Sonoma Clean Power
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50 Old Courthouse Square, Suite 605
Santa Rosa, CA 95404

AGENDA
SONOMA CLEAN POWER AUTHORITY
RATEPAYER ADVISORY COMMITTEE
WEDNESDAY, DECEMBER 3, 2014
9:00 A.M.

Sonoma County Transportation Authority Offices
490 Mendocino Avenue, Suite 206, Santa Rosa, California

I. CALL TO ORDER

II. RATEPAYER ADVISORY COMMITTEE REGULAR CALENDAR

1. Adopt minutes of the May 15, 2014 SCPA Ratepayer Advisory Committee.

2. Chief Executive Officer update on program activity and financials (information only).

3. Discussion of process for budget and rate setting (information only).

IV. 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.)

V. 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 at (707) 978-3463, as soon as possible to ensure arrangements for accommodation.

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Sonoma Clean Power Authority
Joint Meeting of the Ratepayer Advisory Committee
and Business Operations Committee
Meeting Minutes
May 15, 2014

I. CALL TO ORDER:

Meeting called to order by RAC Chair Dick Dowd at 9:04 A.M

Committee Members Present:

RAC Members: Dick Dowd, Margaret Spaulding, Chris Romo, Tim Holmes, John Parry. (RAC members Susan Amato and Bob Williamson absent with notice.)

BOC Members: Susan Briski, Mike Gogna, Paul Brophy, Harry Davitian, and Bill Mattinson

Staff/Consultants Present: CEO Geof Syphers, Executive Assistant Stephanie Reynolds, Kelly Foley, Regulatory Director, Kirby Dusel and John Dalessi of Pacific Energy Advisors.

II. JOINT MEETING CALENDAR:

1. *Legislative update on AB 2145 (Bradford).(CEO Syphers, Regulatory Director Foley)*
   Discussion on the genesis of AB2145 and what impacts to California CCAs there would be if the legislation passes as it is currently written. Some key issues to CCAs include the change to an opt-in program instead of an opt-out program and the requirement to provide customers with a 5-year rate analysis and the use of renewable energy credits. The opt-out provision is the only collateral that new CCAs would have when purchasing power. Kelly Foley reported on work being done to defeat the bill includes working with other organizations, such as CPC and LEAN, meetings with legislators and she is hoping to defeat the bill in the Senate.

   Kelly Foley will be sending an article to committee members that explains renewable energy credits (RECs), which are another aspect addressed in AB 2145.

   Public Comment: Art Deicke

2. *Business Operations Committee recommendation on proposed contract for power market services with Pacific Energy Advisors. (CEO Syphers, John Dalessi and Kirby Dusel from Pacific Energy Advisors)*

   RAC member Tim Holmes recused himself from the meeting due to a possible conflict of interest (9:37 A.M.)

CEO Syphers recapped the proposed contract, including changes suggested by the committees and Board at prior meetings. A key change includes a shorter termination period, from six months to three months. The overall price has not changed but is now at a flat dollar-per-month rate.

Comments received from the RAC members: Parry, in support of contract; Romo, concerned about cost, but feels contract is necessary so no overall objection; Spaulding, no objection; Dowd, discussed sole-source contracting vs. the RFP process. As SCP is in start-up phase with limited staff, sole-source contracting is appropriate at this time. CM Amato sent comments through CEO Syphers expressing her concerns about not using a competitive process. A letter was received from June Brashares, which was distributed at the meeting, which echoed the sentiment regarding concerns about not using a competitive process.

Comments from the BOC: Bill Mattinson echoes the concern about not following a competitive process and remaining transparent and open to the public. Questions regarding some language in the contract and the need to include a timeframe to go out to RFQ/RFI or similar process to do a comparison of rates and services. CM Davitian also expressed concern regarding public perception of sole sourcing. He also stated that due to the specific circumstances with SCP during startup, he did support the current contract. Discussion on fee payment schedule based on power usage. CM Davitian also suggested waiting approximately two years before going to RFP may be an appropriate time period. CM Brophy would be more in favor of restricting the length of the contract and going out to RFP. He suggested going to RFP after full phase roll-out, whenever that time occurs, to keep in mind the best interests of SCP during that time period. Regulatory Director Foley reminded that time periods may need to be adjusted based on the outcome of AB 2145. CM Davitian noted that the time period from beginning of an RFP process to complete transition would need to be taken into consideration when establishing a time to go out to RFP. CEO Syphers noted that the comments and suggestions made at the last meeting have been integrated into the current contract. He also noted that a main point of the discussion, setting a point in time to research alternatives and/or go out to RFP, has been noted by staff. John Dalessi noted that a determined point of time is necessary for PEA's own planning with regards to staff and workflow. CM Gogna commented he has confidence that staff has performed due diligence on it's statements, the value is not in question and the experience of PEA warrants a sole source contract at this time. He also noted that alternatives should be discussed within one year. CEO Syphers stated that SCP staff is always open to alternatives and new ideas. CM Gogna also asked for clarification on how to satisfy the requirement of the BOC to review contracts without seeing the draft contract. CEO Syphers stated the only changes from the current contract have been noted and discussed. Chair Briski inquired into the risk to the contract as proposed if a time period shorter than 3 years, such as 2 years, was considered. CEO Syphers and Regulatory Director Foley stated it was not appropriate to discuss this due to confidentiality. Discussion on holding a BOC meeting prior to the next Board meeting. CEO Syphers stated that due to time constraints, another meeting is not possible before June 5th. Discussion continued as to whether or not the meeting can be held immediately before the June 5th Board of Directors meeting.

