AGENDA
SONOMA CLEAN POWER AUTHORITY
BOARD OF DIRECTORS MEETING
THURSDAY, JANUARY 5, 2017
8:45 A.M.

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

I. CALL TO ORDER

II. BOARD OF DIRECTORS CONSENT CALENDAR

1 Approve the minutes of the December 1, 2016 meeting of the SCPA Board of Directors.

III. BOARD OF DIRECTORS REGULAR CALENDAR

2. Receive Operations Update and provide direction as appropriate.

3. Receive State Legislative Update and provide direction as appropriate.

4. Review and consider approval of new customer electric generation rates.

IV. BOARD MEMBER ANNOUNCEMENTS

V. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

(Comments are restricted to matters within the Board jurisdiction. Please be brief and limit comments to three minutes.)

VI. ADJOURN

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation, an alternative format, or requires another person to assist you while attending this meeting, please contact the Clerk of the Board at (707) 978-3467, as soon as possible to ensure arrangements for accommodation.

BOARD OF DIRECTORS
MEETING MINUTES
THURSDAY, DECEMBER 1, 2016
50 Santa Rosa Avenue, Fifth Floor, Santa Rosa, California

I. CALL TO ORDER (8:45A.M.)

The meeting was called to order at 8:45A.M. by Chair Slayter

Present: Chair Slayter, Directors Landman, Okrepkie, Wysocky, Cox, Schwartz, Cook, Hamburg

Staff present: CEO Geof Syphers, General Counsel Steve Shupe, Internal Operations Manager Stephanie Reynolds, Executive Assistant Braiden Gugel

II. BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve the minutes of the October 13, 2016 meeting of the SCPA Board of Directors.

Motion to approve by Director Schwartz
Second: Director Landman
Motion approved: 8-0-0

Public Comment: None

III. BOARD OF DIRECTORS REGULAR CALENDAR

Chair Slayter reordered the Regular Calendar due to Director Carrillo arriving at a later time. He stated that Items 2 and 3 will be moved to follow item 4.

4. Receive Operations Update and provide direction as appropriate.
Present: CEO Syphers

CEO Syphers welcomed Director Hamburg from Mendocino. He stated that the annual outside financial audit has been completed. The amount allocated to reserves for the fiscal year was $16 million; $13.6 million in the general reserves and $2.4 into program reserves. The first Community Advisory Committee Meeting was held on November 30.

Vice Chair King arrived at 8:47.

General Counsel Steve Shupe discussed the Power Charge Indifference Adjustment (PCIA) and a 6-month work group process to try to fix and make more transparent the PCIA fees charged to our customers. Much is being learned about how things are calculated.

Director Carrillo arrived at 8:53.

Counsel Shupe stated over time as PG&E's contracts end, the PCIA can decrease. CEO Syphers stated that generation is not PG&E's source of profit.

Director Wysocky asked about the decommissioning of PG&E power plants. Counsel Shupe stated that SCP is working with PG&E on issues related to the Diablo Canyon closure. Director Carrillo asked what could be done to engage our existing customers.

Programs Director Jan McFarland gave an update on the Drive EverGreen program. She stated that as of November 30, 262 certificates have been issued and we have deployed 94 EVs; 76 as leases and 18 purchased vehicles. 77% of funding has gone to standard customers and 23% to CARE/FERA. There have been 140 chargers ordered with 133 signed up for demand response.

Director Wysocky asked what funds are still available in this program to date. Program Director McFarland stated $262,500 out of $1.5 million has been spent so far.

Director Landman asked if there was any more interest from other manufacturers. Program Director McFarland stated the RFP was issued to all dealers and manufacturers that carry EVs and that she thinks there will be more interest if we decide to do a similar program in the future.

Public comment: None

5. Receive results and accept audited Financial Statements for Fiscal Years ending June 30, 2015 and June 30, 2016.

CEO Syphers introduced CPA Mike Maher. SCP ended the last fiscal year with $40.5 million in net position. Mr. Maher stated that the auditors had a clean opinion with no adjustments. He stated that total assets doubled from about $34 million to about $62 million and revenues increased 50-60 percent. He stated there is no debt this year and we're entered into a number of long-term 25-year contracts.

Public comment: None

Motion to approve by Director Landman
Second: Director Okrepkie
Motion approved: 10-0-0

6. Receive State Legislative Update and provide direction as appropriate.

Kate Brandenberg gave a brief update on legislation. She stated that December 5th the legislature will return to start the beginning of a two-year session.

CEO Syphers stated that the operating community choice programs in California (CalCCA) have been meeting regularly and building political strength. Director Okrepkie asked about current and proposed future membership for CalCCA. CEO Syphers stated there are six operating programs statewide and three more are anticipated in 2017.

Vice Chair King requested that future reports include some comments regarding the pushback between California and the federal government regarding environmental protections.

Public Comment: none

Chair Slayter stated that Items 7 and 8 will be addressed together.

7. Review and approve budget adjustment for Fiscal Year 2016-2017
8. Review and consider approval of new customer electric generation rates.

