



**AGENDA
SONOMA CLEAN POWER AUTHORITY
BOARD OF DIRECTORS MEETING
THURSDAY, MARCH 2, 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 February 2, 2017 meeting of the SCPA Board of Directors.

III. BOARD OF DIRECTORS REGULAR CALENDAR

2. Receive Operations Update and provide direction as appropriate.
3. Receive Regulatory and State Legislative Update and provide direction as appropriate.
4. Review Draft Program Evaluation Process and provide direction as appropriate.

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.



**MINUTES
SONOMA CLEAN POWER AUTHORITY
BOARD OF DIRECTORS MEETING
THURSDAY, FEBRUARY 2, 2017**

Director of Customer Service and Notary Public Erica Torgerson swore in new SCP Board of Directors Kearney, Gore, Rogers, Bagby, Belforte and Hamburg.

I. CALL TO ORDER

The meeting was called to order at 9:03A.M. by Chair Slayter

Present: Chair Slayter, Directors Kearney, Landman, Gore, Okrepkie, Rogers, Bagby, Belforte and Hamburg.

Public Comment: None

II. BOARD OF DIRECTORS CONSENT CALENDAR

1. Approve the minutes of the December 1, 2016 and January 5, 2017 meetings of the SCPA Board of Directors.

Motion to approve 12/01/16 minutes as amended by Director Belforte

Second: Director Okrepkie

Motion approved: 9-0-0

Public Comment: None

Motion to approve 01/05/17 minutes by Director Landman

Second: Director Belforte

Motion approved: 9-0-0

Public Comment: None

III. BOARD OF DIRECTORS REGULAR CALENDAR

2. Appoint Chair and Vice Chair of the Board of Directors for 2017.

Chair Slayter welcomed new Board members and thanked past Board members, members of advisory committees, Sonoma Clean Power staff and the public.

Chair Slayter asked for nominations for a new Chair person. Director Landman nominated Director Okrepkie.

Second: Director Kearney

Motion approved: 9-0-0

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Director Slayter asked for nominations for a new Vice Chair. Chair Okrepkie nominated Director Hamburg.

Second: Director Landman

Motion approved: 9-0-0

3. Presentation on the progress of CCAs in California by Shawn Marshall, LEAN Energy

CEO Syphers introduced Shawn Marshall of LEAN Energy and stated how important of a consultant she has been to the industry and helping community choice programs get off the ground. Ms. Marshall presented the history and progress of Community Choice Aggregation in the United States and specifically in California.

CEO Syphers gave a brief explanation of the Power Charge Indifference Adjustment (PCIA) fee paid by SCP's customers.

Director Landman asked to what degree is the PCIA a problem that can be solved through negotiation, is it a political solution and what are the best use of our resources to help make things come together.

CEO Syphers stated that General Counsel Steve Shupe and Regulatory Affairs Manager Neal Reardon have been very active at leading the statewide conversation about this fee. He stated that the CPUC has asked SCP and Southern California Edison to lead the process and on April 6 [Note: the correct date is April 5] there will be recommendations made to the Commission about how to address the fee. He stated that he is not optimistic that there will be agreement on major changes between the parties because there are opposite interests. He stated that we may make progress on transparency and the process on how the fee is calculated, but ultimately any big shifts in how the customer fees are calculated may take the legislature.

Counsel Shupe stated that it is important to remember that the PCIA was put in place in the same bill that allowed CCAs to form. He stated that if the PCIA goes down, then PG&E's customers pay more and generation from the IOU perspective is just a pass-through and PG&E doesn't make any money on generation. He stated that this also means that PG&E has no incentive to keep generation costs low because there is no institutional or shareholder value. He stated that SCP wants to make sure that the PCIA is fair and that the process has been great educationally and it gives all of the parties insights on what is possible.

Director Landman asked for a timeline on the process.

CEO Syphers stated that a timeline cannot be given and although it is the number one issue in terms of regulatory topics, there are many parties involved. He stated SCP has been planning for worst case scenarios prior to launching and is prepared for this. He stated that the bad news is that customers are paying more than they should and this needs to be fought.

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Director Slayter asked for more information regarding federal impacts and influence on California and specifically SCP.

CEO Syphers stated that fundamentally most of the federal agency impacts don't impact SCP compared with energy suppliers that directly import energy themselves from other states. He stated that the Federal Energy Regulatory Commission is a body that we do report to but there is not much we do with them. He stated that the potential impacts from what might come from federal agencies is still unknown and that he does not think that SCP will feel the effects of changes to management of federal agencies early.

Director Gore asked how important are the Geysers to our portfolio and is it difficult for other CCAs to not have a local source of renewable energy close to them.

