

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL

SUBJECT: SONOMA CLEAN POWER – COMMUNITY CHOICE
AGGREGATION (CCA)

STAFF PRESENTER: KATHLEEN A. MILLISON
CITY MANAGER

AGENDA ACTION: NO ACTION REQUIRED

ISSUE(S)

City staff will present a study session, including presentation by Sonoma County Water Agency staff, concerning implementation of the renewable energy purchase program proposed by the Sonoma Clean Power Authority (SCPA), a Community Choice Aggregation Program, and review general impacts, policy issues related to City participation in the SCPA and its programs, and next steps.



COUNCIL GOALS/STRATEGIES

Goal 3: Provide Leadership for Environmental Initiatives / Strategy 5: Partner regionally to move toward 100% renewable electric energy sources.

BACKGROUND

The City Manager and two Council Members now serve as the City's representatives on the countywide steering committee with participation since April 2011 to examine feasibility of establishing a Community Choice Aggregation (CCA) program to offer a renewable electrical energy portfolio that will reduce greenhouse gas emissions and provide other local energy programs. Sonoma County Water Agency (SCWA) was authorized by the Sonoma County Board of Supervisors to provide staff support to the steering committee, fund and lead the feasibility studies, seek proposals for energy suppliers, and develop the implementation plan. Marin County had previously adopted a CCA and has several years of experience operating as the Marin Energy Authority; it was a key source of information for the steering committee in the scope of the study along with the technical work provided by consultants hired by SCWA to perform specific tasks. Previous study sessions were conducted for the Council during this period in December 2011, July 2012, and January 2013.

On December 4, 2012, Sonoma County Board of Supervisors and the Sonoma County Water Agency took action to create the Sonoma Clean Power Authority (SCPA), a Community Choice Aggregation program pursuant to California law, appoint a governing board, and provide additional funding to proceed with start up. Subsequently, on December 11, 2012, the SCPA was authorized to issue a Request for Proposals for energy providers for services necessary to implement a CCA and to determine the estimated range of costs for such a renewable energy portfolio. All electric energy obtained from SCPA would continue to be provided via transmission and billing services through PG&E and the transition to provide energy services would be a seamless change to the customer and appear in writing on the billing statement.

On April 23, 2013, the Board of the Sonoma Clean Power Authority (the Sonoma County Board of Supervisors and Board of SCWA) authorized implementation of the Sonoma Clean Power CCA program within the jurisdiction of the unincorporated area of Sonoma County and within the jurisdictions of those cities in Sonoma County choosing to participate in the program by June 30, 2013, all subject to approval as required by the California Public Utilities Commission and applicable law, and related actions. SCWA staff was directed to take all steps necessary to implement the SCPA program, as outlined in the report.

ANALYSIS

This study session is intended to provide information about the implementation of the SCPA Community Choice Aggregation program known as Sonoma Clean Power, review estimated rates, general impacts to City operations, policy issues related to City participation in the program, and opportunities for renewable energy services for residents and businesses residing in the city who are currently electrical power customers.

Although no action is required at this time, SCPA has requested that the City Council consider taking action by June 30, 2013, to determine whether the City of Santa Rosa and all of its electrical power customers residing within the jurisdiction will participate through automatic enrollment in the SCPA program. Such action would need to be scheduled for any consideration at a subsequent meeting of the Council. Next steps thereafter would be approval of the program by the California Public Utilities Commission, final negotiation of energy service providers and rates, final negotiation of a bank loan for start-up costs, distribution of program information to all enrolled customers with notice of rates and procedure for opting out of the SCP program. The SCP program would provide energy to customers in Sonoma County beginning in January 2014.

RECOMMENDATION

No action is required.

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Author: Kathleen A. Millison, City Manager

Attachments:

- Joint Powers Agreement Relating to and Creating the Sonoma Clean Power Authority – Effective December 4, 2012
- Draft Implementation Plan – October 2012
- Sonoma Co Water Agency Report to Sonoma Clean Power Authority Board – April 23, 2013 - Sonoma Clean Power

Joint Powers Agreement
Relating to and Creating the
Sonoma Clean Power Authority

By and Among

The County of Sonoma and
The Sonoma County Water Agency

This Joint Powers Agreement (“Agreement”), effective as of December 4, 2012, is made and entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Sections 6500 et seq.) of the California Government Code relating to the joint exercise of powers among the parties set forth in Exhibit B (“Parties”).

RECITALS

- A. The Parties share various powers under California law, including but not limited to the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions.
- B. In 2006, the State Legislature adopted AB 32, the Global Warming Solutions Act, which mandates a reduction in greenhouse gas emissions in 2020 to 1990 levels. The California Air Resources Board is promulgating regulations to implement AB 32 which will require local governments to develop programs to reduce greenhouse gas emissions.
- C. The purposes for the entering into this Agreement include
 - a. Reducing greenhouse gas emissions related to the use of power in Sonoma County and neighboring regions;
 - b. Providing electric power and other forms of energy to customers at a competitive cost;
 - c. Carrying out programs to reduce energy consumption;
 - d. Stimulating and sustaining the local economy by developing local jobs in renewable energy; and
 - e. Promoting long-term electric rate stability and energy security and reliability for residents through local control of electric generation resources.
- D. It is the intent of this Agreement to promote the development and use of a wide range of renewable energy sources and energy efficiency programs, including but not limited to solar, wind, and biomass energy production.
- E. The Parties desire to establish a separate public agency, known as the Sonoma Clean

Power Authority (“Authority”), under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”) in order to collectively study, promote, develop, conduct, operate, and manage energy programs.

- F. The Parties anticipate adopting an ordinance electing to implement through the Authority a common Community Choice Aggregation program, an electric service enterprise available to cities, counties, and the Sonoma County Water Agency pursuant to California Public Utilities Code Sections 331.1(c) and 366.2 (“CCA Program”). The first priority of the Authority will be the consideration of those actions necessary to implement the CCA Program.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

ARTICLE 1: DEFINITIONS AND EXHIBITS

1.1 Definitions. Capitalized terms used in the Agreement shall have the meanings specified in Exhibit A, unless the context requires otherwise.

1.2 Documents Included. This Agreement consists of this document and the following exhibits, all of which are hereby incorporated into this Agreement.

Exhibit A: Definitions

Exhibit B: List of the Parties

Exhibit C: Annual Energy Use

Exhibit D: Voting Shares

ARTICLE 2: FORMATION OF SONOMA CLEAN POWER AUTHORITY

2.1 Effective Date and Term. This Agreement shall become effective and Sonoma Clean Power Authority shall exist as a separate public agency on the date this Agreement is executed by the Parties. The Authority shall provide notice to the Parties of the Effective Date. The Authority shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with Section 7.4, subject to the rights of the Parties to withdraw from the Authority.

2.2 Formation. There is formed as of the Effective Date a public agency named the Sonoma Clean Power Authority. Pursuant to Sections 6506 and 6507 of the Act, the Authority is a public agency separate from the Parties. Pursuant to Sections 6508.1 of the Act, the debts, liabilities or obligations of the Authority shall not be debts, liabilities or obligations of the individual Parties unless the governing board of a Party agrees in writing to assume any of the debts, liabilities or obligations of the Authority. A Party who has not agreed to assume an Authority debt, liability or obligation shall not be responsible in any way for such debt, liability or obligation even if a majority of the Parties agree to assume the debt, liability or obligation of the Authority. Notwithstanding Section 8.4 of this Agreement, this Section 2.2 may not be amended unless such amendment is approved by the governing board of each Party.

2.3 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to study, promote, develop, conduct, operate, and manage energy, energy efficiency and conservation, and other energy-related programs, and to exercise all other powers necessary and incidental to accomplishing this purpose. Without limiting the generality of the foregoing, the Parties intend for this Agreement to be used as a contractual mechanism by which the Parties and Participants are authorized to participate in the CCA Program, as further described in Section 5.1. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCA Program and any other energy programs approved by the Authority.

2.4 Powers. The Authority shall have all powers common to the Parties and such additional powers accorded to it by law. The Authority is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to, each of the following powers:

- 2.4.1 to make and enter into contracts;
- 2.4.2 to employ agents and employees, including but not limited to a Chief Executive Officer;
- 2.4.3 to acquire, contract, manage, maintain, and operate any buildings, infrastructure, works, or improvements;
- 2.4.4 to acquire property by eminent domain, or otherwise, except as limited under Section 6508 of the Act, and to hold or dispose of any property;
- 2.4.5 to lease any property;
- 2.4.6 to sue and be sued in its own name;
- 2.4.7 to incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers such as Government Code Sections 53850 et seq. and authority under the Act;
- 2.4.8 to form subsidiary or independent corporations or entities, if necessary to carry out energy supply and energy conservation programs at the lowest possible cost or to take advantage of legislative or regulatory changes;
- 2.4.9 to issue revenue bonds and other forms of indebtedness;
- 2.4.10 to apply for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state, or local public agency;
- 2.4.11 to submit documentation and notices, register, and comply with orders, tariffs and agreements for the establishment and implementation of the CCA Program and other energy programs;
- 2.4.12 to adopt rules, regulations, policies, bylaws and procedures governing the operation of the Authority (“Operating Rules and Regulations”); and

2.4.13 to make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services.

2.5 Limitation on Powers. As required by Government Code Section 6509, the power of the Authority is subject to the restrictions upon the manner of exercising power possessed by the Sonoma County Water Agency.

2.6 Compliance with Local Zoning and Building Laws. Unless state or federal law provides otherwise, any facilities, buildings or structures located, constructed, or caused to be constructed by the Authority within the territory of the Authority shall comply with the General Plan, zoning and building laws of the local jurisdiction within which the facilities, buildings or structures are constructed.

ARTICLE 3: AUTHORITY PARTICIPATION

3.1 Participation in CCA Program. The Parties may participate in the CCA Program upon the adoption of an ordinance required by Public Utilities Code Section 366.2(c)(12). Other incorporated municipalities and counties (“Participants”) may participate in the CCA Program upon (a) the adoption of a resolution by the governing body of such incorporated municipality or such county requesting that the incorporated municipality or county, as the case may be, become a participant in the CCA Program, (b) the adoption, by an affirmative vote of the Board satisfying the requirements described in Section 4.7.3 (or, if demanded by any Director, 4.7.4), of a resolution authorizing the participation of the additional incorporated municipality or county, specifying the participation payment, if any, to be made by the additional incorporated municipality or county to reflect its pro rata share of organizational, planning, and other pre-existing expenditures, and describing additional conditions, if any, associated with participation, (c) the adoption of an ordinance required by Public Utilities Code Section 366.2(c)(12) and execution of any necessary program agreements by the incorporated municipality or county, (d) payment of the membership payment, if any, and (e) satisfaction of any conditions established by the Board.

3.2 Continuing Participation. The Parties acknowledge that participation in the CCA Program may change by the addition or withdrawal or termination of participants. The Parties agree to participate with such other Participants as may later be added, as described in Section 3.1. The Parties also agree that the withdrawal or termination of a participant shall not affect this Agreement or the remaining Parties’ or Participants’ continuing obligations under this Agreement.

ARTICLE 4: GOVERNANCE AND INTERNAL ORGANIZATION

4.1 Board of Directors. The governing body of the Authority shall be a Board of Directors (“Board”). The Board shall initially consist of five directors appointed by the Sonoma County Board of Supervisors, and shall upon the addition of additional Participants be comprised as set forth in Section 4.7. Each Director shall serve at the pleasure of the governing board of the Party or Participant who appointed such Director, and may be removed as Director by such governing board at any time. If at any time a vacancy occurs on the Board, a replacement shall be appointed

to fill the position of the previous Director within 90 days of the date that such position becomes vacant. Directors may be (but need not be) members of the Board of Supervisors or members of the governing board of any municipality or county electing to participate in the CCA Program.

4.2 Quorum. A majority of the Directors shall constitute a quorum, except that less than a quorum may adjourn from time to time in accordance with law.

4.3 Powers and Functions of the Board. The Board shall exercise general governance and oversight over the business and activities of the Authority, consistent with this Agreement and applicable law. The Board shall meet at least annually and shall provide general policy guidance to the CCA Program. The Board shall be required to approve any of the following actions:

- a. The issuance of bonds or any other financing even if program revenues are expected to pay for such financing.
- b. The hiring of a Chief Executive Officer and General Counsel.
- c. The appointment or removal of an officer.
- d. The adoption of the Annual Budget.
- e. The adoption of an ordinance.
- f. The initiation of litigation where the Authority will be the plaintiff, petitioner, cross complainant or cross petitioner, or intervenor; provided, however, that the Chief Executive Officer or General Counsel, on behalf of the Authority, may intervene in, become a party to, or file comments with respect to any proceeding pending at the California Public Utilities Commission, the Federal Energy Regulatory Commission, or any other administrative agency, without approval of the Board.
- g. The setting of rates for power sold by the Authority and the setting of charges for any other category of service provided by the Authority.
- h. Termination of the CCA Program.

4.4 Chief Executive Officer. The Board of Directors shall appoint a Chief Executive Officer for the Authority, who shall be responsible for the day-to-day operation and management of the Authority and the CCA Program. The Chief Executive Officer may exercise all powers of the Authority, except the powers specifically set forth in Section 4.3 or those powers which by law must be exercised by the Board of Directors.

4.5 Commissions, Boards, and Committees. The Board may establish any advisory commissions, boards, and committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the CCA Program, other energy programs and the provisions of this Agreement. The Board may establish rules, regulations, policies, bylaws or procedures to govern any such commissions, boards, or committees, including the Ratepayer Advisory Committee and the Business Operations Committee.

4.5.1 Ratepayer Advisory Committee. The Board shall establish a Ratepayer Advisory Committee consisting of seven members, none of whom may be members of the Board.

Three members of the Ratepayer Advisory Committee shall be commercial and industrial customers, three members (one of whom shall be a tenant) shall be residential customers, and one member shall be a non-profit or non-Party/non-Participant public agency customer. Committee members shall represent the interests of their respective customer class. The Board shall publicize the opportunity to serve on the Ratepayer Advisory Committee, and shall appoint members of the Ratepayer Advisory Committee from those individuals expressing interest in serving. Members of the Ratepayer Advisory Committee shall serve staggered four-year terms (the first term of three of the members [one commercial/business, one residential, one non-profit/public agency] shall be two years, and four years thereafter), which may be renewed. A member of the Ratepayer Advisory Committee may be removed by the Board of Directors by majority vote.. Each member of the Ratepayer Advisory Committee shall have one vote; a majority of members shall constitute a quorum; and a majority of a quorum is sufficient for committee action. The Board of Directors shall determine whether the Committee members shall be compensated or entitled to reimbursement for expenses.

4.5.2 Duties and Powers of Ratepayer Advisory Committee. The Ratepayer Advisory Committee shall have the following duties and powers:

4.5.2.1 Review of Budget and Rates. The proposed annual budget of the CCA Program and any rates or charges proposed to be imposed by the Authority for CCA Program power or services shall be submitted to the Ratepayer Advisory Committee for review and comment. Following review by the Ratepayer Advisory Committee of any such matter, the committee may recommend to the Board that the matter be approved, approved as amended, or disapproved by the Board, or the committee may decline or fail to make a recommendation. The recommendation of the Ratepayer Advisory Committee, or its refusal or failure to make a recommendation, shall be communicated to the Board and noted on the agenda for the meeting at which the Board considers the matter.

4.5.2.2 Reports to the Board. The Ratepayer Advisory Committee may prepare or cause to be prepared for presentation to the Board any reports, investigations, studies, or analyses relating to the Authority or the CCA Program.

4.5.2.3 Placing Matters on Board's Agenda. The Ratepayer Advisory Committee may place any matter relating to the Authority or the CCA Program on the Board's agenda for consideration and possible action.

4.5.2.4 Support for Ratepayer Advisory Board. The Board shall provide reasonable and necessary administrative assistance to the Ratepayer Advisory Committee. The Ratepayer Advisory Committee may enter into contracts as reasonably necessary to carry out its duties and powers; provided, however, that (a) the amount payable under any contract cannot exceed \$20,000 per year, (b) the total amount payable under all contracts cannot exceed \$50,000 per year, and (c) the contracts are in a form acceptable to the Authority's Chief Executive Officer and General Counsel.

4.5.3 Business Operations Committee. The Board shall establish a Business Operations

Committee to oversee and assist the Chief Executive Officer in implementing the CCA Program. The Business Operations Committee shall consist of five members appointed by the Board of Directors, having expertise in one or more of the areas of management, administration, finance, public contracts, infrastructure development, renewable power generation, power sales and marketing, or energy conservation. The Business Operations Committee shall meet no less frequently than bi-monthly. Committee members shall be appointed to staggered four-year terms (the first term of two of the members shall be two years, and four years thereafter), which may be renewed. A member of the Business Operations Committee may be removed by the Board of Directors by majority vote. Each member of the Business Operations Committee shall have one vote; a majority of members shall constitute a quorum; and a majority of a quorum is sufficient for committee action. The Board of Directors shall determine whether the Committee members shall be compensated or entitled to reimbursement for expenses.

4.5.3.1 Duties of Business Operations Committee. The Business Operations Committee shall review the operations of the CCA Program. The Business Operations Committee may request that the Chief Executive Officer provide information reasonably necessary to such review. The Business Operations Committee may make recommendations with respect to the operations of the Authority to the Chief Executive Officer or to the Chair of the Board of Directors.

4.5.3.2 Chief Executive Officer Reports to Business Operations Committee. The Chief Executive Officer shall prepare, no later than the 20th day of each first month of each fiscal quarter, a report to the Business Operations Committee on the operations of the Authority during the preceding fiscal quarter. The report shall contain information regarding the financial performance of the Authority during the preceding quarter, the number of accounts served, the amount of power delivered, and a narrative description of energy efficiency, energy conservation, renewable power generation, and other programs carried out by the Authority.

4.5.3.3 Review of Major Contracts and Capital Projects. The Chief Executive Officer shall submit all proposed contracts and capital projects having a value in excess of \$250,000 to the Business Operations Committee for review and comment. This requirement shall not apply if the Chief Executive Officer determines, following consultation with the General Counsel, that an unforeseen or emergency situation exists such that execution of a major contract is required before it is feasible to hold a meeting of the Business Operations Committee to consider the contract.

4.5.3.4 Other Delegated Powers. The Board of Directors may delegate such other and further powers and duties to the Business Operations Committee as it shall determine in its sole discretion.

4.6 Director Compensation. Directors shall serve without compensation from the Authority.

However, Directors may be compensated by their respective appointing authorities. The Board, however, may adopt by resolution a policy relating to the reimbursement by the Authority of expenses incurred by Directors.

4.7 Board of Directors Composition upon Participation by Cities or Counties in CCA Program Under Section 3.1. Upon the approval of the Board of the participation of any other incorporated municipality or county (the “Participant” or “Additional Participant”) in the CCA Program pursuant to Section 3.1, the Additional Participant shall be entitled to appoint one additional member to the Board of Directors. Upon such appointment, the voting shares of Directors and approval requirements for actions of the Board shall be as follows:

4.7.1. Voting Shares.

Each Director shall have a voting share as determined by the following formula: (Annual Energy Use/Total Annual Energy) multiplied by 100, where

(a) “Annual Energy Use” means, (i) with respect to the first year following the Effective Date, the annual electricity usage, expressed in kilowatt hours (“kWh”), within the Party’s or Participant’s respective jurisdiction and (ii) with respect to the period after the anniversary of the Effective Date, the annual electricity usage, expressed in kWh, of accounts within a Party’s respective jurisdiction that are served by the Authority; and

(b) “Total Annual Energy” means the sum of all Parties’ and Participants’ Annual Energy Use. The initial values for Annual Energy use are designated in Exhibit C, and shall be adjusted annually as soon as reasonably practicable after January 1, but no later than March 1 of each year.

(c) The combined voting share of all Directors representing the County of Sonoma and the Sonoma County Water Agency shall be based upon the annual electricity usage within the unincorporated area of Sonoma County.

4.7.2. Exhibit Showing Voting Shares. The initial voting shares are set forth in Exhibit B. Exhibit B shall be revised no less than annually as necessary to account for changes in the number of Parties or Participants and changes in the Parties’ and Participants’ Annual Energy Use.

4.7.3. Approval Requirements Relating to CCA Program. Except as provided in Sections 4.7.4 and 4.7.5 below, action of the Board shall require the affirmative vote of a majority of Directors.

4.7.4. Option for Approval by Voting Shares. Notwithstanding Section 4.7.3, any Director present at a meeting may demand that approval of any matter specifically related to the CCA program be determined on the basis of voting shares rather than by the affirmative vote of a majority of a quorum of Directors. If a Director makes such a demand with respect to approval of any such matter, then approval of such matter shall require the affirmative vote of a majority of Directors and the affirmative vote of Directors having a majority of voting shares, as determined by Section 4.7.1.

4.7.5. Approval Requirements Relating to Sections 7.2 and 8.4. Action of the Board on the matters set forth in Section 7.2 (involuntary termination of a Party or Participant) or Section 8.4 (amendment of this Agreement) shall require the affirmative vote of Directors holding at least 67 voting shares; provided, however, that if any individual Director's voting share exceeds 33 and that Director votes in the negative or abstains or is absent from the meeting, then at least one other Director shall be required to vote in the negative, or the matter shall be deemed approved.