RAC Chair Dowd commented on the fact that the negotiations have already occurred and previous BOC recommendations were acknowledged and integrated into the contract. He suggested that the BOC members need to vote on the current 3-year contract as presented and move forward with a renewal or RFP process in the future.

Conclusion of the discussion included direction to staff to return to the BOC in approximately one year to research PEA performance and consider alternatives such as an RFI or using in-house staff.

Public Comment: Art Deicke, June Brashares

Chair Briski asks for a vote to recommend contract as stated with direction to staff to return to the BOC within a year to review PEA performance and look at alternatives.

Vote results (no motion made): BOC 5-0-0

CM Holmes returned to meeting prior to Item #3.

3. *Ratepayer Advisory Committee (RAC) and BOC recommendation on policy governing the use of excess income for operating reserves, debt repayment and establishment of a project fund. (CEO Syphers, Regulatory Director Foley)*

Discussed the policy and that it is intended as a guide to SCP on how to use surplus income. The policy was developed using input from both the RAC and BOC, as well as the Board of Directors.

BOC Comments: CM Davitian asked what occurs when the 50M mark in reserves is reached and debt is repaid. CEO Syphers stated that the surplus would continue to go to reserves. Clarification needed in language. CM Davitian opposes to SCP taking on capital investments and the risk connected to those types of investments. He also objected to the setting up of a fund for projects and suggested a 50/50 split between operating reserves and debt repayment. CEO Syphers stated that the project fund does not limit spending to capital projects. The JPA states that SCP is to provide local support of renewable energy and job creation on renewable energy projects. CEO noted the intent of the project development fund would be to support the construction of renewable energy in Sonoma County, but does not state that SCP would own any part of the project(s). He stated that he will add clarification on the fund in the upcoming board packet. CM Brophy suggested changing the term “project development fund” and suggested having surplus kept in the operating reserves to allow for flexibility. CM Gogna questioned the language of the resolution. CM Brophy requested clarification on how reserves are built into rates. CEO Syphers clarified the minimum to be put into reserves is set at 1.5%, with any changes to be authorized by the Board. He will also be adding clarification in the policy stating where surplus funds will go when there is no remaining debt to be repaid.

RAC Comments: CM Spaulding stated the public perception is that helping fund local projects is a priority for SCP and supports the policy. CM Romo supports the idea of funding local city, school, or low-income projects with reserves. CM Holmes agrees with the term project development fund and would like it to stay in the policy. CM Parry stated that the measure of SCP's success is not how much money can be made, but how much we can contribute to greenhouse gas reductions. Chair Dowd is satisfied with the policy as written.

Public Comment: June Brashares

RAC: Motion by Tim Holmes to approve policy with minor clarifications, without substantial edits.

Seconded: CM Parry

Motion Carried by the RAC: 5-0-2 (Williamson and Amato absent)

BOC: Discussed not voting.

Public Comment: None.

Motion by BOC Chair Briski to approve policy as-is with the intent to better define the project development fund and how to administer the fund.

Seconded: CM Mattinson

Motion not carried: 2-3-0 – Ayes Briski, Mattinson No - Gogna, Brophy, and Davitian

Motion by CM Brophy to approve surplus income to go to operating reserves and debt repayment but not the project development fund. Further details will be submitted to the Board of Directors.

Seconded: CM Gogna

Motion passed 4-1(Mattinson)-0

4. *RAC and BOC recommendation on proposed changes to CEO contracting authority. (CEO Syphers)*

   BOC Comments: Question from CM Davitian regarding language on expenditures. CM Brophy requests future revisions coming to the BOC (on any items) be in redline. CM Gogna is not comfortable with the limit of 5M for contracts for power. Clarification by CEO Syphers on why additional power would be needed. If participation rates are higher than expected, then additional power would need to be purchased. Chair Briski did not express concerns.

   RAC: No comments

   Public Comment: None.

   RAC: Motion to approve proposed changes to CEO contracting authority by CM Spaulding.

   Second by CM Romo

   Motion carried 5-0-2 (Williamson and Amato absent)

   BOC Motion to approve by Chair Briski

   Seconded by CM Davitian

   Motion Carried 4-1(Gogna)-0

5. *BOC recommendation on amended contract with revised scope of work and budget for professional services from the Sonoma County Water Agency. (CEO Syphers)*

   CEO Syphers stated there were no modifications from the last version. Staff was directed by the Board of Directors to be open to an increase if needed.

   BOC Comments: CM Davitian questions the need to use Water Agency staff instead of SCP staff and consultants for work. CEO Syphers reviewed the Water Agency staff's history working on energy issues.