CEO Syphers stated that the Geysers are incredibly important but not for financial reasons but because it is a 24/7 baseload renewable resource and immensely valuable in moving towards a very low carbon portfolio. He stated that it is a more expensive resource than solar and wind and we pay a premium for it but the premium is offset by the baseload quality and that it employs a couple hundred people from Sonoma County.

Director Gore asked what are some exciting things that other CCAs are doing. CEO Syphers stated that he is excited about Lancaster Choice Energy because it is a staunchly republican city, it has 46% low income customers, they were the first city in CA to adopt a solar homes requirement and last week they just required all new construction to be "zero energy." He stated that these are conservative people in inland areas of CA addressing climate issues because of the economy. He also stated that they just contracted to completely convert their entire bus fleet to electric.

Director Belforte asked if there is an opportunity for strong CCAs to expand. Shawn Marshall of Lean Energy stated that it is possible and this is why CalCCA is so important and that she thinks there will be more operational standardization to protect against failure. CEO Syphers stated that there is an important distinction in what happened in the energy crisis and why community choice was developed to help solve that problem. SCP buys long-term contracts and SCP has a significant amount of its energy delivered through fixed-price long-term contracts, which gives SCP a lot of certainty about pricing.

Director Kearney stated that Lancaster gives him hope to expand into areas where privatization of the power and water systems occurred.

Public Comment:

Woody Hastings congratulated new Board members. He stated the Center for Climate Protection was very involved in getting SCP up and running. He thanked Shawn Marshall and noted Lean Energy's community choice monthly market calls that offer good information and updates. He mentioned cleanpowerexchange.org

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and its helpful information. He also thanked SCP for the sponsorship of the Local Energy Symposium.

Dick Dowd congratulated new Board members and thanked Shawn Marshall for her presentation. He stated that he supports the concept of the CalCCA and that as the CalCCA grows, there needs to be concentration on both regulatory and legislative sides. He stated he wants CalCCA to work on the concept of resource adequacy.

4. Receive Operations Update and provide direction as appropriate.

Internal Operations Manager Stephanie Reynolds welcomed new Board members. She stated that the annual report was released, it is available on SCP's website and it will be used for marketing, outreach to Mendocino and public meetings. She stated that SCP has a new staff member, Danielle Baker, Customer Service Specialist. She stated that SCP is starting to schedule public outreach events in Mendocino and there is procurement activity there but nothing to report on until contracts are signed.

CEO Syphers reviewed the financials. He stated that for the year there is currently \$6.8 million of net income and that should increase very slightly by the end of the fiscal year. He stated that because of the way the rates function, most net income comes from the summer months and essentially break even in the winter. He stated that the previous Board adopted a rate reduction which goes into effect on March 1 and this will make the margins narrower. He stated how well SCP is doing on reserves and recommended the Board review this later in the year. He stated that the program reserve is intended to ensure that that program can continue even if the next fiscal year is not as good as predicted. He stated that the reserves are divided and 85% goes into general operating reserves and 15% goes into program reserves.

Director Gore asked about the good management of costs in the financials. CEO Syphers stated that SCP is still in growth mode and the reality of the personnel figure is that hiring hasn't happened as quickly as the original plan and year by year as the agency matures the figures will get closer to 100% of budget.

Public Comment:

June Brashares stated that Local Clean Energy Alliance works to advance community choice around the state and looks to promote the local development. She stated that energy right now is social engineering.

5. Receive Regulatory and State Legislative Update and provide direction as appropriate.

Regulatory Affairs Manager Neal Reardon reviewed the en banc at the CPUC on February 1. He stated that there were three different panel discussions which were liability and supply, customer facing issues and the future and he read the opportunities and challenges listed on the agenda. He stated that the commissioners seemed excited by SCP's role as an innovator and there were many

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public officials that were present and were in favor of CCAs. He stated that in response to this, education and collaboration need to happen.

CEO Syphers invited the Board to a voting meeting on April 6 at the Santa Rosa City Hall to voice their opinion about community choice.

Director Landman asked where the CPUC is on this subject. Neal Reardon stated that of the five commissioners two have recently been appointed and that education is something that needs to be worked on.

SCP's lobbyist Kate Brandenburg updated the Board with State legislation news. She stated that the senate recently passed a bill that says CA will be a sanctuary state which could lead to financial repercussions. She stated that funding could be lost due to the Affordable Care Act. She stated the Governor is very committed to climate change and will go up against the President. She stated that CalCCA recently put on a two-day event briefing staff on what is a CCA.

Director Rogers asked Ms. Brandenburg to discuss the Governor holding the Cap and Trade monies generated until he gets the 2/3 vote to extend the program past 2020. Ms. Brandenburg stated that before the Governor relinquishes the money he does want to make sure he gets that vote which she believes he will get.

Public Comment:

June Brashares stated that the en banc was a very positive step forward for community choice aggregation and the CPUC.

Bob Williamson stated that it was distressing to hear that new members of the CPUC need to be educated on the PCIA.

