

**AGENDA**  
**SONOMA CLEAN POWER AUTHORITY**  
**JOINT MEETING OF THE RATEPAYER ADVISORY COMMITTEE AND**  
**BUSINESS OPERATIONS COMMITTEE**  
**WEDNESDAY, APRIL 23, 2014**  
**1:00 P.M. – 4:00 P.M.**

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**Sonoma County Water Agency**  
**Redwood Conference Room**  
**404 Aviation Blvd, Santa Rosa, CA**

**I. CALL TO ORDER**

**II. JOINT MEETING CALENDAR**

1. Seat and swear in Christopher Romo to the Ratepayer Advisory Committee.
2. Discussion and possible direction on how the Ratepayer Advisory and Business Operations Committees can be more effective.
3. Presentation and discussion of the proposal for power related services with Pacific Energy Advisors.
4. Presentation and discussion of the draft annual budget for Fiscal Year 2014-15, including a revised level of services from SCWA, and draft policies for operating reserves and CEO spending limitations.
5. Approve the March 26, 2014 minutes of the SCPA Business Operations Committee.
6. Approve the January 8, 2014 minutes of the SCPA Ratepayer Advisory Committee.
7. Agenda items for future meetings.

**III. 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 your comments to three minutes.)

**IV. ADJOURN**

DISABLED ACCOMMODATION: If you have a disability that requires an accommodation, an alternative format, or requires another person to assist you while attending this meeting, please contact the Clerk at (707) 978-3463, as soon as possible to ensure arrangements for accommodation.

## Staff Report – Item 2

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To: Sonoma Clean Power Authority Ratepayer Advocacy and Business Operations Committees

From: Geof Syphers, CEO  
Susan Briski, Chair, SCPA Business Operations Committee  
Dick Dowd, Chair, SCPA Ratepayer Advisory Committee

Item: Discussion on Committee Effectiveness

Date: April 23, 2014

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The purpose of this item is to provide a forum for the Ratepayer Advisory Committee and Business Operations Committee members to discuss options that would improve the effectiveness of the committees. Staff are supportive of this discussion and will provide feedback to the committees on the potential impacts of any recommendations.

For background, staff provide this letter from Chair Susan Briski of the Business Operations Committee and Chair Dick Dowd of the Ratepayer Advisory Committee:

### **A Statement from Sonoma Clean Power Ratepayer Advisory and Business Operations Committee Chairs - on Evolving the Committee Structures**

We would like to propose that we discuss at our upcoming Joint Meetings of the Ratepayer Advisory and Business Operations Committees, crafting an improvement recommendation for the structure of the committees to the Governing Board. The aims of the recommendation would be to improve the effectiveness and efficiency of these two committees, and respond to concerns expressed in both



committees' meetings about the need for more information in decision-making. We would like your input on this in the next two joint committee meetings.

The reasons for making an improvement recommendation include the following:

- Every Business Operations Committee recommendation for the Governing Board regarding future programs must also by necessity include a discussion on that program's impact on rates. It seems that all members of both committees are aware of this and have felt somewhat handicapped by the current committee structure, which tends to by definition handle program content separately from ratepayer content.
- The Ratepayer Advisory Committee members seem interested in contributing more regularly to SCP.
- There is some redundancy in the preparation and discussion for the two committees. SCP is a lean organization, and it takes more CEO and staff hours to participate in two committee meetings than it would for one.
- Holding joint committee meetings is not the most efficient or effective long-term solution.

While there is no doubt more than one solution for these issues, the most obvious is to combine the committees so that one committee serves both functions. If this is done there will be issues to work out, including but not limited to determining:

- An appropriate committee name.
- The appropriate number of members: Twelve members are probably too many; seven has come up as a possible compromise.
- The best mix of expertise to have on one committee.
- How to represent ratepayer interests: There are other options that can be considered for getting broader ratepayer



input that may serve the ratepayers even better, such as customer surveys.

- Editing the JPA language to reflect the responsibilities of the joint committee.
- Drafting and delivering a proposal for the Governing Board.

This is just the beginning of the thinking and your input is needed to help determine an appropriate evolution to address these issues. We look forward to discussing this with you in the next two meetings.

Respectfully,

Susan Briski, Chair, Business Operations Committee

Dick Dowd, Chair, Ratepayer Advisory Committee

## Staff Report– Item 3

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To: Sonoma Clean Power Authority Ratepayer Advisory and Business Operations Committees

From: Geof Syphers, CEO

Item 3: Presentation and discussion of the proposal for power related services with Pacific Energy Advisors.

Date: April 23, 2014

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**Requested Action:** Review and consider Staff’s proposal for Pacific Energy Advisors to provide load forecasting, settlement, reporting and other power related services.

### Background

Sonoma Clean Power (SCP) must procure electric power to serve our customers (Power Services). Power Services involve a number of complex processes that must be implemented with great skill and expertise. A very high level overview of Power Services includes the following: load forecasting and analysis, resource planning, budgeting, procurement, scheduling, settlements, reporting and compliance, and development of revenue requirements.

These services can be provided in a number of ways. In larger organizations such as the Sacramento Municipal Utilities District (SMUD) and Pacific Gas and Electric Company (PG&E), most if not all of these functions are performed by highly trained and specialized employees. In smaller organizations such as Marin Clean Energy (MCE) and SCP, these functions are frequently performed by third party contractors. Generally speaking, smaller organizations will face difficulty in



recruiting staff possessing the advanced and unique skill sets needed to provide in house Power Services.

Contractors offering Power Services range from organizations with large utility parent companies to small, local consulting services.

SCP currently uses a blended contractor approach for providing Power Services. Calpine, a large California independent power producer, provides SCP with local, renewable generation from the Geysers. Calpine also schedules this power for SCP. Constellation, a subsidiary of a Baltimore based utility, procures carbon free power and system power net of SCP's renewable and carbon free procurement. Constellation also schedules the carbon free and net system power for SCP.

John Dalessi and Kirby Dusel, through Dalessi Management Consultants, LLC (DMC), are currently under contract with Sonoma Clean Power Authority (SCPA). Under the DMC Contract, Mr. Dalessi and Mr. Dusel have provided critically needed services to SCP. In addition to providing a key interface between SCP, Constellation, Calpine and the California Independent System Operator (CAISO), DMC assisted in, and continues to assist in, the negotiation of the Constellation and Calpine contracts, rate setting, development of pro forma financials, tariff development, Renewable Portfolio Standard compliance, load forecasting, Congestion Revenue Rights and Resource Adequacy compliance.

In all of their work, Mr. Dalessi and Mr. Dusel have proven to be prompt, efficient, effective and reliable. Not only were they a driver in SCP's successful launch, they continue to be a vital part of SCP's ongoing operation.

The DMC Contract period is September 5, 2013 through June 30, 2014. The not-to-exceed cap on the DMC Contract is \$253,305, with Mr. Dalessi billing at \$225/hour and Mr. Dusel billing at \$180/hour. Total amount paid to date under the contract is \$193,860.

### **New Proposal**

To ensure the seamless continuation these services, and to accommodate the additional services needed as SCP begins serving customers and ramps up to full



service roll out, Staff has undergone preliminary negotiations with Mr. Dalessi and Mr. Dusel regarding services beyond the DMC Contract.

Because the need for their services grows as SCP's load grows, Staff has reached a preliminary proposal for retaining and growing Mr. Dalessi and Mr. Dusel's services. A key element of the proposal is the formation of Pacific Energy Advisors (PEA), a new entity that will be staffed by Mr. Dalessi and Mr. Dusel, as well as at least one additional and possibly two additional staff.

Staff's recommended term is for a three year agreement, with a provision that either party would be allowed to terminate upon six months notice without cause.

