in accrued revenue	1,236,697
(Increase) decrease in prepaid expenses	(1,553,543)
(Increase) decrease in current deposits	(1,002,290)
Increase (decrease) in accounts payable	(59,592)
Increase (decrease) in accrued cost of electricity	(1,251,676)
Increase (decrease) in advance from grantors	(46,750)
Increase (decrease) in accrued liabilities	(527,286)
Increase (decrease) in user taxes and energy surcharges due to other governments	(54,760)
Increase (decrease) in supplier security deposits	35,600
Net cash provided (used) by operating activities	<u><u>\$ 10,870,818</u></u>



## ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Sonoma Clean Power Authority

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

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

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

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

*Maher Accountancy*

San Rafael, CA  
July 1, 2019



**SONOMA CLEAN POWER AUTHORITY  
OPERATING FUND**

**BUDGETARY COMPARISON SCHEDULE**

**July 1, 2018 through May 31, 2019**

	2018/19 YTD Amended Budget	2018/19 YTD Actual	2018/19 YTD Budget Variance (Under) Over	2018/19 Actual/ Amended Budget %	2018/19 Amended Budget	2018/19 Amended Budget Remaining
<b>REVENUE AND OTHER SOURCES:</b>						
Electricity (net of allowance) *	\$ 159,581,152	\$ 156,394,076	\$ (3,187,076)	98%	\$ 176,855,000	\$ 20,460,924
Evergreen Premium (net of allowance)	371,759	423,033	51,274	114%	412,000	(11,033)
CEC Grant	1,811,600	1,351,474	(460,126)	75%	1,927,000	575,526
BAAQMD grant	56,833	46,750	(10,083)	0%	62,000	15,250
Interest income	867,167	992,539	125,372	114%	946,000	(46,539)
Miscellaneous Income	-	503	503	0%	-	(503)
Total revenue and other sources	162,688,511	159,208,375	(3,480,136)	98%	180,202,000	20,993,625
<b>EXPENDITURES AND OTHER USES:</b>						
<b>CURRENT EXPENDITURES</b>						
Cost of energy and scheduling	132,606,442	131,610,466	(995,976)	99%	146,345,000	14,734,534
Data management	2,831,583	2,893,484	61,901	102%	3,089,000	195,516
Service fees- PG&E	879,083	869,260	(9,823)	99%	959,000	89,740
Personnel	3,355,917	3,071,536	(284,381)	92%	3,661,000	589,464
Outreach and communications	1,048,667	907,581	(141,086)	87%	1,144,000	236,419
Customer service	408,000	199,923	(208,077)	49%	440,000	240,077
General and administration	486,750	439,083	(47,667)	90%	531,000	91,917
Legal	650,833	519,012	(131,821)	80%	710,000	190,988
Accounting and auditing	187,000	138,995	(48,005)	74%	204,000	65,005
Technical consultants	174,167	98,254	(75,913)	56%	190,000	91,746
Legislative and regulatory advocacy	117,333	102,500	(14,833)	87%	128,000	25,500
Other consultants	146,667	103,200	(43,467)	70%	160,000	56,800
CalCCA Trade Association	365,000	275,000	(90,000)	75%	400,000	125,000
Program implementation	4,134,167	2,599,084	(1,535,083)	63%	4,510,000	1,910,916
Program - CEC grant	2,048,750	1,178,849	(869,901)	58%	2,415,000	1,236,151
Program development and evaluation	85,000	-	(85,000)	0%	100,000	100,000
Total current expenditures	149,525,359	145,006,227	(4,519,132)	97%	164,986,000	19,979,773
<b>OTHER USES</b>						
Collateral deposit payments	1,409,000	1,408,290	(710)	100%	1,409,000	710
Collateral deposit payments returned	-	(372,500)	(372,500)	-	-	372,500
Capital outlay	1,100,000	806,657	(293,343)	73%	1,190,000	383,343
Total expenditures, Other Uses and Debt Service	152,034,359	146,848,674	(5,185,685)	97%	167,585,000	20,736,326
Net increase (decrease) in available fund balance	\$ 10,654,152	\$ 12,359,701	\$ 1,705,549	116%	\$ 12,617,000	\$ 257,299

\* Represents sales of approximately 2,209,000 MWh for 2018/19 YTD actual.