Woody Hastings stated he wanted to concur with the characterization that the commissioners need some education. He asked if there was a way to get questions to the CPUC on record and if there is any news on solar mandates.

6. Receive Programs Update and provide direction as appropriate.

Director of Public Affairs and Marketing Kate Kelly presented to the Board a video of the Switch Vehicle Program and discussed its benefits.

Director of Programs Jan McFarland discussed the Drive EverGreen Program and its success. Director McFarland stated that the chief complaint by customers and the participating car dealers is that it was so brief, and there is significant customer demand for additional electric vehicle programs in the future. She stated the evaluation and analysis of the Drive EverGreen program begins soon, and will be used to study the effectiveness of the program elements, discounts, incentives and messages. The evaluation will inform future program design, so SCP can plan for significantly larger electric vehicle programs, and build on the success of this one.

CEO Syphers stated that electric vehicles have become a tool not just for reducing emissions in transportation, but for reducing emissions in buildings because

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vehicle charging can help support a cleaner electric grid. Director McFarland stated that staff expects to begin working with the Community Advisory Committee on the design of the next electric vehicle program in May or June this year, following the completion of the evaluation.

Director Belforte asked about advertising and how to increase low-income participation. Director McFarland stated that many families don't have credit and that SCP will look for support from the Board for future programs and credit issues.

7. Approve updated Terms and Conditions to accommodate enrollment of customers in Mendocino County.

Erica Torgerson, Director of Customer Service stated that SCP is updating its Customer Service Policy and its terms and conditions have been updated to include our expanded service territory of unincorporated Mendocino County as well as the cities of Point Arena, Willits and Fort Bragg.

Motion to approve updated Terms and Conditions by Director Kearney
Second: Director Rogers
Approved: 9-0-0

IV. BOARD MEMBER ANNOUNCEMENTS

Director Gore stated that his alternate for the Board is Lynda Hopkins.

Vice Chair Hamburg stated that the three incorporated cities of Mendocino County have chosen a representative and his name is Lindy Peters and he is the mayor of Fort Bragg.

Chair Okrepkie thanked Director Slayter for his tremendous job as being Chair.

V. PUBLIC COMMENT ON MATTERS NOT LISTED ON THE AGENDA

None

ADJOURN (11:34A.M.)

Respectfully submitted,

Braiden Gugel
Executive Assistant

Staff Update – Item 2

To: Sonoma Clean Power Authority Board of Directors
From: Stephanie Reynolds, Internal Operations Manager
Geof Syphers, CEO
Issue: Operations Report
Date: March 2, 2017

NEWS & MILESTONES

Public meetings in Mendocino kick off to a great start!

SCP steps up engagement at the CPUC

Budget process to begin: March - May

New legislation (SB618) would diminish SCPA's Board oversight of power sources

INCREASED CPUC ACTIVITY

The February 1 CPUC En Banc was very well attended. The Commission is openly evaluating what its role will be in a future dominated by CCA procurement, and to what extent it has, or should have, jurisdiction over CCA procurement and rates. CEO Syphers served on the second of three panels, focused on customer-facing issues. Commissioners were appreciative of SCP's recent EV program and interested in SCP's vision of aggregating charging infrastructure to replace the need for a natural gas peaking power plant. The Commission is taking informal comments on the En Banc on Feb. 23rd, which SCP is working in conjunction with CalCCA to develop. We expect that CalCCA will play a significant role in voicing legislative and regulatory concerns for active CCAs and those in development.

The CEOs from active CCAs also recently met with the Energy Division Director and two Commissioners. The intent was to more thoroughly introduce community choice and talk about the local benefits.



SCP's Regulatory Affairs Manager is coordinating the statewide working group on addressing issues relating to the Power Charge Indifference Adjustment. The goal of that CPUC-directed process is to provide recommendations on April 5 back to the Commission.

BUDGETING

Sonoma Clean Power has a fiscal year running from July through June. Each May, the agency adopts a new annual budget that goes into effect on July 1. This timing allows sufficient time for any necessary new rates to be published on jointly-produced mailers together with PG&E.

The budget process involved four public meetings beginning with the Community Advisory Committee in March, the April 13 Board of Directors meeting to review a draft budget and rates. Input from these meetings gets incorporated into a revised budget and rates that go to the Committee later in April and to the Board for adoption on May 11.

MENDOCINO COUNTY OUTREACH

SCP kicked off our increased customer outreach in Mendocino County on February 11th at the Gualala Wellness Resource Fair. The event had approximately 150 residents pass through from both Mendocino and Sonoma Counties. Residents openly embraced the upcoming changes and were excited about the expansion and the environmental benefits that accompany SCP.

SCP's next event is a presentation for the Willits City Council on the 8th. Outreach will begin to ramp up the second week in March with staff presenting to the Fort Bragg City Council on the 13th and the Willits and Redwood Coast Senior Centers along with the Willits Farmers Market later in the week.