Under the proposal, PEA will provide many of SCP's in-house Power and Operations needs. These needs include but are not limited to:

- Load Forecasting
- Resource Planning
- Electric Supply Budget
- Power Procurement
- Settlements
- Renewable Portfolio Standard (RPS) Compliance
- CAISO Interface including Resource Adequacy (RA) and Congestion Revenue Rights (CRR)
- Drafting Recommended Rates
- Tariff Development
- Pro Forma Financials

Because the services required from PEA are comprehensive and extensive, Staff believes a MWh based, volumetric approach is better than a billable hour approach. The volumetric approach allows for better flow of information without the concern that comes with accruing too many billable hours. Accordingly, to initiate the negotiation process Staff requested PEA to provide a volumetric pricing proposal. PEA submitted a volumetric pricing proposal that is identical to the PEA's current contract with Marin Clean Energy (MCE). Under terms identical to the MCE contract, SCP would pay, based on rollout phasing and assumed rates of customer



participation, approximately \$570,000 per year initially growing to \$838,000 annually for PEA's service.

After lengthy negotiations with PEA, Staff secured a considerably better option for SCP. The new option utilizes a modified flat fee plus a modest volumetric escalator. Under this proposal, SCP pays PEA a flat \$35,000/month plus \$0.10/MWh of SCP customer load. Annually this amounts to \$420,000/year in flat payments plus between \$75,000 and \$200,000 per year in volumetric payment based on rollout and customer participation metrics. Thus, for the start of FY 2014/2015, the total annual payment to PEA is forecasted to be roughly \$495,000, ramping to \$620,000 in FY 2015/2016. This proposal reduces initial costs by 13% from the MCE contract terms but doubles the savings to 26% by full roll out. A detailed breakdown of the proposal is found at Attachment 1 of this Staff Report.

Based on a market analysis, Staff believes that these amounts and the "retainer" approach (as opposed to billable hours with a cap) are the best approach for keeping expenses low while creating a relationship that is based on a very high degree of day-to-day participation of the principal PEA consultants. Hourly consulting work invariably leads to minimizing the hours of meetings, calls and other contact necessary to maintain the necessary level of familiarity needed to support the negotiation of power contracts that reflect SCP's values and policies, adjust forecasts based on emerging conditions and otherwise minimize costs and risks.

The proposed hourly rates that are used to support the retainer amount and which would be applied to work outside the specified scope are very competitive in the industry.

- John Dalessi or similarly qualified principal consultant acceptable to SCP: \$225 per hour
- Kirby Dusel or similarly qualified senior consultant acceptable to SCP: \$180 per hour
- Other consultants: \$125 per hour

Proxies based on years of applicable energy industry experience would be:





- Dalessi, 20+ years of direct industry experience: \$225 per hour
- Dusel, 15+ years of direct industry experience: \$180 per hour
- New staff, 5-10 years of experience: \$125 per hour

Comparing these metrics to the California Public Utilities Commission (CPUC) 2013 hourly rates for energy experts, found at Attachment 2 of this Staff Report, the PEA hourly rates are on the low to middle of the ranges. The CPUC expert rates are used by the CPUC to compensate parties who advocate on behalf of the public good. Because the rates are public service based, they are arguably below commercial market rates for energy experts. In other words, Pacific Gas and Electric Company (PG&E) would likely pay considerably more for the same services. Two examples of organizations compensated under the CPUC rate structure are TURN, a well-known and respected ratepayer advocacy group, and the Sierra Club.

To convert the hourly rates to the “retainer” style proposal, Staff assumes that 45% of the work will be performed by Dalessi or equivalent, 35% by Dusel or equivalent, and 20% by new staff. This distribution results in a melded rate of \$189/hour. Applying the \$189/hour rate to the \$495,000 to \$620,000 range for total annual payment results in a billable hour equivalent of 2619 hours 3280 hours. This translates into approximately 1.3 to 1.7 FTE, which is comfortably below the amount of time PEA will need to fulfill the proposed requirements, but also realistically within the 3-4 person expected staffing of PEA.

Staff performed further benchmarking of the proposal against a scenario that uses SCP employees for all of the proposed requirements. Data from the Sacramento Municipal Utility District (SMUD) is used because:

- SMUD is a government agency
- SMUD is a full-service utility employing for every imaginable position in the electric energy industry
- The salary data is public, current and easy to understand



That said, the SMUD data has the following limitations:

- Salaries reflect the lower cost of living in Sacramento versus the San Francisco Bay Area/Sonoma County
- Benefits data is not included, and as a general rule, average public sector benefits are significantly greater than SCP benefits, thus the “all in” amounts are likely higher than the SMUD salaries + the SCP benefits
- SMUD is considerably larger than SCP

The following SMUD positions were analyzed because they cover the proposed PEA obligations (as captured in italics):

- **Rates Administrator** – *electric supply budget, rate setting, tariff development, pro forma*
- **Supervisor, Load Research & Forecasting** – *load forecasting, resource planning, electric supply budget*
- **Supervisor, Energy Settlements** – *electric supply budget, settlements, CAISO*
- **Regulatory Compliance Analyst** – *RPS Compliance, CAISO, RA, CRR*
- **Procurement Specialist** – *resource planning, electric supply budget, power procurement*

As calculated in Attachment 3, using SMUD’s salaries and SCP’s adjusted benefits, the total costs for these five positions would be at least \$773,087/year. Adjusting for the difference in size between SCP and SMUD and the lower cost of labor in Sacramento, Staff reduced this amount by 30% to arrive at \$541,160/year.



The estimated PEA proposal average annual cost of \$557,500 compares favorably to the \$541,160/year cost estimate to hire SCP employees to fulfill the proposed requirements for the following reasons:

- Timing. PEA can start work immediately and deliver results, while recruiting and hiring the necessary staff could take many months or years.
- Known Performance. PEA principals have a strong track record with past work for SCPA and also for the Marin Energy Authority.
- Low Start-up Risk. A contract with PEA could be terminated and replaced more easily than terminating several staff.
- Unique Knowledge. PEA principals have special knowledge gained from designing, launching and operating power market services for the Marin CCA that no other consultants have. This helps further reduce start-up risk.

Based on this analysis, Staff presents this proposal for PEA to provide ongoing energy services. If the Board approves the general content of this proposal, Staff would proceed to negotiate a contract with PEA for approval by the SCPA Board of Directors. The contract negotiations would assume the metrics described in this Staff Report, but would finalize open issues regarding all other rights and obligations.



## ATTACHMENT 1



## SCOPE OF SERVICES

### I. Core Services

#### (a) Maintain Annual and Long Term Sales Forecast:

- Prepare and maintain SCP (“Sonoma Clean Power”) sales forecasts.
- Includes forecast of: 1) monthly enrolled accounts, megawatt hours (“MWh”) and megawatts (“MW”) by load profile group; and 2) monthly coincident peak MW and hourly MW for the MCE system.
- Update forecasts biannually and more frequently as necessary; monitor accuracy of load forecast on monthly basis; consider adjustment if variance exceeds threshold of 5%.

#### (b) Maintain Financial Model (pro forma)

- Maintain pro forma financial model of monthly income/expense projections, cash flow and cash balances.
- Update biannually and more frequently as necessary; monitor accuracy of financial projections on monthly basis; assist in reconciling budget variances.
- Prepare forecast of power supply and other expenses for annual budget.
- Prepare draft annual budget for SCP program in cooperation with SCP management and accountants.
- Coordinate with SCP and its financial advisors with regard to matters that may impact SCP’s financial standing, debt levels, electric rates, annual budget, resource planning and other key concerns.

#### (c) Ratesetting

- Annually, develop proposed SCP rate schedules; Cost of service modeling; PG&E benchmarking; billing determinant (e.g., TOU energy) forecast; present and proposed rate revenue forecast.
- Collaborate with staff and SCP Board in regards to rate changes and need for new rate designs or options.
- Monitor realized rate revenue vs. projections to identify need for rate changes.