	Current Balance	% of FY Target	FY Target Balance
<b>RESERVES</b>			
Operating Cash Reserve	\$ 51,039,431	61%	\$ 83,088,000
Program Cash Reserve	9,207,151	55%	16,617,600
Collateral Cash Reserve	1,132,190	8%	14,634,500
	\$ 61,378,772	54%	\$ 114,340,100

See accountants' compilation report.

**SONOMA CLEAN POWER AUTHORITY**  
**OPERATING FUND**  
**BUDGET RECONCILIATION TO STATEMENT OF**  
**REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**July 1, 2018 through May 31, 2019**

Net increase (decrease) in available fund balance per budgetary comparison schedule:	\$ 12,359,701
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(54,676)
Add back capital asset acquisitions	806,657
Subtract collateral deposits returned	(372,500)
Add back collateral deposits	1,408,290
Change in net position	<u>\$ 14,147,472</u>



## Staff Report – Item 05

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To: Sonoma Clean Power Authority Community Advisory Committee

From: Erica Torgerson, Director of Customer Service

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

Date: July 23, 2019

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### **Requested Action:**

Review and recommend the Board of Directors (“Board”) approve bill protection for customers who are transitioned onto the E-TOU-C (Peak Price 4pm-9pm Every Day) rate for a maximum of 12 months per customer.

### **Background:**

Over the past two years, SCP has advocated for a closer link between PG&E’s rates and wholesale energy costs, such that the time of day when rates are high coincides with the time of day that wholesale energy costs are high. When customers see an accurate price signal, they have the power to reduce their bills with conservation and the ability to finance technologies to reduce their usage. Customer investments in batteries, targeted evening-time efficiency measures, and demand response programs will all work better when customer rates are aligned with real costs.

The California Public Utilities Commission (“Commission” or “CPUC”) has generally agreed with SCP’s and others’ advocacy on moving toward aligning rates. In 2015, the CPUC began the process of planning for the state-wide transition of all residential customers onto time-of-use or “TOU” rates.

Currently, the most common residential rate for PG&E and SCP customers is E-1. E-1 is a flat rate, which means customers pay the same price per kilowatt-hour of electricity day and night through the winter and summer seasons.

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

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

In 2017, SCP's Board authorized participation in a pilot program to test out a full-scale transition to TOU rates. The purpose of the pilot was to test marketing, education, and outreach strategies for customers, rigorously test the IOUs process for defaulting mass numbers of customers into a new rate in a compressed timeframe, create and test rate comparison tools, develop a process for protecting customers against increases in their bills called "bill protection," and learn customer levels of understanding in preparation for a full default transition of all residential customers. The pilot also gave SCP the opportunity to test readiness for the transition, including our billing provider, Calpine Energy Solutions, all in advance of the full-scale transition starting in 2020.

In May 2018, analysis of SCP and MCE's TOU Pilot programs found customers showed an increased understanding of rate options with over 87% of customers choosing to stay on the new "E-TOU-C" rate at the end of the pilot. PG&E and Calpine worked together on bill messaging, bill protection credits, and other operational items that resulted in a smooth customer experience. SCP's pilot results show that of the 6,968 SCP customers that took service on E-TOU-C during the pilot, 5,382 saved money on the rate. In total, those customers saved \$85,684, meanwhile SCP paid \$12,888 in bill protection. SCP saw no change in opt-out rates due to the Pilot.

## **Discussion:**

Full Default TOU Transition Next Steps:

In April, Staff explained to the Board that the Commission and PG&E have asked the CCAs to make two decisions by October 2019:

- 1) Will the CCA transition its residential E-1 customers to the new Time-of-Use (Peak Pricing 4-9 p.m. Every Day)?
- 2) Will the CCA offer bill protection to its customers, in a manner similar to PG&E?

Subsequent to that April Board meeting, a CPUC decision in the Residential Rate Design Window Proceeding (described below) made it necessary for SCP to participate in the transition of residential E-1 customers to E-TOU-C. The Residential Rate Design Decision mandated that distribution rates be time varying. This means that even if SCP maintained flat rates, customers net rate would still be time varying. The Residential Rate Design Decision in essence limits SCPs ability to create new rates, with different peak period without confusing customers.

However, the question of whether SCP should provide bill protection for a period of twelve months per customer for all customers making the transition remains.