PROGRAM UPDATES

Staff received a fourth ProFIT application on Tuesday, January 10, 2017. This new application is for a solar project titled "Bodega Energy West", roughly 1 MW in size, located off Bodega Avenue in the unincorporated area of Petaluma. Staff reviewed the application for approval. The application was deemed complete on Friday, February 24, 2017. The next step is for the power purchase agreement (PPA) to be finalized and signed. The developer is proposing a Commercial Operation Date of April 2018. The project must be



approved through the Sonoma County Permit and Resource Department (PRMD) permitting process.

The eMotorWerks status report below includes all electric vehicle charger orders and shipments, demand response opt-ins, forms signed and SCP customers approved by PG&E through February 17, 2017:

Number of Orders – 398

Number of Orders Shipped – 370

Number of Demand Response Opt-ins – 352

Number of Demand Response Forms Signed – 296

Number of Demand Response SCP Customers Approved by PG&E – 259

MONTHLY COMPILED FINANCIAL STATEMENTS

Sonoma Clean Power continued to add to a strong net position in January, 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 winter rate season, a period where aggregate rates are less than in the summer season, continues in January. The year-to-date growth in net position is above projections due primarily to less than anticipated energy costs. Net position is expected to increase through the end of the fiscal year. Year-to-date operating revenues reached \$101,315,000.

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. Included in these purchases is energy that is being re-sold to another reseller. Net position increased to a positive



\$51,045,000, which indicates healthy growth as SCP continues to make progress towards its reserve goals. Of this net position, approximately \$19,890,000 and \$3,510,000 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 amendment approved by the Board of Directors in December 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 on-line with the year-to-date budget.

The cost of electricity is around 98% of budget-to-date, mostly 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.



FUTURE MEETING SCHEDULE:

April 13, 2017

May 11, 2017

June 1, 2017

July 6, 2017

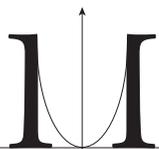
August 3, 2017

September – No scheduled meeting

October 5, 2017

November 2, 2017

December 7, 2017



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 January 31, 2017, 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
February 23, 2017



SONOMA CLEAN POWER AUTHORITY

STATEMENT OF NET POSITION

As of January 31, 2017

ASSETS

Current assets	
Cash and cash equivalents	\$ 38,410,772
Accounts receivable, net of allowance	15,795,492
Other receivables	72,489
Accrued revenue	6,475,803
Prepaid expenses	25,068
Deposits	305,941
Investments	7,007,726
Total current assets	<u>68,093,291</u>
Noncurrent assets	
Capital assets, net of depreciation	191,932
Deposits	3,714,666
Total noncurrent assets	<u>3,906,598</u>
Total assets	<u>71,999,889</u>

LIABILITIES

Current liabilities	
Accounts payable	524,093
Accrued cost of electricity	19,639,727
Other accrued liabilities	250,145
User taxes and energy surcharges due to other governments	391,203
Total current liabilities	<u>20,805,168</u>
Noncurrent liabilities	
Supplier security deposits	<u>150,000</u>
Total liabilities	<u>20,955,168</u>

NET POSITION

Net investment in capital assets	191,932
Unrestricted	50,852,789
Total net position	<u><u>\$ 51,044,721</u></u>

SONOMA CLEAN POWER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
July 1, 2016 through January 31, 2017

OPERATING REVENUES

Electricity sales, net	\$ 93,415,887
Evergreen electricity premium	132,053
Electricity sales for resale	7,398,819
Liquidated damages	368,441
Total operating revenues	<u>101,315,200</u>

OPERATING EXPENSES

Cost of electricity	84,879,863
Staff compensation	1,358,354
Data manager	1,688,002
Service fees - PG&E	607,782
Consultants and other professional fees	613,705
Legal	143,250
Communications	499,438
General and administration	239,806
Program rebates and incentives	803,588
Depreciation	27,868
Total operating expenses	<u>90,861,656</u>
Operating income	<u>10,453,544</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	<u>112,437</u>
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CHANGE IN NET POSITION

	10,565,981
Net position at beginning of period	<u>40,478,740</u>
Net position at end of period	<u>\$ 51,044,721</u>