4.7.6. Reduction in Number of Members Appointed by County of Sonoma and Sonoma County Water Agency. Upon the approval of the Board of Directors of Additional Participants in the CCA Program pursuant to Section 3.1, the number of members of the Board of Directors appointed to represent the County of Sonoma and the Sonoma County Water Agency shall be reduced as set forth below:

Total Number of Additional Participants	Number of Sonoma County/SCWA Directors
1	4
2	3
3-5	2
6 or more	1

Notwithstanding anything in Section 4.7 or Section 4.7.6 to the contrary, however, in the event that the City of Santa Rosa is one of the Additional Participants and the total number of Additional Participants is two or less, then the City of Santa Rosa shall be entitled to appoint two members to the Board of Directors, and the County of Sonoma and the Sonoma County Water Agency shall be jointly entitled to appoint to the Board of Directors the number of members equal to five minus the number appointed by the City of Santa Rosa and any other Additional Participant.

4.8 Meetings and Special Meetings of the Board. The Board shall hold at least four regular meetings per year, but the Board may provide for the holding of regular meetings at more frequent intervals. The date, hour and place of each regular meeting shall be fixed by resolution or ordinance of the Board. Regular meetings may be adjourned to another meeting time. Special meetings of the Board may be called in accordance with the provisions of California Government Code Section 54956. Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law. All meetings of the Board shall be conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code Sections 54950 et seq.).

4.9 Selection of Board Officers.

4.9.1 Chair and Vice Chair. The Directors shall select, from among themselves, a Chair, who shall be the presiding officer of all Board meetings, and a Vice Chair, who shall

serve in the absence of the Chair. The term of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms held by either the Chair or Vice Chair. The office of either the Chair or Vice Chair shall be declared vacant and a new selection shall be made if: (a) the person serving dies, resigns, or the Party that the person represents removes the person as its representative on the Board or (b) the Party that he or she represents withdraws from the Authority pursuant to the provisions of this Agreement.

4.9.2 Secretary. The Board shall appoint a Secretary, who need not be a member of the Board, who shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority.

4.9.3 Treasurer and Auditor. The Sonoma County Auditor-Controller-Treasurer-Tax Collector shall act as the Treasurer and the Auditor for the Authority. Unless otherwise exempted from such requirement, the Authority shall cause an independent audit to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act. The Treasurer shall act as the depository of the Authority and have custody of all the money of the Authority, from whatever source, and as such, shall have all of the duties and responsibilities specified in Section 6505.5 of the Act. The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time. The duties and obligations of the Treasurer are further specified in Article 6.

4.10 Administrative Services Provider. The Board may appoint one or more administrative services providers to serve as the Authority's agent for planning, implementing, operating and administering the CCA Program, and any other program approved by the Board, in accordance with the provisions of a written agreement between the Authority and the appointed administrative services provider or providers (an "Administrative Services Agreement"). The appointed administrative services provider may be one of the Parties. An Administrative Services Agreement shall set forth the terms and conditions by which the appointed administrative services provider shall perform or cause to be performed all tasks necessary for planning, implementing, operating and administering the CCA Program and other approved programs. The Administrative Services Agreement shall set forth the term of the Agreement and the circumstances under which the Administrative Services Agreement may be terminated by the Authority. This section shall not in any way be construed to limit the discretion of the Authority to hire its own employees to administer the CCA Program or any other program.

ARTICLE 5 IMPLEMENTATION ACTION AND AUTHORITY DOCUMENTS

5.1 Preliminary Implementation of the CCA Program.

5.1.1 Enabling Ordinance. Except as otherwise provided by Section 3.1, each Party shall adopt an ordinance in accordance with Public Utilities Code Section 366.2(c)(12) for the purpose of specifying that the Party intends to implement a CCA Program by and through its participation in the Authority.

5.1.2 Implementation Plan. The Authority shall cause to be prepared an Implementation

Plan meeting the requirements of Public Utilities Code Section 366.2 and any applicable Public Utilities Commission regulations as soon after the Effective Date as reasonably practicable. The Implementation Plan shall not be filed with the Public Utilities Commission until it is approved by the Board in the manner provided by Section 4.7.3.

5.1.3 Termination of CCA Program. Nothing contained in this Article or this Agreement shall be construed to limit the discretion of the Authority to terminate the implementation or operation of the CCA Program at any time in accordance with any applicable requirements of state law.

5.2 Authority Documents. The Parties acknowledge and agree that the affairs of the Authority will be implemented through various documents duly adopted by the Board through Board resolution. The Parties agree to abide by and comply with the terms and conditions of all such documents that may be adopted by the Board, subject to the Parties' right to withdraw from the Authority as described in Article 7.

ARTICLE 6 FINANCIAL PROVISIONS

6.1 Fiscal Year. The Authority's fiscal year shall be 12 months commencing July 1 and ending June 30. The fiscal year may be changed by Board resolution.

6.2 Depository.

6.2.1 All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with funds of any Party or Participant or any other person or entity.

6.2.2 All funds of the Authority shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year. The books and records of the Authority shall be open to inspection by the Parties and Participants at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the Authority, which shall be conducted in accordance with the requirements of Section 6505 of the Act.

6.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.

6.3 Budget and Recovery of Costs.

6.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time through an Authority Document as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of the Authority shall be approved by the Board in accordance with the Operating Rules and Regulations.

6.3.2 Funding of Initial Costs. The Sonoma County Water Agency has funded certain activities necessary to implement the CCA Program. If the CCA Program becomes operational, these initial costs paid by the Sonoma County Water Agency shall be included in the customer charges for electric services as provided by Section 6.3.3 to the extent permitted by law, and the Sonoma County Water Agency shall be reimbursed from the payment of such charges by customers of the Authority. Prior to such reimbursement, the Sonoma County Water Agency shall provide such documentation of costs paid as the Board may request. The Authority may establish a reasonable time period over which such costs are recovered. In the event that the CCA Program does not become operational, the Sonoma County Water Agency shall not be entitled to any reimbursement of the initial costs it has paid from the Authority or any Party.

6.3.3 CCA Program Costs. The Parties desire that all costs incurred by the Authority that are directly or indirectly attributable to the provision of electric, conservation, efficiency, incentives, financing, or other services provided under the CCA Program, including but limited to the establishment and maintenance of various reserves and performance funds and administrative, accounting, legal, consulting, and other similar costs, shall be recovered through charges to CCA customers receiving such electric services, or from revenues from grants or other third-party sources.

ARTICLE 7: WITHDRAWAL AND TERMINATION

7.1 Withdrawal.

7.1.1 Right to Withdraw. A Party or Participant may withdraw its participation in the CCA Program, effective as of the beginning of the Authority's fiscal year, by giving no less than 6 months advance written notice of its election to do so, which notice shall be given to the Authority and each Party and Participant. Withdrawal of a Party or Participant shall require an affirmative vote of its governing board.

7.1.2 Amendment. Notwithstanding Section 7.1.1, a Party or Participant may withdraw its membership in the Authority following an amendment to this Agreement in the manner provided by Section 8.4.

7.1.3 Continuing Liability; Further Assurances. A Party or Participant that withdraws its participation in the CCA Program may be subject to certain continuing liabilities, as described in Section 7.3. The withdrawing Participant and the Authority shall execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such participant from participation in the CCA Program.

7.2 Involuntary Termination of a Party or Participant. Participation of a Party or Participant in the CCA program may be terminated for material non-compliance with provisions of this Agreement or any other agreement relating to the Additional Participant's participation in the CCA Program upon an affirmative vote of Board members holding no less than 67 voting shares, excluding the vote and voting shares of the Party or Participant subject to possible termination. Prior to any vote to terminate participation with respect to a Party or Participant, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the

Participant whose termination is proposed at least 30 days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement or other agreement that the Party or Participant has allegedly violated. The Party or Participant subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote regarding termination. A Party or Participant that has had its participation in the CCA Program terminated may be subject to certain continuing liabilities, as described in Section 7.3.

7.3 Continuing Liability; Refund. Upon a withdrawal or involuntary termination of a Party or Participant, the Party or Participant shall remain responsible for any claims, demands, damages, or liabilities arising from the Party or Participant's membership or participation in the CCA Program through the date of its withdrawal or involuntary termination, it being agreed that the Party or Participant shall not be responsible for any liabilities arising after the date of the Participant's withdrawal or involuntary termination. In addition, such Party or Participant also shall be responsible for any costs or obligations associated with the Party or Participant's participation in any program in accordance with the provisions of any agreements relating to such program provided such costs or obligations were incurred prior to the withdrawal of the Party or Participant. The Authority may withhold funds otherwise owing to the Party or Participant or may require the Party or Participant to deposit sufficient funds with the Authority, as reasonably determined by the Authority, to cover the Party's or Participant's liability for the costs described above. Any amount of the Party's or Participant's funds held on deposit with the Authority above that which is required to pay any liabilities or obligations shall be returned to the Party or Participant. The liability of any Party or Participant under this section 7.3 is subject and subordinate to the provisions of section 2.3, and nothing in this section 7.3 shall reduce, impair, or eliminate any immunity from liability provided by section 2.3.

7.4 Mutual Termination. This Agreement may be terminated by mutual agreement of all the Parties; provided, however, the foregoing shall not be construed as limiting the rights of a Participant to withdraw its participation in the CCA Program, as described in Section 7.1.

7.5 Disposition of Property upon Termination of Authority. Upon termination of this Agreement as to all Parties, any surplus money or assets in possession of the Authority for use under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred under this Agreement and under any program documents, shall be returned to the then-existing Parties in proportion to the contributions made by each.

7.6 Negotiations with Participants. If the Parties wish to terminate this Agreement, or if the Parties elect to withdraw from the CCA Program following an amendment to this Agreement as provided in Section 8.4, but two or more Participants wish to continue to participate in the CCA Program, the Parties will negotiate in good faith with such Participants to allow the Participants to become parties to this Agreement or to effect a transfer of CCA Program operations to another entity.

ARTICLE 8 MISCELLANEOUS PROVISIONS

8.1 Dispute Resolution. The Parties and the Authority shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. Should such efforts to settle a

dispute, after reasonable efforts, fail, the dispute shall be settled by binding arbitration in accordance with policies and procedures established by the Board.

8.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Sections 995 et seq. Nothing in this section shall be construed to limit the defenses available under the law, to the Parties, the Authority, or its Directors, officers, or employees.

8.3 Indemnification of Parties. The Authority shall acquire such insurance coverage as is necessary to protect the interests of the Authority, the Parties, and the public. The Authority shall defend, indemnify, and hold harmless the Parties and each of their respective Board or Council members, officers, agents and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

8.4 Amendment of this Agreement. This Agreement may be amended by (a) an affirmative vote of Board members holding no less than 67 voting shares. The Authority shall provide written notice to all Parties and Participants of amendments to this Agreement, including the effective date of such amendments. A Party or Participant shall be deemed to have withdrawn its participation in the CCA Program effective immediately upon the vote of the Board approving an amendment to this Agreement if (a) the Director representing such Party or Participant has provided notice to the other Directors immediately preceding the Board's vote of the Party or Participant's intention to withdraw its participation in the CCA Program should the amendment be approved by the Board and (b) such notice of intent to withdraw is authorized or ratified by an affirmative vote of the governing board of the Party or Participant. As described in Section 7.3, a Party or Participant that withdraws its participation in the CCA Program in accordance with the above-described procedure may be subject to continuing liabilities incurred prior to the Additional Participant's withdrawal.

8.5 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties or Participants may not be assigned or delegated without the advance written consent of all of the other Parties and Participants, and any attempt to assign or delegate such rights or duties in contravention of this Section 8.5 shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties and Participants. This Section 8.5 does not prohibit a Party or Participant from entering into an independent agreement with another agency, person, or entity regarding the financing of that Party's or Participant's contributions to the Authority, or the disposition of proceeds which that Party or Participant receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties or Participants under this Agreement.

8.6 Severability. If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, it is hereby agreed by the

Parties, that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provision shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.

8.7 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.

8.8 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Parties, each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

8.9 Parties to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Party, as the case may be, or such other person designated in writing by the Authority or Party. Notices given to one Party shall be copied to all other Parties. Notices given to the Authority shall be copied to all Parties and Participants.

Exhibit A

Definitions

“AB 117” means Assembly Bill 117 (Stat. 2002, ch. 838, codified at Public Utilities Code Section 366.2), which created CCA.

“Act” means the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 *et seq.*)

“Administrative Services Agreement” means an agreement or agreements entered into after the Effective Date by the Authority with an entity that will perform tasks necessary for planning, implementing, operating and administering the CCA Program or any other energy programs adopted by the Authority.

“Agreement” means this Joint Powers Agreement.

“Annual Energy Use” has the meaning given in Section 4.7.2.

“Authority” means the Sonoma Clean Power Authority.

“Authority Document(s)” means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions, and activities of the Authority, including but not limited to the Operating Rules and Regulations, the annual budget, and plans and policies.

“Board” means the Board of Directors of the Authority.

“CCA” or “Community Choice Aggregation” means an electric service option available to cities, counties, and the Sonoma County Water Agency pursuant to Public Utilities Code Section 366.2.

“CCA Program” means the Authority’s program relating to CCA that is principally described in Sections 2.3, 2.4, and 5.1.

“Director” means a member of the Board of Directors representing a Party or an Additional Participant.

“Effective Date” means the date on which this Agreement shall become effective and the Sonoma Clean Power Authority shall exist as a separate public agency, as further described in Section 2.1.

“Implementation Plan” means the plan generally described in Section 5.1.2 of this Agreement that is required under Public Utilities Code Section 366.2 to be filed with the California Public Utilities Commission for the purpose of describing a proposed CCA Program.

“Initial Costs” means all costs incurred by the Authority relating to the establishment and initial operation of the Authority, such as the hiring of a Chief Executive Officer and any administrative staff, any required accounting, administrative, technical, or legal services in support of the Authority’s initial activities or in support of the negotiation, preparation, and approval of one or more Administrative Services Provider Agreements and Program Agreement 1. Administrative and operational costs incurred after the approval of Program Agreement 1 shall not be considered Initial Costs.

“Operating Rules and Regulations” means the rules, regulations, policies, bylaws and procedures governing the operation of the Authority.

“Participant” or “Additional Participant” means any incorporate municipality or county electing to participate in the CCA Program.

“Parties” means, collectively, the County of Sonoma and the Sonoma County Water Agency.

“Party” means the County of Sonoma or the Sonoma County Water Agency.

“Total Annual Energy” has the meaning given in Section 4.7.2.

SONOMA CLEAN POWER

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COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN AND STATEMENT OF INTENT

October, 2012

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CHAPTER 1 – Introduction

The Sonoma Clean Power Authority (“SCP”) is a public agency comprised of [NUMBER] municipalities, located within the geographic boundaries of Sonoma County, formed for the purposes of implementing a community choice aggregation (“CCA”) program. Member Agencies of SCP include the County of Sonoma and the Sonoma County Water Agency (“Members” or “Member Agencies”), and certain municipalities within Sonoma County (“Participants” or “Participating Cities”) have elected to allow SCP to provide service within their jurisdictions. This Implementation Plan and Statement of Intent (“Implementation Plan”) describes SCP’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of its Member Agencies and Participating Cities that currently take bundled electric service from Pacific Gas and Electric Company (“PG&E”). The SCP Program will give electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over PG&E’s transmission and distribution system. The planned start date for the Program is [DATE] (subject to the final review and approval of the SCP Board). All current PG&E customers within the SCP service area will receive information describing the SCP Program and will have multiple opportunities to express their desire to remain full requirement customers of PG&E, in which case they will not be enrolled. Thus, participation in the SCP Program is completely voluntary; however, customers, as provided by law, will be automatically enrolled unless they affirmatively elect to opt-out.

Implementation of SCP will enable customers within SCP’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. SCP’s primary objectives in implementing this Program are to provide cost competitive electric services; stimulate and sustain the local economy by developing local jobs in renewable energy and energy efficiency; reduce greenhouse gas emissions related to use of power in Sonoma County; implement energy efficiency and demand reduction programs; and develop long-term rate stability and energy reliability for residents through local control. The prospective benefits to consumers include a substantial increase in renewable energy supply, stable and competitive electric rates, public participation in determining which technologies are utilized to meet local electricity needs, and local/regional economic benefits.

To ensure successful operation of the Program, SCP will receive assistance from experienced energy suppliers and contractors in providing energy services to Program customers. As a result of a competitive solicitation process and subsequent contract negotiations, a highly qualified firm, [NAME], was selected as SCP’s initial primary energy services provider and scheduling coordinator. Information regarding this company is contained in Chapter 10.

SCP’s Implementation Plan reflects a collaborative effort among SCP, its Members and Participants, and the private and non-profit sectors to bring the benefits of competition and choice to Member and Participant residents and businesses. By exercising its legal right to form

a CCA Program, SCP will enable its Members' and Participants' constituents to access the competitive market for energy services and obtain access to increased renewable energy supplies and resultant reductions in GHG emissions. Absent action by SCP and its individual Members and Participants, most customers would have no ability to choose an electric supplier and would remain captive customers of the incumbent utility.

The California Public Utilities Code provides the relevant legal authority for SCP to become a Community Choice Aggregator and invests the California Public Utilities Commission ("CPUC" or "Commission") with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through the SCP Program. The CPUC also has responsibility for registering SCP as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public Utilities Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed with the Commission in order for the Commission to determine the cost recovery mechanism to be paid by customers of the Program in order to prevent shifting of costs to bundled customers of the incumbent utility.

On [DATE], SCP, at a duly noticed public hearing, considered and adopted this Implementation Plan, through SCP Resolution No. [NUMBER] (a copy of which is included as part of Appendix A). The Commission has established the methodology that will be used to determine the cost recovery mechanism, and PG&E now has approved tariffs for imposition of the cost recovery mechanism. Finally, each of SCP's Members has adopted an ordinance to implement a CCA program through its participation in the SCP, and each of the Participants has adopted a resolution permitting SCP to provide service within its jurisdiction.¹ With each of these milestones having been accomplished, SCP now submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, SCP will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

Organization of this Implementation Plan

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by PU Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides SCP's statement of intent for implementing a CCA program that includes all of the following:

- Universal access;
- Reliability;
- Equitable treatment of all customer classes; and
- Any requirements established by state law or by the CPUC concerning aggregated service.

¹ Copies of individual ordinances adopted by SCP's Members and individual resolutions adopted by SCP Participants are included as Appendix A.

The remainder of this Implementation Plan is organized as follows:

- Chapter 2: Aggregation Process
- Chapter 3: Organizational Structure
- Chapter 4: Startup Plan and Funding
- Chapter 5: Program Phase-In
- Chapter 6: Load Forecast and Resource Plan
- Chapter 7: Financial Plan
- Chapter 8: Ratesetting
- Chapter 9: Customer Rights and Responsibilities
- Chapter 10: Procurement Process
- Chapter 11: Contingency Plan for Program Termination
- Appendix A: SCP Resolution [NUMBER] and Member Ordinances
- Appendix B: Joint Powers Agreement

The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table.

AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan and Funding Chapter 7: Financial Plan
Ratesetting and other costs to participants	Chapter 8: Ratesetting Chapter 9: Customer Rights and Responsibilities
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Ratesetting
Methods for entering and terminating agreements with other entities	Chapter 10: Procurement Process
Participant rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Termination of the program	Chapter 11: Contingency Plan for Program Termination
Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities	Chapter 10: Procurement Process
Statement of Intent	Chapter 1: Introduction

Introduction

This chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

Beginning in 2010, the Sonoma County Water Agency, the County of Sonoma (“County”) and Sonoma County municipalities began investigating formation of a CCA Program, pursuant to California state law, with the following primary objectives: 1) provide cost competitive electric services; 2) stimulate and sustain the local economy by developing local jobs in renewable energy and energy efficiency; 3) reduce greenhouse gas emissions related to use of power in Sonoma County; and 4) develop long-term rate stability and energy reliability for residents through local control. A feasibility study for a CCA Program serving the region and an independent review of the study were both completed in October 2011.

After nearly a year of collaborative work by representatives of the participating municipalities, independent consultants, local experts and stakeholders, the participating municipalities released a draft Implementation Plan in October 2012, which described the planned organization, governance and operation of the CCA Program. Consistent with the Implementation Plan’s described organizational structure, SCP was formed on [DATE] to implement the SCP Program.

The SCP Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the citizenry and business community within Sonoma County. SCP plans to expand the energy choices available to eligible customers through creation of innovative new programs for voluntary purchases of renewable energy, net energy metering to promote customer-owned renewable generation, energy efficiency, demand responsiveness to promote reductions in peak demand, customized pricing options for large energy users, and support of local renewable energy projects through offering a standardized power purchasing agreement or “feed-in-tariff”.

Process of Aggregation

Before customers are enrolled in the Program, customers will receive two written notices in the mail, from SCP, that will provide information needed to understand the Program’s terms and conditions of service and explain how customers can opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled, and service will begin at their next regularly scheduled meter read date at least thirty days following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. The initial opt-out notices will be provided to the first phase of customers in [DATE]. Initial opt-out notices will be provided to subsequent customer phases

consistent with statutory requirements and based on schedule(s) determined by SCP's Board of Directors. These notices will be sent to customers in subsequent phases beginning 90 to 105 days prior to commencement of service (or twice within 60 days of automatic enrollment).

