

CHAPTER 7

Determine the Optimal Mix of Resources

Renewable Energy

Renewable energy procurement will be focused on high value Category 1 projects that meet the Plan Policies, with an emphasis on meeting at least 3, if not 4, of the consolidated goals. This type of procurement is more time intensive but fortunately, because energy procurement for 2014 through 2016 is substantially complete, strong focus and attention can be dedicated to this area.

Fossil and Carbon Free Energy and Scheduling

Also due to the completion of energy procurement for 2014 through 2016, coupled with the recent expansion of staff to include the hire of an in house Power Procurement Director, exploration of fossil and carbon free energy procurement options will be pursued. Another pursuit is research regarding scheduling SCP's loads and resources in house. Constellation is under contract to perform this function for 2014 through 2016, but in house scheduling could enable significant costs savings through overhead reduction and better control over load imbalances. Fossil and carbon free energy procurement options may be further enhanced through the use of auctions that produce more competitive bidding and through procurement of source specific resources with lower GHG emissions and more favorable operating characteristics.

New Jurisdictional Participation

In the event that new jurisdictions join SCP during the Planning Horizon, SCP will need to procure renewable and fossil and carbon free energy for those loads. The same strategies discussed above for renewable and fossil and carbon free energy and scheduling would apply.

Programmatic Resources

Portions of the expected future load will also be met by reducing the demand for energy through programs designed to promote conservation behavior and efficient technology and

controls. SCP is currently reviewing other existing programs to assess which are most effective, and will form and operate demand-side programs or help advertise existing programs as appropriate. The reduction of the total use of energy is a critical area that is underrepresented in this current plan due to the immediate need to launch SCP and serve customers. However, over time, this area will become increasingly important and receive increasing attention and funding, and be expected to provide a larger fraction of our planned resources.

Leveraging Other Resources

In all instances, optimal resource procurement will include leveraging available third party resources and partnerships. Potential partners and resources include but are not limited to other agencies such as the Sonoma Counter Water Agency, community groups, and grant and other funding opportunities.

CHAPTER 8

Establish Evaluation Metrics

Evaluation metrics should be applied annually. The metrics are primarily extrinsic and independent of SCP, as opposed to the Plan Policies, which are primarily intrinsic and an integral part of SCP, although they are based in some ways on SCP Policy 11 (attached at Appendix 1).

The key metrics are:

- 1) SCP's CleanStart renewable content should be 33% renewable or better. This should be achieved primarily with Category 1 and 2 power, and with Cat 3 RECs limited to the RPS maximum allowable.
- 2) SCP's average GHG emission factor should be 20% lower than PG&E's average GHG emission factor or better.
- 3) SCP's average electric energy price plus the applicable Power Charge Indifference Adjustment should remain within 2% or less than PG&E's average price of electric energy.
- 4) SCP is contributing to reserves, paying down debt, and building a project fund per SCP Policy 11.
- 5) The total portfolio of resources, including energy and programs, should be reasonably diversified over resource type, duration, and location.

APPENDIX 1

POLICY NO. 011 - SURPLUS INCOME, OPERATING RESERVE, DEBT REPAYMENT AND PROJECT FUND

ADOPTED BY THE BOARD ON JUNE 5, 2014

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 typically 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 divided 50/50 between early principal payment of outstanding debt and contribution to a Project Fund to support local renewable energy projects, energy efficiency and other projects consistent with SCP's mission.
 - c. Project Fund usage will be subject to review by the BOC and the Board.
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 contribution 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.



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SCPA Business Operations Committee Agenda Items and Ideas for Future Meetings

Updates proposed Prioritized by Chair Briski with input from General Counsel Foley using

Priority codes: High/Medium/Low (H/M/L)

Priority	Item	Date added
H - ongoing	Immediate business issues: Any topic needed to ensure the launch is successful, at each phase. Sometimes added on short notice.	2013 -fall
H - ongoing	<p>Business fundamentals performance monitoring: Staff provide info such that the BOC can understand how the business is performing for the following types of items:</p> <ul style="list-style-type: none"> - Budget review/financial planning: as well as funds available for energy efficiency and other programs. • Participation rates • SCP performance against the JPA goals • Various programs against their performance goals (e.g.: FIT, NEM, and new programs as they are developed) 	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 Plan planning criteria: Continue to develop, review and articulate concepts, philosophy, criteria, and strategies to be used in the Resource Plan and resource planning decisions. <ul style="list-style-type: none"> • Consider formation of ad-hoc committee to support development of the Resource Plan • Use cost estimates as possible to assist in resource planning decisions 	2014-02-26
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	2014-02-26



	done well).	
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
E	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