SONOMA CLEAN POWER AUTHORITY

STATEMENT OF CASH FLOWS July 1, 2016 through January 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from electricity sales	\$ 96,229,379
Receipts from electricity sales for resale	8,380,028
Receipts from liquidated damages	368,441
Receipts from supplier security deposits	150,000
Tax and surcharge receipts from customers	1,421,962
Payments to purchase electricity	(85,081,217)
Payments for staff compensation	(1,281,807)
Payments for contract services	(3,125,000)
Payments for communications	(534,659)
Payments for general and administration	(261,065)
Payments for program rebates and incentives	(898,588)
Tax and surcharge payments to other governments	(1,493,811)
Net cash provided (used) by operating activities	<u>13,873,663</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Deposits and collateral paid	(3,470,000)
Deposits and collateral returned	300,000
Net cash provided (used) by non-capital financing activities	<u>(3,170,000)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(24,231)</u>
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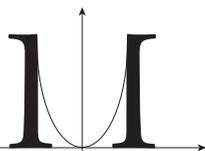
CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>100,173</u>
Net change in cash and cash equivalents	10,779,605
Cash and cash equivalents at beginning of year	<u>27,631,167</u>
Cash and cash equivalents at end of period	<u>\$ 38,410,772</u>

SONOMA CLEAN POWER AUTHORITY
STATEMENT OF CASH FLOWS (continued)
July 1, 2016 through January 31, 2017

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

Operating income	\$ 10,453,544
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	27,868
Revenue reduced for uncollectible accounts	473,958
(Increase) decrease in net accounts receivable	(641,624)
(Increase) decrease in other receivables	981,209
(Increase) decrease in accrued revenue	2,849,104
(Increase) decrease in prepaid expenses	(4,920)
(Increase) decrease in current deposits	(95,941)
Increase (decrease) in accounts payable	(127,660)
Increase (decrease) in accrued cost of electricity	(750,447)
Increase (decrease) in accrued liabilities	630,421
Increase (decrease) in user taxes and energy surcharges due to other governments	(71,849)
Increase (decrease) in supplier security deposits	150,000
Net cash provided (used) by operating activities	<u>\$ 13,873,663</u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended January 31, 2017, 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
February 22, 2017



**SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
July 1, 2016 through January 31, 2017**

	2016/17 YTD Budget	2016/17 YTD Actual	2016/17 YTD Budget Variance (Under) Over	YTD Actual/ Budget %	2016/17 Amended Budget	2016/17 Budget Remaining
REVENUE AND OTHER SOURCES:						
Revenue - Electricity (net of allowance) *	\$ 92,324,557	\$ 93,415,887	\$ 1,091,330	101%	\$ 147,824,136	\$ 54,408,249
Revenue - Evergreen Premium (net of allowance)	121,372	132,053	10,681	109%	196,000	63,947
Revenue - Electricity sales for resale **	8,792,000	7,398,819	(1,393,181)	84%	8,792,000	1,393,181
Revenue - Interest income	88,083	112,437	24,354	-	151,000	38,563
Revenue - Liquidated damages	-	368,441	368,441	-	-	(368,441)
Total revenue and other sources	<u>101,326,012</u>	<u>101,427,637</u>	<u>101,625</u>	<u>100%</u>	<u>156,963,136</u>	<u>55,535,499</u>
EXPENDITURES AND OTHER USES:						
CURRENT EXPENDITURES						
Cost of energy and scheduling	86,435,566	84,879,863	(1,555,703)	98%	133,748,000	48,868,137
Data management	1,773,760	1,688,002	(85,758)	95%	2,902,250	1,214,248
Service fees- PG&E	626,300	607,782	(18,518)	97%	1,076,800	469,018
Personnel	1,596,000	1,358,354	(237,646)	85%	2,736,000	1,377,646
Outreach and communications	438,250	380,380	(57,870)	87%	737,000	356,620
Required noticing	305,667	119,058	(186,609)	39%	474,000	354,942
Legal	230,417	143,250	(87,167)	62%	395,000	251,750
Accounting and auditing	107,917	90,847	(17,070)	84%	185,000	94,153
Technical consultants	327,292	51,613	(275,679)	16%	445,000	393,387
Legislative consultants	179,167	45,500	(133,667)	25%	275,000	229,500
Other consultants	177,708	118,473	(59,235)	67%	385,000	266,527
Program implementation and development	2,041,667	1,111,186	(930,481)	54%	3,500,000	2,388,814
General and administration	277,708	239,480	(38,228)	86%	460,000	220,520
Total current expenditures	<u>94,517,419</u>	<u>90,833,788</u>	<u>(3,683,631)</u>	<u>96%</u>	<u>147,319,050</u>	<u>56,485,262</u>
OTHER USES						
Collateral deposit payments	3,750,000	3,470,000	(280,000)	93%	3,750,000	280,000
Collateral deposit payments returned	(450,000)	(300,000)	150,000	67%	(450,000)	(150,000)
Capital outlay	87,125	18,646	(68,479)	21%	119,000	100,354
Total expenditures, Other Uses and Debt Service	<u>97,904,544</u>	<u>94,022,434</u>	<u>(3,882,110)</u>	<u>96%</u>	<u>150,738,050</u>	<u>56,715,616</u>
Net increase (decrease) in available fund balance	<u>\$ 3,421,468</u>	<u>\$ 7,405,203</u>	<u>\$ 3,983,735</u>	<u>216%</u>	<u>\$ 6,225,086</u>	<u>\$ (1,180,117)</u>

* Represents sales of approximately 1,304,000 MWh for 2016/17 YTD actual.