CEO Syphers stated that last year we saw PG&E's PCIA fee to our customers increase about 100% for residential customers and this year in June we have an expectation that we'd also see an increase of around 28% in January, 2017. He stated that PG&E's estimate shows a significant decrease in their generation cost for their bundled customers and an even bigger increase in the PCIA fee predicted in June. He stated that this prompted SCP to look at how competitive SCP's rates would look relative to PG&Es and what impact this may have on the enrollment in Mendocino. CEO Syphers gave scenarios for rate adjustments for Jan, March, and June 2017 and stated that staff recommends rates that provide a 1% savings in March 2017 to allow time to look at PG&E's actual adopted rates.

Chair Dowd of the CAC stated he was impressed with members of Community Advisory Committee and they are looking forward to working together. He stated that they might set up subcommittees to work with staff on more complex issues. Chair Dowd stated that the CAC had a robust discussion about PG&E changes and the CAC supports staff's recommendation to make the rate change effective March 1, 2017. He expressed concern that rates do not have a negative impact on the Mendocino rollout.

CEO Syphers stated that he would like the Board to approve the adjusted budget and to prepare for an adjustment to rates at the January 5 meeting.

Director Schwartz asked about the anticipated reserve level at the end of the fiscal year. CEO Syphers stated that the total for general reserves would be $19.9 million and program reserves approximately $3.5 million. CEO Syphers stated SCP is ahead of schedule on contributions to reserves but the proposed rate reduction would slow the rate of contributions.

Vice Chair King asked if the Board would have final proposed customer rates by the January 5 meeting. CEO Syphers stated that final rates would be brought to the meeting, as they would not be ready before the packet is posted. Vice Chair King stated that there is a two-month period where some customer rates will be higher and asked if there is a plan to deal with this in a marketing perspective for the customers. CEO Syphers stated there are two important considerations: 1) if this Board has already voted to reduce rates by the time customers notice an increase on bills; and 2) if customers opt-out in January or February they will have to wait a year to come back and they will pay a transitional rate for six months which may be higher or lower. He stated that customers will be informed of this when choosing to opt out.

Public comment:

Bob Williamson stated the CAC had good discussions on pricing philosophy and what it means to be competitive with PG&E. He stated that SCP has to be careful and reach out to customers to see what they care most about.

Paul Brophy asked if we could use terminology that identifies the program reserves.

Director Hamburg stated that his number one goal is to keep people from opting out. He stated that he appreciates CEO Syphers and the SCP staff for all of their work and making this successful and for the Board to take this course of action.

Motion to approve Items 7 and 8: Director Cook
Second: Director Carrillo
Motion approved: 10-0-0

9. Review and approve performance objectives for Chief Executive Officer.

Chair Slayter stated that the Board recently negotiated a new contract with our CEO. The contract required that the CEO provide objectives to the Board and CEO Syphers provided six objectives for consideration.

Director Schwartz asked how CEO Syphers would document the number of electric vehicles delivered due to SCP's Drive EverGreen program and he asked what would be the required program dollar budget to support it. CEO Syphers stated that he can document with actual verified contracts through Drive EverGreen and the Center for Sustainable Energy. CSE gets copies of leases and purchase agreements which verify each of those purchases or leases before any incentives are issued. Director Schwartz asked if CEO Syphers would be ok with changing the language in Item D and CEO Syphers agree to propose new language.

Director Schwartz stated that he'd like a definitive date for when we will have a table that's easily understood comparing the dollars spent and the amount of GHG reduction. CEO Syphers responded that he likes the idea and the challenge is that market transformation efforts are not chiefly concerned with the first impacts of the program, but rather are focused on the change in behaviors and attitudes over time. As a result, the metrics used to evaluate a market transformation program should look at auditable data for direct impacts and a discussion of the follow-on impacts.

Director Cook would like to see items that are auditable. He stated that he supported all six items. Chair Slayter stated a long-range succession plan is needed for the CEO position. CEO Syphers stated that he is working on this internally. Director Landman also commented on the need for succession planning. Vice Chair King stated that the Board should be careful not to get too subjective on goals.

Director Wysocky stated that he thinks Item A is a Board function and not the CEO's responsibility and that he would like to see a broader scope of programs. CEO Syphers stated that he can modify the language.

Director Schwartz proposed three amendments. One is to change the language in Item D to read "Demonstrate the lease or purchase of at least 200 electric vehicles…" Second, he stated he'd like to create a Board approved methodology for valuing programs, and the third would be to create a Board approved succession plan.

Director Landman asked CEO Syphers if any stepping stone on succession planning could be defined and potentially accomplished with the time frame we have. CEO Syphers stated that a proposed succession plan could be provided to the Board by the end of this fiscal year. He proposed taking that as direction from the Board outside of the contract. Director Landman stated that he'd like Item B taken out of the objectives with the commitment to bring an initial discussion proposal no later than the March meeting.

Chair Slayter stated that there are CEO employee goals and agency goals which are different. He suggested a workshop for these discussions and he and the Vice Chair will talk to staff about how to do this and propose something to the Board.