#### (d) Electric Supply Management:

- Serve as liaison for matters involving SCP’s scheduling coordinator, power suppliers and the CAISO.
- Annually, prepare/update resource plans, including ten year load and resource projections.
- Monitor supply/demand balance; Identify incremental electric procurement needs.
- Support solicitation of required energy products – assist in preparing and reviewing requisite solicitation documents, participate in supplier/developer communications,



provide analytical support during proposal/bid evaluation, and other related, as-needed activities. Such support will include activities associated with SCP's annual Open Season process as well as certain as-needed solicitation processes that may be required to address specific resource needs.

- Support energy contract negotiations, including: 1) contracts that may be necessary to supply existing SCP customers with requisite energy products; and 2) contracts that may be necessary to supply additional customers within new member jurisdictions (due to SCP membership expansion) during the Time of Agreement.
- Assist in preparing reports related to electric supply (e.g., data management and reporting activities required under California's Power Source Disclosure Program, including Power Content Label development and review); such support may also entail regulatory liaison activities required to successfully complete applicable reports.
- Assist in administering SCP's ongoing Feed-In Tariff program, including invoice validation and renewable energy certificate processing.
- Assist in validating periodic invoices received by SCP's scheduling coordinator/primary electric service provider, including charges and credits assessed by the CAISO.
- Monitor energy market activities, including pricing trends related to market energy, renewable energy and capacity.
- Maintain/manage relationships with qualified suppliers of requisite energy products: participate in periodic calls, email exchanges and other communications on behalf of SCP.
- Support SCP congestion revenue rights management program.

(e) Manage Renewable Portfolio Standards (RPS) Compliance Program:

- Manage renewable energy portfolio per state/program standards; prepare RPS compliance filings and serve as SCP's liaison with pertinent regulatory agencies for matters related to RPS compliance; maintain working knowledge of currently applicable RPS guidelines, including pertinent reporting requirements.
- Manage SCP's WREGIS account and various subaccounts, including report preparation, certificate transfer review and retirement (to facilitate mandatory and regulatory compliance), generator registration (for Feed-In Tariff projects under contract with SCP) and other account management activities. Provide support during Green-e certified product audits, including data gathering and analysis, reporting and liaison activities with SCP's selected auditor and Green-e Energy staff.

(f) Manage Resource Adequacy (RA) Compliance Program:

- Manage RA portfolio per state/program standards; prepare year ahead/month-ahead peak demand forecast and RA compliance demonstration filings.
- Coordinate activities required to "balance" SCP's RA portfolio, including the identification of capacity deficiencies and coordination of excess capacity sales with qualified buyers.



(g) Regulatory Support:

- Provide technical expertise, analysis and advice in relation to pertinent regulatory proceedings. Such services shall entail periodic reviews and editorial support during comment/brief drafting as well as coordination with SCP staff/advisors on such matters.
- Provide support for Emissions Performance Standard compliance filings
- Prepare or support SCP staff in preparing compliance filings related to the California Energy Commission's Quarterly Fuels and Energy Report; the Integrated Energy Policy Report, and the United States Energy Information Agency's 826 and 861 reports.
- Update Implementation Plan as necessary to address changes to SCP membership.

(h) Customer Service Support:

- Assist SCP in developing tools to provide customer rate comparisons.

II. Supplemental Services

(a) Develop Complementary SCP Programs as May be Requested by SCP Management

- Includes support for development or modifications to SCP customer programs.
- Examples include new demand response programs, changes to feed-in tariff program/contract, changes to the net energy metering program.

(b) Expert Witness Services

- Includes preparing testimony and related expert witness services in state or federal regulatory proceedings; representation in hearings and workshops; and lead/primary drafting responsibilities with regard to comments and briefs.

(c) SCP Program Expansion

- Includes analysis of new member application with respect to criteria that may be established under SCP Policies.

(d) Generation Project Development

- Includes assistance in siting, project selection, permitting.
- Support for project finance and/or bond issuance.

(e) Other Implementation Support/Staff Augmentation

- As needed.



## FEES AND PAYMENT SCHEDULE

During the Term, the following fees shall apply:

- I. Core Services shall be billed to SCP by Contractor on a monthly basis at a rate of \$0.10 per megawatt hour of SCP electricity usage, as determined by SCP's Data Management Services provider and reflected in SCP's monthly T+12 CAISO settlement statements plus a fixed monthly fee of \$35,000.
  
- II. Supplemental Services shall be charged on a time and materials basis at the following hourly rates:
  - John Dalessi or similarly qualified consultant acceptable to SCP: \$225 per hour
  - Kirby Dusel or similarly qualified consultant acceptable to SCP: \$180 per hour
  - Other consultants: \$125 per hour

Throughout the Term, Contractor's total billings for Supplemental Services shall not exceed \$25,000 in any calendar year without SCP's prior written approval.





## ATTACHMENT 2

**Table 1**  
**Hourly Intervenor Rate Ranges for 2008 - 2013**

Years of Experience	2008 Range	2009 Range	2010 Range	2011 Range	2012 Range	2013 Range
<b>Attorneys</b>						
0 - 2	\$150-\$205	\$150-\$205	\$150-\$205	\$150-\$205	\$155-\$210	\$160-\$215
3 - 4	\$200-\$235	\$200-\$235	\$200-\$235	\$200-\$235	\$205-\$240	\$210-\$245
5 - 7	\$280-\$300	\$280-\$300	\$280-\$300	\$280-\$300	\$285-\$305	\$290-\$310
8 - 12	\$300-\$355	\$300-\$355	\$300-\$355	\$300-\$355	\$305-\$360	\$310-\$365
13+	\$300-\$535	\$300-\$535	\$300-\$535	\$300-\$535	\$305-\$545	\$310-\$555
<b>Experts</b>						
0 - 6	\$125-\$185	\$125-\$185	\$125-\$185	\$125-\$185	\$130-\$190	\$135-\$195
7 - 12	\$155-\$270	\$155-\$270	\$155-\$270	\$155-\$270	\$160-\$275	\$165-\$280
13+	\$155-\$390	\$155-\$390	\$155-\$390	\$155-\$390	\$160-\$400	\$165-\$410



## ATTACHMENT 3

SMUD Position	SMUD annual salary	SCP annual benefits	TOTAL
Rates Administrator	\$147,516	\$32,917	\$180,433
Supervisor, Load Research & Forecasting	\$140,400	\$32,529	\$172,929
Supervisor, Energy Settlements	\$140,400	\$32,529	\$172,929
Regulatory Compliance Analyst	\$96,948	\$29,077	\$126,025
Procurement Specialist	\$92,304	\$28,467	\$120,771
		GRAND TOTAL	\$773,087

## Staff Report – Item 4

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To: Sonoma Clean Power Authority Ratepayer Advocacy and Business Operations Committees

From: Geof Syphers, CEO  
John Dalessi, Consultant

Item 4: Presentation of the Draft Fiscal Year 2014-2015 Budget

Date: April 23, 2014

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The purpose of this item is to present and discuss the draft annual budget for the next fiscal year from July 1, 2014 through June 30, 2015.

### Background

The existing SCPA budget was adopted August 15, 2013 and runs through June 30, 2014. This staff report presents a draft budget for the next fiscal year starting on July 1, 2014.

The process for reviewing and adopting this budget is a series of four public meetings. Staff first presents its draft annual budget at the April 23 Joint Ratepayer Advisory/Business Operations Committee meeting. Staff and a representative from the Ratepayer Advisory Committee then co-present the draft budget with committee commentary to the Board of Directors on May 1. Feedback from both of these meetings is integrated into a revised budget, which is then presented to the Joint committees on May 15 and to the Board of Directors for adoption on June 5.



