Feasibility Study

Sonoma Clean Power Expansion to Unincorporated Lake County, the City of Clearlake, and the City of Lakeport

Sonoma Clean Power

May 2025

Version 1.1

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Chapter 1. Executive Summary

Staff recommend the SCP Board consider extending service to all of Lake County.

This feasibility study provides a comprehensive review of the requirements to expand Sonoma Clean Power (SCP) service to unincorporated Lake County, the City of Clearlake, and the City of Lakeport (referred to as "Lake County"). The study characterizes the load of Lake County and performs an economic evaluation to assess the financial feasibility of expansion. This report also provides background on Community Choice Aggregation (CCA) and SCP's current electric service, and discusses resource development opportunities, benefits of expansion, potential risks, and outlines implementation steps. The main findings of this study and considerations are as follows:

- Expanding service to all of Lake County appears to be financially beneficial to both Lake County customers and existing SCP customers in a majority of years.
- Key considerations for the SCP Board of Directors are:
    - Should an offer of service to Lake County and the Cities of Clearlake and Lakeport be made at this time?
    - Does the Board agree to staff's recommendation for starting service between April and June 2027?
    - Does the Board wish to use the same practice as in Mendocino County by offering one Board seat to the County of Lake Supervisors and one shared seat for the two incorporated cities of Clearlake and Lakeport?
    - Does the Board wish to stress the importance of the GeoZone and seek to confirm that Lake County is aligned and wishes to join the GeoZone?
- Expansion to Lake County appears to be well aligned with the criteria established in SCP's Policy for New Customer Communities D.4.
- SCP's current portfolio of long-term renewable contracts is sufficient to accommodate expansion to Lake County without requiring additional long-term procurement to maintain compliance.
- Startup costs for an expansion to Lake County are estimated to be $578,000, which forecasts indicate would be recouped through rates in the first year of service.
- In the base market scenario used for evaluation, Lake County customers see total bill savings of 4% or more, however, it is important to note that there is a clear possibility that total bills will be higher with SCP some of the time due to changing PG&E fees outside SCP's control and energy market conditions.

- An expansion to Lake County will increase SCP's target for reserves by $42.7 million (using 2030 costs), which would have the effect of reducing SCP's ability to provide savings until that higher balance is achieved. The time estimated to accumulate the additional reserves while sustaining competitive rates is difficult to estimate, but likely could be completed by 2032.
- Lake County's participation in the GeoZone is mutually beneficial and it is strongly recommended that Lake County join the GeoZone concurrently with SCP's electric service.
- Expansion to Lake County offers additional benefits such as more cost-effective building electrification opportunities, increased portfolio flexibility, improved advocacy, and additional phone and web support for customers in Lake County.
- Risks that should be considered before proceeding with an expansion include the impacts of a jurisdiction withdrawing from SCP service, high customer opt-outs, possible impacts to SCP's credit rating, and the inability to guarantee rates that are lower than PG&E.
- The feasibility plan outlines steps leading up to an April to June 2027 start date, including approvals from SCP's Board and Lake County jurisdictions, as well as filings with the CPUC, customer noticing, and outreach.

Chapter 2. Background

Community Choice Aggregation (CCA)

CCAs were created in response to California's 2000-2001 energy crisis through Assembly Bill 117 in 2002. CCAs enable local governments to purchase electricity generation for their residents and businesses that is delivered to customers by an investor-owned utility (IOU). In Northern California, the IOU is Pacific Gas & Electric (PG&E). The first CCA, Marin Clean Energy (now MCE), started service in 2010. Sonoma Clean Power (SCP) started service as the state's second CCA in 2014. There are now 25 CCAs in the state serving over 14 million customers and participation continues to grow. Figure 1 shows the expected footprint of CCA service in California by 2027.