Customers enrolled in the SCP Program will continue to have their electric meters read and to be billed for electric service by the distribution utility (PG&E). The electric bill for Program customers will show separate charges for generation procured by SCP as well as other charges related to electricity delivery and other utility charges assessed by PG&E.

After service cutover, customers will be given two additional opportunities to opt-out of the SCP Program and return to the distribution utility (PG&E) following receipt of their first and second bills. SCP customers will be advised of these opportunities via the distribution of two additional opt-out notices provided within the first two months of service. Customers that opt-out between the initial cutover date and the close of the post enrollment opt-out period will be responsible for program charges for the time they were served by SCP but will not otherwise be subject to any penalty for leaving the program. Customers that have not opted-out within thirty days of the fourth opt-out notice will be deemed to have elected to become a participant in the SCP Program and to have agreed to the SCP Program's terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

Consequences of Aggregation

Rate Impacts

SCP Customers will pay the generation charges set by SCP and no longer pay the costs of PG&E generation. Customers enrolled in the Program will be subject to the Program's terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

SCP's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by the incumbent distribution utility (PG&E). SCP will establish rates sufficient to recover all costs related to operation of the Program, and actual rates will be adopted by SCP's governing board.

Initial SCP Program rates will be established following approval of SCP's inaugural program budget, reflecting final costs from the SCP Program's energy supplier(s). SCP's rate policies and procedures are detailed in Chapter 7. Information regarding final SCP Program rates will be disclosed along with other terms and conditions of service in the pre-enrollment opt-out notices sent to potential customers.

Once SCP gives definitive notice to PG&E that it will commence service, SCP customers will generally not be responsible for costs associated with PG&E's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by PG&E to

CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in PG&E's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both PG&E bundled customers as well as CCA and Direct Access customers.²

Renewable Energy Impacts

A second consequence of the Program will be an increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to meet a minimum of 33 percent of the SCP Program's electricity needs for all enrolled customers, increasing to greater than 50 percent by 2018. SCP customers may also voluntarily participate in a 100 percent renewable supply option. To the extent that customers choose SCP's 100 percent renewable energy option, the renewable content of SCP's power supply will be even greater. Initially, this renewable energy will be met contractually, but may be complemented, at an indeterminate point in the future, by the development of new renewable generation resources by or for SCP, subject to then-current considerations (such as development costs, regulatory requirements and other concerns). SCP will emphasize procurement from locally situated renewable energy projects.

Energy Efficiency Impacts

A third consequence of the Program will be an increase in energy efficiency program investments and activities. The existing energy efficiency programs administered by the distribution utility are not expected to change as a result of SCP forming the SCP Program. So long as CCA customers continue to pay the Public Goods Charge ("PGC") to the distribution utility, the distribution utility will fund energy efficiency programs for all customers, regardless of generation supplier. The energy efficiency investments ultimately planned for the SCP Program, as described in Chapter 5, will be in addition to the level of investment that would continue in the absence of the SCP Program. Thus, the SCP Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency programs. As planned, SCP will apply for administration of requisite PGC program funding from the CPUC to independently administer energy efficiency programs within its jurisdiction.

² For PG&E bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the tariffed Generation rate. Other elements of the Cost Responsibility Surcharge are set forth in PG&E's tariffs as separate rate charges paid by all customers (with limited exceptions).

CHAPTER 3 – Organizational Structure

This section provides an overview of the organizational structure of SCP and its proposed implementation of the CCA program. Specifically, the key agreements, governance, management, and organizational functions of SCP are outlined and discussed below.

Organizational Overview

The SCP Program will have a governing board that establishes SCP Program policies and objectives; management that is responsible for operating the SCP Program in accordance with such policies, and contractors that will provide energy and other specialized services necessary for SCP Program operations.

Governance

The SCP Program would be governed by SCP's Board of Directors ("Board"), appointed by the SCP Members and Participants. SCP is a joint powers agency created in [DATE] and formed under California law. The County of Sonoma and the Sonoma County Water Agency are Members of SCP, and certain municipalities within Sonoma County have elected to allow SCP to provide CCA service within their jurisdictions. SCP is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the program pursuant to SCP's Joint Powers Agreement ("JPA Agreement"). The SCP Board is comprised of representatives appointed by the County of Sonoma, the Sonoma County Water Agency, and Participants in accordance with the JPA agreement. The SCP Program will be operated under the direction of a Chief Executive Officer appointed by the Board, with legal and regulatory support provided by a Board appointed General Counsel.

The Board's primary duties will be to establish program policies, approve rates and provide policy direction to the Chief Executive Officer, who will have general responsibility for program operations, consistent with the policies established by the Board. The Board will establish a Chairman and other officers from among its membership and may establish an Executive Committee and other committees and sub-committees as needed to address issues that require greater expertise in particular areas (e.g., finance or contracts). SCP will also establish a Business Operations Committee and a Ratepayer Advisory Committee formed of Board-selected designees. These committees would have responsibility for evaluating various issues that may affect SCP and its customers, including rate-related issues, and would provide analytical support and recommendations to the Board in these regards.

Management

The Chief Executive Officer may be a person or an operating entity. The Chief Executive Officer could be an employee of SCP, an individual under contract with SCP, a public agency, a private entity, or any other person or organization so designated by the Board. The Board will be responsible for evaluating and managing the Chief Executive Officer's performance.

The Chief Executive Officer will have management responsibilities over the functional areas of Resource Planning, Electric Supply, Local Energy Programs, Finance and Rates, Customer Services and Regulatory Affairs. In performing his or her obligations to SCP, the Chief Executive Officer may utilize a combination of internal staff and/or contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, will be performed initially by experienced third-party contractors.

Major SCP functions that will be managed by the Chief Executive Officer are summarized below.

Resource Planning

SCP must plan for meeting the electricity needs of its customers utilizing resources consistent with its policy goals and objectives. The Chief Executive Officer will oversee development of resource plans under the policy guidance provided by the Board and in compliance with California Law and other requirements of California regulatory bodies.

Long-term resource planning includes load forecasting and supply planning on a ten- to twenty-year time horizon. SCP will develop integrated resource plans that meet program supply objectives and balance cost, risk and environmental considerations. SCP integrated resource planning will make maximum use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer energy requirements. The SCP Program will require an independent planning function even if the day-to-day electric supply operations are contracted to a third party energy supplier. Resource plans will be updated and adopted by the Board on an annual basis.

Electric Supply Operations

Electric supply operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. These highly specialized activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *Risk Management* – application of standard industry techniques to reduce exposure to the volatility of energy markets and insulate customer rates from sudden changes in wholesale market prices.
- *Load Forecasting* – develop accurate load forecasts, both long-term for resource planning and short-term for the electricity purchases and sales needed to maintain a balance between hourly resources and loads.
- *Scheduling Coordination* – scheduling and settling electric supply transactions with the CAISO.

SCP will initially contract with an experienced and financially sound third party energy services company to perform most of the electric supply operations for the SCP Program. These requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading. Longer term energy procurement and generation project development will be managed by the Chief Executive Officer.

Local Energy Programs

A key focus of the SCP Program will be the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs and other energy programs responsive to community interests. The Chief Executive Officer will be responsible for further development of these programs, as these are likely to be implemented on a phased basis during the first several years of operations.

SCP will administer energy efficiency, demand response and distributed generation programs that can be used as cost-effective alternatives to procurement of supply-side resources while supporting the local economy. SCP will attempt to consolidate existing demand side programs into this organization and leverage the structure to expand energy efficiency offerings to customers throughout its service territory, including the CPUC application process for third party administration of energy efficiency programs and use of funds collected through the existing public goods surcharges paid by SCP customers.

Finance and Rates

The Chief Executive Officer will be responsible for managing the financial affairs of SCP, including the development of an annual budget, revenue requirement and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary and other financial tools.

The Board of Directors has the ultimate responsibility for approving the electric generation rates for the SCP Program's customers. The Chief Executive Officer, in cooperation with staff and appropriate advisors, consultants and committees of the Board will be responsible for developing proposed rates and options for the Board to consider before finalization. The final approved rates must, at a minimum, meet the annual budgetary revenue requirement developed by the Chief Executive Officer, including recovery of all expenses and any reserves or coverage requirements set forth in bond covenants or other agreements. The Board will have the flexibility to consider rate adjustments within certain ranges, provided that the overall revenue requirement is achieved. SCP will administer a standardized set of electric rates and may offer optional rates to encourage policy goals such as economic development or low income subsidy programs.

SCP may also offer customized pricing options such as dynamic pricing or contract-based pricing for energy intensive customers to help these customers gain greater control over their

energy costs. This would provide such customers – mostly large business users – with a greater range of power options than currently available to them.

SCP's finance function will be responsible for arranging financing necessary for any capital projects, preparing financial reports, and ensuring sufficient cash flow for successful operation of the SCP Program. The finance function will play an important role in risk management by monitoring the credit of energy suppliers so that credit risk is properly understood and mitigated. In the event that changes in a supplier's financial condition and/or credit rating are identified, SCP will be able to take appropriate action, as would be provided for in the electric supply agreement(s). The Finance function establishes general credit policies that the SCP Program must follow.

Communications and Customer Services

The customer services function includes general program marketing and communications as well as direct customer interface ranging from management of key account relationships to call center and billing operations. SCP will conduct program marketing to raise consumer awareness of SCP and to establish the SCP "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into the SCP Program. Higher participation rates will keep SCP's costs lower and help achieve the other environmental and economic Program goals. Communications will also be directed at key policy-makers at the state and local level, community business and opinion leaders, and the media.

In addition to general program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance SCP's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. SCP will also establish a customer call center designed to field customer inquiries and routine interaction with customer accounts.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from the SCP Program, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through the distribution utility's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data with the distribution utility and SCP, tracking of customer payments and accounts receivable, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits in accordance with SCP credit policies.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. SCP will initially contract with a third party, who has demonstrated the necessary experience and administers appropriate

computer systems (customer information system), to perform the customer account and billing services functions.

Legal and Regulatory Representation

The SCP Program will require ongoing regulatory representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California's Renewables Portfolio Standard ("RPS"), and overall representation on issues that will impact SCP, its Members, Participants and customers. SCP will maintain an active role at the CPUC, the California Energy Commission, and, as necessary, the Federal Energy Regulatory Commission and the California legislature.

Under the direction of the General Counsel, SCP will retain outside legal services, as necessary, to administer SCP, review contracts, and provide overall legal support to the activities of SCP.

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This Chapter presents SCP's plans for the start-up period, including the necessary expenses and capital outlays, which will commence once the CPUC certifies its receipt of this Implementation Plan. As described in the previous Chapter, SCP may utilize a mix of staff and contractors in its CCA Program implementation. It is expected that the start-up period will last approximately 6 months.

Startup Activities

The initial program startup activities include the following:

- Hire staff and/or contractors to manage implementation
- Negotiate supplier contracts
 - Electric supplier
 - Data management provider (if separate from energy supply)
- Define and execute communications plan
 - Customer research/information gathering
 - Media campaign
 - Key customer/stakeholder outreach
 - Informational materials and customer notices
 - Customer call center
- Pay utility service initiation, notification and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Legal and regulatory support
- Financial management and reporting

Other costs related to starting up the SCP Program will be the responsibility of the SCP Program's contractors. These include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

Staffing and Contract Services

Personnel in the form of SCP staff or contractors will be added incrementally to match workloads involved in forming the new organization, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include a Chief Executive Officer, a General Counsel, and other personnel needed to support regulatory, procurement, finance, legal and communications activities.

For budgetary purposes, it is assumed that eight full-time equivalents (staff or contracted professional services) supporting the above listed activities would be engaged during the initial start-up period. Following this period, additional staff and/or contractors will be retained to support the roll-out of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

Capital Requirements

The Start-up of the CCA Program will require capital for three major functions: (1) staffing and contractor costs; (2) program initiation; and (3) working capital. Each of these functions and associated capital requirements are discussed below. The finance plan in Chapter 7 provides a more detailed discussion of the capital requirements and Program finances.

Staffing and contractor costs during startup are estimated to be approximately \$1.5 million, including direct costs related to public relations support, technical support, and customer communications. This estimate is derived by examining the costs that would be incurred during the six month start-up period when SCP is actively preparing to commence providing electric services to its customers, performing the startup activities earlier described. The estimated costs would be sufficient to fund all necessary expenses and personnel engaged in program management, energy supply planning, customer service, accounting, finance, legal, regulatory, marketing and communications. It is based on the budgetary assumption of eight full-time equivalents with project support provided by legal, public relations and technical experts. Actual costs may vary depending upon how SCP manages its start-up activities and the degree to which some or most of these start-up activities are performed by the selected energy services provider rather than by SCP.

Program initiation costs include administrative and general expenses of SCP as well as the distribution utility fees charged by PG&E for initiating the SCP Program. Administrative and general expenses are estimated to be approximately \$300,000, and the distribution utility fees, which include CCA Bond requirements and a service deposit, are estimated to be approximately \$700,000.³

Operating revenues from sales of electricity will be remitted to SCP beginning approximately sixty days after the initial customer enrollments. This lag is due to the distribution utility's standard meter reading cycle of 30 days and a 30 day payment/collections cycle. Under traditional energy supply contract terms, SCP would be responsible for paying electric supply invoices twenty days following the calendar month in which energy was delivered. SCP will need working capital to support electricity procurement and costs related to program management, which will be included in the financing program associated with start-up

³ The currently applicable CCA Security Bond requirement is \$100,000. The estimated figure is based on a proposed methodological change considered in R.03-10-003 that would set the security amount to cover the potential administrative reentry fees that would apply if SCP customers were returned *en masse* to PG&E. This figure will be updated as more information becomes available.

funding. As discussed in Chapter 7, the initial working capital requirement is estimated at \$6 million.

Therefore, the total staffing, contractor, program initiation costs and working capital costs are expected to be approximately \$9 million. These are costs that ultimately will be collected through SCP Program rates; however, some of these costs will be incurred prior to SCP selling its first kWh of electricity and will require financing.

Financing Plan

Potential sources of funding for SCP startup costs include short-term bank financing, state infrastructure funding, and funds or in-kind services provided by the selected energy supplier. For budgetary purposes, it is assumed that the initial start-up funding will be provided by SCP via a short-term financing, likely a credit line that can be drawn upon as needed to cover expenditures. SCP will recover the principal and interest costs associated with the start-up funding via retail rates. It is anticipated that the start-up costs will be fully recovered through rates within the first several years of operations.

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SCP will roll out its service offering to customers over the course of three or more phases:

- Phase 1. A subset of residential and commercial accounts.
- Phase 2. Additional residential and commercial accounts.
- Phase 3. All remaining accounts.

This approach provides SCP with the ability to initiate its program with sufficient economic scale and with a manageable number of accounts served, before gradually building to full program integration for an expected customer base of approximately 165,000 accounts. This approach also allows SCP and its energy supplier(s) to address all system requirements (billing, collections, payments) under a phase-in approach to minimize potential customer service challenges as well as exposure to uncertainty and financial risk.

SCP will offer service to all customers on a phased basis expected to be completed within twenty four months of initial service to Phase 1 customers. Phase 1 of the Program is targeted to begin on or about January 1, 2014, subject to a decision to proceed by the Board. During Phase 1, SCP anticipates serving approximately 10,000 accounts totaling nearly 400 GWh of annual energy sales. SCP is currently analyzing the potential composition of Phase 1 accounts in consideration of opportunities for maximizing energy efficiency and renewable energy impacts, synergies with local ordinances and other customer programs such as a municipally financed solar program, cost of service and customer load characteristics, and other operational considerations. Specific accounts to be included in Phase 1 will approximate 20 percent of SCP's total customer load and will be specifically defined after further analysis and consideration of the Board.

Phase 2 of the Program will commence following successful operation of the SCP Program over a minimum 12-month term. It is anticipated that approximately 65,000 residential and commercial customers will be included in Phase 2, with annual energy consumption of approximately 800 GWh.

Following this initial operating period, expected to continue for no more than 24 months, the Board will commence the process of completing the roll out to all remaining customers in Phase 3. This is expected to comprise the remaining residential accounts as well as industrial, street lighting and agricultural accounts. Phase 3 is expected to total approximately 90,000 accounts with annual energy consumption of approximately 800 GWh.

The Chief Executive Officer may evaluate and present to the Board other phase-in options based on then-current market conditions, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts.

Introduction

This Chapter describes the planned mix of electric resources and demand reduction programs that will meet the energy demands of SCP's customers using a highly renewable, diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. These key policies are as follows:

- SCP will seek to increase use of renewable energy resources and reduce reliance on fossil-fueled electric generation.
- SCP will benefit the area's economy through direct investment and policy to promote public and private investment in local infrastructure, projects and energy programs.
- SCP will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- SCP will help customers reduce energy costs through investment in and administration of enhanced customer energy efficiency, distributed generation, and other demand reducing programs.

SCP's initial resource mix will include a renewable energy content of at least 33%. As the SCP Program moves forward, incremental renewable supply additions will be made based on resource availability as well as economic goals of the SCP Program to achieve a renewable energy content of at least 50%. This 50% renewable energy goal is expected to be achieved by 2018. SCP's aggressive commitment to renewable generation adoption may involve direct investment in new renewable generating resources, partnerships with experienced public power developers/operators, purchases of renewable energy from third party suppliers and the purchase of Renewable Energy Certificates ("RECs") from the market.

SCP will seek to supply the program with local renewable resources to the greatest extent technically and economically feasible. Specific objectives include development of 30 MW of local renewable generation by 2020, increasing to 120 MW by 2030.

The resource plan also sets forth ambitious targets for improving customer energy efficiency.

The plan described in this section would accomplish the following:

- Procure energy needed to offer two generation rate tariffs: 100 percent renewable and 33 percent renewable through one or more contracts with experienced, financially stable energy suppliers.
- Continue increasing renewable energy supplies to 50% or greater based on resource availability and economic goals of the program.

- Obtain ownership or contract rights to 30 MW of local renewable generation capacity by 2020 and 120 MW by 2030, including potential energy storage adequate for optimizing intermittent generation projects.
- Administer customer programs to reduce net electricity purchases by 1%-2% annually through efficiency and distributed generation.
- Encourage distributed renewable generation in the local area through the offering of a standardized power purchase agreement or “Feed-In Tariff”; a net energy metering tariff; and a solar cooperative program for customers lacking feasible on-site solar applications.

SCP will be responsible to comply with regulatory rules applicable to California load serving entities. SCP will arrange for the scheduling of sufficient electric supplies to meet the hour-by-hour demands of its customers. SCP will adhere to capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages and/or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve SCP’s customers, even if there were a need for the SCP Program to cease operations and return customers to PG&E. In addition, SCP will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS (currently 20% renewable energy supply and increasing to 33% by 2020). The resource plan will meet or exceed all of the applicable regulatory requirements related to resource adequacy and the RPS.

Resource Plan Overview

To meet SCP’s objectives and satisfy the applicable regulatory requirements pertaining to SCP’s status as a California load serving entity, SCP’s resource plan includes a diverse mix of power purchases, renewable energy, new energy efficiency programs, demand response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The ultimate goal of SCP’s resource plan is to minimize customer energy consumption and maximize use of renewable resources, particularly local resources, subject to economic and operational constraints. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may also include renewable generation assets owned and/or controlled by SCP.

From the outset, SCP will begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any renewable generation owned by SCP or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of SCP’s electricity requirements on a cost-of-service basis. Depending upon market conditions and, importantly, the applicability of tax incentives for renewable energy development, electricity purchased under a cost-of-service arrangement can be more cost-

effective than purchasing renewable energy from third party developers, which will allow the SCP Program to pass on cost savings to its customers through competitive generation rates. Any investment decisions will be made following the applicable environmental reviews and in consultation with qualified financial and legal advisors.

As an alternative to direct investment, SCP may consider partnering with an experienced public power developer (the Northern California Power Agency, for example) and enter into a long-term (20-to-30 year) power purchase agreement that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce the SCP Program's operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract. This option may be preferable to SCP as it works to achieve increasing levels of renewable energy supply to its customers.

SCP's resource plan will integrate supply-side resources with programs that will help customers reduce their energy costs through improved energy efficiency and other demand-side measures. As part of its integrated resource plan, SCP will actively pursue, promote and ultimately administer a variety of customer energy efficiency programs that can cost-effectively displace supply-side resources.

SCP's proposed resource plan for the years 2014 through 2023 is summarized in the following table:

**Sonoma Clean Power
Proposed Resource Plan
(GWh)
2014 to 2023**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SCP Demand (GWh)										
Retail Demand	-368	-1,183	-1,942	-1,984	-1,985	-1,989	-1,993	-1,997	-2,001	-2,005
Distributed Generation	5	20	33	37	38	39	40	41	42	44
Energy Efficiency	0	6	27	30	32	34	36	38	40	42
Losses and UFE	-22	-69	-113	-115	-115	-115	-115	-115	-115	-115
Total Demand	-384	-1,227	-1,996	-2,033	-2,030	-2,031	-2,032	-2,033	-2,033	-2,034
SCP Supply (GWh)										
<u>Renewable Resources</u>										
Generation	0	0	0	0	17	34	52	94	94	94
Power Purchase Contracts	120	420	787	905	988	991	993	970	989	1,009
Total Renewable Resources	120	420	787	905	1,006	1,025	1,045	1,064	1,084	1,103
<u>Conventional Resources</u>										
Generation	0	0	0	0	0	0	0	0	0	0
Power Purchase Contracts	265	807	1,209	1,128	1,025	1,006	987	968	950	931
Total Conventional Resources	265	807	1,209	1,128	1,025	1,006	987	968	950	931
Total Supply	384	1,227	1,996	2,033	2,030	2,031	2,032	2,033	2,033	2,034
Energy Open Position (GWh)	0	0	0	0	0	0	0	0	0	0

Supply Requirements

The starting point for SCP's resource plan is a projection of participating customers and associated electric consumption. Projected electric consumption is evaluated on an hourly

basis, and matched with resources best suited to serving the aggregate of hourly demands or the program's "load profile". The electric sales forecast and load profile will be affected by SCP's plan to introduce the SCP Program to customers in phases and the degree to which customers choose to remain with PG&E during the customer enrollment and opt-out periods. SCP's phased roll-out plan and assumptions regarding customer participation rates are discussed below.