The goals of this budget include:

**Consolidation and standardization of the budget.** The existing budget adopted on August 15, 2013 covers all of the expected expenses except those paid through the Sonoma County Water Agency (SCWA) line of credit. Expenses paid by SCWA have been tracked and reported separately from the adopted budget during the current fiscal year, and this has led to confusion. In addition, the agreement between SCWA and SCPA signed on April 23, 2013 anticipated continuing to accumulate charges for SCWA professional services through December 31, 2014, but Staff have renegotiated that agreement. The new agreement ensures that any services provided are billed and paid in the month following the provision of the services. Collectively, these changes will simplify and standardize the budget starting July 1, 2014.

**Create a policy with respect to reserves.** A draft policy is provided in Appendix 1 that is intended to provide a regular process for developing reserves deposits. Reserves are necessary to reduce operational risks from short-term cash flow problems, to bridge seasonal variation in income, to provide credit support to purchase power at lower rates, and to provide a buffer against the risk of short-term rate spikes.

**Show the relative costs of expenses to better understand rates.** As discretionary programs and optional elements are discussed, it is helpful to understand the relative magnitude of these decisions and their impacts on customer rates.

**Show the scope and scale of a community choice program.** Certain expenses appear to be quite large, such as the printing and postage needed for required customer notices, and these are worth discussing to provide the necessary background to understand how customers are getting the best practical deal.

**Create a process which can be used to integrate budgeting with ratesetting in future years.** The process of ratesetting should be



integrated with the budgeting process to ensure the fullest understanding of the impacts of budgeting decisions on customer rates. Since existing rates were adopted in January 2014, the earliest new rates would ordinarily be considered is January 2015. However, Staff intends to make a strong effort to delay the adjustment of customer rates until July 2015 to allow a fully integrated budgeting and ratesetting process.

### **Draft Budget**

The budget is presented first in the form to be used for adoption, and then is followed by supplemental information. The draft form presented for adoption is intentionally general enough to ensure some measure of discretion by the CEO without requiring frequent budget adjustments.

Certain assumptions were used to create this budget, including:

- The wholesale power market costs for additional volumes needed to start Phases 2 and 3 will be roughly where prices are today
- Opt out rates end up around 18%
- Phases 2 and 3 both become eligible for service in February 2015
- Customers in the 3 remaining cities start service after the end of FY2014-15
- Phases 2 and 3 power purchases are partially collateralized with reserves from Phase 1 surplus

Notable changes to forecast expenditures from the forecast used in the January 2014 rate setting process include:

- Negotiated lower costs for load forecasts, settlement reporting, and other power market services
- Reduction in FY2014-15 scope by \$200,000 for consulting services from SCWA
- Merging of original Phases 2 and 3 results in a small cost reduction, but major improvement in clarity of messaging



**Sonoma Clean Power Authority**  
**DRAFT Fiscal Year 2014-2015 Operating Budget – Page 1 of 3**

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	<b>Draft Budget FY13-14</b>
<b>REVENUES AND OTHER SOURCES</b>	
Electricity Sales	77,460,000
EverGreen Premium	365,000
Uncollectible Accounts (0.3% of sales)	(233,000)
<b>Total Revenues</b>	<b>77,592,000</b>

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**EXPENDITURES**

**Product**

Cost of energy and scheduling	64,802,000
Forecasting and settlements	419,000
Data Management	1,333,000
Service Fees to PG&E	664,000
<b>Product Subtotal</b>	<b>67,218,000</b>

**Personnel**

Salaries, benefits, payroll taxes	1,506,000
<b>Personnel Subtotal</b>	<b>1,506,000</b>

**Outreach and Communications**

Advertising	469,000
Website and 800 number	43,000
Marketing, graphics, PR and related consulting	195,000
<b>Outreach and Communications Subtotal</b>	<b>707,000</b>



**Sonoma Clean Power Authority**  
**DRAFT Fiscal Year 2014-2015 Operating Budget – Page 2 of 3**

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	<b>Draft Budget FY13-14</b>
<b>EXPENDITURES - continued</b>	
<b>Other Professional Services</b>	
Legal	167,000
Accounting	141,000
Technical	239,000
Program Development	80,000
Other consultants	160,000
<b>Other Professional Services Subtotal</b>	<b>787,000</b>
<b>Noticing</b>	
Required Notifications	464,000
<b>Noticing Subtotal</b>	<b>464,000</b>
<b>General and Administration</b>	
Rent	55,000
Insurance	15,000
Misc office supplies	51,000
Phones, internet, data and minor equipment	56,000
Other	78,000
<b>General and Administration Subtotal</b>	<b>255,000</b>
<b>Total Expenditures</b>	<b>70,937,000</b>

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**Sonoma Clean Power Authority**  
**DRAFT Fiscal Year 2014-2015 Operating Budget – Page 3 of 3**

	<b>Draft Budget FY13-14</b>
<b>OTHER USES</b>	
Collateral Deposits	1,600,000
Capital Outlay	48,000
<b>DEBT SERVICE</b>	
Debt Service	1,579,000
<b>Total Expenditures and Other Uses</b>	<b>74,164,000</b>
Contribution to Reserve Fund (4% of expenses)	3,104,000
Early Debt Retirement	324,000
Unallocated funds	0





## **REVENUES AND OTHER SOURCES**

The only sources of income assumed for the budget are from the retail sale of electricity to CleanStart and EverGreen customers. Customers of both of these programs provide all of the Electricity Sales funding. EverGreen customers provide an additional \$0.035 per kilowatt-hour over the cost of CleanStart to cover the actual premium cost for locally produced geothermal power.

The sales estimate is based on 82% of eligible customers and load participating in SCP. This estimate is an upward adjustment from the 78% previously used. The 78% was based on the history of Marin's CCA program with a primarily commercial customer base. The financial performance of SCP is not sensitive to minor changes in the rate of participation because over 90% of expenses are proportional to the load served. In other words, income and expenses generally go up and down together.

The 0.3% used to estimate the portion of billings that are never collected is based on the PG&E system-wide average.

Note that other potential sources of income include Public Goods Charge funding from the CPUC. This funding could pay SCP to operate customer efficiency programs. Grant funding is another potential source of income and can be used, for example, to support electric car charging stations. Neither of these sources of income are shown in the budget because the decision to pursue these sources will be made in parallel with the overall program planning process.



## **EXPENDITURES**

**Cost of Energy and Scheduling** includes all of the various services purchased from the power market through our suppliers. This includes energy, capacity, green attributes, scheduling services, CAISO fees and other miscellaneous power market expenses. Note that SCP's suppliers to date include Constellation, Calpine, local net energy metering (NEM) customers, and local feed-in tariff (FIT) program participants.

Based on all of the eligible NEM customers choosing SCP as their supplier, the maximum cost of providing SCP's NEM program is estimated to be \$200,000 for the fiscal year. This expense constitutes 0.28% of retail rates.

The maximum cost of providing SCP's proposed FIT program is estimated to be \$420,000 for the fiscal year, with the cap on FIT program expenses set at \$600,000 per year for all future years. Actual expenses of the FIT will likely be less than \$420,000 because of the time it takes to permit and build FIT projects. A full draft of the proposed FIT program and cost management elements is provided in Appendix 4.

**Forecasting and Settlements** is provided by Constellation and Pacific Energy Advisors (see also Agenda Item 3). Before electric power can be delivered from generators to end use customers, the amount of power needed must be estimated on an annual, seasonal, monthly, daily and hourly basis. These forecasts are needed not only to meet safety and market driven requirements, but also to meet regulatory requirements. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled electricity. This true up occurs through the settlement process, or "settlements." Settlements also entail addressing a number of other market and regulatory requirements.

**Data Management** is a broad scope of services provided by contract through Noble Americas, including billing data validation, bill coordination with PG&E, billing management of special programs (e.g., NEM, on-bill



repayment, balanced payment plan), call center services and billing technical support, customer enrollment database management, and move-in/move-out services, CAISO data preparation, WREGIS data preparation, and many support functions related to data reporting. The fee for these services is based on the number of participating customers and declines with increased participation:

First 20,000 accounts	\$1.75 per month per account
Next 60,000 accounts	\$1.50 per month per account
All additional accounts	\$1.25 per month per account

**Service Fees to PG&E** consist of a charge of \$0.70 per account per month plus \$6,500 for each phase of customer enrollment. The fee covers PG&E’s potential costs associated with additional data processing and bill coordination.