Public Comment: None

Motion to approve, with proposed amendment to return to the Board with a draft succession plan, direction to staff on the program evaluation, and with modified language in Item D by Director Carrillo
Second: Director Cook
10-0-0

2. Presentation honoring Director Bob Cox and Director Gary Wysocky for their service on the Board of Directors and their contributions to the success of Sonoma Clean Power.

3. Presentation honoring Director Efren Carrillo for his indispensable leadership and his decisive role in the creation, formation, and operation of SCP.

   The Board thanked Director Carrillo for all his hard work and assistance in helping the start-up of SCP. CEO Syphers stated that Director Carrillo was involved with every aspect of getting this program financially off the ground. He thanked Director Carrillo for his heart and being an incredible public servant. Counsel Shupe stated that SCP would not have happened without Director Carrillo and his work.

   Public Comment:

   Cordel Stillman thanked Director Carrillo and stated SCP would not have happened without him.
   Woody Hastings stated that Director Carrillo was engaged, he understood, he articulated and he educated. He thanked all the directors and staff for their hard work and wants to continue to engage with everyone.
   Bob Williamson stated that the balance that Director Carrillo showed between politics and business reality is very much appreciated.

   Director Okrepkie stated that it was a pleasure working with Director Carrillo and that he has been exemplary in this organization.

   Director Carrillo stated this was a collective project between the County, Water Agency, the public, etc. He stated that we are all environmentalists and the legacy we leave will far outlive us. He stated that this entity is in very good hands and he will miss serving on this Board.

IV. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

Public Comment: None

V. ADJOURN

The meeting was adjourned by Chair Slayter at 11:46 A.M.

Respectfully submitted,

Braiden Gugel
Executive Assistant

Staff Update – Item 2

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, CEO

Stephanie Reynolds, Internal Operations Manager

Issue: Operations Report

Date: January 5, 2017

NEWS & MILESTONES

CPUC certifies SCP's Implementation Plan for service to Mendocino County!

SCP hires Customer Service Specialist to provide service during rollout to Mendocino communities.

Governor Brown appoints new Public Utilities Commissioners

Drive EverGreen Program comes to a close

CPUC CERTIFIES SCP's REVISED IMPLEMENTATION PLAN

On December 29, 2017, SCP received formal notification that the CPUC had reviewed and certified SCP's Second Revised and Updated Implementation Plan. This formally clears the way for SCP to deliver service to Mendocino County, starting in June 2017.

NEWLY APPOINTED CPUC COMMISSIONERS

Governor Brown has appointed Martha Guzman Aceves and Clifford Rechtschaffen to fill the two upcoming vacancies at the CPUC created by the departures of Michael Florio and Catherine Sandoval. Both had six-year terms that expire on January 1, 2017. These appointments will change the climate on the commission based on both future commissioners past dealings with environmental groups, IOUs and the state legislature. Both are democrats and come directly from serving in the Governor's office.

DRIVE EVERGREEN PROGRAM UPDATE

The electrical vehicle bulk purchase/lease pilot within the **Drive EverGreen** program will end midnight January 5, 2017.

Over the course of the Drive EverGreen program SCP customers have been able to:

1) **Get an Electric Car** - Apply for and receive SCP EV Incentive Certificates;
2) **Get connected** - Choose between two discounted Level 2 chargers or a "Juice Plug" through eMotorWerks on-line store. Customers can also sign up to participate in SCP's demand response program and receive $250 of Juice points;
3). **Drive on EverGreen** – Choose to drive on 100% renewable energy produced within SCP's territory.

A final report with the program totals will be released in about six weeks, once our internal process is completed and verified. A significant amount of sales and leases are expected at the end of 2016, but as of December 29, 2016 the program results are:

- Applications received - 577
- Number of SCP incentive certificates issued - 513
- Certificates in progress – 35
- Approved and pending leases – 139
- Approved and pending purchases – 32
- Incentives approved – $ 480,000
- Incentives issued - standard customers 74%
- Incentives issued - CARE/FERA customers 26%

Final lease and sales agreements are due to the Center for Sustainable Energy (CSE) by or on January 10, 2017. The Drive EverGreen evaluation framework will be finalized in the week of January 9, 2017. Evaluation of the EV bulk purchase/lease program is scheduled for completion in mid-April, 2017. The evaluation is likely to focus on five primary areas: EV adoption process, awareness, GHG benefits, lessons learned and opportunities for improvement, and the differences and lessons learned around serving low-income customers.

SCP's charging pilot within the Drive EverGreen program will continue while funds last through June 30, 2017.

