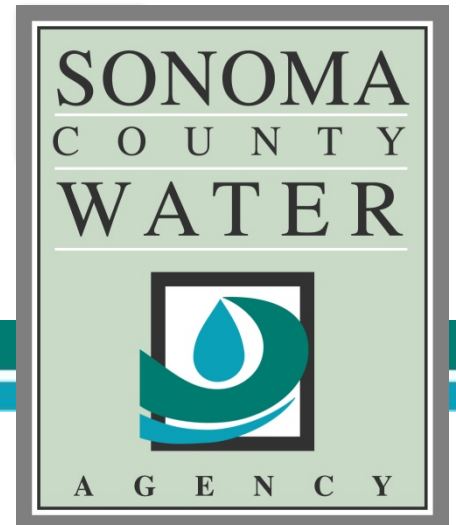


Sonoma Clean Power

Cordel Stillman
Deputy Chief Engineer

Steve Shupe
Deputy County Council



What are SCP's Benefits?

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- Gives customers a choice of power providers
- Local control of rates and programs
- Allows generation revenues to be used for local investment
- Permanent source of funding to support local jobs
- New renewable energy programs
- New energy efficiency programs
- Reduction in greenhouse gas emissions



The big questions we've heard

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- How do we benefit from SCP?
- How is SCP different from the way things work now?
- How does the opt-out choice work?
- How will SCP be governed?
- What are the risks?
- How will it be financed?
- What will it cost?



The difference from today

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Today Without SCP

PG&E Purchases
Power

PG&E Delivers
Power and
Maintains Lines

PG&E Provides
Customers Service
and Billing

PG&E Provides
Efficiency
Programs

In 2014 With SCP

SCP Purchases
Power

PG&E Delivers
Power and
Maintains Lines

PG&E Provides
Customers Service
and Billing

PG&E Provides
Efficiency
Programs

New Services To be Planned by SCP

- + Additional efficiency programs beyond those offered by PG&E
- + Community Solar
- + Feed in Tariff
- + Local power projects

How choosing SCP or PG&E works

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- Major outreach campaign to inform public
- All customers will receive a minimum of 4 notices, 2 before service starts and 2 after
- Anyone wanting power from SCP does nothing
- Anyone wanting power from PG&E can opt out
- SCP service will automatically start for all customers not opting out
- Customers can continue to opt out after this period, but would pay a small termination fee



Why Now?

- Detailed feasibility study conducted – showed SCP would be competitive with PG&E at outset and better over time
- Natural gas/power prices at low levels, means that we can lock in lower rates by starting now
- Interest rates at historic lows, means that financing costs are low, leading to lower rates
- As economy improves, prices and interest rates will rise
- Time to act is now



SCP Based on Solid Business Model ⁷

- At core SCP based upon a simple model – buying a product at wholesale, selling it at retail
- Business plan created, shows month-by-month cash flow projections for first years of operation
- Plan also reviewed by bank offering financing to SCP
 - offer to make loans is a vote of confidence in the business plan by an independent third party
- Business plan modeled on successful MEA plan
- \$20 million net revenue in first 4 years



What are the Risks?



- Matching Supply and Demand
 - “Volumetric risk”
- Market Risk
 - Can be managed through hedging strategies and mixing lengths of contracts; PG&E also subject to this risk
- Regulatory Risks
 - FERC and CPUC have impact on SCP and PG&E rates
 - Will coordinate with MEA and other CCAs to actively participate in relevant proceedings to ensure regulatory system not “gamed” against SCP

What are the Risks?

- Worst-Case Scenario?
 - SCP cost of power becomes too high, rates increase, and so many customers return to PG&E that SCP does not have the revenues to pay its power bills
 - Even in worst case, *no interruption of power supply to customers would occur*; customers returned to PG&E (SCP has to file a bond to cover costs relating to this)
 - Tax dollars and general funds of Cities and Counties not at risk; JPA structure acts as a shield
- No monetary risk to cities
- No service interruption risk to customers

How Likely is the Worst Case?