Customer Participation Rates

Customers will be automatically enrolled in the SCP Program unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. SCP anticipates an overall customer participation rate of approximately 80 percent of PG&E bundled service customers, based on reported opt-out rates for the Marin Clean Energy CCA program. It is assumed that customers taking direct access service from a competitive electricity provider will elect to remain with their current supplier.

The participation rate is not expected to vary significantly among customer classes, in part due to the fact that SCP will offer two distinct rate tariffs that will address the needs of cost-sensitive customers as well as the needs of both residential and business customers that prefer a completely renewable energy product. The assumed participation rates will be refined as SCP's public outreach and market research efforts continue to develop.

Customer Forecast

Once customers enroll in each phase, they will be switched over to service by SCP on their regularly scheduled meter read date over an approximately thirty day period. Approximately 330 service accounts per day will be switched over during the first month of service. For Phase 2, the number of accounts switched over to SCP service will increase to about 2,200 accounts per day, and for Phase 3 this figure will increase to about 3,000. The number of accounts served by SCP at the end of each phase is shown in the table below.

Sonoma Clean Power
Enrolled Retail Service Accounts
Phase-In Period (End of Month)

Customers	Jan-14	Jan-15	Jan-16
Residential	7,172	57,488	144,007
Small Commercial	788	15,785	15,816
Medium Commercial	1,873	1,877	1,881
Large Commercial	-	212	213
Industrial	-	-	11
Street Lighting & Traffic	-	-	1,711
Ag & Pump.	-	-	2,045
Total	9,833	75,362	165,684

SCP assumes that SCP customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (0.2% annual growth) over the noted planning horizon. Because CCA in California has a relatively short history, it is very difficult to anticipate with any precision the actual levels of customer participation within the SCP Program. SCP believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within Sonoma County and the potential for continuing customer opt-outs following mandatory customer notification periods. The forecast of service accounts (customers) served by SCP for each of the next ten years is shown in the following table:

Sonoma Clean Power
Retail Service Accounts (End of Year)
2014 to 2023

Customers	2014	2015	2016	2018	2019	2020	2021	2022	2023
Residential	7,172	57,488	144,007	144,584	144,873	145,163	145,453	145,744	146,035
Small Commercial	788	15,785	15,816	15,880	15,912	15,943	15,975	16,007	16,039
Medium Commercial	1,873	1,877	1,881	1,888	1,892	1,896	1,900	1,904	1,907
Large Commercial	-	212	213	214	214	215	215	216	216
Industrial	-	-	11	11	11	11	11	11	11
Street Lighting & Traffic	-	-	1,711	1,718	1,721	1,725	1,728	1,732	1,735
Ag & Pump.	-	-	2,045	2,053	2,057	2,061	2,066	2,070	2,074
Total	9,833	75,362	165,684	166,348	166,680	167,014	167,348	167,683	168,018

Sales Forecast

SCP’s forecast of kWh sales reflects the roll-out and customer enrollment schedule shown above. The annual electricity needed to serve SCP’s retail customers increases from nearly 400 GWh in 2014 to approximately 2,000 GWh at full roll-out. Annual energy requirements are shown below.

Sonoma Clean Power Energy Requirements (GWH) 2014 to 2023										
Demand (GWh)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Retail Demand	368	1,183	1,942	1,984	1,985	1,989	1,993	1,997	2,001	2,005
Distributed Generation	-5	-20	-33	-37	-38	-39	-40	-41	-42	-44
Energy Efficiency	0	-6	-27	-30	-32	-34	-36	-38	-40	-42
Losses and UFE	22	69	113	115	115	115	115	115	115	115
Total Load Requirement	384	1,227	1,996	2,033	2,030	2,031	2,032	2,033	2,033	2,034

Capacity Requirements

The CPUC’s resource adequacy standards applicable to SCP require a demonstration one year in advance that SCP has secured physical capacity for 90 percent of its projected peak loads for each of the five months May through September, plus a minimum 15 percent reserve margin. On a month-ahead basis, SCP must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin.

A portion of SCP’s capacity requirements must be procured locally, from the Greater Bay area as defined by the CAISO, and another portion must be procured locally or from local reliability areas outside the Greater Bay Area. SCP would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total (PG&E service area) local capacity requirements adopted by the CPUC based on SCP’s forecasted peak load. SCP must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

The forward resource adequacy requirements for 2014 through 2016 are shown in the following tables:

Sonoma Clean Power
Forward Capacity and Reserve Requirements
(MW)
2014 to 2016

Month	2014	2015	2016
January	67	198	337
February	78	223	376
March	67	185	306
April	76	209	327
May	80	236	382
June	82	254	419
July	86	249	384
August	85	238	367
September	92	263	408
October	79	216	317
November	72	202	325
December	67	209	356

SCP's plan ensures that sufficient reserves will be procured to meet its peak load at all times. SCP's projected annual capacity requirements are shown in the following table:

Sonoma Clean Power
Capacity Requirements
(MW)
2014 to 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Demand (MW)										
Retail Demand	78	228	368	369	370	370	371	372	373	373
Distributed Generation	(3)	(11)	(19)	(21)	(22)	(22)	(23)	(24)	(24)	(25)
Energy Efficiency	-	(1)	(6)	(6)	(7)	(7)	(8)	(8)	(8)	(9)
Losses and UFE	5	13	21	21	20	20	20	20	20	20
Total Net Peak Demand	80	228	365	362	362	362	361	361	360	360
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	12	34	55	54	54	54	54	54	54	54
Capacity Requirement Including Reserve	92	263	419	417	416	416	415	415	414	414

Local capacity requirements are a function of the PG&E area resource adequacy requirements and SCP's projected peak demand. SCP will need to work with the CPUC's Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate SCP's monthly local capacity requirement. A preliminary estimate of SCP's annual local capacity requirement for the ten year planning period ranges from approximately 36 MW to 163 MW as shown in the following table:

**Sonoma Clean Power
Local Capacity Requirements
(MW)
2014 to 2023**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SCP Area Peak (MW)	80	228	365	362	362	362	361	361	360	360
Local Capacity Requirement (% of Peak)	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Greater Bay Area Share of Local Capacity Requirement (%)	48%	48%	48%	48%	48%	48%	48%	48%	48%	48%
Other PG&E Areas Share of Local Capacity Requirement (%)	52%	52%	52%	52%	52%	52%	52%	52%	52%	52%
SCP Local Capacity Requirement Greater Bay (MW)	17	50	79	79	79	79	79	78	78	78
SCP Local Capacity Requirement Other PG&E (MW)	19	54	86	85	85	85	85	85	85	85
SCP Local Capacity Requirement, Total (MW)	36	104	165	164	164	164	164	163	163	163

SCP will coordinate with PG&E and appropriate state agencies to manage the transition of responsibility for resource adequacy from PG&E to SCP during 2014-2016. For system resource adequacy requirements, SCP will make month-ahead showings for each month that SCP plans to serve load, and load migration issues would be addressed through the CPUC's approved procedures. SCP will work with the California Energy Commission and CPUC prior to commencing service to customers to ensure it meets its local and system resource adequacy obligations for 2014 - 2016 through its agreement with its chosen electric supplier.

Renewables Portfolio Standards Energy Requirements

Basic RPS Requirements

As a CCA, SCP will be required by law and ensuing CPUC regulations to procure a certain minimum percentage of its retail electricity sales from qualified renewable energy resources. The same standards for RPS compliance that are applicable to the distribution utilities apply to SCP.

California's RPS program is currently undergoing reform. On April 12, 2011, Governor Brown signed SB x1 2, requiring public and private utilities as well as community choice aggregators to obtain 33 percent of their electricity from renewable energy sources by December 31, 2020. SCP's resource plan complies with California's new RPS, including certain procurement quantity requirements identified in D.11-12-020 (December 1, 2011).

SCP's Renewables Portfolio Standards Requirement

SCP's annual RPS requirements are shown in the table below. When reviewing this table, it is important to note that SCP projects increases in energy efficiency savings as well as increases in locally situated distributed generation capacity, resulting in only a slight upward trend in projected retail electricity sales.

**Sonoma Clean Power
RPS Requirements
(MWh)
2014 to 2023**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Retail Sales	362,355	1,157,596	1,882,623	1,917,616	1,915,298	1,916,083	1,916,835	1,917,551	1,918,231	1,918,874
Baseline	-	78,631	269,720	470,656	517,756	555,436	593,986	632,556	632,792	633,016
Incremental Procurement Target	78,631	191,089	200,936	47,100	37,680	38,549	38,570	236	224	212
Annual Procurement Target	78,631	269,720	470,656	517,756	555,436	593,986	632,556	632,792	633,016	633,229
Statewide Minimum Requirement	22%	23%	25%	27%	29%	31%	33%	33%	33%	33%

Based on planned renewable energy procurement objectives, SCP anticipates that it will significantly exceed the minimum RPS requirements as shown below.

**Sonoma Clean Power
RPS Requirements and Program Renewable Energy Targets
(MWh)
2014 to 2023**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Retail Sales (MWh)	362,355	1,157,596	1,882,623	1,917,616	1,915,298	1,916,083	1,916,835	1,917,551	1,918,231	1,918,874
Annual RPS Target (Minimum MWh)	78,631	269,720	470,656	517,756	555,436	593,986	632,556	632,792	633,016	633,229
Program Target (% of Retail Sales)	33%	36%	42%	47%	53%	54%	55%	56%	57%	58%
Program Renewable Target (MWh)	119,577	420,207	786,937	905,115	1,005,531	1,025,105	1,044,675	1,064,241	1,083,801	1,103,353
Surplus In Excess of RPS (MWh)	40,946	150,488	316,281	387,358	450,095	431,119	412,119	431,449	450,784	470,124
Annual Increase (MWh)	119,577	300,630	366,729	118,178	100,417	19,573	19,570	19,566	19,560	19,552

Purchased Power

Power purchased from utilities, power marketers, public agencies, and/or generators will be a significant source of supply during the first several years. SCP will initially contract to obtain all of its electricity from a third party electric provider under a power supply agreement, and the supplier will be responsible for procuring a mix of power purchase contracts, including specified renewable energy targets, to provide a stable and cost-effective resource portfolio for the Program. Based on terms established in this third-party contract, SCP will be able to substitute electric energy generated by SCP-owned/controlled renewable resources for contract quantities in the event that such resources become operational during the delivery period. Initially, the Program's third party electric supplier will be responsible for managing the overall supply portfolio.

Renewable Resources

SCP will initially secure necessary renewable power supply from its third party electric supplier(s). SCP may supplement the renewable energy provided under the initial full requirements contract with direct purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned by SCP.

At this point in time, it is not possible to predict what projects might be proposed in response to SCP's future solicitations for renewable energy or that may stem from discussions with other public agencies. Renewable projects that are located virtually anywhere in the Western Interconnection can be considered (with a preference for local projects) as long as the electricity is deliverable to the CAISO control area, as required to meet the Commission's RPS rules and any additional guidelines ultimately adopted by SCP's Board of Directors. The costs of transmission access and the risk of transmission congestion costs would need to be considered in the bid evaluation process if the delivery point is outside of SCP's load zone, as defined by the CAISO.

Renewable Energy Certificates/Credits

Load serving entities ("LSEs"), including SCP, have a certain level of discretion when procuring renewable energy to satisfy California's RPS and voluntary "green" pricing programs that may be offered to their customers. Key concerns, including cost (as well as related ratepayer impacts) and operational feasibility, must be balanced by LSEs to achieve an effective portfolio of renewable energy resources. Central to this discussion is the use of unbundled Renewable Energy Certificates/Credits, or RECs, which promote renewable project development while ensuring operational flexibility and reduced overall renewable energy procurement costs for the LSE – this strategy has been endorsed by the U.S. Environmental Protection Agency⁴ and has been employed by a range of California utilities when administering voluntary green pricing programs, including Marin Clean Energy's Deep Green (100 percent renewable energy) service option and the Sacramento Municipal Utility District's Greenergy® programs (50 percent or 100 percent renewable energy). The state of California has also incorporated these considerations when developing renewable energy policy, including Senate Bill x1 2 (April 2011), which allows the limited use of unbundled RECs for purposes of compliance with the RPS.

In practical terms, a REC represents the legal rights or title to the environmental benefits associated with the generation of renewable energy. A REC is necessary to track renewable energy generation following delivery to the grid where electrons become indistinguishable from one another. One REC, or certificate, is created for each megawatt-hour of renewable electricity that is generated and delivered to the grid. After a REC is created, it is tracked much like a certificate of stock. RECs can be held in accounts or transferred to others as a result of purchase/sale transactions; RECs can also be "retired" to demonstrate compliance with applicable regulations or voluntary renewable energy procurement targets. Once retired, a REC

⁴ Discussion paper: "EPA's Green Power Partnership: The Environmental Value of Purchasing Renewable Energy Certificates Voluntarily," October 2010.

is removed from the market and can no longer be transferred to another entity. In the Western U.S., the accounting framework that is used to create, deposit, transfer and retire RECs is the Western Renewable Energy Generation Information System, or WREGIS. Prior to the commencement of service, SCP will need to register with WREGIS and establish accounts that will allow for the transfer/receipt of RECs associated with various renewable energy transactions.

Owners of renewable generating facilities often sell RECs produced by such facilities to generate supplemental revenue streams (in addition to revenue streams derived by the sale of electricity produced by the facility). RECs can be “bundled” with the electric energy produced by the generator and sold as a single product; or RECs can be “unbundled” from the associated electric energy, creating two distinct products and related revenue streams. Despite the vast network of electric transmission and distribution facilities throughout the U.S., it is often impractical and/or extremely costly to arrange for the delivery of renewable energy across significant distances – buyers and sellers of renewable energy are often located in disparate regions which would require power to be moved across several utility service areas (and, potentially, hundreds of miles), resulting in substantially increased transaction costs. To accommodate these circumstances, unbundled RECs are commonly used to promote the development of renewable energy resources without the need for co-location of the transacting parties or costly delivery arrangements. The additional revenues associated with such REC sales can improve the economics of renewable energy projects, which may increase the competitiveness of these facilities with conventional generators that consume fossil fuels, including coal and natural gas.

The environmental impacts of REC procurement are also significant, as each megawatt-hour of renewable energy reduces the need for one megawatt-hour of conventional electricity, thereby avoiding the greenhouse gas emissions and other adverse environmental impacts typically related to conventional electricity generation. An organization which holds a REC can claim responsibility for the environmental benefits associated with reduced conventional generation, which may promote the achievement of certain environmental goals and objectives and/or compliance with applicable mandates/regulations.

SCP will use unbundled RECs to augment its bundled renewable energy purchases in order to achieve its overall renewable energy content objective and to supply a 100% renewable energy product under the voluntary tariff. Initially, unbundled RECs will supply the difference between the RPS requirements and the overall renewable energy content. SCP anticipates use of unbundled RECs will decline as new renewable energy projects are developed to serve the SCP program.

Energy Efficiency

SCP's energy efficiency goals will reflect a strong commitment to increasing energy efficiency within the County, expanding beyond the savings achieved by PG&E's programs. SCP will seek to maximize end-use customer energy efficiency by facilitating customer participation in

existing utility programs as well as by forming new programs that will displace SCP's need for traditional electric procurement activities.

Forecast energy efficiency savings equal to 1 percent of SCP's projected energy sales appears to be a reasonable and aggressive long-term goal for the demand-side portion of SCP's resource plan. For example, the National Action Plan for Energy Efficiency states among its key findings "consistently funded, well-designed efficiency programs are cutting annual savings for a given program year of 0.15 to 1 percent of energy sales."⁵ The American Council for an Energy-Efficient Economy (ACEEE) reports for states already operating substantial energy efficiency programs that an energy efficiency goal of one percent, as a percentage of energy sales, is a reasonable level to target after a few years of operation.⁶ These savings would include the savings from any programs funded by the Public Goods Charge. SCP programs will focus on closing the gap between the vast economic potential of energy efficiency within the County and what is actually achieved.

SCP will develop specific energy efficiency programs and seek requisite program funding from the CPUC to administer these energy efficiency programs. Additional details of SCP's energy efficiency plan will be developed once the first phase of the SCP Program is underway.

Demand Response

Demand response programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., SCP), reducing the amount of generation capacity that must be maintained as infrequently used reserves. Demand response programs can be cost effective alternatives to procured capacity that would otherwise be needed to comply with California's resource adequacy requirements. The programs may also provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when generation capacity is most scarce or expensive. Like energy efficiency, demand response can be a win/win proposition, providing economic benefits to the electric supplier as well as customer service benefits.

In its ruling on local resource adequacy, the CPUC found that dispatchable demand response resources as well as distributed generation resources should be allowed to count for local capacity requirements. This resource plan anticipates that SCP's demand response programs would partially offset its local capacity requirements beginning in 2015.

PG&E offers several demand response programs to its customers, and SCP intends to recruit those customers that have shown a willingness to participate in utility programs into similar

⁵ National Action Plan for Energy Efficiency, July 2006, Section 6: Energy Efficiency Program Best Practices (pages 5-6)

⁶ Energy Efficiency Resource Standards: Experience and Recommendations, Steve Nadel, March 2006, ACEEE Report E063 (pages 28 - 30).

programs offered by SCP.⁷ The goal for this resource plan is to meet 5 percent of the SCP Program’s total capacity requirements through dispatchable demand response programs that qualify to meet local resource adequacy requirements. This goal translates into approximately 20 MW of peak demand enrolled in SCP’s demand response programs. Achievement of this goal would displace approximately 24 percent of the capacity needed from other PG&E areas.⁸

Sonoma Clean Power
Demand Response Goals
(MW)
2014 to 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Capacity Requirement (MW)	92	263	419	417	416	416	415	415	414	414
Demand Response Target	-	3	5	5	16	21	21	21	21	21
Percentage of Local Capacity Requirement	0%	6%	6%	6%	18%	24%	24%	24%	24%	24%

SCP will adopt a demand response program that enables it to request customer demand reductions during times when capacity is in short supply or spot market energy costs are exceptionally high. The level of customer payments should be related to the cost of local capacity that can be avoided as a result of the customer’s willingness to curtail usage upon request.

Appropriate limits on customer curtailments, both in terms of the length of individual curtailments and the total number of curtailment hours that can be called should be included in SCP’s demand response program design. It will also be important to establish a reasonable measurement protocol for customer performance of its curtailment obligations and deploy technology to automate customer notifications and responses. Performance measurement should include establishing a customer specific baseline of usage prior to the curtailment request from which demand reductions can be measured. SCP will likely utilize experienced third party contractors to design, implement and administer its demand response programs.

Distributed Generation

Consistent with SCP’s environmental policies and the state’s Energy Action Plan, clean distributed generation is a significant component of the integrated resource plan. SCP will work with state agencies and PG&E to promote deployment of photovoltaic (PV) systems within SCP’s jurisdiction, with the goal of maximizing use of the available incentives that are

⁷ These utility programs include the Base Interruptible Program (E-BIP), the Demand Bidding Program (E-DBP), Critical Peak Pricing (E-CPP), Optional Binding Mandatory Curtailment Plan (E-OBMC), the Scheduled Load Reduction Program (E-SLRP), and the Capacity Bidding Program (E-CBP). SCP plans to develop its own demand response programs, which may be similar to those currently administered by the incumbent utility.

⁸ The California Public Utilities Commission has defined five local Resource Adequacy areas, including the “Other PG&E” local area (which represents an aggregation of various locations within the PG&E service territory), which have been designated as transmission-constrained. Load serving entities, including SCP, must procure a certain portion of their respective resource adequacy obligations from resources located within these transmission-constrained areas. However, demand response programs may be used to directly reduce local resource adequacy obligations; SCP plans to reduce such obligations through the implementation of effective demand response programs.

funded through current utility distribution rates and public goods surcharges. SCP will also implement an aggressive net energy metering program and a feed-in-tariff to promote local investment in distributed generation.

There are significant environmental benefits and strong customer interest in distributed PV systems. SCP may provide direct financial incentives from revenues funded by customer rates to further support use of solar power within the local area. Finally, SCP plans to provide direct incentives for PV by offering a net metering rate to customers who install PV systems so that customers are able to sell excess energy to SCP. Such a program would be generally consistent with principles identified in Assembly Bill 920 ("AB 920"), which directed the CPUC to establish and implement a compensation methodology for surplus renewable generation produced by net energy metered facilities located within the service territories of California's large investor owned utilities, including PG&E. However, SCP may choose to offer enhanced compensation structures, relative to those implemented as a result of AB 920, as part of the direct incentives that may be established to promote distributed generation development within Sonoma County. To the extent that SCP incentives improve project economics for its customers, it is reasonable to assume that the penetration of distributed generation within the County would increase.