All charger orders and shipments, demand response opt-ins, demand response forms signed, and SCP customers approved by PG&E for demand response through December 23, 2016 are listed below:

- Number of orders – 268
- Number of orders shipped - 177
- Number of demand response opt-ins – 237
- Number of demand response forms signed – 182
- Number of SCP customers approved for demand response by PG&E – 126

MONTHLY COMPILED FINANCIAL STATEMENTS

Sonoma Clean Power continued to add to a strong net position in October, with projections of further growth in net position over the remainder of the year. Average customer rates have been reduced as of the beginning of the fiscal year, as SCP intends to keep rates attractive compared to those of PG&E. The summer rate season continued through October, a period where aggregate rates are greater than in the winter season. SCP plans for increased revenues during this season, and the resulting positive change in net position helps move the agency closer to its reserve goals. The year-to-date growth in net position is slightly below projections due primarily to lower than anticipated customer usage volumes as well as costs associated with the resale of energy not needed for customer load. Net position is expected to increase through the end of the fiscal year. Year-to-date operating revenues reached 60,746,000.

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

SCP continues to procure electricity from multiple sources, with the total cost for the year-to-date landing above projections. This is primarily due to the purchase of excess energy that is being re-sold to another reseller. Net position increased to a positive $47,882,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Of this net position, approximately $19,881,000 and $3,508,000 is considered set aside for operating and project reserves, respectively.

Overall, other operating expenses continued near or slightly below planned levels for the year.

BUDGETARY COMPARISON SCHEDULE

The accompanying budgetary comparison includes the 2016/17 budget approved by the Board of Directors in May 2016.

The budget is formatted to make comparisons for both the annual and the year-to-date perspective. The first column, 2016/17 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 to customers is slightly below budget. This variance can be partially explained by lower volume usage by certain customer types than planned.

The cost of electricity is around 113% of budget-to-date. Most of this variance is due to an energy supplier that began operating its renewable energy facility sooner than anticipated at a time when SCP did not need the energy to provide to its customers. SCP has arranged to re-sell all of this energy to a reseller. Other causes of the variance is due to fluctuating market cost of energy on open position purchases.

Major operating categories of Data Management fees and PG&E Service fees, which are tied to the customer account totals, are closely aligned to the annual budgeted amount.

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

MEETING SCHEDULE FOR FUTURE MEETINGS:

January 5, 2017
February 2, 2017
March 2, 2017
April 6, 2017
May 4, 2017
June 1, 2017
July 6, 2017
August 3, 2017
September – No scheduled meeting
October 5, 2017
November 2, 2017
December 7, 2017

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 29, 2016

Geof Syphers
Chief Executive Officer
Sonoma Clean Power
50 Santa Rosa Avenue, 5th Floor
Santa Rosa, CA 95404

RE: Letter certifying Sonoma Clean Power's Revised Implementation Plan and Statement of Intent

Dear Mr. Syphers:

The California Public Utilities Commission's Energy Division has reviewed Sonoma Clean Power's (SCP's) Second Revised and Updated Implementation Plan and Statement of Intent to address the expansion into the County of Mendocino and Fort Bragg, Point Arena, and Willits, which was submitted to us on October 20th, 2016.

Pursuant to Public Utilities Code Section 366.2 (c)(7), within 90 days after the Community Choice Aggregator (CCA) establishing load aggregation files an Implementation Plan, the Commission is required to certify that it has received the Implementation Plan, including any additional information necessary to determine a cost-recovery mechanism.

Public Utilities Code Section 366.2 (c)(3) requires a CCA Implementation Plan to contain all of the following:

A) An organizational structure of the program, its operations, and its funding.

B) Rate setting and other costs to participants.

C) Provisions for disclosure and due process in setting rates and allocating costs among participants.

D) The methods for entering and terminating agreements with other entities.

E) The rights and responsibilities of program participants, including, but not limited to, consumer protection procedures, credit issues, and shutoff procedures.

F) Termination of the program.

G) A description of the third parties that will be supplying electricity under the program, including, but not limited to, information about financial, technical and operational capabilities.

Pursuant to Public Utilities Code Section 366.2 (c)(4), a CCA is also to prepare and provide for all of the following:

A) A statement of intent; and

B) Provision(s) that provide for:

1) Universal access;

2) Reliability;

3) Equitable treatment of all classes of customers; and

4) Compliance with any legal requirements concerning aggregated service.

The Commission hereby certifies that the Second Revised and Updated Implementation Plan and Statement of Intent submitted by SCP contain the information required by Public Utilities Code Section 366.2 (c). SCP has also included a Statement of Intent as part of its Implementation Plan pursuant to Public Utilities Code Section 366.2 (c)(4).

Pursuant to P.U. Code Section 366.2 (c)(7), the Commission is required to provide SCP with "its findings regarding any cost recovery that must be paid by customers of the community choice aggregator to prevent a shifting of costs as provided for in P.U. Code Section 366.2 subdivisions (d), (e) and (f)." The costs referenced in P.U. Code Section 366.2 subdivisions (d), (e) and (f) are recovered via separate charges for: (1) PG&E's Energy Cost Recovery Amount Charge (per kWh); (2) Power Charge Indifference Adjustment (per kWh); (3) DWR Bond Charge (per kWh); and (4) Competition Transition Charge (CTC) (per kWh). By this letter, the Commission informs SCP that these costs are identified on each of PG&E's customer-class-specific tariff sheets, in the "Special Conditions" section, sub-section "Billing," in the section labeled "Direct Access (DA) and Community Choice Aggregation (CCA) customers" in the column labeled "Community Choice Aggregation Cost Responsibility Surcharge (CCA CRS)."