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- Worst Case extremely unlikely to occur
 - PG&E subject to same risks as SCP
 - Power providers have incentive to ensure SCP does not fail
 - Represents opportunity for them to break into the huge California market, which has been closed since “direct access” was taken away in the early ‘00s
 - Business plan based on conservative assumptions
 - Marin Energy Authority experience shows CCA programs are financially viable



SCP not Controlled by the County

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- Joint Powers Agreement creates a separate legal entity, Sonoma Clean Power Authority
- Designed to be an entity free of County control, with an independent Board of Directors
- Each city choosing to participate will appoint a member to the SCP Board and have input into SCP policies and operations
 - County Board members drop off as cities join, after 6 cities join County will have just one seat
- Staff will answer to the Authority, not the County

SCP Board and Committees

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- Each Board member has 1 vote, but can call for “weighted” vote based on electric load in each jurisdiction – then majority of votes & load required
- JPA creates a “Business Operations Committee” appointed by Board to work more closely with SCP staff on business issues
- JPA creates a “Ratepayer Advisory Committee” to provide input to staff and Board on issues of interest to SCP ratepayers
- Compare this to current level of control over power matters in Sonoma County



Financing

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- Start-up Financing
 - Funds first 6 months of operation
 - Conservative estimate is \$2.5 million
- Bridge Financing
 - Covers 60-day gap between the purchase of and payment for wholesale energy and the collection of retail bills
 - Available amount is \$7.5 Million
 - Energy costs only





Financing – First Community Bank

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Two lines of credit:

Startup Loan

\$2.5 million

4.00% interest

Guaranty required

5-year term

Interest only for first 24 months

No pre-payment penalty or minimum draw

Guaranty releases with performance

Bridge Loan

\$7.5 million

~4.20% interest (sets at first draw)

No guaranty needed

5-year term

Interest only for first 12 months

No pre-payment penalty or minimum draw



Residential Rates

Estimated 2014

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	SCP Low	SCP High	PG&E
Example Residential Bill Assuming 500 kWh	33% Renewable	33% Renewable	20% Renewable
Electric Generation Fees	\$35.71	\$38.46	\$40.76
PG&E Electric Delivery Fees	\$55.80	\$55.80	\$55.80
Additional PG&E Fees	\$3.32	\$3.32	\$0.00
Total Cost	\$94.83	\$97.58	\$96.56



Commercial Rates

Estimated 2014

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	SCP Low	SCP High	PG&E
Example Commercial Bill Assuming 15,000 kWh	33% Renewable	33% Renewable	20% Renewable
Electric Generation Fees	\$1,203	\$1,296	\$1,373
PG&E Electric Delivery Fees	\$1,169	\$1,169	\$1,169
Additional PG&E Fees	\$90	\$90	\$0
Total Cost	\$2,462	\$2,555	\$2,542

Thorough Analysis

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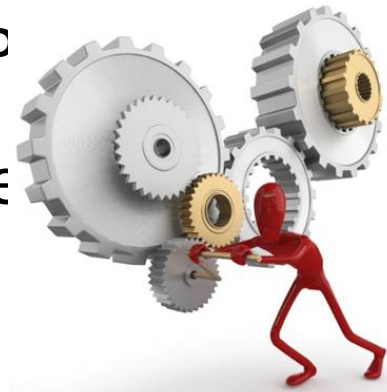
- Draft Implementation Plan
& Peer Review of Draft Implementation Plan
- Feasibility Study
& Peer Review of Feasibility Study
- Focus Groups to determine public interest
- JPA Formation
- Ongoing outreach to cities
- Negotiation on energy and services are underway



Calendar: May-Dec.

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- Negotiate final terms of startup financing
- Cities vote on participating by June 30
 - Resolution by June 30th, Ordinance by July 31st
- Contract for an interim CEO
- Negotiate and execute final energy supply contract and ancillary contracts (e.g., call center)
- Finalize and file Implementation Plan with P
- Public outreach effort to inform public of benefits of SCP, rates and ability to opt-out



Calendar: January 2014

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- Begin providing service
- Continue public outreach effort



What Are Risks To Cities?

No financial risk – JPA insulates City funds from SCP debts and liabilities

No service interruption risk – If SCP fails, customers returned to PG&E with no interruption of service

**Your Citizens Get A Choice Where They
Have None Now**

If you would like your citizens to have a local clean energy choice:

1. Deadline for a Resolution

June 30th

2. Deadline to Adopt an Ordinance

June 30th – First Reading

July 31th - Adopt Ordinance

Thank you

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Steve Shupe
Deputy County Council



www.sonomacountywater.org