   Public Comment: June Brashares

   Motion to recommend the amended contract to the Board of Directors: Chair Briski

   Second by: CM Davitian

   Motion Carried: 5-0-0

6. *RAC and BOC recommendation on proposed annual budget for Fiscal Year 2014-15 to include budget cap on proposed feed-in tariff program expenses. (CEO Syphers)*

   Chair Dowd discussed the budget and how staff has included recommendations from the BOC, RAC, and Board in the draft budget. No other comments from the RAC.

   BOC Comments: Chair Briski requests more time to review the FIT proposal. CEO Syphers stated the budget shows an illustration of what the program may be. A detailed proposal would be brought to the committee for discussion. CM Gogna noted that there will be a link between budget and rates in the future and appreciates the change. CM Brophy would also like the NEM and FIT programs listed as line items. He also suggested removing calculations on the footnote on the emissions factor. CEO Syphers suggests removing the footnote to avoid confusion. CM Davitian questioned why debt repayment and reserves are not listed on the budget. CEO Syphers stated the amounts are not listed because they would have to be determined on a forecast basis.

   Public Comment: Art Deicke

   RAC – Motion to approve draft budget as submitted by CM Spaulding.

   Seconded by CM Romo

   Motion carried: 5-0-2 (Williamson and Amato absent)

   BOC – Motion by CM Gogna to recommend to the Board to adopt the budget as submitted.

   Second: CM Davitian

   Motion carried: 5-0-0.

7. *Form ad hoc committee of the BOC to review Phase 2 power supply negotiations, pending delegation of that authority from the Board of Directors.(Chair Briski, CEO Syphers)*

   This item anticipates that in time the Board would delegate more authority to the BOC. This Ad Hoc, subject to the Board's authority, would replace the previous Ad Hoc, which was made up of Board members, to be available for and assist in Phase II power negotiations. This would be made up of two committee members and those members would need to be under a legal requirement to keep negotiations confidential.
   (12:10 P.M., CM Spaulding left meeting.)

Public Comment: None

Paul Brophy and Bill Mattinson both self-nominated to serve on the committee.

Motion by CM Gogna to have CM Brophy and CM Mattinson to serve on the Ad Hoc Committee for conduct the preliminary preview of Phase II negotiations.

Second by: CM Davitian

Motion approved 5-0-0

8. *Review of RAC and BOC Duties and Powers.*

   This item was tabled at the request of Chair Dowd, in the interest of time.

9. *Establish dates for future committee meetings.*

   Secretary Reynolds to distribute confirmed future meeting dates via email.

10. *Approve minutes of April 23, 2014 joint RAC and BOC meeting.*

    RAC – Motion to approve minutes with minor corrections by CM Romo

    Seconded by CM Holmes

    Motion carried: 4-0-3 (Amato, Williamson, and Spaulding absent)

    BOC – Motion to approve minutes with minor corrections by CM Davitian

    Seconded by CM Brophy

    Motion carried: 4-0-1 (Gogna abstained)

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

No public comment.

IV. Adjournment: 12:23 P.M.

Respectfully submitted,

Stephanie Reynolds
Executive Assistant, SCP

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Staff Report – Item 2

To: Sonoma Clean Power Authority Ratepayer Advisory Committee

From: Geof Syphers, CEO

Issue: CEO Update on SCP Program Activity

Date: December 3, 2014

Milestones Since the Last Ratepayer Advisory Committee Meeting

Service. Launched service to 23,000 Phase 1 customers in May and 148,000 Phase 2 customers will have started receiving service by the end of December. Over 85% of customers are participating, well above expectations.

Cities. All eligible cities have now voted to participate in SCP, except Rohnert Park and Petaluma. Meetings for both Rohnert Park and Petaluma have been scheduled.

Defense. SCP helped successfully fight off an attempt by IBEW and PG&E to block new community choice programs in California by defeating AB 2145.

Finance. SCP beat its financial plan by earning significantly more net revenues than planned. Details of the financials are attached at the end of this report.

Procurement. SCP signed long-term contracts for 70 MW of new solar power and 50 MW of local geothermal baseload. The majority of energy and hydropower for 2015 and 2016 is also now contracted at firm prices.

Staffing. Hired a total of 10 staff, and plans for 3-5 additional staff in 2015.

Programs. Launched ProFIT program to purchase solar and other renewable power from local sources up to 1 MW.

City of Cloverdale Votes to Participate

On July 23, 2014, the City of Cloverdale voted unanimously to participate in Sonoma Clean Power. Bob Cox was selected to serve as the Director and Mike Maacks was selected as the Alternate.

All electric customers in Cloverdale will become eligible for service starting in July 2015, and an outreach effort has already begun to help ensure customers are aware of their choices. Special efforts are being made to ensure outreach is strong in Spanish, including radio, print, events and working with supporting organizations.

We welcome Cloverdale into Sonoma Clean Power and look forward to providing environmental and economic benefits to city, its residents and businesses.

Rohnert Park is expected to vote on November 25 and Petaluma on December 15.

Personnel

Nathanael Miksis joined SCP to serve as Director of Power Services and Procurement in August. He is responsible for SCP's power supply forecasting, planning, procurement, risk management and settlement functions. He also leads SCP's energy market monitoring activities, and serves as SCP's liaison on electric supply matters with service providers, power suppliers and the California ISO.