Sincerely,

Edward Randolph

Edward Randolph
Director, Energy Division

cc: PG&E: Randall Litteneker, PG&E (RJL9@pge.com)
Johanna Fors, PG&E (J4F3@pge.com)

MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended October 31, 2016, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

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

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the Authority's results of operations. Accordingly, this special purpose budgetary comparison statement is not designed for those who are not informed about such matters.

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

Maher Accountancy

San Rafael, CA
December 6, 2016

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SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2016 through October 31, 2016

	2016/17 YTD Budget	2016/17 YTD Actual	2016/17 YTD Budget Variance (Under) Over	2016/17 YTD Actual/Budget %	2016/17 Annual Budget	2016/17 Budget Remaining
REVENUE AND OTHER SOURCES:						
Revenue - Electricity (net of allowance)	$ 58,996,701	$ 56,832,448	$ (2,164,253)	96%	$ 151,038,000	$ 94,205,552
Revenue - Evergreen Premium (net of allowance)	76,559	63,503	(13,056)	83%	196,000	132,497
Revenue - Electricity sales for resale *	-	3,849,947	3,849,947	-	-	(3,849,947)
Revenue - Interest income	50,333	62,470	12,137	-	151,000	88,530
Total revenue and other sources	59,123,593	60,808,368	1,684,775	103%	151,385,000	90,576,632
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	44,549,677	50,411,258	5,861,581	113%	124,124,000	73,712,742
Data management	1,096,667	1,003,996	(92,671)	92%	3,290,000	2,286,004
Service fees- PG&E	356,000	345,183	(10,817)	97%	1,068,000	722,817
Personnel	912,000	739,318	(172,682)	81%	2,736,000	1,996,682
Outreach and communications	259,000	214,268	(44,732)	83%	777,000	562,732
Required noticing	204,667	102,774	(101,893)	50%	614,000	511,226
Legal	131,667	100,176	(31,491)	76%	395,000	294,824
Accounting and auditing	61,667	42,147	(19,520)	68%	185,000	142,853
Technical consultants	256,667	44,311	(212,356)	17%	770,000	725,689
Legislative consultants	121,667	26,000	(95,667)	21%	365,000	339,000
Other consultants	53,333	54,807	1,474	103%	160,000	105,193
Program implementation and development	1,166,667	163,488	(1,003,179)	14%	3,500,000	3,336,512
General and administration	168,333	141,005	(27,328)	84%	505,000	363,995
Total current expenditures	49,338,012	53,388,731	4,050,719	108%	138,489,000	85,100,269
OTHER USES						
Collateral deposit payments	500,000	3,110,000	2,610,000	-	2,000,000	(1,110,000)
Collateral deposit payments returned **	-	(80,000)	(80,000)	-	-	-
Capital outlay	68,000	12,421	(55,579)	18%	204,000	191,579
Total expenditures, Other Uses and Debt Service	49,906,012	56,431,152	6,525,140	113%	140,693,000	84,181,848
Net increase (decrease) in available fund balance	$ 9,217,581	$ 4,377,216	$ (4,840,365)	47%	$ 10,692,000	$ 6,394,784

** Electricity sales for resale is the result of sales to other utilities for resale purposes. This revenue is not separately budgeted.*

*** Collateral deposit payments returned provides for the display of the return of collateral during the year, this inflow is not budgeted separately.*

RESERVES ***	Balance
Operating Reserve	$ 19,880,704
Program Reserve	3,508,360
	$ 23,389,064

**** Reserve balances include additions of approximately $16,000,000 the 15/16 year.*

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2016 through October 31, 2016

Net increase (decrease) in available fund balance per budgetary comparison schedule:	$ 4,377,216
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(16,147)
Add back capital asset acquisitions	12,421
Subtract collateral deposits returned	(80,000)
Add back collateral deposits	3,110,000
Change in net position	$ 7,403,490

See accountants' compilation report.

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Financial Plumbline

ACCOUNTANTS' COMPILATION REPORT

Management
Sonoma Clean Power Authority

Management is responsible for the accompanying financial statements of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the statement of net position as of October 31, 2016, and the related statement of revenues, expenses, and changes in net position, and the statement cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

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

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

Maher Accountancy

San Rafael, CA
December 6, 2016

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SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION
As of October 31, 2016

ASSETS	
Current assets	
Cash and cash equivalents	$ 31,078,054
Total cash and cash equivalents	31,078,054
Accounts receivable, net of allowance	19,216,234
Other receivables	466,030
Accrued revenue	6,534,355
Prepaid expenses	34,572
Deposits	165,000
Investments	7,007,726
Total current assets	64,501,971
Noncurrent assets	
Capital assets, net of depreciation	197,429
Deposits	3,784,666
Total noncurrent assets	3,982,095
Total assets	68,484,066
LIABILITIES	
Current liabilities	
Accounts payable	393,978
Accrued cost of electricity	19,367,127
Other accrued liabilities	305,362
User taxes and energy surcharges due to other governments	385,369
Total current liabilities	20,451,836
Noncurrent liabilities	
Supplier security deposits	150,000
Total liabilities	20,601,836
NET POSITION	
Net investment in capital assets	197,429
Unrestricted	47,684,801
Total net position	$ 47,882,230