**Personnel** costs include all of the salaries, benefits and employer taxes for staff, and are based on an estimated staffing plan:

<b>Position</b>	<b>Budgeted Start Date</b>
Executive Assistant	existing
Public Affairs & Mktg Dir.	existing
CEO	existing
Project Assistant	existing
Program Manager	existing
Customer Service Director	existing
General Counsel	July 1, 2014
Account Manager	July 1, 2014
Data Analyst	September 1, 2014
Office Assistant	September 1, 2014
Communications Asst.	October 1, 2014
Internal Operations Mgr.	November 1, 2014
Power Operations Director	April 1, 2015

Actual hiring dates will vary from this plan, as needed.



At the Board's direction, Staff will present a proposal at the May 1 board meeting to fill the vacancy for General Counsel services that will occur at the end of June when the County's contract ends. For the purpose of this draft budget, Staff provide an expense for General Counsel and remove the expense for Regulatory Director, since the workload is closer to one full-time position than two.

**Outreach and Communications** includes all discretionary public education, marketing and advertising. For the purpose of this budget, all remaining accounts in participating cities are assumed to be eligible for service in February 2015. That larger group of customers significantly increases the need for wider advertising in print, online, radio and television. Nevertheless, this acceleration will also reduce advertising costs in the following fiscal year and has the major benefit of providing clarity to all customers about when they will be able to participate.

Despite this need for wider outreach, the budget for paid advertising has been reduced by \$131,000 from earlier rough projections for two reasons. First, SCP staff have negotiated some excellent "first-year" rates with key media outlets that actually improve public exposure while reducing costs. Second, the staff's public speaking campaign has proven very effective, and this will be significantly expanded with additional SCP staff reaching the goal of speaking at over 100 events in this coming fiscal year. Finally, the support of local business and environmental groups has expanded SCP's reach, and this support will be further leveraged in FY13-14 to get information out to the public.

**Other Professional Services** include **Legal** support for power contract negotiations. This support includes time for procuring additional power from SCP's existing suppliers as well as assisting with negotiations for power from several new suppliers such as a solar producer. It also includes time to review a standard offer for feed-in tariff producers.



**Accounting** includes services from three different providers. Maher Accountancy provides the day-to-day accounting for SCP, including generation of financial statements and consolidated reports. Maher's current fee is \$7,250 per month. Despite the fact that a new contract is not yet executed for these services, this monthly fee is assumed to continue through FY2014-15. The County's Auditor Controller Treasurer Tax Collector's (ACTTC) office provides internal auditing and control for SCP and bills its time at cost. A third-party, independent, outside auditor will be hired to provide the final annual review as well. An RFP for the additional audit services will be released in May or June 2014, for work beginning in July. Because the ACTTC and outside auditor costs are not yet well known, the budgetary allowance in this category is likely to be higher than actual.

**Technical** services covers consulting support from Pacific Energy Advisors for power contract negotiations, market intelligence, support for maintaining various financial planning tools and day-to-day support for all technical aspects of operating the SCP program. A full scope for Pacific Energy Advisors is provided in Agenda Item 3.

Technical services also includes continued support from the Sonoma County Water Agency (SCWA) for planning for local project development as well as providing energy engineering staff as needed. The scope of work for SCWA has been recently renegotiated to save \$200,000 in FY2014-15 relative to the agreement executed in March 2013. A revised agreement has not yet been executed, but is expected prior to July 1, 2014. See Appendix 3 for more information.

**Program Development** services covers the expected outside support to design and develop a customer serving program or programs. This expense is not assumed to cover any expected program operation, which, if occurring in FY2014-15, would likely have a source of funds from the Public Goods Charge. An alternative source of program administration funds could be from potential savings in expenses relative to budget, but that option would require a proposal and budget adjustment to implement.



**Other Consultants** include information technology support, human resources support, lobbying, public meeting videography, and various expected small services that do not fit in other categories.

**Noticing** consists of two kinds of mailed notices required by law. During the rollout, the ordinary phases of customer enrollment require that four letters are mailed to every eligible customer notifying them of their options to participate in SCP or opt out. In addition, for every change in account holder (i.e., when a person moves into a home) two mailed notices are required.

**General and Administration** includes a number of ordinary business expenses such as rent, insurance, basic office supplies, office phones, internet service, data service and minor equipment costing less than \$1,000. Because of the start-up nature of SCP, the "Other" category is probably larger than it would be for an established organization.

**Collateral Deposits** are needed to support the purchase of additional volumes of power to serve Phase 2 customers and also to support the purchase of Category 1 renewable power. The amount of \$1.6 million is necessarily a rough estimate, and Staff propose that if a different amount is needed, any surplus be applied to Early Debt Retirement and any deficiency be taken from Early Debt Retirement.

**Capital Outlay** is for equipment costing in excess of \$1,000, including computers, printers and furniture.

**Debt Service** covers the cost of borrowed funds from three sources.

The seed loan from the Sonoma County Water Agency has an outstanding balance of approximately \$1.8 million, with a full reconciliation due prior to the May 1 Board of Directors meeting. This loan started accumulating interest at 3.00% on January 1, 2014 and a flat payment of \$25,000 per month begins January 1, 2015, until all principal and interest is repaid.



A start-up line of credit from First Community Bank (FCB) of Santa Rosa has an estimated outstanding balance at the start of FY2014-15 of \$2.2 million. This loan is primarily intended for the purpose of pre-sales activity and expected draws will end by the end by August 31, 2014, when current income will exceed expenses.

This FCB line of credit has a maximum of \$2.5 million in available funds and a rate of 4.00% interest. During the draw period through June 30, 2015, required payments are limited to interest only, but there is no requirement to draw the full available funds, or penalty for early repayment. The loan is secured with a full guaranty from the County of Sonoma, where the amount of the guaranty will be reduced if on May 1, 2015 the Authority's debt service coverage ratio is 2:1 or better. The guaranty will be released altogether after the Authority has made one year of principal and interest payments.

A second FCB line of credit for \$7.5 million has an estimated outstanding balance at the start of FY2014-15 of \$3.3 million. The funds drawn against this line of credit are used for collateral deposits and to cover two types of cash flow timing gaps: one that occurs at the start of each phase where customer payments lag behind the costs for delivered energy, and one that occurs seasonally where operations in winter months do not cover expenses. The interest rate for this line of credit is 5.10%, and the draw period through December 2014 is interest only, converting to a four-year principal and interest loan beginning in January 2015.

The allocation of surplus funds in the draft budget is purposefully kept simple. The first 4% of surplus is dedicated to the **Reserve Fund** and all remaining surplus goes to **Early Debt Retirement**. The rationale is that cash reserves provide critical protection against short-term market fluctuations, budget shortfalls and most importantly credit support to negotiate more favorable power supply contracts. A proposed Reserve Policy is provided in Appendix 1.



## **APPENDIX 1. DRAFT Operating Reserve Policy**

Prior to reaching \$50 million cash reserves, provided no more than half of that amount is pledged as collateral, the following will govern:

1. Whenever possible and while keeping SCP's average retail generation rate, inclusive of all fees, within 2% of PG&E's average retail generation rate or better, 4% of total annual forecasted revenues will be added to expenses in the budget process. This amount will be built into SCP's rates.