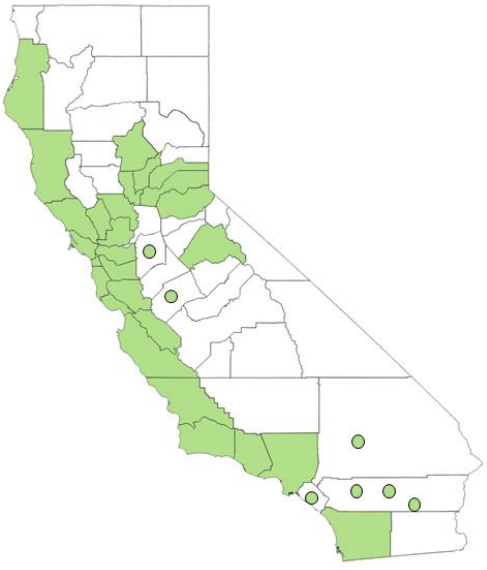

Figure 1. Map of areas expected to be served by CCAs by 2027.

CCAs are governed by elected officials from participating jurisdictions and operate as government agencies that are not-for-profit and return all revenues to ratepayers in the form of competitive electric rates and customer education and incentives.

Figure 2. Roles of SCP and PG&E in delivering electric service to customers.

The role of CCAs, including SCP, is primarily to buy or build power generation resources on behalf of all customers, while PG&E continues to maintain and operate all of the poles, wires and substations of the grid. Figure 2 illustrates the roles of SCP and PG&E in delivering electric service to customers.

When a CCA is formed or expands, new customers must be automatically enrolled as a CCA customer unless they choose to opt-out and continue relying on PG&E to procure electricity for their home or business. If a customer opts-out after 60 days of starting service with a CCA, they must remain on PG&E service for one year before being eligible to enroll in CCA service.

SCP Cannot Promise Lower Rates

CCA customers receive a consolidated bill from PG&E including generation charges from the CCA as well as transmission and distribution charges from PG&E. The bill for CCA customers includes a charge called the Power Charge Indifference Adjustment (PCIA) that covers costs for energy that was procured by the IOU prior to a customer's departure from IOU service. The PCIA changes annually depending on market conditions - if the IOU's energy portfolio that was procured for CCA customers performs well (due to high market prices), the PCIA is lower; if the portfolio performs poorly, the PCIA is higher. This fee ensures that PG&E cannot lose any money as a result of CCA formation. To limit opt-outs, CCAs generally seek to offer rates that are competitive and lead to total bills (including the impact of PCIA) that are at or below the total bill for IOU customers – as often as possible. Figure 3 shows SCP's history of total bill savings relative to PG&E, which shows a strong historical record of providing savings to

customers. Importantly, SCP cannot guarantee future rate savings—and did go through a period of two years where its customers paid higher bills than opt-out customers.