Before joining SCP, Nathanael consulted on utility rate case matters as a power system specialist with Keyes, Fox and Wiedman, LLP. He has previously held positions with Pacific Gas and Electric Company's Energy Procurement group and the Market Monitoring and Markets Development departments at ISO New England, Inc.

Nathanael holds a Bachelor of Arts degree in Economics and a Master of Science degree in Industrial Engineering and Operations Research from the University of Massachusetts.

We are very excited to have Nathanael on our team. He is instrumental in our work maintaining low customer rates by securing favorable power contracts.

Nathan Kinsey also joined SCP in August to serve as Account Executive. He is responsible for supporting commercial customers, building relationships and solving problems.

He comes to SCP with an extensive background in the energy industry, including working on LEED Green Building projects, as an energy analyst, project manager and working on utility energy efficiency programs.

Nathan holds a Bachelor of Arts in Environmental Studies & Anthropology from California State University, Chico, and is a Candidate for Master of Arts in Social, Economic & Environmental Sustainability, also from Chico.

The Customer Service team has already benefited from Nathan's energy and experience as a key conduit to our customers.

April Varellas joins SCP as of Monday, December 8 as Communications Assistant, assisting with community outreach, education, marketing, media inquiries, social media monitoring, and web-content management.

She brings broad experience in administrative, marketing, communications and community outreach, including 8 years with Sonoma Bank (now Umpqua Bank) where she held the position of Marketing Specialist. Most recently, April was with the YWCA Sonoma County as their Fund Development Specialist.

The Public Relations and Marketing team eagerly awaits the opportunity to unleash April's skills and local knowledge.

ProFIT Progress

The ProFIT program incentivizes our customers to sell SCP wholesale renewable power as a business.

To date, we have received 3 complete ProFIT applications for projects totaling nearly 3 MW of new local solar photovoltaic projects. On October 17, a PPA was signed with Soventix-Cloverdale, LLC for a 997 kW solar photovoltaic project in the unincorporated area outside Cloverdale. The project is going through the County's new renewable energy permitting process and is expected to be constructed in 2015.

Power Purchases

SCP's Procurement Director, Nathanael Miksis, negotiated several important purchases of energy and resource adequacy over the past month. The Business Operations Committee reviewed contracts for new solar, additional geothermal, and energy and hydropower for 2016, and the Power ad hoc Committee of the Board executed those agreements.

SCP entered into a 20-year contracts for 70 MW of new solar power from Recurrent, which is roughly equal to the total installed solar capacity in all of Sonoma County today. SCP also executed a 10-year contract for enough geothermal that the total from the Calpine Geysers facility supplying SCP customers will reach 50 MW of baseload renewable energy by 2018.

Energy and hydropower for 2016 was also purchased from Constellation. A summary of all recent power-related purchases is provided in this table:

Product	**Term**	**Seller**	**Requires Change to Current Year Rates**	**Category**
Resource Adequacy (RA)	2015	Calpine	No	< $250,000
RA	2015	Constellation	No	< $250,000
RA	2015	Calpine	No	< $5 million
Renewable Energy and RA	Dec 2014	Constellation	No	< $5 million
Geothermal Energy and RA	2017 - 2026	Calpine	No	> $5 million
Energy and Hydropower	2016	Constellation	No	> $5 million
New California Solar	2017-2036	Recurrent	No	> $5 million

These contracts help SCP meet its future power needs at favorable pricing, meaning that our expenses are expected to grow at a below-average rate over the next two years. Much more detail on this point will be provided in the budget and rate meetings, following the votes in Rohnert Park and Petaluma, and following the winter, when our annual financial performance can be better forecast.

Financials

SCP's outside audit for fiscal year 2013-2014 was completed by Pisenti and Brinker and found no needed adjustments or material comments. A recommendation was made to perform an additional audit of Noble America's billing process in 2015, and staff agree with that recommendation.

Current financial reports are included in Item 3.

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Staff Report – Item 3

To: Sonoma Clean Power Authority Ratepayer Advisory Committee

From: Geof Syphers, CEO

Issue: Presentation and Discussion of Budget and Rate-Setting Process for Fiscal Year July 1, 2015 – June 30, 2016 (information only)

Date: December 3, 2014

Process for Developing Budget and Rates

The Ratepayer Advisory Committee (RAC) serves as a citizen review of proposed SCP budgets and rates. The RAC's purpose is to provide a public forum for the discussion of these important financial topics, to review and discuss budgets and rates, and ultimately to provide a recommendation on whether the Board of Directors should adopt an annually proposed budget and annually proposed rates. The following timeline for 2015 is planned:

April 2015	Ratepayer Advisory Committee	Review and provide feedback on draft budget and rates
Early May 2015	Board of Directors	Review and provide feedback on draft budget and rates
Late May 2015	Ratepayer Advisory Committee	Review and provide recommendation on proposed budget and rates
June 2015	Board of Directors	Adopt budget and rates
July 1, 2015	SCP Staff	Implement new rates and budget

Integration of Budget and Rates

During the initial launch of Sonoma Clean Power, rates had to be adopted before a detailed budget was established. In January 2014, to provide for proper Phase 1 customer noticing and the posting of actual rates on the SCP website, the Board of Directors adopted rates on the basis of a preliminary budget. The detailed budgeting process for the period from July 1, 2014 through June 30, 2015 then followed.