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2016 through October 31, 2016

OPERATING REVENUES		
Electricity sales, net	$	56,832,448
Evergreen electricity premium		63,503
Electricity sales for resale		3,849,947
Total operating revenues		60,745,898
OPERATING EXPENSES		
Cost of electricity		50,411,258
Staff compensation		739,318
Data manager		1,003,996
Service fees - PG&E		345,183
Consultants and other professional fees		245,652
Legal		100,176
Communications		317,042
General and administration		141,106
Program rebates and incentives		85,000
Depreciation		16,147
Total operating expenses		53,404,878
Operating income		7,341,020
NONOPERATING REVENUES (EXPENSES)		
Interest income		62,470
CHANGE IN NET POSITION		7,403,490
Net position at beginning of period		40,478,740
Net position at end of period	$	47,882,230

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS
July 1, 2016 through October 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from electricity sales	$ 56,098,096
Receipts from electricity sales for resale	4,432,359
Receipts from supplier security deposits	150,000
Tax and surcharge receipts from customers	845,922
Payments to purchase electricity	(50,885,212)
Payments for staff compensation	(698,879)
Payments for contract services	(1,868,903)
Payments for communications	(324,371)
Payments for general and administration	(135,975)
Payments for public good programs and incentives	(250,000)
Tax and surcharge payments to other governments	(923,605)
Net cash provided (used) by operating activities	6,439,432
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Deposits and collateral paid	(3,110,000)
Deposits and collateral returned	80,000
Net cash provided (used) by non-capital financing activities	(3,030,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(18,007)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	55,462
Net change in cash and cash equivalents	3,446,887
Cash and cash equivalents at beginning of year	27,631,167
Cash and cash equivalents at end of period	$ 31,078,054

See accountants' compilation report.

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS (continued)
July 1, 2016 through October 31, 2016

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$	7,341,020
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense		16,147
Revenue reduced for uncollectible accounts		285,904
(Increase) decrease in net accounts receivable		(3,874,312)
(Increase) decrease in other receivables		582,412
(Increase) decrease in accrued revenue		2,790,552
(Increase) decrease in prepaid expenses		(14,424)
(Increase) decrease in current deposits		(165,000)
Increase (decrease) in accounts payable		(257,775)
Increase (decrease) in accrued cost of electricity		(1,581,807)
Increase (decrease) in accrued liabilities		1,244,398
Increase (decrease) in user taxes and energy surcharges due to other governments		(77,683)
Increase (decrease) in supplier security deposits		150,000
Net cash provided (used) by operating activities	$	6,439,432

Staff Update – Item 3

To: Sonoma Clean Power Authority Board of Directors

From: Kate Kelly/Director, Public Affairs & Marketing

Issue: Legislative Update

Date: January 5, 2017

Attached, please find Sonoma Clean Power's (SCP's) monthly Legislative Report.

Brownstein Hyatt
Farber Schreck

Memorandum

DATE: December 20, 2016

TO: Kate Kelly

FROM: Katherine S. Brandenburg

RE: Monthly Legislative Report

The Legislature is out on final recess until January 4, 2017. The 2015-16 Session adjourned on November 30 and the Legislature convened on December 5 for the 2017-18 Organizational Session where all the Legislators that were elected or re-elected in November were sworn in. Both Senate and Assembly Democrats will have a 2/3 supermajority when the Legislature convenes, and they may use this newfound power to pursue long-sought after affordable housing, transportation infrastructure and climate change efforts.

Governor Brown met with science community at the American Geophysical Union fall meeting last week to mobilize the science community for the climate fight he and the leaders of the Legislature believe they will have with President-Elect Trump. This meeting was a day after Governor Brown asked President Obama to prevent further coastal oil and gas drilling in California.

The California Air Resources Board is in the early stages of formulating new regulations and reinforcing existing ones to achieve reduced greenhouse gas emissions. CARB released a draft of its ideas earlier this month representing the largest and most comprehensive regulatory effort in state history. Here are some of the possible approaches:

- Reduce greenhouse gas emissions at refineries by 20%.
- Electrify boilers.
- Increase renewable electricity by more than the existing 50% statewide requirement.
- Cut greenhouse gas emissions at oil and gas fields by at least 25%
- Work with ports to develop “super-low emission efficient ships.”
- Increase use of low-emission diesel fuels.
- Reduce the amount of driving across the state.
- Use fertilizers with lower nitrogen content.
- Cut organic waste going into landfills by 75%. Increase landfill fees.
- Improve freight transportation efficiency by 25% by 2030.
- Deploy more than 100,000 zero-emission freight vehicles by 2030.
- Have 4.3 million zero-emission vehicles operating by 2030.
- Develop zero-emission rail vehicles.
- Alter environmental rules to increase density to residential neighborhoods.
- Accelerate replacement of residential gas furnaces.
- Increase the large-scale storage of electricity.