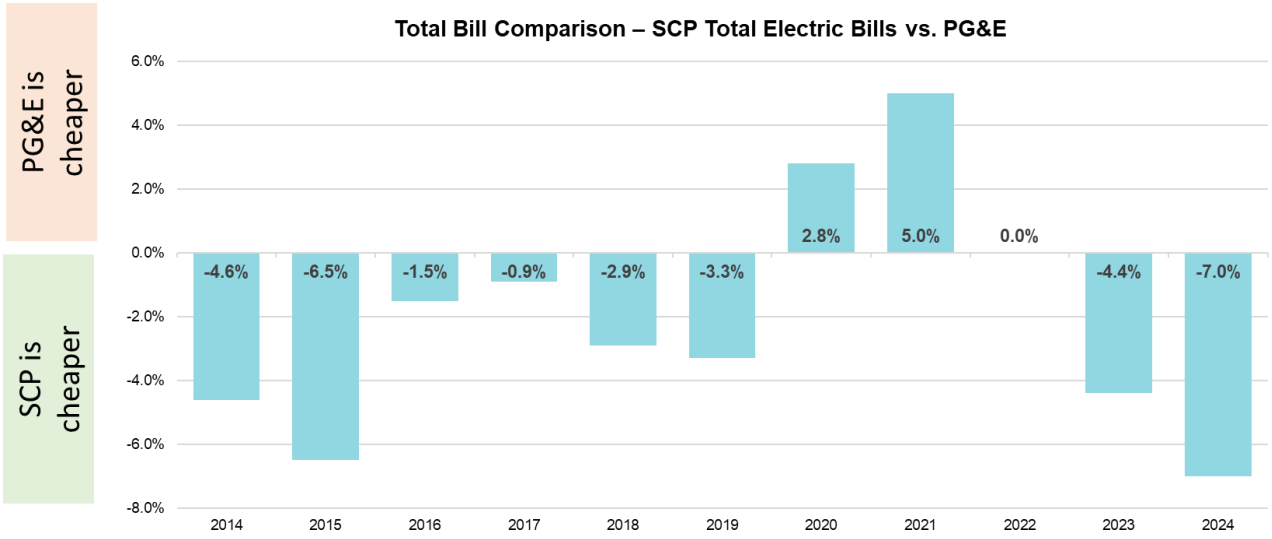

Figure 3. Historical bill comparison between SCP and PG&E.

CCA customers retain eligibility for ratepayer-funded programs through the California Public Utilities Commission (CPUC), such as income qualified assistance programs, energy efficiency rebates, and medical baseline discounts. CCA customers also gain access to incremental programs offered by the CCA which are not otherwise available from PG&E. SCP offers incremental equipment rebates, incentives for participation in its demand response program, and a variety of other programs for energy efficiency and electrification. SCP, like other CCAs, also offers a net energy metering (NEM) and solar billing plan (SBP) program that compensates solar customers.

In addition to CCAs, California law also created a program called Direct Access (DA) that allows customers to purchase electricity from a competitive third-party. DA has an annual load cap that is currently fully subscribed. The vast majority of DA customers are non-residential. There are currently around 70 meters in Lake County with service from DA, representing 7.4 gigawatt-hours (GWh) of annual load (which is less than 2% of Lake County's total). Unlike PG&E customers, DA customers will not be automatically enrolled in CCA service. Although if SCP expands to Lake County DA customers would have the option of CCA service, this study evaluates service to only non-DA customers although inclusion of DA customers would have negligeable impact.

Lake County Interest in CCA Service

The Lake County Board of Supervisors unanimously passed Ordinance 3206 on June 23, 2015, to authorize implementation of a CCA program, with the goal of reducing energy costs for Lake County residents. Lake County explored various options to

implement CCA service on its own at the time, but ultimately did not proceed. Lake County re-evaluated CCA service in 2019, when it requested SCP to study the feasibility of expanding service to Lake County. SCP's study, which was released in March 2020, found that it would be unable to offer competitive service to Lake County residents at the time due to the expected cost of PG&E's PCIA fee on Lake County relative to the PCIA fee on SCP's existing customers.

Market and regulatory dynamics following the feasibility study in 2020 have greatly improved the economic prospects for new CCA service. As described in detail in Chapter 5, PG&E's PCIA fee is now lower for new CCA jurisdictions relative to the PCIA for SCP's customers. These conditions led to Sonoma Clean Power reengaging with Lake County, the City of Clearlake, and City of Lakeport in early 2025. After preliminary discussions with SCP, the city managers of City of Clearlake and City of Lakeport made a written request to the Sonoma Clean Power Board of Directors to complete a new feasibility study. Likewise, the Lake County Board of Supervisors authorized staff to submit a written request for a feasibility study after discussion during the April 15, 2025 meeting. The Sonoma Clean Power Board of Directors directed SCP staff to respond to Lake County interest by completing the requested feasibility study.

In the 2025 discussions between SCP and the Lake County jurisdictions, SCP staff captured several factors that are driving interest in CCA expansion: the opportunity to reduce energy costs for Lake County residents, increased economic development opportunities (through geothermal and other types of local project development), improved customer service, and better representation in energy-related advocacy.

Sonoma Clean Power Policy for New Customer Communities

In December 2015, the Sonoma Clean Power Board of Directors adopted Policy D.4 that guides the procedure for evaluating and facilitating expansion to new jurisdictions. The policy includes a set of criteria that must be met to proceed with an expansion that are summarized in Table 1 below, along with SCP staff's recommended determination and if applicable, a reference to the applicable chapter of this study.

In addition to the evaluation criteria, Policy D-4 also establishes the series of steps SCP shall follow in expanding participation to a new region. After completing a feasibility study and presenting the results to the candidate community and SCP Board of Directors, the current SCP Board members have a 60-day period to evaluate expansion and discuss the opportunity with their own city councils or Board of Supervisors. The SCP Board of Directors will then vote on whether to extend a formal offer for service. The timing of this process, along with the required steps to formally enroll Lake County in SCP service, are further detailed in Chapter 9.