These "early start-up" circumstances are unlikely to reoccur, providing SCP with the ongoing ability to fully integrate the budgeting process with rate setting, thereby ensuring fuller exploration of the linkages between budget and rates. SCP intends to limit rate adjustments to once per year effective on July 1, while reserving the necessary right to adjust rates at other times if circumstances require.

Balancing the Goals of SCP

SCP's environmental and economic goals must be balanced so that progress can be made on both fronts. The Joint Powers Authority establishes the following purposes for SCP:

a. Reducing greenhouse gas emissions related to the use of power in Sonoma County and neighboring regions;

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

c. Carrying out programs to reduce energy consumption;

d. Stimulating and sustaining the local economy by developing local jobs in renewable energy; and

e. Promoting long-term electric rate stability and energy security and reliability for residents through local control of electric generation resources.

To make progress on each of these objectives, SCP staff, Committees, Board and the public all engage in discussions where we make decisions about trade-offs. Examples from the past year include:

- SCP emphasized securing favorable power supply contracts in 2014 rather than launch new energy efficiency programs. This decision allowed SCP to take the time needed to build partnerships with other agencies and prove the financial model of SCP before making significant program funding commitments. In 2015, with secure power supply contracts in place, SCP will start to fund program activity.
- SCP emphasized buying contracts for new California solar photovoltaic power in 2014 over in-county contracts. This decision enabled SCP to benefit from a short-term window of opportunity to secure favorable pricing while allowing SCP to devote much needed and significant time to engage with the public on designing the local ProFIT program. In 2015, with a robust portfolio of California renewables and small, local renewable projects in the pipeline, staff will focus more time and effort on Sonoma County based renewable projects.
- SCP staff identified concerns with the process for verifying the greenhouse gas benefits of unbundled renewable energy credits and found a solution by buying more bundled renewable energy. While unbundled "RECs" are less expensive than renewable energy, the potential risk of being unable to verify the greenhouse gas savings was deemed significant.
- SCP's NetGreen program for net metering customer-owned renewable energy systems provides retail generation value to customers, meaning that customers who produce more than they consume in a year get paid for the excess production at a favorable rate. While small rooftop solar is currently SCP's most expensive source of energy, the total cost of providing NetGreen is less than 0.2 percent of revenues, and the benefit to the local solar industry and our customers is significant.

How Budget and Rates Interact

SCP's rates are designed to recover, on an annual basis, all expected SCP costs. Accordingly, SCP costs directly drive the need to recover an average amount of revenue from each kilowatt-hour sold. By then analyzing our mix of customers and by type, a set of retail rates is developers.

The contribution to reserves is considered part of our expenses, but is inherently more flexible than power contract expenses because SCP could alter contributions to the reserves. Ordinarily, the reserve contribution is set at 4% of expected revenues. But if this level of contribution causes the average customer retail rate to exceed PG&E's average retail rate by more than 2%, the contribution is reduced until SCP's rates meet that test. As described in Policy B-2 at the end of this staff report, certain other details are also involved in setting the reserve contribution amount.

Consistent with SCP's budgetary requirements, specific SCP rates have been developed by applying a fixed percentage discount to the corresponding PG&E rates. This process was selected because of the simplicity in explaining rates to the public (e.g., "rates are 4 to 5% lower for all customers"). For now, particularly in light of ongoing and upcoming mass enrollments, staff continues to support this easy to understand approach because:

- All customers can stay on their current rate schedule; and
- The financial savings of using SCP's default service is easy to estimate.

In the future, however, it may be worth exploring providing different rate schedules that are not linked to PG&E's rates. Decoupling from PG&E's rates may, for example, serve to support important SCP conservation goals or support further renewable energy installations.

Rates for CleanStart versus EverGreen

There are two sets of rates SCP develops for our two products, CleanStart and EverGreen. Rates for our default service, CleanStart, will be priced to recover the costs associated with the mix of power sources used to provide 33 percent renewable energy. Rates for our optional premium service, Evergreen, will be priced to recover the cost of providing 100 percent renewable energy from local Sonoma County sources.

Because our first local, renewable resource cost approximately 3.5 cents per kilowatt-hour more than the CleanStart mix, EverGreen rates were initially set at the CleanStart rate plus 3.5 cents. For the upcoming fiscal year, this premium is likely to remain constant. Staff are, however, optimistic that by 2018, it may be possible to reduce the EverGreen premium while continuing to support local renewable energy projects.