- Develop new pipeline systems to transport renewable natural gas from farms and landfills to urban users.
- Modify the cap-and-trade auction system so that it covers the entire energy sector.
- Implement rules to require state pension funds to sell holdings in coal producing companies.
- Modify streets for more bicycle and foot travel.

Staff Report – Item 4

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, CEO
Stephanie Reynolds, Internal Operations Manager
Rebecca Simonson, Senior Power Analyst
Nathan Kinsey, Account Executive
Erica Torgerson, Customer Care Manager
Mike Maher, CPA

Item: Approve changes to customer electric generation rates.

Date: January 5, 2017

Requested Actions

Review and approve proposed adjustments to the SCP customer generation rates.

Background

On December 2, 2016, the SCPA Board adopted a budget adjustment that updated the forecast revenues and expenses for the current fiscal year. In addition to recognizing revenues from the sale of excess solar energy and making other operational adjustments, the Board made adjustments in planned revenues and reserve contributions, in anticipation of a potential adjustment to customer rates at the January 5 meeting.

PG&E's fees on community choice customers rose sharply on January 1, 2016, and will increase further on January 1, 2017 for most customers. The Customer Advisory Committee and Board held public meetings in December to explore options for responding to the ongoing, significant increases to PG&E's "Power Charge Indifference Adjustment" (or "PCIA") fee.

As a result of those meetings, the Board directed staff to bring back a proposal for adjusting SCP generation rates, which would result in SCP customers' "all in" cost per kilowatt-hour (including the PCIA) being approximately 1% lower than PG&E customers' "all in" cost, subject to staff's review of PG&E's anticipated late-December rate changes, and verification that the proposed SCP generation rate reductions could be accommodated within budget adjustments approved by the Board in December.

Process

Since PG&E does not generally release its January 1 rates and fees until the end of December, the specific rate tables for adoption will be generated after this packet is released, and will be brought to the meeting for review. Staff will use the following process to generate the rate tables.

If the budget adjustment adopted at the December Board meeting can accommodate setting new March 1, 2017 energy and demand charges so that total electric charges for SCP customers are 1.0% lower than PG&E's January 2017 bundled service charges, then those rates will be presented to the SCPA Board at the January 5 meeting. Any excess revenue in this scenario would be allocated to additional reserves, per Board Financial Policy B2.

If the adjusted budget cannot accommodate the 1% savings, then staff will bring a set of rate tables that produce the lowest total cost to SCP customers that fits within the constraints of the budget adjustments adopted by the Board in December.

Addressing the Risk Going Forward

When the Legislature passed the law allowing formation of CCAs, they included provisions to ensure that remaining "bundled" for-profit utility customers would not pay higher rates as a result of the departure of CCA customers. This could occur if PG&E had made a long-term commitment to purchase power expecting that the power would be needed to serve the "departed" load, and could not sell the now-excess power for a price equal to the contract price. The PCIA is the mechanism developed by the CPUC to carry out this legal requirement.

Although reasonable and fair in principle — particularly given California's "decoupled" regulatory structure, where the amount of power sold by a utility does not impact its income or shareholder profit — there is a growing consensus that the current PCIA mechanism imposes higher costs on CCA customers than are necessary to protect bundled customers.

It is important to recognize that the PCIA mechanism is inherently inconsistent with the concept of competition. In most competitive markets, competitors cannot assign their “excess” or “above-market” costs to their competition. However, the PCIA effectively provides full protection to for-profit utilities such as PG&E, holding them harmless from the effects of competition. No matter what PG&E pays for electric generation resources — even if the cost is above market — PG&E is assured of recouping all of its costs, because the current PCIA mechanism requires the CCA’s customers to pay the “above-market” portion of PG&E’s costs.

Absent appropriate checks and balances, for-profit utilities can use this regulatory structure to their advantage, by shifting excessive costs to operating CCAs. CCA staff have identified several ways that the PCIA may inappropriately shift costs to CCA customers, including:

1. The PCIA compares the cost of electricity received by PG&E under *long-term, fixed-price* power contracts with the cost of electricity on the *short-term, spot market*, and charges CCA customers the difference. PG&E bundled customers retain *all* of the value of the certainty that such long-term, fixed-price contracts provide, even though CCA customers are paying for the cost of that certainty.

2. Basing the PCIA on a comparison between long-term contract prices and short-term, spot-market prices results in a PCIA calculation that is unfairly high. Because longer-term contracts “price in” both the uncertainty of future market conditions and the general inflationary tendency of prices to rise over time, longer-term contract prices are on balance likely to be higher than short-term contract prices. The current PCIA calculation method ignores this, to the detriment of CCAs.