Table 1. Policy D-4 New Community Evaluation Criteria

Criteria	SCP Staff's Recommended Determination
Community is close to SCP service territory to make meeting attendance and community engagement practical (Criteria 1).	**Pass** – Lake County jurisdictions directly border SCP territory. The commute to Santa Rosa is not quick but is comparable to many parts of SCP's existing territory in Mendocino County.
Community agrees to abide by SCP Joint Powers Agreement (JPA), policies, and conditions of service (Criteria 2).	**TBD** - This is subject to the careful review and determination by Lake County and the Cities of Clearlake and Lakeport.
Service to new region will decrease greenhouse gas emissions and be consistent with purpose of promoting renewable energy, energy efficiency, and conservation (Criteria 3a and 3c).	**Pass** – Expansion would provide additional room for expansion in SCP's renewable portfolio, improve opportunities for local clean energy development, and enable more cost-competitive electrification. **See Chapters 6 and 7**.
Service to new region will not increase cost or financial risks to existing customers (Criteria 3b).	**Pass** – Expansion to Lake County would leverage efficiencies of scale and increases flexibility in SCP's power portfolio with the effect of generally decreasing cost and risk to existing customers. The additional load would come with additional procurement obligations and a potential increase in meeting those additional obligations. However, the overall expectation is that, on average, costs would remain or decline due to serving Lake County. **See Chapter 5 and 7**.
Significant political and public alignment between new community and proposed participants and addition of new community will increase voice of SCP in relevant venues (Criteria 4 and 5).	**TBD** – Staff note that Lake County shares many of the same regional priorities as Sonoma and Mendocino County: wildfire mitigation, energy affordability, water scarcity, sustainability of small businesses and the agricultural industry. California's 4th Congressional District and the 2nd State Senate District span both SCP and Lake County. Expansion would add the 4th State Assembly District to SCP's territory, currently represented by Assembly Majority Leader Aguiar-Curry. Ultimately, however, this determination must be made by the SCP Board of Directors, the County of Lake Board of Supervisors, and the City Councils of Clearlake and Lakeport.
Addition of the new community will not harm SCP's autonomy (Criteria 6).	**Pass** – Expansion to Lake County is expected to involve two new seats on the current eleven-seat Board of Directors (one for the County and one shared seat between the two incorporated cities). Staff do not see how the scale of the expansion would threaten the autonomy of SCP's power sources and priorities. However, staff urge SCP and all of the jurisdictions in Lake County to consider the political alignment of objectives carefully.
Addition of the new community will not harm the quality of service or give rise to operational risks (Criteria 7).	**Pass** – The economic study includes budgeted costs to expand staff and SCP's investments to serve Lake County without impacting existing customers. **See Chapter 5**.

Chapter 3. Lake County Electricity Demand

Lake County Load

In order to facilitate a feasibility study, Sonoma Clean Power obtained customer data and hourly load for all customers in Lake County from PG&E for the years 2022, 2023, and 2024. Like Sonoma Clean Power's current load, Lake County's load is fairly stable and most year-to-year fluctuations are driven by weather. For the purposes of this study, staff have decided to use Lake County's 2024 load and customer composition as the basis for evaluating feasibility—even though some modest growth is expected due to electrification. Table 2 below shows a breakdown of meter count and annual load by jurisdiction and residential and non-residential meters using the 2024 data. This table excludes the DA meters discussed in Chapter 2 which would not be automatically enrolled but could opt-in to CCA service in the future.

Table 2. Lake County Load and Customer Breakdown by Jurisdiction

	City of Clearlake	City of Lakeport	Unincorporated Lake County	Total
Residential Meters	7,216	2,418	22,361	31,995
Non-residential Meters	610	671	3,067	4,348
Total Meters	7,826	3,089	25.428	36,343
Residential Annual Load	61.5 GWh	18.6 GWh	174.8 GWh	254.8 GWh
Non-residential Annual Load	23.2 GWh	17.6 GWh	95.9 GWh	136.7 GWh
Total Annual Load	84.7 GWh	36.2 GWh	270.7 GWh	391.5 GWh

Lake County's load has two peak seasons—with increased usage in the summer due to hot temperatures driving air conditioning demand and is similarly high in the winter due to electric heating needs. Figure 4 shows the monthly load for Lake County. Lake County does not have access to PG&E's natural gas system and accordingly has more electric heating[1]. Due to more extreme summer heat, air conditioning ownership is also more prevalent in Lake County, which increases summer energy needs.