SCP's CCA customers will contribute funds to the California Solar Initiative (CSI) through the public goods charge collected by PG&E, and will be eligible for the incentives provided under that program for installation of PV systems. The California Solar Initiative provides \$2.2 billion of funding to target installation of 1,940 MW of solar systems within the investor owned utility service areas by 2017. All electric customers of PG&E, SCE, and SDG&E are eligible to apply for incentives. Approximately 44 percent of program funding is allocated to the PG&E service territory. Assuming solar deployment would be proportionate to funding, the program is intended to yield approximately 775 MW of solar within the PG&E service area. A minimum of 21 MW should be deployed within the jurisdictional boundaries of SCP within the next several years.

SCP will work to ensure that customers within its jurisdiction take full advantage of this solar incentive and will develop programs of its own with the goal of accelerating solar deployment and increasing the installed PV system capacity in the local area.

This Chapter examines the monthly cash flows expected during the startup and customer phase-in period of the SCP Program and identifies the anticipated financing requirements. It includes estimates of program startup costs, including the necessary expenses and capital outlays which will commence once the CPUC has certified its receipt of the Implementation Plan submitted by SCP. It also describes the requirements for working capital and long-term financing for the potential investment in renewable generation, consistent with the resource plan contained in Chapter 6.

Description of Cash Flow Analysis

SCP's cash flow analysis estimates the level of capital that will be required during the startup and phase-in period. The analysis focuses on the SCP Program's monthly costs and revenues and specifically accounts for the phased enrollment of SCP Customers described in Chapter 5.

Cost of CCA Program Operations

The first category of the cash flow analysis is the Cost of CCA Program Operations. To estimate the overall costs associated with CCA Program Operations, the following components were taken into consideration:

- Electricity Procurement;
- Ancillary Service Requirements;
- Exit Fees;
- Staffing and Professional Services;
- Data Management Costs;
- Administrative Overhead;
- Billing Costs;
- Scheduling Coordination;
- Grid Management and other CAISO Charges;
- CCA Bond and Security Deposit;
- Pre-Startup Cost Reimbursement; and
- Debt Service.

Revenues from CCA Program Operations

The cash flow analysis also provides estimates for revenues generated from CCA operations or from electricity sales to customers. In determining the level of revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that SCP charges a standard, default electricity tariff similar to the generation rates of the existing distribution utility for each customer class and an optional 100% renewable energy tariff at a premium reflective of

incremental renewable power costs. SCP rate increases of 3.5% annually, the approximate long-run average increase in California electric utility rates, would support the cash flows presented herein.⁹ More detail on SCP's rates can be found in Chapter 8.

Cash Flow Analysis Results

The results of the cash flow analysis provide an estimate of the level of capital required for SCP to move through the CCA startup and phase-in periods. This estimated level of capital is determined by examining the monthly cumulative net cash flows (revenues from CCA operations minus cost of CCA operations) based on assumptions for payment of costs or other cash requirements (e.g., deposits) by SCP, along with estimates for when customer payments will be received. This identifies, on a monthly basis, what level of cash flow is available in terms of a surplus or deficit.

The cash flow analysis identifies funding requirements in recognition of the potential lag between payments received and payments made during the phase-in period. The estimated financing requirements for the startup and phase-in period, including working capital needs associated with all three phase of customer enrollments, is approximately \$22 million. Of this total, approximately \$9 million would be needed during the startup period prior to the time Phase 1 customers are enrolled. Working capital requirements peak soon after enrollment of the Phase 3 customers.

CCA Program Implementation Pro Forma

In addition to developing a cash flow analysis which estimates the level of working capital required to get SCP through full CCA phase-in, a summary pro forma analysis that evaluates the financial performance of the CCA program during the phase-in period is shown below. The difference between the cash flow analysis and the CCA pro forma analysis is that the pro forma analysis does not include a lag associated with payment streams. In essence, costs and revenues are reflected in the month in which service is provided. All other items, such as costs associated with CCA Program operations and rates charged to customers remain the same. Cash provided by financing activities are not shown in the pro forma analysis, although payments for debt service are included as a cost item.

The results of the pro forma analysis are shown in the following table. Under these assumptions, over the entire phase-in period the CCA program is projected to accrue a reserve account balance of approximately \$19 million.

⁹ According to the California Energy Commission Utility-wide Weighted Average Electric Utility Prices report, PG&E average electric rates have increased by an average of 4.6% per year since 2000 and 3.4% annually since 2005.

Sonoma Clean Power
Summary of CCA Program Phase-In¹⁰
(January 2013 through December 2017)

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¹⁰ Costs projected for staffing & professional services and other administrative & general relate to energy procurement, administration of energy efficiency and other local programs, generation development, customer service, marketing, accounting, finance, legal and regulatory activities necessary for program operation.

CATEGORY	2013	2014	2015	2016	2017	TOTAL
I. REVENUES FROM OPERATIONS (\$)						
ELECTRIC SALES REVENUE	-	32,487,442	103,309,898	170,065,330	179,443,743	485,306,414
LESS UNCOLLECTIBLE ACCOUNTS	-	(97,462)	(309,930)	(510,196)	(538,331)	(1,455,919)
TOTAL REVENUES	-	32,389,980	102,999,968	169,555,134	178,905,412	483,850,495
II. COST OF OPERATIONS (\$)						
(A) OPERATIONS AND ADMINISTRATIVE (O&A)						
STAFFING & PROFESSIONAL SERVICES	1,368,000	2,736,000	4,054,080	4,175,702	4,300,973	16,634,756
DATA MANAGEMENT SERVICES	-	371,659	1,939,129	3,831,749	3,831,749	9,974,285
IOU FEES (INCLUDING BILLING)	-	88,967	658,705	1,480,167	1,517,469	3,745,309
OTHER ADMINISTRATIVE & GENERAL	150,000	300,000	988,800	1,018,464	1,049,018	3,506,282
SUBTOTAL O&A	1,518,000	3,496,626	7,640,713	10,506,082	10,699,210	33,860,631
(B) COST OF ENERGY	-	25,374,018	86,155,255	147,269,558	154,129,047	412,927,878
(C) DEBT SERVICE	339,682	2,038,093	4,302,641	4,982,006	4,982,006	16,644,428
(D) DEPOSITS AND OTHER USES	1,315,000	-	-	-	-	1,315,000
TOTAL COST OF OPERATION	3,172,682	30,908,737	98,098,610	162,757,646	169,810,262	464,747,938
CCA PROGRAM SURPLUS/(DEFICIT)	(3,172,682)	1,481,242	4,901,359	6,797,488	9,095,150	19,102,557
CATEGORY	2013	2014	2015	2016	2017	TOTAL
I. REVENUES FROM OPERATIONS (\$)						
ELECTRIC SALES REVENUE	-	32,487,442	103,309,898	170,065,330	179,443,743	485,306,414
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TOTAL REVENUES	-	32,389,980	102,999,968	169,555,134	178,905,412	483,850,495
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OTHER ADMINISTRATIVE & GENERAL	150,000	300,000	988,800	1,018,464	1,049,018	3,506,282
SUBTOTAL O&A	1,518,000	3,496,626	7,640,713	10,506,082	10,699,210	33,860,631
(B) COST OF ENERGY	-	25,374,018	86,155,255	147,269,558	154,129,047	412,927,878
(C) DEBT SERVICE	339,682	2,038,093	4,302,641	4,982,006	4,982,006	16,644,428
(D) DEPOSITS AND OTHER USES	1,315,000	-	-	-	-	1,315,000
TOTAL COST OF OPERATION	3,172,682	30,908,737	98,098,610	162,757,646	169,810,262	464,747,938
CCA PROGRAM SURPLUS/(DEFICIT)	(3,172,682)	1,481,242	4,901,359	6,797,488	9,095,150	19,102,557

The surpluses achieved during the phase-in period serve to build SCP's net worth and credit profile and to provide operating reserves for SCP in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time.

This table includes all expenses for administering programs and purchasing renewable energy, so the bottom line surplus is net of all currently planned expenses.

SCP Financings

It is anticipated that four financings may be necessary in support of the SCP Program during the first several years. The anticipated financings are described below.

CCA Program Start-up and Working Capital

As previously discussed, the anticipated start-up and working capital requirements for the SCP Program are \$9 million. This amount is dependent upon the amount of load initially served by SCP, actual energy prices, payment terms established with the third-party supplier and program rates. This figure would be refined during the startup period as these variables become known. Once the SCP Program is up and running, these costs would be recovered from SCP customers through retail rates.

It is assumed that this financing will be via a short term loan or letter of credit, which would allow SCP to draw cash as required. This financing would need to commence no later than mid-2013.

Phases 2 and 3 Working Capital

The next potential financing would be working capital for Phase 2. This amount is estimated at \$10 million. The financing could be an extension (increase) of the letter of credit for the SCP Program's start-up capital or a new short term credit facility. This financing would need to commence prior to the Phase 2 customer enrollments. A smaller short-term credit facility will likely be needed to support the Phase 3 customer enrollments (see table below).

Renewable Resource Project Financing

SCP may consider project financings for renewable resources, likely local wind, solar, biomass and/or geothermal as well as energy efficiency projects. However, SCP's ability to directly finance projects may require a track record of two to three years of successful program operations demonstrating strong underlying credit to support the financing.

In the event that such financing occurs, funds would include any short-term financing for the renewable resource project development costs, and would likely extend over a 20- to 30-year term. The security for such bonds would be a hybrid of the revenue from sales to the retail customers of SCP, including a Termination Fee as described in Chapter 9, and the renewable resource project itself.

The following table summarizes the potential financings in support of the SCP Program:

SCP Program Financing Summary

Proposed Financing	Estimated Total Amount	Estimated Term	Estimated Issuance
1. Start-Up	\$9 million	5 years	Mid 2013
2. Phase 2 Working Capital	\$10 million	5 years	Early 2015
3. Phase 3 Working Capital	\$3 million	5 years	Early 2016
4. Potential Renewable Resource Project Financings	\$TBD	20-30 years	TBD

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CHAPTER 8 - Ratesetting and Program Terms and Conditions

Introduction

This Chapter describes the initial policies proposed for SCP in setting its rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by the Board. The Board would retain authority to modify program policies from time to time at its discretion.

Rate Policies

SCP will establish rates sufficient to recover all costs related to operation of the SCP Program, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by the Board. As a general policy, rates will be uniform for all similar customers enrolled in the SCP Program throughout the service area of SCP.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- Rate competitive tariff option;
- 100 percent renewable energy supply option;
- Rate stability;
- Load shaping to support lower system wide prices;
- Increased development of local renewable energy systems;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

Rate Competitiveness

The goal is to offer competitive rates for the electric services SCP would provide to participating customers. For participants in SCP's standard Tariff, the goal would be for SCP's rates to be generally equivalent to the generation rates offered by PG&E. For participants in SCP's 100 percent renewable energy Tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium relative to the standard SCP tariff of approximately 10 percent.

Competitive rates will be critical to attracting and retaining key customers. In order for SCP to be successful, the combination of price and value provided by SCP to its customers must be perceived as superior when compared to the bundled utility service alternative. The value provided by SCP will include a higher renewable energy content for its electric supply,

enhanced energy efficiency and customer programs, community focus and investment, local control, and the benefits that derive from SCP's mission to serve its customers rather than the interests of private utility shareholders.

As previously discussed, the SCP Program will significantly increase renewable energy supply to program customers, relative to the incumbent utility, by offering two distinct rate tariffs. The default tariff for SCP Program customers will be the standard Tariff, which will maximize renewable energy supply while maintaining generation rates that are comparable to PG&E's. The initial renewable energy content provided under the standard Tariff will be at least 33%, and SCP will endeavor to increase this percentage on a going forward basis, subject to operational and economic constraints. SCP will also offer its customers a voluntary 100% renewable energy Tariff, which will supply participating customers with 100 percent renewable energy at rates that reflect SCP's cost for procuring necessary energy supplies.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy (CARE) program, will be automatically enrolled in the standard Tariff and will continue to receive related discounts on monthly electricity bills through PG&E.

Rate Stability

SCP will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. Rate stability considerations may prevent SCP Program rates from directly tracking similar rates offered by the distribution utility, PG&E, and may result in differences from the general rate-related targets initially established for the SCP Program. SCP will attempt to maintain general rate parity with PG&E to ensure that SCP rates are not drastically different from the competitive alternative.

Equity among Customer Classes

SCP's initial rates will be set based on cost-of-service considerations with reference to the rates customers would otherwise pay to PG&E. Rate differences among customer classes will reflect the rates charged by the local distribution utility as well as differences in the costs of providing service to each class. Rate benefits may also vary among customers within the major customer class categories, depending upon the specific rate designs adopted by the Board.

Customer Understanding

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to SCP's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles (i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

Revenue Sufficiency

SCP's rates must collect sufficient revenue from participating customers to fully fund SCP's annual budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all of SCP's costs, subject to the disclosure and due process policies described later in this chapter.

Rate Design

SCP will generally match the rate structures from the utilities' standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures when beginning service in SCP's program. SCP may also introduce new rate options for customers, such as rates designed to encourage economic expansion or business retention within SCP's service area.

SCP's initial rates are projected to average 8.1 cents per kWh, which is below PG&E's reported average generation rate.¹¹ However, SCP customers' electric bills may increase somewhat due to PG&E's collection of its excess power supply costs through the surcharge known as the Power Charge Indifference Adjustment ("PCIA"). PG&E will add the PCIA to SCP customers' monthly electric bills along with other utility service charges. The PCIA is identified in each of PG&E's rate schedules and is expected to decline over time.

Custom Pricing Options

SCP will work to develop specially-tailored rate and electric service products that meet the specific load characteristics or power market risk profiles of larger commercial and industrial customers. This will allow such customers to have access to a wider range of products than is currently available under the incumbent utility and potentially reduce the cost of power for these customers. SCP may provide large energy users with custom pricing options to help these customers gain greater control over their energy costs. Some examples of potential custom pricing options are rates that are based on an observable market index (e.g., CAISO prices) or fixed priced contracts of various terms. These rates and products would be structured to ensure that they are revenue/cost neutral, so that there is no rate subsidy provided by other ratepayers.

Net Energy Metering

Customers with on-site generation eligible for net metering from PG&E will be offered a net energy metering rate from SCP. Net energy metering allows for customers with certain qualified solar or wind distributed generation to be billed on the basis of their net energy consumption. The PG&E net metering tariff (E-NEM) requires the CCA to offer a net energy metering tariff in order for the customer to continue to be eligible for service on Schedule E-NEM. The objective is that SCP's net energy metering tariff will apply to the generation component of the bill, and the PG&E net energy metering tariff will apply to the distribution

¹¹ PG&E's reported system average generation rate for 2013 is 8.2 cents per kWh. See Table 3 of PG&E Advice Letter 4096-E.

utility's portion of the bill. SCP will pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by the SCP Board.

SCP may also implement tariff and financing programs to provide incentives to residents and businesses to maximize the size of photovoltaic and other renewable energy systems in order to increase the amount of locally-produced renewable power. Current tariffs create an incentive for residents and businesses considering new PV or renewable systems to limit the size of those systems so that annual generation matches annual on-site load. By implementing tariffs and programs to provide an incentive to maximize the output of such systems, SCP can help to increase the amount of local PV and renewable generation with minimal impact on the environment or existing infrastructure.

Retail Solar Cooperative

SCP may offer a Retail Solar Cooperative program to further promote local renewable energy projects. The retail solar cooperative concept may provide an opportunity for SCP to promote additional, locally developed photovoltaic solar projects that would be voluntarily supported by interested customers. Such programs typically feature one or more PV arrays, or "solar farms", of up to one megawatt each with electric output from these facilities serving as the basis for various retail pricing options. Retail solar cooperatives play a key role in addressing fundamental issues related to residential and commercial scale PV project development, which may prevent interested customers from completing such projects. Some of the issues addressed by retail solar cooperatives include:

- Non-optimal siting characteristics
 - Predominant shade over/around the dwelling or business
 - Lack of available roof space
 - Orientation of dwelling (related to solar exposure)
- Ownership status (which likely prevent renters from pursuing traditional solar installations)
- Multi-family living arrangements
- Planned relocation
- Aversion to up-front capital costs

The availability of retail solar cooperative programs addresses and/or alleviates these issues by creating participatory options that would not otherwise be available to customers affected by the aforementioned issues.

In the case of the Sacramento Municipal Utility District's SolarSharesSM program, participating customers incur fixed monthly charges in exchange for "ownership" shares in a locally situated solar farm. The monthly cost is dependent upon the number of shares "owned" by the customer – shares can be purchased in 0.5 kW increments at a cost of approximately \$10.75 per increment; participation can be scaled at the customer's discretion, depending on typical electric use and rate-related objectives. When energy is produced by the underlying solar farm, it is

proportionately allocated to participating customers based on the number of shares that have been purchased. This energy becomes the basis for a virtual net energy metering arrangement – quantities of energy from the solar project that have been allocated to each customer are netted against monthly use, thereby reducing energy consumption and related monthly charges for electricity. Over time, the monthly fixed charge remains unchanged but energy production will vary on a seasonal basis, as is the case with any PV generator. Through this program, customers receive the benefits of PV project ownership without the need to install such projects on their homes or businesses.

Tucson Electric has implemented a similar program, “Bright Tucson”, which applies a different pricing mechanism. In this case, Tucson Electric sells participating customers “blocks”, or fixed monthly quantities, of energy produced by a locally based solar farm at fixed price premiums approximating two cents per kilowatt-hour. Under this program structure, customers are able to offset a portion (or the entirety) of conventional, non-renewable energy purchases with local PV production without the variability of a virtual net energy metering arrangement. An alternative to this approach would be for SCP to consider selling similar energy blocks at a fixed energy rate (which would include the price for such energy as well as any premium related thereto). Such an alternative could be used to provide cost certainty to participating customers, which may be viewed as a valuable attribute when completing planning and budgeting efforts.

Specific elements, including timing, projects and pricing, of a similar program that may be implemented by SCP have yet to be discussed. As SCP advances through program implementation and gauges customer interest in such programs, it will be able to determine the most suitable terms and conditions for its customers.

Disclosure and Due Process in Setting Rates and Allocating Costs among Participants

Initial program rates will be adopted by the Board of Directors following the establishment of the first year’s operating budget prior to initiating the customer notification process. Subsequently, the Chief Executive Officer/Chief Executive Officer, with support of appropriate staff, advisors and committees, will prepare an annual budget and corresponding customer rates and submit these as an application for a change in rates to the Board of Directors. The rates will be approved at a public meeting of the Board of Directors no sooner than sixty days following submission of the proposed rates, during which affected customers will be able to provide comment on the proposed rate changes.

Within forty-five days after submitting an application to increase any rate, SCP will furnish notice of its application to its customers affected by the proposed change, either by mailing such notice postage prepaid to such customers or by including such notice with the regular bill for charges transmitted to such customers. The notice will provide a summary of the proposed rate increase and include a link to the SCP website where information will be posted regarding the amount of the proposed increase (expressed in both dollar and percentage terms), a brief statement of the reasons the increase is required or sought, and the mailing address of SCP for

any customer inquiries relative to the proposed increase, including a request by the customer to receive notice of the date, time, and place of any hearing.

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CHAPTER 9 – Customer Rights and Responsibilities

This chapter discusses customer rights, including the right to opt-out of the SCP Program and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in the CCA Program. All customers that do not opt out within 30 days of the fourth opt-out notice will have agreed to become full status program participants and must adhere to the obligations set forth below, as may be modified and expanded by the SCP Board from time to time.

By adopting this Implementation Plan, the SCP Board will have approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. The Board retains authority to modify program policies from time to time at its discretion.

Customer Notices

At the initiation of the customer enrollment process, a total of four notices will be provided to customers describing the Program, informing them of their opt-out rights to remain with utility bundled generation service, and containing a simple mechanism for exercising their opt-out rights. The first notice will be mailed to customers approximately sixty days prior to the date of automatic enrollment. A second notice will be sent approximately thirty days later. SCP will likely use its own mailing service for requisite opt-out notices rather than including the notices in PG&E's monthly bills. This is intended to increase the likelihood that customers will read the opt-out notices, which may otherwise be ignored if included as a bill insert. Customers may opt out by notifying SCP using SCP's designated telephone-based or internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting PG&E, they should be transferred to SCP's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt out, and the customer would be automatically enrolled.

Following automatic enrollment, a third opt-out notice will be mailed to customers, and a fourth and final opt-out notice will be mailed 30 days after automatic enrollment. Opt-out requests made on or before the sixtieth day following start of SCP service will result in customer transfer to bundled utility service with no penalty. Such customers will be obligated to pay charges associated with the electric services provided by SCP during the time the customer took service from the SCP Program, but will otherwise not be subject to any penalty or transfer fee from SCP.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the SCP Program and will have sixty days from the start of SCP service to opt out if they so desire. Such customers will be provided with two opt-out notices within this sixty-day post enrollment period. Such customers will also receive a notice detailing SCP's privacy policy regarding customer usage information. SCP's Board of Directors will have the authority to implement entry fees for customers that initially opt out of the Program, but

later decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the SCP Program's customer base.