During the course of each fiscal year, surplus income is used to cover expenses in winter months when forecasts show an income deficiency and generally to ensure adequate cash flow from month to month. At the end of each fiscal year, the total annual surplus is determined and allocated as follows:

- a. The first 4% is allocated to operating reserves;
  - b. Any additional surplus is first used to pay outstanding debt, then used to contribute to operating reserves.
2. Whenever it is *not* possible to add 4% of forecast revenues to expenses while keeping SCP's average retail generation rate, inclusive of all fees, within 2% or better of PG&E average retail generation rate, the amount added to the budget for funding the operating reserves shall be reduced sufficiently to achieve those rates. But in no case shall the expense added to the budget and rates be less than 1.5% of forecast revenues. The same allocation of actual end-of-year surplus described in number 1, above, shall be used.

After reaching \$50 million in cash reserves, the contributions to Operating Reserves shall be reduced to a level the Board of Directors deems appropriate.





## **APPENDIX 2. DRAFT Policy on CEO Budgetary Limitations**

Currently, as stated in the SCP JPA, the CEO must bring all expenditures in excess of \$50,000 to the Board for approval. This spending limitation is not uncommon in local government agencies. Nevertheless, the limitation is likely too low for SCP because of the expansive scale of electricity markets. This scale is reflected in SCP's projected annual revenues well in excess of \$75 million. Based on annual revenues, the current CEO expenditure cap of \$50,000 is 0.07% of revenues. Such a small cap for an enterprise of much larger fiscal scale will hamper the CEO's ability to respond to opportunities in a timely manner. In turn, this will impede SCP's ability to provide the best possible service to our customers.

Accordingly, a simple draft policy allowing the CEO to spend up to \$250,000 without approval by the Board is proposed below. The higher limit is still only 0.3% of revenues but will improve the CEO's ability to serve SCP customers. The draft policy would require an amendment to the JPA, to be considered after a FY 2014/15 budget is approved.

### Draft Policy Language on CEO Budgetary Limitations:

Within any "Expenditure" subcategory (e.g. Product, Personnel, Outreach and Communications, etc) reflected in a Board approved annual budget, the CEO is authorized to spend up to \$250,000 without prior Board approval, provided that:

- 1) The expenditure does not or will not result in spending that exceeds the budgeted subcategory amount; and
- 2) The expenditure is reported at the next Board meeting.



### **APPENDIX 3. SCWA Revised Scope of Work and Budget**

The original scope in the April 23, 2013 agreement between the Sonoma County Water Agency (SCWA) and SCPA anticipated an average level of support from SCWA staff of \$25,000 per month. The anticipated scope in that agreement included project permitting, local resource development planning, and a significant budget for general support, including legislative advocacy, evaluation of renewable energy proposals, engineering support and related work.

At the request of SCP's CEO, SCWA has agreed to adjust the level of support downward, to provide a specific scope of work, and to invoice for work in the month following the work rather than accumulate additional debt to be repaid later.

\$50k Local resource plan research, project potential analysis, plan drafting

\$35k for all as-needed services

- support for local renewable project liaison, due diligence and evaluation
- review of FIT and other program proposals
- other technical support

\$10k Ambassadors to other regions exploring CCA

\$5k for Legislative research and advocacy



#### **APPENDIX 4. DRAFT Feed-in Tariff Budget Elements**

SCP seeks a balanced portfolio of clean energy resources. A balanced generation portfolio is the industry standard for minimizing costs and risks.

The four types of energy procurement proposed for SCP's supply portfolio are:

**Net Energy Metering (NEM)** — to promote the least-cost way of offsetting load and costs for customers capable of siting and financing systems on their premises. Maximum NEM costs for Fiscal Year 2014-15 is \$200,000 or 0.3% of retail rates.

**Feed In Tariff (FIT)** — to promote the least-cost way of providing locally-produced power from small systems for customers not able to site and/or finance their own systems. Maximum FIT costs for Fiscal Year 2014-15 are \$600,000 or 0.77% of retail rates. Note, however, that the time-adjusted rate impact will be far less because by the time the FIT is subscribed, SCP will have significantly more customers.

**Bilaterally Negotiated /RFP Procured Contracts** — broader market purchase of renewables to promote the least-cost way of providing RPS Category 1 and 2 power.

**Unbundled Renewable Energy Credits** – to promote the least-cost way to reduce emissions.

The draft FIT proposal is based on an average maximum annual exposure, at full subscription, to SCP customers of \$600,000, which contributes a maximum of 0.35% to retail rates at full rollout, or 0.27% if Petaluma, Rohnert Park and Cloverdale decide to join SCPA. The FIT would provide an opportunity for owners of small-scale, locally sited, Renewables Portfolio Standard-eligible generators to sell electricity directly to SCP through a standard, non-negotiable, long-term power purchase agreement ("FIT PPA"). The FIT PPA would support requisite project financing efforts for eligible local



renewable energy projects and would provide for the ongoing operation of such projects through monthly payments for renewable electricity produced and delivered to SCP by eligible suppliers.

Key benefits of the FIT program would include the following: increased use of locally generated renewable electricity, creation of local economic benefits and reduced greenhouse gas emissions within the electric power sector as well as certain other benefits.

Supplier eligibility would be established through non-negotiable screening requirements including proof of site control, executed interconnection agreements and a demonstration of sufficient business and electric industry experience. As proposed, SCP's FIT would limit individual project sizes to less than 1 MW in total generating capacity. The less than 1 MW cap avoids the need for costly CAISO scheduling while also encouraging the use of pre-disturbed siting locations such as rooftops and parking lots.

The FIT proposal pricing would start at \$105/MWh. This price is approximately 30% higher than PG&E's FIT and approximately 25% lower than MCE's FIT. An additional five-year incentive of \$15/MWh is proposed to support the best local projects using local labor, maintenance contracts and other aspects that benefit our local Sonoma County economy. This incentive would be based on the Solar Action Alliance certification system for encouraging local projects. Applying the \$600,000 annual budget limitation to the proposed pricing will yield approximately 5 MW of solar projects or a mix of renewable sources generating 22,000 megawatt hours ("MWh") per calendar year.

If the Board approves the terms of this generalized FIT proposal, Staff will proceed with a draft FIT Tariff that would be reviewed in time for final approval and launch in July 2014.

## **SONOMA CLEAN POWER – BUSINESS OPERATIONS COMMITTEE (BOC) Draft Record of Proceedings for March 26, 2014**

### **I. CALL TO ORDER:**

Meeting called to order at 9:00 A.M. by Chair Briski.

### **Attendance:**

Susan Briski, Harry Davitian, Michael Gogna, Bill Mattinson, Paul Brophy, CEO Geof Syphers, SCPA Regulatory Director Kelly Foley, Consultant John Dalessi, Consultant Kirby Dusel, and SCP Executive Assistant Stephanie Reynolds.

### **Key Points from this Meeting:**

- Interest expressed in seeing the volumes of power needed in advance of the integrated planning process.
- Strong interest in seeing a reserve policy to be adopted by the Board.
- Proposal to see from staff a focus on the rollout and work on the FIT as time permits.
- When draft FIT proposal is brought to committee, a cap is recommended. Start on the lower end of the price scale and make assumptions clear.
- Continue conversation on defining an appropriate definition of the term “local.” CEO Syphers to send the Solar Action Alliance draft program on the same topic.
- Interest in seeing the key output from the pro forma for scenario planning for programs and rates, and in particular for the upcoming FIT proposal.

### **II. REGULAR CALENDAR**

#### **Review Sonoma Clean Power (SCP) financials and discuss annual budgeting process and timing.**

CEO Syphers presented a slide with metrics on rates and a comparison to current PGE rates. SCP’s goal is not to raise rates before January, 2015 and hopes to hold until July of 2015. This would allow the annual budgeting process to coincide with the annual rate-setting process. Current total electric charges are going to be 4-5% lower than PG&E rates, including all fees, starting May 1, 2014.

Syphers reviewed the current budget report as presented to the Board of Directors on March 20, 2014. Information was provided on the Sonoma County Water Agency loan and SCP’s plans for repayment of the loan starting in January, 2015. A draft outline of the budget will be presented to the committee members in April.