3. Because the PCIA is calculated each year based upon an estimate of the following year’s expected short-term market prices, it is subject to great fluctuation, while being entirely outside of a CCA’s control. Despite our requests, PG&E has not provided a mid-term (5 year) estimate of future PCIA costs. This creates a risk of rate shock for customers because it hinders the ability of CCAs to protect customers against such risk.

4. Although the PCIA was intended to protect PG&E from changes in market conditions, as currently calculated the PCIA allows PG&E to pass on to CCA customers costs that result from the fact that PG&E power contracts were

above-market *at the time they were entered into.* Because for-profit utilities are assured of recovering all generation costs, no matter how high, CCAs have a harder time competing due to an artificially high PCIA. We question why CCA customers should pay more as a result of the IOUs' poor power procurement practices or the CPUC's inability to properly regulate those practices.

5. The PCIA provides an incentive for for-profit utilities to buy more generation contracts than are needed. This adds considerable risk to CCAs of a higher and longer duration PCIA, while having no effect on the for-profit company or its customers.

6. Apart from the PCIA, we are concerned that for-profit utilities will be more and more likely to characterize as "distribution" costs elements that were traditionally considered to be "generation" costs. This benefits for-profit utilities two ways. First, shareholders can earn a return on distribution costs, but not generation costs. Second, shifting costs from "generation" to "distribution" will make for-profit utilities look more competitive than they really are.

7. The confidentiality rules imposed by the CPUC make it difficult to audit the PCIA calculation and to forecast the likely level of the PCIA in future years. Much of the data used to calculate the PCIA is not public, the method of calculating the fee is complex, and although the CPUC's Energy Division is supposed to check the PCIA calculation, it appears that they may only check the mechanical calculation and not audit the sources carefully or question the appropriateness of the inputs.

SCP was chosen by the CPUC to work with Southern California Edison to hold a series of workgroup meetings to develop proposals for improving the transparency of the PCIA and recommending other reforms. Three meetings of the workgroup have been held to date. The meetings have been educational, but so far no PCIA reforms that are acceptable to both utilities and CCAs have been agreed upon, and staff is skeptical that the for-profit utilities will agree to any PCIA changes that would reduce the amount of PCIA imposed on CCA customers.

Ultimately, SCP is seeking to reform the electric market to create the conditions in which for-profit utilities are motivated to lower generation costs and fees rather than increase them. Obtaining low costs through a "command-and-control" regulatory system has proven ineffective (so-called “least cost, best fit”). PG&E’s total electric costs are substantially and consistently higher than California municipal utilities, and its generation costs are often around 30% to 40% higher. PG&E’s generation costs are also considerably higher than SCE’s generation costs, which is why the PCIA is about three times as large in PG&E territory as it is in SCE territory.

As a result of these serious cost-shifting issues, it is time to consider a market-based mechanism for incentivizing lower procurement costs, along with broader implementation of community choice programs. CCAs bring about markedly lower generation costs, due to public oversight of their operations, and the fact that procurement decisions are made and supervised by locally-elected board members who are directly accountable to their customers/constituents.

To exemplify SCP’s low generation costs, consider that SCP offers customers a small level of rate savings compared with PG&E, while doing all of the following:

- SCP’s portfolio of resources will reach 50% qualifying renewable energy in 2020, 10 years ahead of the State’s RPS requirement (50% in 2030)
- SCP’s verified greenhouse gas emissions were 48% lower than PG&E’s in 2014 (the most recent year PG&E has audited)
- SCP’s customers pay all the same costs of grid reliability, cap-and-trade fees, and regulatory expenses as PG&E’s customers
- SCP’s use of long-term contracting is proportionally similar to PG&E’s
- SCP provides more California renewable energy than PG&E, proportional to our size
- SCP’s customers pay the PCIA fees to ensure that they cover the full out-of-market costs of PG&E’s generation portfolio

SCP’s plan to manage the risks associated with an imperfect regulatory system must therefore be broad and deep. The existing regulatory structure encourages PG&E to try to shift costs from its own customers onto SCP’s customers, and California’s regulatory environment does not currently have effective checks against such cost shifting. We must help create a system that provides those checks.

TALKING POINTS: Proposed SCP Rate Changes

Revised 12/30/2016

Summary

Effective January 1, 2017, PG&E will be increasing the Power Charge Indifference Adjustment or "PCIA" fee for most SCP customers, so to preserve SCP's competitive rates, staff are proposing to adjust SCP's rates to ensure all customers receive a 1% savings on their total electric bills starting March 1, 2017.

- In response to the January PG&E rate and fee changes, the SCPA Board has asked staff to prepare a rate adjustment to help keep customer costs competitive with PG&E (consistent with our JPA goals).
- The SCPA Board's request is to reset SCP rates to ensure all customers save 1% on total electric charges.
- The SCPA Board adopted a budget adjustment on December 1, 2016 that facilitates the recommended rate changes, but is waiting to make those rates changes until PG&E's January rates are finalized.
- If approved by SCPA's Board at the January 5, 2017 meeting, the new rates would go into effect on March 1, 2017.