Termination Fee

Customers that are automatically enrolled in the SCP Program can elect to transfer back to the incumbent utility without penalty within the first two months of service. After this free opt-out period, customers will be allowed to terminate their participation subject to payment of a Termination Fee. The Termination Fee will apply to all SCP customers that elect to return to bundled utility service or elect to take "direct access" service from an energy services provider. Customers that relocate within the SCP service territory would have their SCP service continued at the new address. If a customer relocating to an address within the SCP service territory elected to cancel SCP service, the Termination Fee will apply. Program customers that move out of the SCP service territory would not be subject to the Termination Fee.

The Termination Fee will consist of two parts: an Administrative Fee set to recover the costs of processing the customer transfer and other administrative or termination costs and a Cost Recovery Charge ("CRC") that would apply in the event SCP is unable to recover the costs of supply commitments attributable to the customer that is terminating service. PG&E will collect the Administrative Fee from returning customers as part of the final bill to the customer from the SCP Program and will collect the CRC as a lump sum or on a monthly basis pursuant to a negotiated servicing agreement between SCP and PG&E.

The Administrative Fee would vary by customer class as set forth in the table below.

Administrative Fee for Service Termination

Customer Class	Fee
Residential	\$5
Non-Residential	\$25

The customer CRC will be equal to a pro rata share of any above market costs of SCP's actual or planned supply portfolio at the time the customer terminates service. The proposed CRC is similar in concept to the Cost Responsibility Surcharge charged by PG&E, and it is designed to prevent shifting of costs to remaining SCP customers. The CRC will be set on an annual basis by SCP's Board as part of the annual ratemaking process.

If customers terminate service, SCP anticipates it will re-market the excess supply and recover all or the majority of its costs. Depending upon market conditions, the CRC may not be needed for recovery of stranded costs. However, SCP's ability to assess a CRC, if necessary, can be an important condition for obtaining financing for SCP's power supply. The low cost financing will, in turn, enable SCP to charge rates that are competitive with PG&E's.

The Termination Fee will be clearly disclosed in the four opt-out notices sent to customers during the sixty-day period before automatic enrollment and following commencement of service. The fee could be changed prospectively by SCP's Board of Directors, subject to SCP's customer noticing requirements. As previously noted, customers that opt-out during the statutorily mandated notification period will not pay the Termination Fee that may be imposed by SCP.

Customers electing to terminate service after the initial notification period (that provided them with at least four opt-out notices) would be transferred to PG&E on their next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Such customers would also be liable for the nominal reentry fees imposed by PG&E and would be required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

Customer Confidentiality

SCP will establish policies covering confidentiality of customer data that are fully compliant with the California Public Utilities Commission's required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. SCP will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account numbers, and electricity consumption, except where reasonably necessary to conduct SCP's business or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable SCP to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. SCP will not disclose customer information for telemarketing, email, or direct mail solicitation. Aggregate data may be released at SCP's discretion. SCP will handle customer energy usage information in a manner that is fully compliant with the California Public Utility Commission's required privacy protections for customers of Community Choice Aggregators, as defined in Decision 12-08-045.

Responsibility for Payment

Customers will be obligated to pay SCP charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, SCP will not be able to direct that electricity service be shut off for failure to pay SCP's bill. However, PG&E has the right to shut off electricity to customers for failure to pay electricity bills, and PG&E Electric Rule 23 mandates that partial payments are to be allocated pro rata between PG&E and the CCA. In most circumstances, customers would be returned to utility service for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. PG&E would attempt to collect any outstanding balance from customers in accordance with Rule 23 and the related CCA Service Agreement. The proposed process is for two late payment notices to be provided to the customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would be transferred to the utility on the next regular meter read date, unless alternative payment

arrangements have been made. Consistent with the CCA tariffs, Rule 23, service cannot be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC, and that customer has paid the disputed amount into an escrow account.

Customer Deposits

Customers may be required to post a deposit equal to two months' estimated bills for SCP's charges to obtain service from the SCP Program under certain circumstances. A deposit would be required for an applicant who previously has been a customer of PG&E or SCP and whose electric service has been discontinued by PG&E or SCP during the last twelve months of that prior service because of nonpayment of bills. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally a customer who fails to pay bills before they become past due as defined in PG&E Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment¹². Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with PG&E.

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¹² A customer whose service is discontinued by SCP is returned to PG&E generation service.

Introduction

This Chapter describes SCP's initial procurement policies and the key third party service agreements by which SCP will obtain operational services for the SCP Program. By adopting this Implementation Plan, SPC's Board of Directors will have approved the general procurement policies contained herein to be effective at Program initiation. The Board retains authority to modify Program policies from time to time at its discretion.

Procurement Methods

SCP will enter into agreements for a variety of services needed to support program development, operation and management. It is anticipated SCP will generally utilize Competitive Procurement methods for services but may also utilize Direct Procurement or Sole Source Procurement, depending on the nature of the services to be procured. Direct Procurement is the purchase of goods or services without competition when multiple sources of supply are available. Sole Source Procurement is generally to be performed only in the case of emergency or when a competitive process would be an idle act.

SCP will utilize a competitive solicitation process to enter into agreements with entities providing electrical services for the program. Agreements with entities that provide professional legal or consulting services, and agreements pertaining to unique or time sensitive opportunities, may be entered into on a direct procurement or sole source basis at the discretion of SCP's Chief Executive Officer or Board of Directors.

The Chief Executive Officer will be required to periodically report (e.g., quarterly) to the Board a summary of the actions taken with respect to the delegated procurement authority.

Authority for terminating agreements will generally mirror the authority for entering into such agreements.

Key Contracts

Electric Supply Contract

SCP will initiate service using a multi-year electricity supply contract with a qualified provider. The third party provider will supply electricity and related services to customers under a contract between the provider and SCP. SCP may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. SCP would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time.

Under the initial supply contract, the supplier commits to serve the composite electrical loads of customers in the Program. The supplier is responsible for ensuring that a certified Scheduling Coordinator schedules the loads of all customers in the SCP Program, providing necessary electric energy, capacity/resource adequacy requirements, renewable energy and ancillary services. The supplier is responsible for SCP's day-to-day energy supply operations and for managing the predominant supply risks for the term of the contract. The supplier must meet the Program's renewable energy requirements and comply with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

SCP anticipates executing the electric supply contract for Phase 1 loads in mid-2013. The contract for Phase 2 and Phase 3 loads will be executed approximately four months prior to commencement of service to these customers.

Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange or EDI with PG&E, billing, remittance processing, and account management). Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract may be separate from the electric supply contract. A single contractor will be selected to perform all of the data management functions.¹³

The data manager is responsible for the following services:

- Data exchange with PG&E;
- Technical testing;
- Customer information system;
- Customer call center;
- Billing administration/retail settlements; and
- Settlement quality meter data reporting
- Reporting and audits of utility billing.

Utilizing a third party for account services eliminates a significant start-up expense associated with implementing a customer information system. Such systems can impose significant information technology costs and take significant time to deploy. A longer term contract is appropriate for this service because of the time and expense that would be required to migrate data to a new system. Separation of the data management contract from the energy supply contract gives SCP greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

¹³ The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

It is anticipated that SCP will execute a contract for data management services in mid-2013.

Electric Supply Procurement Process

SCP selected [ESP NAME] as its energy supplier through a competitive solicitation process, which was administered in mid-2013. Additional information regarding SCP's energy supplier, [ESP NAME], is provided below.

[TBD]

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Introduction

This Chapter describes the process to be followed in the case of SCP Program termination. By adopting the original Implementation Plan, SCP's Board of Directors will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that SCP would terminate the SCP Program and return its customers to PG&E service, the proposed process is designed to minimize the impacts on its customers and on PG&E. The proposed termination plan follows the requirements set forth in PG&E's tariff Rule 23 governing service to CCAs. The Board retains authority to modify program policies from time to time at its discretion.

Termination by SCP

SCP will offer services for the long term with no planned Program termination date. In the unanticipated event that the majority of the Member's/Participant's governing bodies (County Board of Supervisors and/or City/Town Councils) decide to terminate the Program, each governing body would be required to adopt a termination ordinance or resolution and provide adequate notice to SCP consistent with the terms set forth in the JPA Agreement. Following such notice, SCP would vote on Program termination subject to voting provisions as described in the JPA Agreement. In the event that the Board affirmatively votes to proceed with JPA termination, the Board would disband under the provisions identified in its JPA Agreement.

After any applicable restrictions on such termination have been satisfied, notice would be provided to customers six months in advance that they will be transferred back to PG&E. A second notice would be provided during the final sixty-days in advance of the transfer. The notice would describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one year advance notice would be provided to PG&E and the CPUC before transferring customers, and SCP would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers would be transferred *en masse* on the date of their regularly scheduled meter read date.

SCP will post a bond or maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves would be maintained against the fees imposed for processing customer transfers (CCASRs). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover reentry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of reentry fees are the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned

for default or because its contract has expired. SCP will post financial security in the appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.

Termination by Members

The JPA Agreement defines the terms and conditions under which Members may terminate their participation in the program.

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CHAPTER 12 – Appendices

Appendix A: SCP Resolution Adopting Implementation Plan

Appendix B: Sonoma Clean Power Joint Powers Agreement

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County of Sonoma
Agenda Item
Summary Report

Clerk of the Board
575 Administration Drive
Santa Rosa, CA 95403

Agenda Item Number: 45
(This Section for use by Clerk of the Board Only.)

To: Board of Directors of the Sonoma Clean Power Authority, the Board of Directors of the Sonoma County Water Agency, the Board of Supervisors for the County of Sonoma

Board Agenda Date: April 23, 2013

Vote Requirement: Majority

Department or Agency Name(s): Sonoma County Water Agency

Staff Name and Phone Number:

Cordel Stillman/547-1953

Supervisorial District(s):

All Districts

Title: Sonoma Clean Power

Recommended Actions:

Receive staff report regarding progress on implementation of the Sonoma Clean Power program and responses to Request for Proposals on power rates; authorize staff to implement program; and approve associated actions, as detailed in Exhibit A of staff report.

Executive Summary:

Introduction

This item provides information regarding the Request for Proposals on power rates and requests the Board of Directors of the Sonoma Clean Power Authority (Board) to authorize staff to implement the Sonoma Clean Power Community Choice Aggregation Program in the unincorporated area of Sonoma County and in the territories of cities within Sonoma County that choose to participate in the program by June 30, 2013. The item also requests approval by the Board of Directors of the Sonoma County Water Agency and the Sonoma County Board of Supervisors of certain related actions necessary to the implementation of the Sonoma Clean Power program. A list of all actions requested by this item is attached as Exhibit A (A1).

Under the Sonoma Clean Power program, the electric demands of customers within the unincorporated area of the County and within any cities choosing to join the program would be served by electrical power provided by the Sonoma Clean Power Authority except for customers who choose to opt out and stay with PG&E. The existing distribution utility (PG&E) is required to deliver the electricity provided by the Sonoma Clean Power Authority to the program's customers. PG&E will also continue to provide other services, including transmission, grid infrastructure upkeep and repair, efficiency programs, new service requests and billing. Customers will continue to receive one bill from PG&E for all their energy costs, but the "generation" portion of the bill (that is, the charge for the electrical power itself) will be paid by PG&E to the Sonoma Clean Power Authority, which will use the revenues to pay the cost of

acquiring power for its customers. Customers not wishing to receive power from the program have the right to "opt out" of the program and continue to receive power from PG&E.

Approval of this item will result in the Sonoma Clean Power Authority taking all of the steps necessary to roll out the Sonoma Clean Power program. The estimated start of service would be January 1, 2014. Phase 1 of the program would provide service to approximately 10,000 customers. The Phase 2 roll-out would add approximately 120,000 customers after 6 months to a year of operation, and the Phase 3 roll out (90,000 customers) would occur about 6 months later. The exact number of customers eventually served by Sonoma Clean Power will depend on which cities choose to participate in the program. The participation of cities is anticipated and will broaden the rate base, although the program is viable even if the benefits of the program are limited to those living in the unincorporated area of the County.

Sonoma Clean Power -- Benefits

The October 2011 *Report on the Feasibility of Community Choice Aggregation in Sonoma County* (Feasibility Study) prepared by the Water Agency and its consultants documented the benefits implementation of the Sonoma Clean Power program can provide. Staff has also addressed various concerns identified while exploring implementation. These are listed and addressed in Exhibit B (A1).

These include:

Increased Renewable Energy Use: The Sonoma Clean Power Authority will initially deliver power having a minimum 33% renewable content, which will meet the State of California's 2020 renewable portfolio standard, and plans to increase the minimum renewable content to 50% by or before 2018. These minimums exceed the renewable content of electricity delivered by PG&E. In addition, the Sonoma Clean Power Authority will offer an optional 100% renewable power product to its customers for a premium.

By increasing the renewable content of power delivered in Sonoma County, the Sonoma Clean Power program will have a significant effect on greenhouse gas emissions. The Feasibility Study estimated that implementation of the program with the renewable minimums described above would result in a 23% reduction in greenhouse gas emissions attributable to electricity use in Sonoma County (eliminating 155,000 metric tons of carbon dioxide per year – *equivalent to the annual greenhouse gas emissions of 32,300 automobiles*). Implementation of the Sonoma Clean Power program is the biggest single short-term step Sonoma County can take to reduce its greenhouse gas emissions.

Local Economic Benefits: Sonoma County residents currently pay approximately \$180 million per year in electric generation costs to PG&E. Most of this goes to pay for generation facilities in other areas of California or the United States. Sonoma Clean Power plans to focus on the development of local renewable generation sources, as well as implementing local energy efficiency and conservation programs. By keeping the generation revenues "at home" and focusing on local programs, Sonoma Clean Power will create local jobs and improve the local economy. The Feasibility Study estimated that the economic and job impacts of the program would be significant and sustained.

Providing Choice and Competition: Sonoma Clean Power will eliminate the existing monopoly of PG&E and give customers a choice – customers can receive power from the Sonoma Clean Power Authority, or they can opt out and continue to receive power from PG&E. Increasing competition in the marketplace for electrical generation services will benefit customers of both PG&E and Sonoma Clean Power.

Local Control: The operations and priorities of PG&E are determined by its shareholders, its management, and the California Public Utilities Commission in San Francisco. The governing board of the Sonoma Clean Power Authority will be comprised of appointees from the County and the cities choosing to join the program. This provides local residents with greater influence and control over decisions about the operation and priorities of the Sonoma Clean Power Authority, and will ensure that the Authority is attentive and responsive to the needs of its customers and residents.

Lower Financing Costs: Because the Sonoma Clean Power Authority is a public entity, it can finance electrical generation facilities with tax-exempt bonds, does not have to pay dividends to shareholders, and does not have to pay income taxes. These lower costs mean that in the long run the Sonoma Clean Power Authority should be able to provide electrical power to its customers at a lower cost than PG&E.

Increased Efficiency Programs: In many cases, the amount of money it takes to conserve a kilowatt of power is less than the amount of money it takes to generate a kilowatt of power. One of the primary purposes of Sonoma Clean Power is to undertake more aggressive energy efficiency and conservation programs, which will both reduce consumers' overall energy costs and further reduce greenhouse gas emissions.

Providing a Market for Small-Scale Renewables : By implementing more flexible and generous feed-in tariffs and net-energy metering programs, Sonoma Clean Power will provide a market for and encourage the development of small-scale private renewable energy projects (such as photovoltaics). Such projects will provide additional greenhouse gas reductions and local economic benefits.

Water Agency staff identified a number of other possible benefits of the program as well. For example, Sonoma Clean Power would be eligible to apply for and receive revenues from the “public goods charge” that the California Public Utilities Commission requires PG&E to collect from customers to support energy efficiency programs. Sonoma Clean Power could also offer individualized electric service products for larger commercial and business customers, which could help such customers save money on their electric bills.

Rates, Financial Projections, and Financing

Background

On December 4, 2012, the Board of Directors of the Sonoma County Water Agency and the Board of Supervisors of the County of Sonoma entered into a Joint Powers Agreement, creating the Sonoma

Clean Power Authority. Under an agreement between the Water Agency and the Authority approved on December 11, 2012, Water Agency staff performed certain services for the Authority on an interim basis, including the following:

Water Agency staff and consultants prepared and circulated a Request for Proposals to companies capable of providing the electric generation, scheduling, data management, and other services required by Sonoma Clean Power. Responses were received on April 5, 2013. Water Agency staff and its consultants have analyzed the responses to determine what rates the Sonoma Clean Power Authority would charge its customers if the community choice aggregation program were implemented. The result of that analysis is discussed below.

Water Agency staff issued a Request for Qualifications for a consultant to perform peer review services to review and verify the work and conclusions of our consultants and staff in the areas of implementation planning, rate setting, contract negotiation, and other areas. Responses were received on March 1, 2013 and MRW and Associates was selected. MRW also performed the peer review of the Sonoma Clean Power Feasibility Study. The Board authorized the General Manager to enter into a contract for these services at the February 5, 2013 Board meeting.

Water Agency staff issued a Request for Qualifications for a consultant to perform an executive search for a consultant to act as Chief Executive Officer of Sonoma Clean Power for a defined term. The Request for Qualifications was sent to firms with knowledge in this arena. When no firms responded to the Request for Qualifications, Water Agency staff contacted a number of firms who had received the Request for Qualifications to further explain the services being requested. As a result of these contacts, the Water Agency has negotiated an agreement with Robert Half and Associates to perform these services.

A Request for Qualifications was issued in February, 2013 for public information and outreach services related to the startup of Sonoma Clean Power. Responses from ten firms were received on March 8, 2013. Responses were evaluated by Water Agency staff and the firm of M.I.G. (Kenwood, CA) was selected to perform public outreach and marketing.

Water Agency staff and its consultants investigated possible sources of start-up financing for the Sonoma Clean Power program. As discussed in the next section, staff has identified a financing source and negotiated favorable financing terms.

Responses to the Request for Proposals for providing the electric generation, scheduling, data management, and other services required by Sonoma Clean Power were received from 13 firms. Services to be provided include delivery of electric power, data management, power scheduling services, demand management, net energy metering and feed-in tariff program development, and call center services. The responsive proposals are being evaluated by Water Agency staff and consultants, with the goal of identifying the most favorable proposals from two or three energy service providers in the coming weeks. Once the number of cities choosing to participate in the program has been finalized, staff will ask the remaining firms to provide the Sonoma Clean Power Authority with their final and best offers, based on the actual number of customers in participating cities and the county. A final contract

will then be negotiated.

Rates

Based upon the proposed cost of power contained in the responses provided by electric service providers, Water Agency staff and consultants were able to calculate within a narrow range the estimated rate that the Sonoma Clean Power Authority would charge its customers. This estimate is based upon certain assumptions (e.g., that the “opt out” rate of customers would be 20%, similar to that experienced by the Marin Energy Authority and that finance costs will be as discussed below). A table comparing expected 2014 Sonoma Clean Power Authority rates to expected 2014 PG&E rates for typical residential and commercial customers is shown below and attached as Exhibit C.

Example Residential Electric Fees Based on 500 kWh per month	SCP	SCP	PG&E
	Low Estimate for 2014	High Estimate for 2014	Estimated Rate for 2014
Electric Generation Fees <i>(all customers)</i>	33% Renewable Energy \$35.71	33% Renewable Energy \$38.46	20% Renewable Energy \$40.76
PG&E Electric Delivery Fees <i>(all customers)</i>	\$55.80	\$55.80	\$55.80
Additional PG&E Fees <i>(SCP customers only)</i>	\$3.32	\$3.32	\$0.00
<i>Last updated April 15, 2013</i>	Total Cost \$94.83	Total Cost \$97.58	Total Cost \$96.56

Example Commercial Electric Fees Based on 15,000 kWh per month	SCP	SCP	PG&E
	Low Estimate for 2014	High Estimate for 2014	Estimated Rate for 2014
Electric Generation Fees <i>(all customers)</i>	33% Renewable Energy \$1,203	33% Renewable Energy \$1,296	20% Renewable Energy \$1,373
PG&E Electric Delivery Fees <i>(all customers)</i>	\$1,169	\$1,169	\$1,169
Additional PG&E Fees <i>(SCP customers only)</i>	\$90	\$90	\$0
<i>Last updated April 15, 2013</i>	Total Cost \$2,462	Total Cost \$2,555	Total Cost \$2,542

Notes:

PG&E class average rates for residential (E-1) and medium commercial (A-10) customers are assumed to be 3.5% higher than the 2013 rates, taken from PG&E Advice Letter 4096-E-A, Attachment 2, Table 3, December 30, 2012.

"Additional PG&E Fees" includes the Power Charge Indifference Adjustments and the Franchise Fee Surcharge.

The calculation estimates that electric rates for a typical residential account would be from 1.8% below to 1.1% above PG&E's rates. Estimated rates for at typical commercial account would be from 3.1% below to 0.5% above PG&E's rates. A table comparing expected 2014 Sonoma Clean Power Authority monthly rates to expected 2014 PG&E monthly rates for typical residential and commercial customers is attached as Exhibit C (A1).

Note that the cost of electric power provided by an electric service provider cannot be set and guaranteed until the Sonoma Clean Power Authority signs an agreement with that provider. Similarly, the rate of financing for purchasing energy will not be set until the Authority actually first uses loan funds. Thus the longer the delay between the present and the time these events occur, the less certainty there is that the estimated rates above will match those actually charged by Sonoma Clean Power. However, Water Agency staff and its consultants anticipate that the rates above are indicative of those likely to be charged assuming that the Authority begins delivering power on January 1, 2014.