Current opt out rates are lower than forecasted, about 6% with the second noticing complete.

CEO Syphers is working with consultants John Dalessi and Kirby Dusel on a pro forma that has been built for SCP operations. The pro forma is a key tool when planning the future budget, expenses, future staffing, etc. John Dalessi discussed the primary purpose of the pro forma and how to use it as a tool during budget planning. The pro forma being used is in Excel format and has been used in Marin with positive results. The structure of the model is a good foundation for resource planning and very easily structured to fit SCP's needs. The output of the model is what feeds information into the budget that would be presented by the Board.

Discussion on how adding the three new cities will affect the budget process and if current small number of staff can handle the extra burden. CEO Syphers responded that Phase II will be very large whether the cities join or not. Consultants and staff are prepared and in communication on the upcoming phases.

CM Gogna requests that a reserve policy be added as a future agenda item for the BOC and then to the Board for adoption. CEO Syphers agreed that a policy will be drafted and that funds for reserves should be shown in the budget. CM Davitian discussed the need to have financial stability and encourage increased funding for reserves during SCP's startup years. CM Brophy said that the policy on reserves (one or two reserve funds) is something that should be established in the near future and once established would assist with the rate setting process.

Chair Briski asked the committee members if there are other basic performance metrics that should be addressed monthly or quarterly at the BOC meetings. CEO Syphers suggested a key metric would be how SCP is doing relative to the budget. CM Davitian noted he would like to see something related to reserves, possibly quarterly.

Discussion on the need to define local spending. Chair Briski suggests that work be done on the issue with suggestions to come back to the committee. CEO Syphers requested to distribute Solar Action Alliance draft metrics to committee members and use that as a tool to begin the conversation on how to define local spending. He stated there needs to be some type of metric to present to the Board with reasoning behind the results. CM Brophy stated using a descriptive approach on how SCP is using local vendors and products instead of trying to measure spending would be a good approach.

Public Comment: Bob Williamson, Woody Hastings, Ken Wells, Peter Renfro, June Brashares.



**Staff presentation regarding Feed In Tariffs (FITs) and review and discuss proposed SCP FIT development.**

Presentation by Regulatory Director Kelly Foley and consultant Kirby Dusel.

CEO Syphers provided the basic definition of a Feed-In Tariff, or FIT program. FIT is one of the expected programs that was part of the reason for forming Sonoma Clean Power. SCP offices are receiving regular calls from possible FIT participants. The draft FIT program is being worked on and input from the committee and public will be taken into consideration when preparing the draft.

Kirby reviewed the slide presentation prepared for the meeting. Requirements for developers, steps for executing contracts, pricing, scheduling resources, project limitations, and incentives were discussed.

Kelly Foley reviewed a high-level proposal on a chart provided. Primary goals reviewed, cost competitiveness discussed, as well as criteria SCP needs to follow to meet the goals while following the JPA. The current draft will be for a pilot level of projects with limited costs. As a startup, SCP needs to be cost-effective and have the ability to restructure the FIT as SCP rolls out to customers and feedback is provided from the market. An important factor in planning is setting up a program that is agreeable to our lenders, with the risks properly assigned (e.g., primarily to the developer/owner). The maximum project size would be limited to 1 megawatt and projects would need to be within our jurisdiction.

CEO Syphers requests comments and questions regarding the conceptual approach. CM Davitian expressed concern with timing, emphasizing the need to spend sufficient time and resources addressing the challenges and demands during SCP's startup phase. CM Gogna noted the need to be cognizant of SCP's fiduciary obligations. Discussion on the impacts to SCP should a developer default on service and the risks to SCP. CEO Syphers discussed the timing for the program and that it is not necessary to implement the program in the next month or two, but it will need to be established soon. CM Mattinson expressed concerns about the timeline and requirements of the program. CM Brophy asked about signing the PPA. Kelly Foley intends to address concerns of risk and not sign a PPA until developers are ready to provide power, or are in process of building the project, as long as a deadline is established. CEO Syphers suggests that staff to bring a light draft back to the next meeting with a clear maximum budget impact for review. Chair Briski discussed the Board and public's impression and expectations for a FIT program, minimum project size, and if the final number of participants would be worth the effort, as Marin currently only has one FIT project. CEO Syphers responded that the amount of time and effort put into the program would be up to SCP.



CM Gogna requested that when the draft is brought to the committee, to include decisions, parameters and assumptions clearly in the document.

Public Comment: Dick Dowd, John Parry, Brad Heavner, June Brashares, Woody Hastings, Bob Williamson, Ken Wells, Rick Whisman.

**Review and discuss updated resource planning process and timing.**

CEO Syphers stated this item is the staff's acknowledgement that the timeline for resource planning was too aggressive. The actions of starting up the new agency and launching services to customers has been extremely time consuming. He requested that the process be picked up after the budgeting process is complete, in July.

CM Davitian requests that the consultants continue to work on modeling for the resource planning process. CM Gogna suggests that any items other than budget be tabled until after the next two joint meetings in April and May.

Public Comment: None.

**Approve the February 26, 2014 minutes of the Sonoma Clean Power Business Operations Committee**

Approval of the February 26, 2014 BOC meeting minutes was requested.

Public comment: None

Motion to approve by CM Gogna  
Motion Seconded by CM Mattinson

Action approved on a 5-0-0 vote

**Agenda Items and Ideas for Future Meetings:**

Priority	Item	Date Added
H	Immediate business issues: Any topic needed to ensure the launch is successful, at each phase. Sometimes added on short notice.	2013 -fall
H	Budget review/financial planning: Staff provide info such that the BOC can understand how the business is performing as well as funds available for energy efficiency and other programs.	2014-02-26





H	Feed in Tariff (FIT): Test this against the resource planning philosophy and criteria, including the JPA goals and proposed metrics.	2014-02-26
H	Resource planning criteria: Continue to develop and articulate concepts, philosophy, and criteria to be used in resource planning decisions.	2014-02-26
H	Draft a Reserve Policy to be adopted by the Board of Directors	2014-03-26
M-H	Consider forming resource planning ad-hoc committee (CM Davitian volunteered to participate).	2014-02-26
M-H	Consider formation of ad-hoc committee to participate in contract negotiations.	2014-02-26
M-H	Program cost estimates: Preliminary costs on possible programs to help in resource planning decisions.	2014-02-26
M-H	Net Energy Metering (NEM): Work to ensure clarity with public about PG&E interconnection cap and potential financial limits of program.	2014-02-26
M	Bilateral agreements vs. RFPs: Discuss appropriate use of each at relevant times in decision-making.	2014-02-26
M	Big Audacious Goal: Consider whether a big audacious goal should be set to drive progress (assumes business fundamentals will continue to be done well).	2014-02-26
M	Informational presentations related to resource planning: Consider these to increase knowledge for making resource planning recommendations regarding various demand-side programs (energy efficiency), or supply side (renewables, etc.)	2013 - fall
M	Defining "local" to track metric for Sonoma County funds and spending.	2014-03-26
L	City and customer participation updates: receive these from staff quarterly	2013 - fall
L	Local customer service: Consider if and when it makes sense to internally/locally staff the customer call center rather than using a contracted service.	2013 - fall

Table will be reviewed by committee members and adjustments made at the next meeting.

CM Mattinson expressed that the Board of Directors appreciated a direct report and input from the Business Operations Committee.

Public Comment: None.



**Future Meeting Dates:**

April 23, 2014 - 1:00-4:00 P.M., Sonoma County Water Agency, Redwood Conference Rooms

May 15, 2014 - 9:00 A.M.-12:00 P.M., location TBD

**III. Public Comment on Matters Not Listed on the Agenda:**

None.

**IV. Adjournment:**

Meeting adjourned by Chair Briski at 12:12 P.M.