A Look at SCP's Current Year Budget

SCP's adopted budget for the current fiscal year is shown on the following pages. Several important notes should be provided for context:

1. More customers are participating than expected. Actual energy costs and revenues are significantly higher than budgeted due to lower than expected opt-out rates.
2. The category of Forecasting and Settlements will be eliminated because the costs are more properly shown under Technical Professional Services. A planned budget adjustment in February or March 2015 will reflect this change.
3. Net income is expected to be higher than the planned $3.38 million due to the higher than expected rate of customer participation. A specific estimate will be made early in 2015 after observing financial performance for several winter months.
4. All of SCP's net income is generated during the months of May to October because during the six "winter" months, electric rates are adjusted downward, resulting in lower overall revenues. In practice, net income is collected in the summer and a portion is spent during the winter, with the

total net position figured after the end of the June 30 fiscal year. For this reason, SCP's net position is higher today than it will be at the end of April.

PRELIMINARY MONTHLY COMPILED FINANCIAL STATEMENTS

Sonoma Clean Power continues to experience positive financial growth through October. SCP is providing power to its Phase 1 customers, with revenue from electricity sales reaching $6,880,000 for the month, and $26,732,000 for the year to date. The year to date reported revenue surpassed original projections by approximately 19%. This increase is due in part to lower than expected customer opt out rates which resulted in larger than anticipated volume. October marks the final month of the summer season rates, and SCP has built significant reserves to ride through the lower winter rates.

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 0.3% 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 also decreased by this allowance for uncollectibles.

SCP continues to procure electricity from two sources, Constellation and Calpine. The total cost for the year to date is 8% beyond projections. This is primarily due to the larger customer volume due to lower than expected opt out rates and higher market costs. The effect of this is more than offset by the related increased revenue, as seen by an excess of electricity sales over cost of electricity of $10,945,000 for the year to date. You will notice a total net position of positive $9,560,000, which indicates great improvement from the deficit created from start-up costs.

Other operating expenses continued slightly below expected levels for the year to date.

We continue to accrue interest on two lines of credit with First Community Bank and the loan agreement with SCWA. As implied above, we expect cash flows from customers to reduce the need for future increases in debt.

PRELIMINARY BUDGETARY COMPARISON SCHEDULE

The budget is formatted to make comparisons from both the annual and the year-to-date perspective. The first column, 2014-15 YTD Budget, allocates the Board approved annual budget at expected levels throughout the year with considerations 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 are 117% of budget. Unlike the figure presented in the main financial statements, this revenue amount is not decreased by bad debt expense. The budget separates this expense in "Other Uses".

With the exception of the cost of electricity, SCP continues its trend of remaining near or under budget for its operating expenses. The cost of electricity is 108% of budget to date. Actual opt out rates are proving to be much lower than anticipated when the budget was formed, which has the obvious effect of increasing both revenues from sales to customers and the cost of providing electricity to those customers.

The Forecasting and Settlements budget line item was intended to provide for costs from our energy providers and technical consultants. These costs are not distinguishable from other expenses charged by these sources, so an allocation has not been made. The related expense is combined in budget line items Cost of Energy and Scheduling and Technical.

Certain collateral deposits relating to energy procurement contracts have been returned to SCP earlier than anticipated. A line in the budgetary comparison schedule has been added to present this information. The original approved budget did not include a budget line for this type of inflow as it was not expected, so a comparison to the budget will be omitted.

Interest continues to accrue on the balance of the loan with the Sonoma County Water agency and regular interest payments are being made on our notes payable with a local bank.

To counter the timing effects of an earlier than expected Phase 2, SCP is preparing budget adjustments to be approved by the Board in the near future.

Also attached is a budgetary reconciliation that is not considered part of the compiled statements.

SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2014 through October 31, 2014

	2014/15 YTD Budget	2014/15 YTD Actual	2014/15 YTD Budget Variance (Under) Over	2014/15 YTD Actual/Budget %	2014/15 Annual Budget	2014/15 Budget Remaining
REVENUE AND OTHER SOURCES:						
Revenue - Electricity (net of allowance) *	$ 22,730,197	$ 26,699,902	$ 3,969,705	117%	$ 77,228,000	$ 50,528,098
Revenue - Evergreen Premium (net of allowance)	85,281	31,957	(53,324)	37%	364,000	332,043
Total sources	22,815,478	26,731,859	3,916,381	117%	77,592,000	50,860,141
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling *	14,630,689	15,787,090	1,156,401	108%	64,802,000	49,014,910
Forecasting and settlements **	147,333	-	(147,333)	0%	442,000	442,000
Data management	149,691	153,605	3,914	103%	1,333,000	1,179,395
Service fees- PG&E	60,351	38,686	(21,665)	64%	664,000	625,314
Personnel	422,128	410,597	(11,531)	97%	1,506,000	1,095,403
Outreach and communications	224,117	122,552	(101,565)	55%	707,000	584,448
Required noticing	207,000	163,450	(43,550)	79%	464,000	300,550
Legal	69,403	31,885	(37,518)	46%	167,000	135,115
Accounting	47,000	47,743	743	102%	141,000	93,257
Technical **	102,172	124,124	21,952	121%	289,000	164,876
Program development	19,000	-	(19,000)	0%	80,000	80,000
Other consultants	53,333	32,138	(21,195)	60%	160,000	127,862
General and administration	103,529	58,589	(44,940)	57%	330,000	271,411
Total current expenditures	16,235,745	16,970,459	734,714	105%	71,085,000	54,114,541
OTHER USES						
Collateral deposit payments	550,000	540,000	(10,000)	98%	1,500,000	960,000
Collateral deposit payments returned ***	-	(500,000)	(500,000)	-	-	500,000
Capital outlay	16,000	6,548	(9,452)	41%	48,000	41,452
DEBT SERVICE	133,685	95,162	(38,523)	71%	1,579,000	1,483,838
Total expenditures, Other Uses and Debt Service	16,935,430	17,112,169	176,739	101%	74,212,000	57,099,831
Net increase (decrease) in available fund balance	$ 5,880,048	$ 9,619,690	$ 3,739,642	164%	$ 3,380,000	$ (6,239,690)