The favorable terms offered by the energy service providers in their responses to the RFP, which resulted in the estimated rates in the table above, were not entirely unexpected. In California, most power in excess of that provided by longstanding generation resources (such as hydropower and nuclear facilities) is generated by natural-gas fired plants, and the price of natural gas is at historically low levels. In addition, electric service providers see the advent of community choice aggregation programs such as Sonoma Clean Power as a way to break into a California market that has been off-limits to them since the right of direct access was eliminated in the early 2000s. Finally, interest rates in the financial markets are also at historical lows, making this a propitious time to borrow start-up funds.

Financial Projections

Water Agency staff and consultants have estimated the monthly expenses and revenues of Sonoma Clean Power over the first four years of operations, in order to determine whether the enterprise is financially viable. This analysis, which is based on current best assumptions about power, administrative, and finance costs, as well as estimates of revenues from power sales, shows that Sonoma Clean Power is financially viable, and will produce operating surpluses within the first year of selling power. A summary of the forecast annual revenues and expenses is shown in Table 1, attached as Exhibit D (A1).

The basic business model involves buying energy at wholesale and selling it to Sonoma County businesses and residents at retail rates. Revenues from power sales are used to pay for the cost of purchased energy, to pay staffing, consultants, and other common business expenses.

Three significant factors affect estimated Sonoma Clean Power finances:

Cost and terms of startup lending: The total cost of interest and fees for borrowing the startup money affects Sonoma Clean Power's financial health, as do the terms for repayment. The Draft Implementation Plan assumed rates and terms similar to Marin Energy Authority, namely 5.00% interest with a straight 5-yr amortized loan repayment schedule for all borrowing. Actual finance costs are more favorable, reflecting the offer received from First Community Bank presented in the "Start-up Financing" section later in this report. In addition, the Water Agency has agreed to accept delayed repayment of its startup loan, meaning that rather than a lump sum repayment in June 2013, it will start receiving monthly payments of \$25,000 in January 2015 until its loan is fully repaid.

Wholesale energy prices: Sonoma Clean Power's largest expense is the amount it pays to power suppliers for wholesale power. Because Sonoma Clean Power has a commitment to keeping its rates very close to PG&E's rates (while working to achieve lower rates over time), if wholesale power costs are too high, Sonoma Clean Power will not be financially viable. However, we received favorable responses from energy suppliers to the Request for Proposal. Based upon these responses, and taking into account other Sonoma Clean Power costs, Sonoma Clean Power's average rates can be set at a rate that comparable to PG&E's current rates. This level of rates will allow Sonoma Clean Power to obtain the revenue amounts set forth in the table above. With this level of rates and revenues, the analysis shows that Sonoma Clean Power would be a financially viable enterprise.

Number of cities participating in Phase 1: The number of customers in Phase 1 affects how quickly the enterprise can reach breakeven cash flows, which in turn improves Sonoma Clean Power's ability to secure favorable lending terms for the Phase 2 and 3 rollouts. Because of certain fixed costs associated with running Sonoma Clean Power, the more quickly Sonoma Clean Power can grow, the more quickly it can reach a strong financial position. An updated financial evaluation will be provided to the Sonoma Clean Power Board immediately following the June 30, 2013 deadline for cities to join for participating in Phase 1.

The expenses listed in Table 1 are based upon the experience of Marin Energy Authority in operating a similar program. Operations and Administrative expenses are based on an estimate of eight full-time staff with additional contracted professional support. We estimate that \$228,000 per month would cover these staff and consultant costs as well as the marketing outreach campaign.

Data Management service costs are based on an estimated \$1.75 per account per month fee plus \$0.45 per MWh for the first 800 GWs per year. These costs increase over the three phases as service is provided to more customers (similar to Marin Energy Authority's costs). Actual data management costs may be higher or lower based on the selection of a provider from a competitive solicitation for services.

IOU Fees are the charges by PG&E setting up customer accounts for participation in Sonoma Clean Power, meter reading and billing, and include an estimated \$0.70 per account per month, \$6,500 per phase to transition the accounts to Sonoma Clean Power, and a one-time \$15,000 security deposit at startup. Like with Data Management, these charges increase as service is provided to more customers. Other Administrative and General expenses include \$50,000 per month for office space, supplies, telephones, technical support and related business expenses as well as \$30,000 per month for

unanticipated expenses that arise from the formation and operation of Sonoma Clean Power.

The Cost of Energy line item includes several costs beginning with the competitively-bid wholesale energy supply costs for each type of energy (general market energy, energy from local renewable energy projects, in-state renewable energy that is used immediately (called "Bucket 1") in-state renewable energy that is used in the same year as produced (called "Bucket 2") and renewable energy credits. The Cost of Energy also includes charges for certain regulatory requirements, including a "Resource Adequacy" charge of \$8.00 per MWh, a charge for distribution system delivery losses of \$2.58 per MWh, and a charge by the California Independent System Operator of \$3.00 per MWh.

The Debt Service line item includes both interest payments and principal payments on all loans. The estimates assume borrowing in the amounts of \$2.5 million drawn between June 2013 and December 2013, \$7.5 million drawn at the end of 2013 and into the first two or three months of 2014 to pay for initial energy supply for Phase 1, \$10 million at the end of 2014 to cover startup energy supply costs for Phase 2, and \$3 million at the end of 2015 to cover the startup energy costs for Phase 3. This makes a total of \$23 million in loans. However, this estimate is conservative and the amount of borrowing is likely to be less. All of the loans are interest-only for the first 24 months followed by a 36-month amortized loan payment schedule with principal and interest. The first \$2.5 million would be borrowed at 4.00% interest. The remaining energy contract loans would be borrowed at approximately 4.5% interest (see "Start-up Financing" later in this report for a description of how this rate will be set).

Deposits and Other Uses include a \$700,000 estimate of the cost of the bond required to be filed with the California Public Utilities Commission and a \$15,000 security deposit to initiate working with PG&E. The California Public Utilities Commission bond could be more or less than \$700,000 based on the outcome of current proceedings at the California Public Utilities Commission. For budget purposes, the estimate was set at a reasonably conservative level.

Finally, the line item, "CCA Program Surplus/Deficit" shows Sonoma Clean Power's net income assuming the revenue and expense amounts are as estimated. This amount will primarily be used to self-finance energy contracts for the first few years, although this is also the source of funding for general operating reserves, a rate stabilization fund, any direct costs associated with customer programs that add to PG&E's current offerings, such as customized energy efficiency programs, demand management, distributed generation, net energy metering, a feed-in tariff for excess renewable energy and the development of any Sonoma Clean Power-owned generation assets.

The amount of Sonoma Clean Power's net income will significantly increase as the startup debts are paid off. Debt service rises to \$7.5 million in early 2018 and then begins to drop as loans are paid off, eventually dropping to zero at the end of 2020. Net income will also increase as the so-called "Power Cost Indifference Adjustment" charge is reduced over time. The power cost indifference adjustment is a charge to ensure that PG&E's remaining customers do not bear any cost created by departing customers who receive their electric supply from a community choice aggregation program.

Start-up Financing

On April 17, 2012, the Board directed staff to pursue start-up funding for Sonoma Clean Power. Since

that time we have investigated various ways to finance the first several months of administration and energy costs. Proceeds from financing sources would cover two different types of expenses. First, the Sonoma Clean Power Authority will need financing in order to pay staff, consultant, and administrative costs prior to the time when revenues from power sales begin to be collected. Second, the Authority must pay for electric power as it is delivered to customers, but does not receive revenues back from the customers for a period of 45-60 days. It is estimated that up to \$2,500,000 in financing is necessary to cover the first type of costs, and up to \$7,500,000 is necessary to cover the second type of costs.

Staff has investigated several methods for financing these costs. Initially we were hopeful that the California Infrastructure Bank would be able to provide the financing. Several trips were made to Sacramento, including a meeting in the Governor's office. In the end, the Infrastructure Bank was unable to provide the needed loan.

Staff also discussed obtaining start-up financing through the issuance of tax-exempt bonds, and discussed such a possibility with two bond financing firms. Although the two firms were willing to consider underwriting an issuance of bonds, it became apparent that because this would be the first issuance of its type, the net costs of the issuance would be higher than usual, and it was unlikely that financing could be obtained within a time frame that would allow Sonoma Clean Power to begin service by January 2014.

Staff also investigated the use of financing from energy service providers. In the request for proposal process described above, energy service providers that provide start-up financing will be given preferential rankings in the evaluation of their proposals. If it is determined that using start-up financing would be cost effective, it may be worked into final contract negotiations.

Finally, staff approached private lending institutions regarding their ability to finance Sonoma Clean Power. After conversations with several banks, First Community Bank in Santa Rosa stepped forward with a proposal that stood out from the others. After several rounds of negotiation, First Community Bank has agreed to offer Sonoma Clean Power two lines of credit to finance the two types of start-up costs described above.

The first line of credit would finance the first type of start-up costs (staff, consultant, and administrative costs, as well as out-of-pocket costs such as the cost of a bond required by the California Public Utilities Commission). These costs would be incurred during the period from approximately July 2013 until revenues from power sales begin to be collected (approximately seven months later). Conservative estimates of these costs are in the range of \$2.0-\$2.5 million. First Community Bank is offering a line of credit in the amount of \$2.5 million to cover these costs, at an interest rate of 4.00%. The loan would be repaid after five years, but the Authority would only have to make interest payments for the first 24 months (thus aiding the Authority's cash flow at the very beginning of its startup period). First Community Bank is requiring a guarantee of repayment of the line of credit; however, the amount of the guarantee can be reduced after twelve months of energy sales, and the requirement of a guarantee would be completely eliminated after the Authority makes twelve months of principal and interest payments on the loan, provided that the Authority maintains a debt service coverage ratio of 2:1. There is no penalty for early repayment of the line of credit and no requirement to draw the full amount.

The second line of credit would finance the purchase of electric power to be delivered by the Authority during the first phase of startup. There is a delay of approximately 45 to 60 days between the time the Authority must pay the electric service providers for power and the time the Authority receives payments for that power from its customers. We estimate that a line of credit of \$7.5 million will be needed to cover the power purchase cost that will be incurred prior to receiving revenues. First Community Bank is not requiring a guarantee of repayment on this line of credit, but is requesting that the Authority grant First Community Bank a security interest in the power contracts with the electric service providers. The interest rate on this line of credit is calculated based upon a formula that tracks the 5-yr Treasury Constant Maturity rate, and will not be fixed until the Authority first draws down funds from the line of credit. The interest rate on the line of credit would be 4.20% if the first funds were drawn today. The line of credit must be paid back within five years, but the first 12 months are structured as an interest-only loan to improve cash flow. The line of credit may be prepaid at any time without penalty and there is no requirement to draw the full amount.

The offer of these lines of credit by First Community Bank evidences the bank's commitment to reducing greenhouse gas emissions and encouraging the development of local "green" jobs. The offer also evidences the solidity and viability of the business plan developed for the Sonoma Clean Power Authority by Water Agency staff and consultants.

The County Auditor-Controller-Treasurer-Tax Collector has reviewed the pro forma and the proposed terms of the First Community Bank loan. Staff is working with the County Auditor-Controller-Treasurer-Tax Collector, the County Administrator, and County Counsel to determine the best mechanism for providing the guaranty. This could include obtaining a guaranty from the County, obtaining a guaranty or a letter of credit from a private party, or providing some other type of security. The form of guaranty will be presented to the Board at the time that the Board considers and approves the final loan documents. Staff is also exploring the use of a direct loan from the County for the \$2.5 million, in case that proves to be the best option.

Sonoma County Water Agency Services and Reimbursement Agreement

Beginning in March 2011, the Water Agency has been directly involved in investigating the feasibility of implementing a community choice aggregation program and in the creation of Sonoma Clean Power. In addition to providing the staff and consultant services needed for this effort, the Agency has been developing renewable energy projects in anticipation of delivering power to Sonoma Clean Power from those projects. The Agency has also been developing energy efficiency programs (for example, the Sonoma County Efficiency Financing program) which will neatly complement Sonoma Clean Power. Finally, the Agency is investigating the development of community solar projects, which could also be absorbed by Sonoma Clean Power. These Water Agency efforts have been designed to assure that Sonoma Clean Power can deliver on its promise of local economic benefit as soon as is practicable.

On December 11, 2012, the Board of Directors of the Sonoma Clean Power Authority approved an agreement for interim services with the Sonoma County Water Agency. In this agreement, the Water Agency agreed to continue to fund the initial costs related to Sonoma Clean Power with the understanding that it would be reimbursed for these costs at the time Sonoma Clean Power became financially viable. The agreement for reimbursement recognizes that Sonoma Clean Power will not be

able to immediately begin repayment, and allows Sonoma Clean Power to defer payments until one year after the program begins (estimated to be January 2015).

In order for Sonoma Clean Power to become financially viable it will be important that it focus in the short term on providing excellent customer service and establishing a firm customer base with rates that remain competitive with PG&E. Having Sonoma Clean Power staff concentrate primarily on this mission in the short term will make its success more likely. However, the development of local renewable energy projects, demand side programs and efficiency programs is of central importance to the long-term success of Sonoma Clean Power. By having the Water Agency staff and consultants continue to work on these types of projects in the short term, Sonoma Clean Power will be able to concentrate on solidifying its structure and business, while still advancing its long-term goals and objectives.

Staff thus recommends that the Boards of the Authority and the Water Agency approve the proposed Services and Reimbursement Agreement between the two entities. Under the proposed Agreement, the Water Agency will continue to advance viable renewable energy projects that could sell power to Sonoma Clean Power; analyze and propose new energy efficiency programs, services, and market mechanisms that could benefit Sonoma County (and potentially be financed by the Public Goods Charge funds); develop a proposed feed-in tariff program; investigate Community Solar Projects which could allow homeowners and businesses to subscribe to a solar project through virtual net metering; and act as a renewable energy "research and development" arm for Sonoma Clean Power. In return for these services, the Authority will pay the Water Agency a fee of \$25,000 per month, beginning on January 1, 2015. The Water Agency will set up a balancing account to track costs, expenses, and payments, and if the Agreement is terminated, any excess amounts due either to the Water Agency or the Authority will be repaid. The Water Agency is thus paid only for services actually performed.

This services portion of the Agreement can be terminated by either party on 90-days' notice, and does not preclude the Authority from contracting with other governmental, non-profit, or private entities to provide these or similar services in the future. Thus the Authority Chief Executive Officer and Board retain full discretion to decide whether to contract out such work to other parties to replace in whole or in part the services proposed to be performed by the Water Agency. As noted, in the short term the interim Authority CEO and staff must focus on bringing initial SCP service on-line, ensuring the operation functions properly and provides excellent customer service, and planning for the later roll-out of service to additional customers. The Authority will not have the capacity to engage in the important longer-term project planning and development activities that the Water Agency will be performing under the proposed agreement. Putting the agreement in place now will thus help insure that implementation of the longer-term goals of the Authority is not delayed by the important short-term demands on Authority staff.

The proposed Agreement will also provide for the repayment by the Authority of costs and expenses incurred by the Water Agency through December 31, 2013 on feasibility studies and activities necessary to form the Authority and implement the community choice aggregation program. The Authority and the Water Agency will agree on the amount to be reimbursed, and the Authority will pay \$25,000 per month to the Water Agency beginning January 1, 2015 until the reimbursement amount is repaid, at an interest rate of 3% per year.

Ancillary Professional Services Agreements

Public outreach will be an important aspect of Sonoma Clean Power as it moves towards implementation. In particular, it will be important to clearly inform customers of Sonoma Clean Power rates and their right to opt out of Sonoma Clean Power service and remain with PG&E. Water Agency staff and consultants are currently developing an outreach plan to ensure even hard-to-reach customers are given opportunities to learn about Sonoma Clean Power and understand their right to opt out of the program.

Rusty Klassen has been a consultant to the Water Agency on issues related to Sonoma Clean Power. His services have been and continue to be valuable to the Water Agency in the areas of start-up financing, policy, California Independent System Operator issues and project development. Staff requests that the Board authorize the General Manager of the Sonoma County Water Agency to execute an amendment to the existing professional services agreement with Rusty Klassen to add \$10,000 to the contract amount for a total of \$60,000 in FY 12/13.

A Request for Qualifications for public outreach and marketing services was issued and responses were received from ten firms. M.I.G. (Kenwood, CA) was selected as the firm most qualified to perform the work. The work will include public education regarding the options consumers will have with respect to their power provider. This will take place through the creation of a website, radio, print media, social media, direct mailings and other mass media outlets. Staff is requesting that the Board authorize the General Manager of the Sonoma County Water Agency to enter into a professional services agreement in an amount not to \$258,000 for these services.

Prior Board Actions:

12/04/2012: Authorization formation of Sonoma Clean Power Authority.

04/17/2012: Accept results of surveys, approve goals of Aggregation Program, directed staff to hold workshops, pursue creation of a Joint Power Authority and pursue start up financing, authorize an amendment to contract with Dalessi Management Consulting for preparation of an Implementation Plan.

10/18/2011: Accept Community Choice Aggregation feasibility study and direct staff to continue with the investigation of Community Choice Aggregation in Sonoma County.

03/22/2011: Approval of the Sonoma County Water Agency Energy Policy Community Choice Aggregation Feasibility Study Report.

Strategic Plan Alignment Goal 2: Economic and Environmental Stewardship

This program will stimulate economic growth in the areas of energy efficiency and renewable energy development in Sonoma County

Water Agency Energy Goals and Strategies, Goal 2: Pursue funding and development of renewable energy Projects of broad regional benefit to generate revenue, lower county-wide emissions profile, and reduce long term rate exposure risk to consumers.

Fiscal Summary - FY 12-13			
Expenditures		Funding Source(s)	
Budgeted Amount	\$ 268,000	Water Agency Gen Fund	\$
Add Appropriations Req'd.	\$	State/Federal	\$
	\$	Fees/Other	\$ 268,000
	\$	Use of Fund Balance	\$
	\$	Contingencies	\$
	\$		\$
Total Expenditure	\$ 268,000	Total Sources	\$ 268,000
Narrative Explanation of Fiscal Impacts (If Required):			
Of total \$268,000 amount, \$258,000 is for new contract with MIG for marketing services, and \$10,000 is for additional services by consultant Rusty Klassen.			
Staffing Impacts			
Position Title (Payroll Classification)	Monthly Salary Range (A – I Step)	Additions (Number)	Deletions (Number)
Narrative Explanation of Staffing Impacts (If Required):			
Attachments:			
Exhibits A, B, C, D (A1)			
Related Items "On File" with the Clerk of the Board:			

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CF/46-0-21 KLASSEN, RUSTY (AGREE TO SUPPORT DEV OF RENEW ENG PROG) TW 10/11-142
CF/46-0-2 SONOMA CLEAN POWER
CF/46-0-21 MRW & ASSOCIATES, LLC (AGREE FOR PEER REVIEW SVS IN SUPPORT OF SCP) TW 12/13-126

Exhibit ABoard of Directors of the Sonoma Clean Power Authority:

- (1) Approve the implementation of the Sonoma Clean Power community choice aggregation program in the unincorporated area of Sonoma County and within the jurisdictions of those cities in Sonoma County choosing to participate in the program by June 30, 2013, subject to the approval by the Board and the California Public Utilities Commission of the Implementation Plan required by Public Utilities Code §366.2(c)(5) and (c)(7).
- (2) Approve and authorize the Chair to execute the Agreement for Services and Reimbursement between the Authority and the Sonoma County Water Agency.
- (3) Approve and authorize the Chair to sign the Letters of Intent with First Community Bank for the provision of start-up financing for the Sonoma Clean Power Authority, and authorize Water Agency staff to negotiate final loan documents for consideration and approval by the Board.
- (4) Authorize and direct staff of the Sonoma County Water Agency to take all steps necessary to implement the Sonoma Clean Power program, including, but not limited to (1) negotiate start-up financing loan documents; (2) work with its consultants to recommend a "short list" of two to three energy service providers for the Sonoma Clean Power program; (3) negotiate contracts with energy service providers and other service providers for later consideration and approval by the Board; (4) meet with city councils and city managers and other city staff to solicit participation by cities in Sonoma Clean Power program; (5) work with its recruiting consultant to identify appropriate candidates to act as Chief Executive Officer for the Authority on a short-term contractual basis, and arrange interviews of finalists for consideration by the Board; (6) modify and finalize the Implementation Plan for Sonoma Clean Power for consideration by the Board; (7) take other such actions as are required to implement the Sonoma Clean Power program (provided, however, that contracts in excess of \$25,000 shall be approved by the Board).

Board of Supervisors of the County of Sonoma:

Authorize the Auditor-Controller-Treasurer-Tax Collector and the County Administrator to work with Water Agency staff to negotiate with First Community Bank a guaranty of up to \$2.5 million for consideration and approval of the Board.

Board of Directors of the Sonoma County Water Agency:

- (1) Approve and authorize the Chair to execute the Agreement for Services and Reimbursement between the Water Agency and the Sonoma Clean Power Authority.
- (2) Approve and authorize the General Manager to execute an agreement with MIG for marketing services, using the Water Agency's standard form of contract, with such non-material changes as may be approved by County Counsel as to form.
- (3) Approve and authorize the General Manager to execute an amendment to the existing agreement with Rusty Klassen, adding an additional \$10,000 in services for fiscal year 12-13.