** Electricity sales for resale is the result of sales to other utilities for resale purposes.

RESERVES	Balance
Operating Cash Reserve	\$ 19,897,023
Program Cash Reserve	3,511,239
	<u>\$ 23,408,262</u>

SONOMA CLEAN POWER AUTHORITY
OPERATING FUND
BUDGET RECONCILIATION TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2016 through January 31, 2017

Net increase (decrease) in available fund balance per budgetary comparison schedule:	\$ 7,405,203
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(27,868)
Add back capital asset acquisitions	18,646
Subtract collateral deposits returned	(300,000)
Add back collateral deposits	<u>3,470,000</u>
Change in net position	<u><u>\$ 10,565,981</u></u>



Staff Update – Item 3

To: Sonoma Clean Power Authority Board of Directors

From: Kate Kelly/Director, Public Affairs & Marketing and Neal Reardon, Regulatory Affairs Manager

Issue: Legislative and Regulatory Updates

Date: March 2, 2017

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

Memorandum

DATE: February 22, 2017
TO: Kate Kelly
FROM: Katherine S. Brandenburg
RE: Legislative Report

The 2017 California Legislative Session, which began last December 5, is officially “off to the races” now that the bill introduction deadline of February 17 has passed. This year, there was an almost 25% increase in the number of bill introductions compared to last year’s total, although there are historically more bills introduced in the first year than in the second year of the 2-year session.

The Assembly increased the total number of bills that can be introduced each 2-year session. Many capitol observers have questioned the need for an increase in the bill limit. This year’s count is over 2,600 bills.

We have identified over 60 pieces of legislation we will be monitoring for Sonoma Clean Power. A number of bills are “spot” bills. Spot bills are bills that do not make a substantive change to law and is a placeholder until the author decides how he or she will amend the bill. Once the bills have substantive language, we will bring them to your attention. Of the 60 plus pieces of legislation, I want to point out a few bills of interest to SCP.

SB 584 (De Leon) – As introduced, SB 584 would require California to generate all of its electricity from renewable sources by December 31, 2045. The measure would also accelerate the state’s goal of reaching 50% renewable energy by 2025. You will recall, two years ago legislation was approved to have the 50% deadline set at 2030. If California can meet these targets, it will stay a few steps ahead of New York, which has a goal of 50% renewable energy by 2030 and it would be on par with Hawaii, which is seeking 100% renewable energy by 2045.

SB 618 (Bradford) – As introduced, SB 618 would modify the agreement the CCAs had with Senator De Leon when we accepted the amendments to SB 350 in 2015. The amendment the CCAs accepted requires CCAs to submit the integrated resource plans approved by its governing board to the Public Utilities Commission for certification. SB 618 would also require the Public Utilities Commission to **approve** the integrated resource plan. If SB 618 were to pass as currently drafted, it would increase the CPUC’s control over CCAs, and may subject CCAs to CPUC procedures such as “least-cost, best fit” and their economic models for procurement, and diminish CCAs ability to procure under the CCA’s JPA board jurisdiction.

California Air Resources Board

The Air Resources Board announced on February 16 that they are delaying the adoption of the Scoping Plan from April to their June Board hearing. It appears that the Air Resources Board was contacted by a

few legislators asking that they delay adoption of the Scoping Plan as the Legislature considers legislation on the future of the cap-and-trade program. The delay will provide additional time for ARB to hold community meetings and workshops for public participation.

It is expected that the future of the cap-and-trade program will be decided as part of the 2017-18 State budget process as proposed in Governor Brown's budget.

During the same hearing, the Air Resources Board gained two new members to the Board – State Senator Ricardo Lara and Assemblyman Eduardo Garcia -- due to the passage of AB 197 (E. Garcia) which created two ex-officio seats on the Board. The two legislators will not be able to cast votes, but they hope to have a voice on how regulators pursue programs on climate change and air quality.