#### CPUC Residential Rate Design Window Decision: Essentially Requires TOU Transition

On July 11, 2019, the Commission voted to approve the decision, “Phase IIB Addressing Residential Default Time-Of-Use Rate Design Proposals and Transition Implementation” (A. 17-12-012, A. 17-12-013).

Included in that Residential Rate Design Decision, the CPUC requires the summer peak distribution rate to always be at least one cent per kWh more expensive than the off-peak distribution rate. The CCAs and PG&E argued that such a variable distribution cost would create customer confusion in the event that a CCA creates a different peak period in the future. Only one party, the NRDC argued for a distribution rate differential. Unfortunately, the Commission sided with the NRDC, ruling that a peak-related marginal distribution cost element would more accurately reflect PG&E’s underlying costs as estimated by PG&E in its previous General Rate Case. *Simply put, PG&E must design a delivery rate that has a distribution Peak Period from 4 p.m. to 9 p.m. every day.*

Also, in the Residential Rate Design Decision, PG&E proposed to exclude customers taking service from a CCA that did not commit to participate in the transition program by October 2019. This would have left the decision to

transition customers to TOU, or not, in the hands of the individual CCA. Unfortunately, the Commission ruled that although a CCA customer receives generation services from a CCA, it continues to receive distribution and transmission services from the IOU and that IOU must default customers onto a time-differentiated distribution rate. The Residential Rate Design Decision directs both SCE's and PG&E's distribution rates to be time-differentiated, and therefore, CCA customers cannot be excluded from being defaulted onto a time-differentiated distribution rate. *Simply put, the CPUC is requiring PG&E to move customers onto the E-TOU-C rate for their delivery charges whether or not the CCA wishes its customers to participate in the TOU transition.*

The Residential Rate Design Decision effectively forces CCAs, including SCP, to also adopt a time-differentiated rate or risk confusing customers with two rate approaches, a flat rate with the CCA and a time differentiated rate with PG&E delivery. Although the CPUC's Residential Rate Design Decision leaves CCAs little choice but to transition to TOU rates or risk confusing customers, SCP staff remain supportive of this transition.

#### CCAs Must Still Decide Whether to Adopt Bill Protection

The Residential Rate Design Decision directs the IOUs to provide one year of bill protection for customers who are defaulted to the new TOU rate. IOUs are required to provide bill protection in the form of a bill credit at the end of the twelve-month period for customers who paid more because of the switch to the TOU rate.

For the TOU Pilot, SCP offered bill protection in a manner that was as similar to the IOUs as operationally possible. The primary difference was when a customer opts out of SCP service or moves. In those cases, SCP required the customer to request their bill protection in writing from SCP and SCP agreed to mail the customer a check. SCP adopted this approach because SCP does not have access to a customer's bill once SCP charges are no longer on the bill. It was rare to have a customer request bill protection using this method since 87% of customers stayed on the rate and since most customers were "benefiters" who saved on the rate.

The purpose of bill protection is to increase customer confidence, participation and acceptance of TOU rates. Surveyed customers noted that the bill protection increased satisfaction with the transition.

#### Staff Recommendation to Adopt Bill Protection

Based on the experience from the pilot period, Staff recommends that SCP provide bill protection for customers enrolled in E-TOU-C for a maximum of 12



months to provide the same protections bundled customers are receiving during the transition. By not providing bill protection, SCP risks opt outs, frustration, and customer confusion with bundled customers being perceived to be better protected.

It is estimated that 99% of SCP customers eligible to be transitioned will be either “benefiters” or “neutral” to the change. Neutral customers are those that are expected to have less than a \$10 per year impact.

#### Fiscal Impact

Of the approximately 15,597 SCP customers that are expected to receive bill protection in full default, on average the annual bill protection is expected to be \$11.86 per customer or \$184,914 total. The majority of this financial impact would be in SCP’s Fiscal Year 2021-2022. No continuing cost obligation for SCP would extend beyond the one year of bill protection.

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## Staff Report - Item 06

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To: Sonoma Clean Power Authority Community Advisory Committee

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

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

Date: July 23, 2019

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### **Requested Committee Action:**

Receive Legislative and Regulatory Updates and Provide Input as Appropriate

**There are no written materials for this item. A verbal update will be provided at the meeting.**