Exhibit BResponse to Sonoma Clean Power Questions/Concerns

During the course of investigating the feasibility of the program, Water Agency staff heard a number of concerns expressed about the Sonoma Clean Power program. These concerns fall into several categories. These concerns, along with responses to them, are discussed below.

The County should fix its pension/roads problems first; Sonoma Clean Power will distract the County from its core mission.

This concern is based upon a lack of understanding of how Sonoma Clean Power will be financed. Sonoma Clean Power will be funded entirely from revenues from power sales. Sonoma Clean Power will not use any tax dollars and will not reduce the amounts available to the County to use on roads, pensions, or any other County program. Sonoma Clean Power will be operated entirely separately from the County, and County resources will not be diverted for use by Sonoma Clean Power. (As noted below in the discussion about start-up financing, the County may guarantee repayment of a portion of the financing (up to \$2.5 million). However, the guaranty will be fully released by January 1, 2016.)

Government shouldn't get into the power business; government is not competent to carry out the program.

This category of concerns has to do with whether a public agency such as the Authority should be entering into an industry that historically has been carried out by private companies such as PG&E, and whether a public agency such as the Authority can operate the program competently. To some extent, this concern implicates larger and more general philosophical and ideological considerations that are beyond the scope of this item. History suggests that public entities can be successful in delivering power to customers.

The provision of power by public entities has a long history in California. Currently, approximately 24% of the power in California is provided by municipal utilities, including the City of Healdsburg (which receives its power supply from the Northern California Power Agency, a public joint powers agency). Municipal power agencies across the nation have a 100-year-plus record of providing power to their customers at rates that are consistently below those of investor-owned utilities. The Marin Energy Authority is currently carrying out in Marin County a program similar to that proposed here. Public agencies routinely provide other types of utility services (water, sanitation) to customers. The claim that public entities should not (or cannot competently) provide electric power services in particular, or utility services in general, is at odds with the fact that public entities have provided and continue to provide these services to a large number of customers effectively and at competitive prices.

In addition, in developing the administrative structure of the Sonoma Clean Power Authority, the Water Agency staff and its consultants were sensitive to the fact that the Authority would be operating in a competitive industry, and would need to be nimble and efficient to be fully successful. For this reason, the administrative structure is designed to devolve decision-making authority to management (headed by a Chief Executive Officer) as advised by a "Business Operations Committee" (comprised of individuals having relevant private sector and business experience). This structure will allow Sonoma Clean Power to operate more like a business than would be the case for a typical public agency.

Sonoma Clean Power is too risky.

Because Sonoma Clean Power is operated under an independent joint powers authority, the debts and liabilities of Sonoma Clean Power cannot be attributed to the County, or the Water Agency, or the cities that decide to participate in the program. The "worst case" scenario for Sonoma Clean Power is one in which the price of power purchased by Sonoma Clean Power increases dramatically, leading to rates for Sonoma Clean Power customers that are significantly in excess of PG&E's rates. This would cause large numbers of Sonoma Clean Power customers to opt out of the program and return to PG&E, resulting in a reduced rate base for Sonoma Clean Power and, potentially, an inability on the part of Sonoma Clean Power to pay its power suppliers and other creditors.

By using established industry risk management techniques, this worst case is highly unlikely to occur. Even if it did, the financial risk is entirely upon Sonoma Clean Power's creditors and suppliers. Because of the joint powers authority structure, Sonoma Clean Power participants would not be on the hook for Sonoma Clean Power losses. Sonoma Clean Power customers would be returned to PG&E and would not see any break in electric service. Thus while the benefits from implementing the Sonoma Clean Power program are potentially large, the concrete financial risk resulting from a complete failure of the program is small.

PG&E is "greener" than it gets credit for; Sonoma Clean Power's proposed 33% renewable portfolio won't really reduce greenhouse gas emissions.

The State of California's "renewable portfolio standard" requires that a certain portion of electric power delivered by any entity be obtained from "renewable" sources. Two of the sources of power used by PG&E – power from large hydroelectric facilities and power from nuclear generators – which account for 40% of PG&E's power resources, are not considered "renewable" for purposes of meeting the State's standard, even though these sources do not create greenhouse gas emissions. For this reason, there is a concern that Sonoma Clean Power's proposed initial 33% renewable power portfolio won't really reduce greenhouse gas emissions when compared with PG&E's generation sources.

Even with a portfolio of 33% renewable power, however, Sonoma Clean Power would result in a net reduction in greenhouse gas emissions. This is because PG&E will continue to operate its base load large hydroelectric and nuclear power facilities (and its other renewable sources) at full

capacity after Sonoma Clean Power begins service, and reduce production from the non-renewable portion of its generation portfolio to account for the loss of Sonoma Clean Power customers. Thus the implementation of Sonoma Clean Power would result in reducing the amount of power produced from the most greenhouse-gas intensive portion of the PG&E supply (e.g., the 25% of PG&E supply that is from natural gas-fired plants) and replacing it with Sonoma Clean Power's 33% renewable supply, resulting in a net overall reduction in greenhouse gas emissions. In addition, Sonoma Clean Power plans to move to an even higher level of renewable content (50%) in a short period of time. The Feasibility Study for Sonoma Clean Power confirmed that the program would result in significant reductions in greenhouse gas emissions.

Sonoma Clean Power will not move quickly enough to implement local renewable power projects and energy efficiency projects.

Implementing local renewable power incentives, projects and energy efficiency programs are some of the primary goals of Sonoma Clean Power. But in order to arrive at a point where Sonoma Clean Power has the ability to finance and staff such projects and programs, it is necessary for Sonoma Clean Power to establish an operational track record and to establish the solidity of its rate base. Sonoma Clean Power will begin planning for such programs immediately; however, it is important in the short term for Sonoma Clean Power to focus on implementation and roll-out of service activities. The key is to compare how quickly renewable energy projects can be developed with and without Sonoma Clean Power.

Sonoma Clean Power will cause job losses in California.

The electrical workers' union is concerned that implementing Sonoma Clean Power will result in the loss of jobs in California, due to the fact that some of Sonoma Clean Power's generation resources may be located outside of California. However, because in the long term Sonoma Clean Power intends to promote and rely upon local renewable power, the Feasibility Study concluded that, over time, Sonoma Clean Power would have a positive impact on local jobs and the local economy. Moreover, because PG&E will continue to provide all services relating to the transmission and distribution of electricity for Sonoma Clean Power customers, as well as billing services, most PG&E jobs should be unaffected.

My city doesn't have enough representation on the Sonoma Clean Power Board of Directors.

Each city that chooses to participate in the Sonoma Clean Power program will be able to appoint a member to the Board of Directors of the Sonoma Clean Power Authority. Due to the disparity in size among participants, the relative voting weight of participants remains an issue. Originally the joint powers agreement was drafted so that voting rights of members were proportional to the load to be served by Sonoma Clean Power in each jurisdiction – a "one kilowatt-hour, one vote" structure. To address concerns of smaller cities, this was modified so that each board member has one vote, but any board member can also call for a weighted vote based upon load, in which case a majority of members and a majority of weighted votes is required to approve an item. While arguably disadvantaging larger participants, this method was generally acceptable to most

jurisdictions. Moreover, however large or small a participant's representation is, it is more than "none," which is the extent of representation local jurisdictions now have in decisions made by PG&E.

Sonoma Clean Power rates will be too high.

As discussed below, Water Agency staff has received quotes from electric service providers. Given these quotes and the other anticipated expenses of the program, Sonoma Clean Power will be able to provide power at rates that are competitive with PG&E's rates.

Exhibit C

Example Residential Electric Fees Based on 500 kWh per month	SCP	SCP	PG&E
	Low Estimate for 2014	High Estimate for 2014	Estimated Rate for 2014
	33% Renewable Energy	33% Renewable Energy	20% Renewable Energy
Electric Generation Fees <i>(all customers)</i>	\$35.71	\$38.46	\$40.76
PG&E Electric Delivery Fees <i>(all customers)</i>	\$55.80	\$55.80	\$55.80
Additional PG&E Fees <i>(SCP customers only)</i>	\$3.32	\$3.32	\$0.00
<i>Last updated April 1st, 2013</i>	Total Cost \$94.83	Total Cost \$97.58	Total Cost \$96.56

Example Commercial Electric Fees Based on 15,000 kWh per month	SCP	SCP	PG&E
	Low Estimate for 2014	High Estimate for 2014	Estimated Rate for 2014
	33% Renewable Energy	33% Renewable Energy	20% Renewable Energy
Electric Generation Fees <i>(all customers)</i>	\$1,203	\$1,296	\$1,373
PG&E Electric Delivery Fees <i>(all customers)</i>	\$1,169	\$1,169	\$1,169
Additional PG&E Fees <i>(SCP customers only)</i>	\$90	\$90	\$0
<i>Last updated April 15, 2013</i>	Total Cost \$2,462	Total Cost \$2,555	Total Cost \$2,542

PG&E class average rates for residential (E-1) and medium commercial (A-10) customers are assumed to be 3.5% higher than the 2013 rates, taken from PG&E Advice Letter 4096-E-A, Attachment 2, Table 3, December 30, 2012.

“Additional PG&E Fees” includes the Power Charge Indifference Adjustments and the Franchise Fee Surcharge.

Exhibit D

Water Agency staff and consultants have estimated the monthly expenses and revenues of Sonoma Clean Power over the first four years of operations, in order to determine whether the enterprise is financially viable. This analysis, which is based on current best assumptions about power, administrative, and finance costs, as well as estimates of revenues from power sales, shows that Sonoma Clean Power is financially viable, and will produce operating surpluses within the first year of selling power. A summary of the forecast annual revenues and expenses is shown in Table 1.

Table 1. Summary of Sonoma Clean Power Startup and Phase-in Financials (2013-2017)

CATEGORY	2013	2014	2015	2016	2017	TOTAL
I. REVENUES FROM OPERATIONS (\$)						
ELECTRIC SALES REVENUE	-	28,574,886	94,117,045	158,902,415	172,119,324	453,713,670
LESS UNCOLLECTIBLE ACCOUNTS	-	(85,725)	(282,351)	(476,707)	(516,358)	(1,361,141)
TOTAL REVENUES	-	28,489,161	93,834,694	158,425,707	171,602,966	452,352,529
II. COST OF OPERATIONS (\$)						
(A) OPERATIONS AND ADMINISTRATIVE (O&A)						
STAFFING & PROFESSIONAL SERVICES	1,368,000	2,736,000	4,054,080	4,175,702	4,300,973	16,634,756
DATA MANAGEMENT SERVICES	-	371,659	1,939,129	3,831,749	3,831,749	9,974,285
IOU FEES (INCLUDING BILLING)	-	88,967	658,705	1,480,167	1,517,469	3,745,309
OTHER ADMINISTRATIVE & GENERAL	150,000	300,000	988,800	1,018,464	1,049,018	3,506,282
SUBTOTAL O&A	1,518,000	3,496,626	7,640,713	10,506,082	10,699,210	33,860,631
(B) COST OF ENERGY	-	23,655,492	79,955,047	137,182,576	144,736,966	385,530,081
(C) DEBT SERVICE	70,000	390,000	1,390,004	3,789,642	6,909,273	12,548,919
(D) DEPOSITS AND OTHER USES	1,315,000	-	-	-	-	1,315,000
TOTAL COST OF OPERATION	2,903,000	27,542,118	88,985,764	151,478,300	162,345,449	433,254,631
CCA PROGRAM SURPLUS/(DEFICIT)	(2,903,000)	947,043	4,848,930	6,947,407	9,257,517	19,097,897

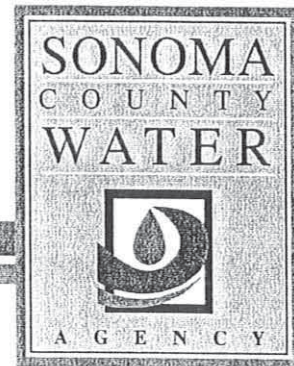
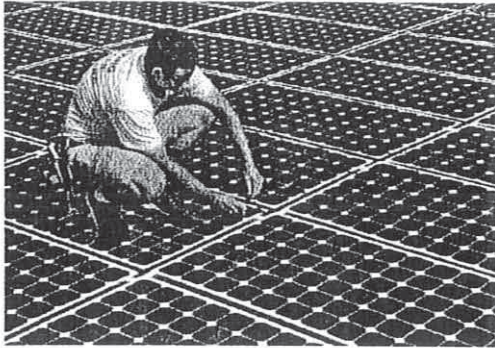
The basic business model involves buying energy at wholesale and selling it to Sonoma County businesses and residents at retail rates. Revenues from power sales are used to pay for the cost of purchased energy, to pay staffing, consultants, and other common business expenses.

Sonoma Clean Power

Grant Davis
General Manager

Cordel Stillman
Deputy Chief Engineer

Steve Shupe
Deputy County Council



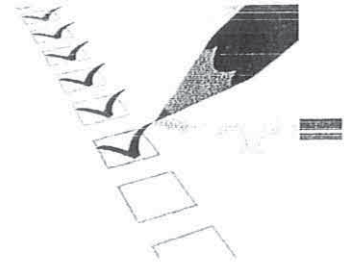
www.sonomacountywater.org

Decisions before the Board today ²

- Authorize letter of intent for startup funding and staff to negotiate final terms for future approval
- Approve a services and reimbursement agreement between SCPA and SCWA
- Authorize SCWA to enter into two contracts for SCPA-related services



Completed work

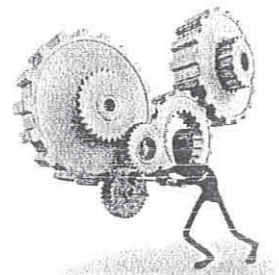


- Feasibility Study
- Peer Review of Feasibility Study
- Surveys/Focus Groups to determine public interest
- Ongoing outreach to cities
- Draft Implementation Plan
- Peer Review of Draft Implementation Plan
- JPA Formation
- Solicitation for bids on energy and services

Calendar: April-June 2013

4

- Negotiate final terms of startup financing
- City workshops and study sessions
- Cities to vote on joining by June 30
- Contract for an interim CEO
- Begin larger public outreach work (MIG retained)
- Narrow list of energy suppliers to the top 3



Calendar: July-December 2013

5

-
- Update energy volume estimates based on which cities join
 - Negotiate and execute final energy supply contract and ancillary contracts (e.g., call center)
 - Finalize and file Implementation Plan with PUC
 - Initiate data and service agreement with PG&E
 - Major public outreach effort to inform public of benefits of SCP, rates and ability to opt-out
 - Issue two pre-enrollment opt-out notices

Calendar: January 2014

6

-
- Begin providing service
 - Continue major public outreach effort
 - Send two additional opt-out notices



The big questions we've heard

7

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



What are SCP's Benefits?

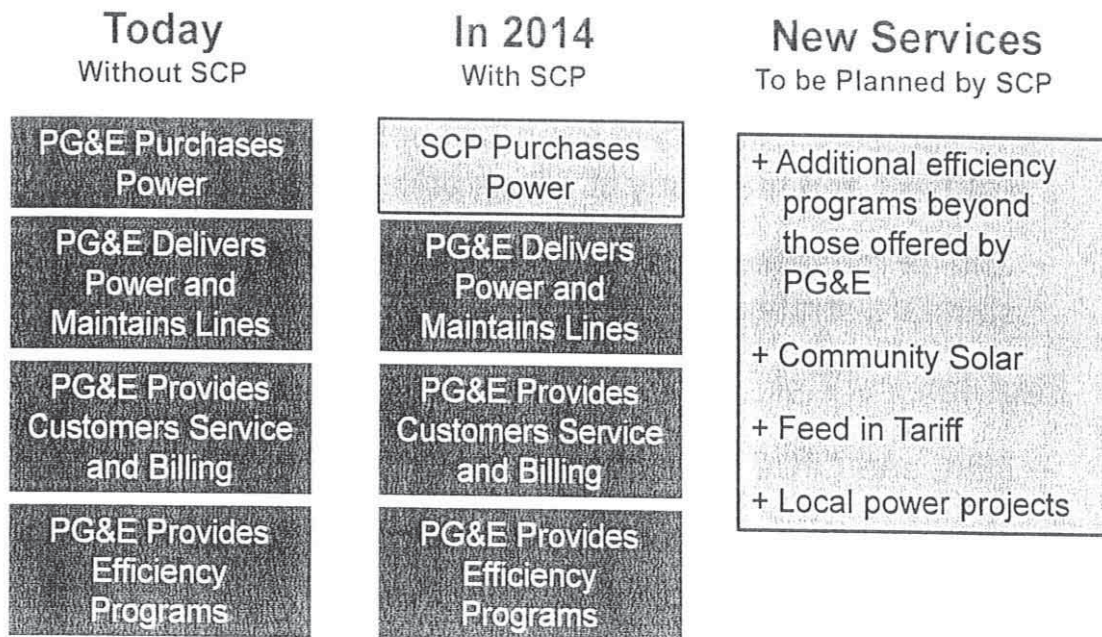


- Gives customers a choice of power providers
- Stabilizes electricity costs
- Allows generation revenues to be used for local investment
- Permanent source of funding to support local jobs
- New renewable energy programs
- New energy efficiency programs
- Reduction in greenhouse gas emissions
- Local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



The difference from today

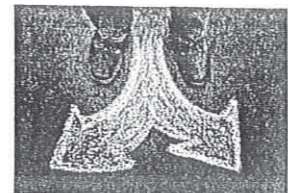
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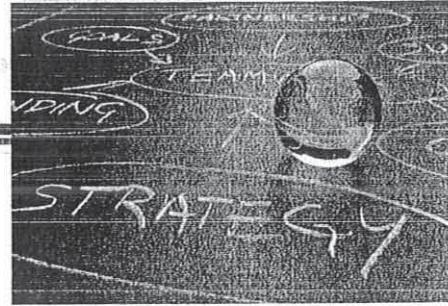
How choosing SCP or PG&E works

10

- 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



What are the Risks?



- Matching Supply and Demand
 - “Volumetric risk”: Have too much or too little power under contract and must buy at a high price or sell at a loss
 - Can be managed through well-established industry-standard strategies
- 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?

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-
- 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
 - Unlikely to occur; SCP power supply portfolio will be designed to ensure ongoing competitiveness with PG&E rates; PG&E subject to same market forces as SCP
 - Even in worst case, *no interruption of power supply to customers would occur*; customers returned to PG&E
 - Tax dollars and general funds of Cities and Counties not at risk; JPA structure acts as a shield

Reducing Startup Transition Risks

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- SCWA Services for transition and on-going support
 - \$25,000 per month, but only paid for services actually performed (“true up” at end of agreement)
 - SCWA able to defer these payments until January 2015 to improve SCP cash flow
 - May be terminated at any time with 90 days notice
- Defer repayment to SCWA of startup expenses
 - Existing agreement approved Dec. 11, 2012
 - Estimated at \$1.2 million
 - 3 percent interest
 - Defer repayment of \$25,000 per month to January 2015

Start-up Financing

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- Funds first 6 months of operation
- Conservative estimate is \$2.5 million
- Included costs
 - Staff and consultants
 - CPUC bond
 - PG&E fees
 - Public information (web, notices, meetings, etc.)



- 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



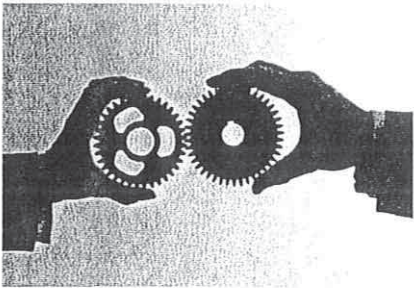
Financing - First Community Bank

Two lines of credit:

Startup Loan	Bridge Loan
\$2.5 million	\$7.5 million
4.00% interest	~4.20% interest (sets at first draw)
Guaranty required	No guaranty needed
5-year term	5-year term
Interest only for first 24 months	Interest only for first 12 months
No pre-payment penalty or minimum draw	No pre-payment penalty or minimum draw
Guaranty releases with performance	

Financing - First Community Bank 17

- Bank is enthusiastic to partner and help launch SCP
- Has offered favorable terms, flexibility and support in business planning and budget analysis
- Committed to co-marketing with SCP
- Staff are pleased to have found a local bank partner



Financing - Options 18

- Pursuing delayed payment option with Energy Service Providers (ESPs)
 - Advantage would be a faster rollout
 - Will depend on terms, however, and could cost more
- ESP finance of startup loan could serve as a “backup” but likely less favorable terms
- County direct loan for startup may serve as better backup



Estimated 2014 Residential Rates ¹⁹

	SCP Low	SCP High	PG&E
Example Residential Bill	33%	33%	20%
Assuming 500 kWh	Renewable	Renewable	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

Estimated 2014 Commercial Rates ²⁰

	SCP Low	SCP High	PG&E
Example Commercial Bill	33%	33%	20%
Assuming 15,000 kWh	Renewable	Renewable	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



- Create short list of energy providers
- Outreach and education
- Contract for interim CEO
- Finalize financing agreements
- Cities vote on participation
- Negotiate final supply contract
- Opt-out notices
- Begin service January 2014

Thank you

Grant Davis
General Manager

Cordel Stillman
Deputy Chief Engineer

Steve Shupe
Deputy County Council