California Energy Commission

The California Energy Commission held a Staff Pre-Rulemaking Workshop on the Power Source Disclosure Program (PSD) to require reporting entities to report and disclose to its customers unbundled RECs and greenhouse gas emission intensities of their electricity portfolio offered to their customers. This rulemaking process is due to the passage of AB 1110 (Ting) last year which SCP supported. AB 1110 directs the Energy Commission to do the following:

- Adopt a methodology, in consultation with the Air Resources Board (ARB), for calculating GHG emissions intensity factors for each purchase of electricity by a retail supplier to serve its customers;
- Calculate the GHG emissions intensity factors associated with statewide retail sales based on GHG emissions for total California system electricity;
- Rely on the most recent verified GHG emissions data, while ensuring that the GHG emission intensity factors for electricity from specified and unspecified sources are available to retail suppliers with sufficient advanced notice to permit timely reporting;
- Determine a format for the disclosure of unbundled RECs as a percentage of annual retail sales;
- Adopt guidelines, on or before January 1, 2018, for the reporting and disclosure of greenhouse gas emissions intensity associated with retail sales based on the requirements of AB 1110. Beginning June 1, 2020, retail suppliers shall be required to report data on greenhouse gas emissions intensity associated with retail sales occurring after December 31, 2018;
- Establish guidelines for adjustments to a GHG emissions intensity factor for a reporting year for any local publicly owned utility (POU) demonstrating generation of quantities of electricity in previous years in excess of its total retail sales and wholesale sales from specified sources that do not emit any GHGs. Adjustments authorized by the guidelines established by the Energy Commission shall not permit excess generation procured in a single year to be counted more than once or to be resold to another retail supplier as a specified source;
- Ensure there is no double counting of GHG emissions or emissions attributes;
- Seek to minimize the reporting cost and burden it imposes on retail sellers.

The first year of the mandatory reporting will be in 2019, with reports due on June 1, 2020. Staff has asked for comments on this rulemaking by March 8, 2017, and SCP is preparing a full response.

Staff Update – Item 4

To: Sonoma Clean Power Authority Board of Directors

From: Geof Syphers, CEO
Jan McFarland, Program Director

Issue: Review draft methods for selecting and evaluating customer programs

Date: March 2, 2017

REQUESTED ACTION:

Receive report from staff on recommended method for selecting and evaluating customer programs and provide input as appropriate.

Staff Report

The SCPA Board of Directors requested staff to bring forward a methodology for selecting customer programs and evaluating their effectiveness. This report provides a draft process for these two activities. The Community Advisory Committee provided input on February 14, 2017, and intends to form a subcommittee to work on this matter further. Staff request input from the Board of Directors at this meeting with the intent of bringing the item back for approval later in 2017.

Draft Process for Selecting Programs

SCP programs may be funded from a variety of sources, including CPUC administered funds collected from customers on PG&E's portion of the bill, California Energy Commission funds, and potentially from grants and other sources. Funding may also come from SCP's current fiscal year budget and Program Reserves (e.g., for multi-year programs), but generally should *not* come from expected future year fiscal budgets. Regardless of the source of money, care should be taken to ensure that funds are invested in valuable activities that advance SCP's objectives.



Staff recommends using the purposes defined in SCPA's Joint Powers Agreement as the ultimate guide in choosing program activity. Those purposes are:

- a. Reducing greenhouse gas emissions in Sonoma County and neighboring regions; *[Note: Staff interpret this to also include Mendocino County, now that Mendocino is a part of SCP's service territory.]*
- b. Providing electric power and other forms of energy to customers at a competitive cost;
- c. Carrying out programs to reduce total energy consumption;
- d. Stimulating and sustaining the local economy, including by developing or promoting local distributed energy resources; and
- e. Promoting long-term electric rate stability, energy security, reliability, and resilience.

These purposes are useful as a general guide, but provide no specifics. As a result, a process for selecting customer program investments is outlined below, and will continue to evolve during SCP's Integrated Resource Planning (IRP) process, ultimately leading to a Board-adopted IRP that will be filed with the CPUC.

Selecting programs should always involve a discussion of the merits at the time. However certain guidelines should be followed unless there is a good reason to deviate. Staff propose:

1. Program benefits should advance SCP's mission in at least one (and preferably several) of the following areas:
 - a. Reduce greenhouse gas emissions;
 - b. Stabilize or reduce customer energy costs;
 - c. Invest in local projects/jobs;
 - d. Educate or enable customers to achieve any of the previous objectives;
 - e. Change laws, codes, standards, finance mechanisms, zoning or otherwise make it easier or more likely for our customers to achieve any of the previous objectives.



2. The amount of SCP funds utilized should be proportional to the benefits expected, and the time period for that evaluation may vary depending on the type of program activity.
 - a. Programs investing in education, awareness or other market transformation activities should be financially evaluated on the basis of reasonable assumed effects over 3 years (or longer) following the activity unless there is reason to expect programs impacts on a longer timetable.
 - b. Programs investing in equipment and controls upgrades should be financially evaluated based on the effective useful life of the equipment, using industry standard practices. More detail on this is provided in the next section on Process for Evaluating SCP Programs.
 - c. Programs investing in changes to codes and standards should be evaluated based on the potential likelihood of successful changes and an estimate of the potential benefits of the change.
 - d. Programs investing in tools that enable lower carbon grid operation or similar long-term agency objectives should be evaluated on a custom time period that is relevant to the expected use of the tool.
3. Programs should be selected based upon the following criteria:
 - a. The program has the potential to scale up with lower levels of investment in the future (i.e., is transformational);
 - b. The program is one that may attract private capital to accelerate results;
 - c. The program isn't yet cost effective enough for private market activity to fully embrace without a public partner, but could become cost-effective in the future;
 - d. The program provides benefits throughout SCP's entire customer base, or provides benefits that are specific to significant portions of SCP's customer population (e.g., dairies, wineries, Spanish speakers, net-metered solar customers, rural propane and wood heating users, etc);
 - e. The program provides a significant direct or indirect reduction in greenhouse gas emissions;