* *Revenue - Electricity* and *Cost of energy and scheduling* : These items are both in excess of YTD budget due to greater volume usage and lower opt out rates than anticipated.

** *Forecasting and settlements* : these costs are not distinguishable from expenses charged to categories *Cost of energy and scheduling* and *Technical.* Accordingly, the application of expenses to these budget categories may cause actual expenses to exceed budget.

*** *Collateral deposit payments returned* line was not included in originally adopted budget. This additional line allows for the display of both the outgoing deposits and the return of deposits during the year.

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of October 31, 2014

ASSETS	
Current assets	
Cash and cash equivalents	$ 13,281,722
Accounts receivable, net of allowance	6,402,872
Accrued revenue	3,428,973
Prepaid expenses	11,963
Total current assets	23,125,530
Noncurrent assets	
Capital assets, net of depreciation	65,232
Deposits	845,300
Total noncurrent assets	910,532
Total assets	24,036,062
LIABILITIES	
Current liabilities	
Accounts payable	100,070
Accrued cost of electricity	6,905,937
Other accrued liabilities	610,382
User taxes and energy surcharges due to other governments	204,223
Note payable to bank	715,670
Loan payable to Sonoma County Water Agency	161,139
Total current liabilities	8,697,421
Noncurrent liabilities	
Note payable to bank	4,221,751
Loan payable to Sonoma County Water Agency	1,556,673
Total noncurrent liabilities	5,778,424
Total liabilities	14,475,845
NET POSITION	
Net investment in capital assets	65,232
Unrestricted	9,494,985
Total net position	$ 9,560,217

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

July 1, 2014 through October 31, 2014

OPERATING REVENUES		
Electricity sales	$	26,699,902
Evergreen electricity premium		31,957
Total operating revenues		26,731,859
OPERATING EXPENSES		
Cost of electricity		15,787,090
Data manager		153,605
Service fees - PG&E		38,686
Staff compensation		410,597
Consultants		204,005
Legal		31,885
Communications		286,002
General and administration		63,320
Total operating expenses		16,975,190
Operating income		9,756,669
NONOPERATING REVENUES (EXPENSES)		
Interest expense		(95,162)
CHANGES IN NET POSITION		9,661,507
Net position at beginning of period		(101,290)
Net position at end of period	$	9,560,217

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS

July 1, 2014 through October 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 26,527,187
Cash payments to purchase electricity	(14,660,338)
Cash payments for staff compensation	(382,764)
Cash payments for contract services	(832,458)
Cash payments for general and administration	(57,622)
Net cash provided by (used in) operating activities	10,594,005
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Loan proceeds from bank lines of credit	80,000
Deposits	(40,300)
Interest expense payments	(75,121)
Net cash provided (used) by non-capital financing activities	(35,421)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(6,547)
Net increase in cash and cash equivalents	10,552,037
Cash and cash equivalents at beginning of year	2,729,685
Cash and cash equivalents at end of year	$ 13,281,722

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$ 9,756,669
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation expense	4,730
Increase (decrease) in electricity procurement payments made directly from bank line of credit	280,172
(Increase) decrease in net accounts receivable	(1,011,659)
(Increase) decrease in accrued revenue	416,264
(Increase) decrease in prepaid expenses	(3,009)
Increase (decrease) in accounts payable	(93,205)
Increase (decrease) in accrued cost of electricity	846,580
Increase (decrease) in accrued liabilities	397,463
Net cash provided by (used in) operating activities	$ 10,594,005

NONCASH FINANCING ACTIVITIES

During the year, electricity procurement payments of $280,172 were made directly from a bank line of credit.

Existing Fiscal Year 2014-2015 Budget – Page 1 of 2

		Adopted Budget FY14-15
REVENUES AND OTHER SOURCES		
Electricity Sales[1] (net of allowance)	77,228,000	
EverGreen Premium[2] (net of allowance)	364,000	
Total Revenues		**77,592,000**
EXPENDITURES		
Product		
Cost of energy and scheduling[3,4]	64,802,000	
Forecasting and settlements	442,000	
Data Management	1,333,000	
Service Fees to PG&E	664,000	
Product Subtotal		**67,241,000**
Personnel		**1,506,000**
Outreach and Communications		**707,000**
Required Noticing		**464,000**

[1] Forecast sales are 1,044,000 MWh, which includes an allowance of 0.3% of sales for uncollectible accounts.

[2] The EverGreen premium is exclusively used to pay the additional cost of local, Sonoma County produced renewable energy.