**Sonoma Clean Power Authority  
Ratepayer Advisory Committee Minutes  
January 8, 2014**

**I. CALL TO ORDER:**

Meeting called to order by Chair Dick Dowd at 9:28 A.M

**Attendance:**

Present: John Parry, Bob Williamson, Margaret Spaulding, Dick Dowd, Susan Amato, Tim Holmes, CEO Syphers, Authority Counsel, Steve Shupe, Executive Assistant Stephanie Reynolds

**II. REGULAR CALENDAR:**

***1. Selection of A Vice Chair - Chair Dick Dowd***

Item on the agenda at the request of Chair Dowd. Committee was asked to suggest one of the members to serve as vice chair (formerly held by June Brashares), primarily to fill-in at meetings during the absence of the Chair. CM\* John Parry volunteered for the position. No further discussion by the committee.

Public Comment: None

***2. Selection of a Liaison to the Business Operations Committee and discussion and possible establishment of liaison's duties and authority – Geof Syphers and Steve Shupe***

Steve Shupe reviewed the committee's purpose as described in the JPA for Sonoma Clean Power. Both the RAC and the BOC are to work closely with the CEO and staff on SCP issues. The RAC is charged with representing the interest of SCP customers during the rate setting process. Syphers added that this process has never been done before and is different than Marin Clean Energy's process of reviewing rates before finalization. The RAC will continue to meet 4-5 times per year and the BOC will meet approximately monthly. Chair Dowd stated the RAC members need to be more involved during the budget process and contract negotiations, when contracts would impact customer rates. BOC members have also mentioned the need to be more

\*CM DENOTES COMMITTEE MEMBER



informed during the rate setting process. CEO Syphers suggested that the best use of a liaison would be to keep committee members informed and to have another perspective on what is happening at the BOC meetings and vice versa with the BOC liaison that attends the RAC meetings. CM Williamson stated that meeting more frequently than the 3-4 times around rate setting periods would be better for communication between members. CEO Syphers stated that any communication or feedback from other committee meetings can be forwarded to SCP staff or to counsel, who may then disseminate the information to the committee members. He included that all BOC and RAC members are copied on any distributed emails with SCP meeting details and agenda packet information, which includes detail on accounting, draft contract negotiations, committee meeting updates, etc. Chair Dowd removed himself from consideration, to allow RAC responsibilities to be spread among the committee members.

Motion to appoint Bob Williamson as the RAC liaison, by Margaret Spaulding.  
Second by Tim Holmes

Motion carried: 5-1(Amato)-0

Public Comment: Bill Mattinson (BOC liaison), Mike Gogna

### **3. Staff report on SCP program schedule and public workshops – CEO Syphers**

Slide presentation by CEO Syphers. Review on progress of SCP as the second CCA program in California, and the only power provider offering a program such as EverGreen. Interest from community in starting programs and services earlier. Description of three upcoming public workshops. Input from those meetings will contribute to program and strategic planning processes. A number of ideas already put forward by the public were mentioned by Syphers (examples included: feed-in tariff, new geothermal capacity, electric charging stations, leasing solar to customers, conservation education and co-advertising existing programs).

Discussion on petition circulated requesting 75% of premium from EverGreen be directed to rooftop solar installations. Syphers suggested that more research be done to focus on a variety of programs that can be implemented, including support for rooftop solar.



The subject of the next RAC meetings will be review of the annual draft budget in May and to make recommendations before the Board of Directors in June for approval.

Syphers noted that there needs to be additional discussion on the scope of the committee duties that may necessitate more frequent meetings during the year or more frequent use of a joint committee session including the Business Operations Committee.

Chair Dowd reported out on a recent City of Santa Rosa council meeting where a public comment included negative, uninformed information. Dowd stressed the need to address basic information on how customers of Sonoma Clean Power truly benefit from clean energy when the grid is a shared resource with other utilities.

Discussion on how to get the average ratepayer to attend the workshops and the importance of dealing with attendees new to the CCA concept. Syphers responded that advertising is planned, but noted that these will be the first of many public workshops. CM Parry suggested a video for the website with a basic description of how SCP can purchase and deliver clean energy.

Public Comment: Duane DeWitt, Rick Reisman, Woody Hastings, Paul Brophy, Mike Gogna.

***4. Review and make recommendation to SCPA Board of Directors on the proposed customer rates which will be effective May 1, 2014 – CEO Syphers, Kirby Dusel, John Dalessi.***

A detailed review, including slides, of the SCP rate-setting process, distribution charges, proposed CleanStart, EverGreen and NEM rates that would become effective on May 1, 2014, by consultants John Dalessi and Kirby Dusel.

A request was made to provide a sample of an industrial PG&E statement to the committees and to the Board.

Discussion on charges to NEM customers and the estimated maximum \$200,000 cost breakdown to provide this service to those customers.

CEO Syphers asked the committee to approve the proposed rates with the addition of a rule allowing EverGreen customers to exit EverGreen program if the premium rates increase within the first twelve months.



Request by Chair Dowd to have CEO Syphers explain the proposed motion to the Board including the change allowing EverGreen customers to exit if rates changed in the first year.

Motion to recommend proposed rates to the Board of Directors with the addition that EverGreen customers may exit the program if premium rates increase within the first twelve month period by Margaret Spaulding.

Seconded by Susan Amato.

Public Comment: Bill Mattinson, Henry Di Nicola, Paul Brophy, June Brashares, Duane DeWitt

Motion carried: 6-0-0

**5. Review and provide feedback on proposed enrollment letter content for Phase 1 customers – CEO Syphers and Jonna Ramey**

A reminder of the mail notification process was presented by CEO Syphers. Four notices are to be sent, two full letters, two postcards. Notices in English and Spanish. A request was made to clarify the NEM product, even for current customers. More information on rates was suggested and the inclusion of the fact SCP is limited on what funds can be used for, including that funds cannot be used for other public goods or services. A few other minor edits were suggested by the committee and noted by consultant Jonna Ramey.

Public Comment: Paul Brophy, Mike Gogna, Rick Reisman

**6. Approve the December 4, 2013 and December 17, 2013 minutes of the Sonoma Clean Power Ratepayer Advisory Committee.**

Motion to approve the December 4, 2013 and December 17, 2013 minutes as corrected, by Tim Holmes.

Motion seconded by Margaret Spaulding

Public Comment: None.

Motion to approve carried: 6-0-0.



**7. Discussion on agenda items for future meetings, including a discussion of procedures for making agenda recommendations between meetings.**

Discussion led by CEO Syphers and Counsel Shupe. Chair Dowd requested information be provided to committee members with the suggested process of how to place items on the agenda and avoid Brown Act violations in the process. CM Williamson asked about sending out suggested agenda items to other committee members or to the Board if the author's email clearly states that a response is not requested. Steve Shupe clarified that sending out the email is not a violation of the Brown Act. Issues may arise when responses generate a conversation on the item, which may cause a Brown Act violation. Best practice suggested is to send emails as "BCC" or blind copy so "reply all" may not be used by recipients.

Steve Shupe stated that per the JPA, the RAC sets its own agenda. The chair can place any item(s) on the agenda, normally working with staff. Chair Dowd stated any items that committee members would like to place on the agenda should be sent to him via email with a cc to the appropriate SCP staff and CEO Syphers. The other option mentioned was to bring up the item at the next meeting and request that it be put on the following meeting's agenda. Steve Shupe noted that when attending another committee or Board of Directors' meeting, and a majority of one's committee is present in the audience, discussions on committee business should be refrained from, as that would be a Brown Act violation.

Future Agenda Items:

- Committee Responsibilities and role in reviewing contracts that impact rate setting.
- Liaison's role when reporting to BOC and the Board.

Public Comment: Bill Mattinson

**III. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA:**

Speaker: Duane DeWitt - Speaker requested the minutes show his comments on the need for a high-level of transparency and the need to hold meetings at different times of day, so more of the public would be able to attend.

**IV. ADJOURNMENT: 11:56**