- f. The program creates local jobs, regional jobs or jobs elsewhere in California (in that order);
 - g. The program reduces SCP customers' costs by reducing energy or otherwise;
 - h. The program lends itself to local implementation;
 - i. The program can be implemented through third-party contractors or a limited staff;
 - j. The program supports disadvantaged populations such as low-income and disabled;
 - k. The program has the potential to be implemented in other parts of California or produce other regional benefits outside of SCP's territory (e.g., through CalCCA).
4. Programs should generally not be implemented by SCP where:
- a. Another entity is in a better position to implement the program (e.g., County Energy Information Office, Regional Energy Networks, etc);
 - b. It would cause significant customer confusion or otherwise generally decrease beneficial customer activities;
 - c. The initial cost of program implementation is too high to afford any error or adjustment;
 - d. Actions are already occurring in the private market at a robust pace.

Any significant programs should be brought to the Community Advisory Committee to review and improve the design before introducing to the SCPA Board for approval.

Draft Process for Evaluating Customer Programs

Program evaluation has three major goals:

1. Document the costs and beneficial impacts, and determine when the program met its established goals;
2. Identify ways to improve the current program and any related future programs;



3. Support energy demand forecasting and resource planning.

At the highest level, SCP programs should be evaluated based on Sonoma and Mendocino County's total greenhouse gas emissions and total energy costs. The reason to use the totals is that SCP has influence of costs and emissions in areas that go beyond the generation of electricity, areas like electric vehicles, heat pump water heating, and grid reliability with flexible loads.

Programs will be evaluated using one or more of the following sets of metrics. A program that included direct installation of heat pump water heaters and also a plumber training program could fall into both Type 1 and Type 2, for example. In that instance, the program would be evaluated using the metrics in both types.

Type 1. Transformational Programs

These include education, marketing, advertising, awareness-building, skills training, and related market transformation efforts.

Transformational programs will be evaluated based on:

- Participation in the activity relative to a prior baseline during the program and following the end of the program for a period of at least one year (longer periods of up to 5 or 10 years may be considered for some efforts);
- Anecdotal information from interviews of participants and non-participants relating to reasons for participation or non-participation, motivations and attitudes;
- Estimate of energy-related benefits based on measured data (e.g., meter readings) and also reasonable estimates of free-rider and spillover effects. This could be replaced by a measurement of tons of greenhouse gas reductions per dollar of program cost, but likely would lag program activities by several years.

Type 2. Building Shell, Equipment and Controls Programs

These include direct installation or incentives for improved equipment and controls, commissioning, design assistance, and related activities.

Type 2 programs will be evaluated based on:



- Measured energy-related benefits, including customer bill savings and greenhouse gas reductions per program dollar spent;
- Measured non-energy benefits such as the financial value of program impacts on wholesale costs to other customers and ISO market value.

Type 3. Codes & Standards

These include changes to law, regulation, zoning and related requirements that enable SCP's goals to occur at lower cost, with greater frequency, by more customers, and generally to make low-carbon energy more common, affordable and local.

Type 3 programs will be evaluated based on:

- Successful adoption of changes codes or standards;
- A forecast of the potential energy and non-energy benefits associated with the change.

Type 4. Tools

These programs focus on the development of systems and tools at SCP to deliver benefits over long periods of time, potentially across multiple programs, such as a demand-response control system.

Type 4 programs will be evaluated based on:

- A reasonable estimate of the potential value of the tool over a 3-5 year period;
- The successful creation of the tool and use in a smaller pilot to test its effectiveness;
- Demonstrated and measured customer or staff usage of the tool.

Most of the comments from the public and the Community Advisory Committee have already been incorporated into this draft. But a few additional comments are noted here:

1. Programs should compare investment opportunities between renewable generation and load reductions.



2. Need to define metrics with a high level of confidence.
3. Should consider prioritizing the JPA goals (e.g., are greenhouse gas reductions more or less important than rate stabilization and local jobs?)
4. Is there some way to distill it down to avoided greenhouse gas emissions per dollar spent?
5. Track program progress relative to long-term agency goals (e.g., 10,000 EVs by 2020 and 100,000 by 2030).

SCP Staff seek input on this program selection and evaluation approach, and will refine the approach as we develop the agency's IRP and deploy specific programs.