[3] Includes energy, renewable energy, resource adequacy, California Independent System Operator fees, and scheduling fees.

[4] Includes projected power purchases for the remaining customers in participating cities from February – June 2015.

Existing Fiscal Year 2014-2015 Budget – Page 2 of 2

		Adopted Budget FY14-15
EXPENDITURES - continued		
Other Professional Services		
Legal	167,000	
Accounting	141,000	
Technical	289,000	
Program Development	80,000	
Other consultants	160,000	
Other Professional Services Subtotal		**837,000**
General and Administration		**330,000**
Total Expenditures		**71,085,000**
OTHER USES		
Collateral Deposits		**1,500,000**
Capital Outlay		**48,000**
DEBT SERVICE		
Debt Service		**1,579,000**
Total Expenditures, Other Uses and Debt Service		**74,212,000**
Net Increase/(Decrease) in Available Fund Balance		**3,380,000**

Budget Categories

SCP's budget includes a fairly large, non-discretionary portion related to commodity energy and related product expenses under contract.

The electric energy, hydropower, renewable energy, resource adequacy, PG&E billing and enrollment charges, and Noble America's SCP per-customer data management and billing charges make up a significant majority of SCP's expenses, and are all contracted in advance of next year. You can learn more about power-related products in the SCP Resource Plan at:

https://sonomacleanpower.org/scp-resource-plan

Because of our policy to buy most of our energy and related services in advance of the current year, expenses in these categories are almost entirely determined by contracts SCP has already executed. The influences on costs in this category that remain include:

- The relative cost of energy, hydropower, resource adequacy and renewables for additional populations in Rohnert Park and Petaluma, should those cities vote to participate in SCP; and
- The relative cost of true-up energy and resource adequacy needed to adjust volumes from time to time throughout the year.

The other costs in the Product category are established at a fixed rate for a long period of time (e.g., billing charges to both Noble and PG&E).

In contrast, the expected budget for operating programs relating to energy efficiency, demand response, conservation and other related programs is more discretionary. Nevertheless, in recognition that certainty of funding is a critical factor in attracting implementation activity, industry experience shows that funding for these activities should be established on a three-year or longer cycle.

SCP's Operations make up all of the remaining expenses, including staff, consultants, rent, insurance, marketing, required noticing and debt service.

Looking Ahead: What's Expected for Next Year's Rates?

Based on contracts that SCP has already executed, staff believe that SCP is in a good position to increase customer savings relative to PG&E. Several factors contribute to this optimism:

1. SCP's cost basis for power in the 2015-2016 fiscal year is likely to increase only about 1% over the current 2014-2015 fiscal year.
2. The expected cost of all program implementation will be proposed at a level under 2% of revenues.
3. PG&E has proposed generation rate changes for January 2015 that will likely increase many of their rates relative to SCP.
4. SCP's cost basis for power in later years also looks favorable, meaning that there is no foreseeable need to implement a strategy of accumulating larger-than-ordinary reserves to prepare for the future.

Since Petaluma and Rohnert Park have not yet voted, and SCP has not yet procured power for those volumes, it is too soon to provide a specific recommendation for a July 1, 2015 rate increase. Nevertheless, notwithstanding the outcome of the Petaluma and Rohnert Park vote, SCP's requested rate increase will likely be less than 3%.

All of the significant decisions (e.g., cities voting, and power contract exposure) will be concluded before the April Ratepayer Advisory Committee meeting, meaning that staff will have a detailed proposal for that meeting that includes all of these factors.

Financial Policy B.2

Surplus Income, Operating Reserve, Debt Repayment and Project Fund

NOTE: The substance of this policy was adopted by the SCPA Board of Directors in 2014. This proposed revision was written to clarify the language, and will be considered for adoption at the January board meeting.

Prior to reaching $50 million total cash reserves, excluding amounts pledged as collateral, the following shall apply to Sonoma Clean Power Authority's financial management:

1. During Sonoma Clean Power's (SCP's) annual budgeting process:
   A. If SCP's average retail generation rate, inclusive of all fees and based on forecasted expenses (SCP Forecasted Rate), does not exceed 102% of PG&E's average retail generation rate (PG&E Rate), then 4% of total annual forecasted revenues shall be added to budgeted expenses; or
   B. If the SCP Forecasted Rate exceeds PG&E's Rate by 2%, then the highest percentage of total annual forecasted revenues that results in the SCP Forecasted Rate not exceeding 102% of the PG&E Rate, shall be added to budgeted expenses. Under no circumstance, however, will the amount added to budgeted expenses be less than 1.5% of total annual forecasted revenues.
   C. The 4% or lower amount added to budgeted expenses pursuant to Sections 1.A or 1.B above, shall be booked to a separate operating reserve account.

2. At the end of each fiscal year, total net annual surplus (including the amount added to budgeted expenses pursuant to Section 1, above), if any, shall be allocated as follows:
   A. Any remaining surplus shall be divided 50/50 between early principal payment of outstanding debt or rate reductions, and contribution to a Project Fund to support local renewable energy projects, energy efficiency and other projects consistent with SCP's mission.
   B. Project Fund usage will be subject to review by the Business Operations Committee and the Board.

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