[1] Data from the American Community Survey from the U.S. Census Bureau estimates 42.7% of Lake County residences use electricity as their main heating source, compared to 24.4% in Sonoma and 19.1% in Mendocino counties.

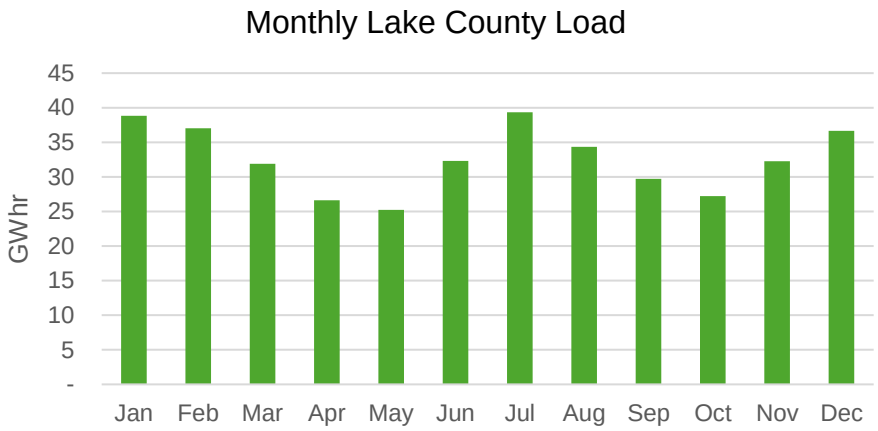

Figure 4. Monthly load for Lake County.

The average hourly load profile for Lake County is shown in Figure 5. Hourly load is low in the middle of the day due to generation from behind-the-meter solar. Customer data suggests 15% of Lake County's meters have Net Energy Metering (NEM) solar. Increased load in the evening is driven by cooling and heating needs as residents return home. Figure 5 shows an average across the year, but for context Lake County's load varied in 2024 from as low as 7 MW midday on a sunny day in May to 96 MW on a hot July evening.

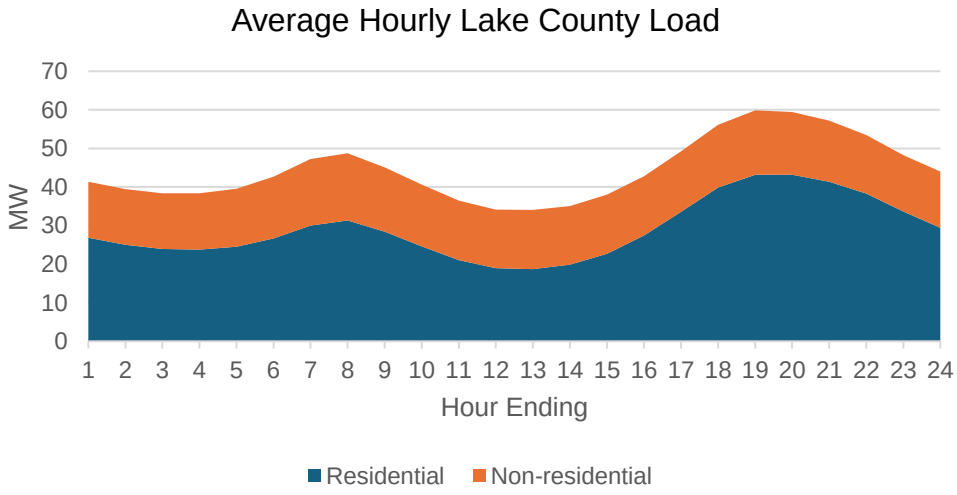

Figure 5. Hourly load profile for Lake County.

Comparison to Existing Customers of Sonoma Clean Power

The addition of Lake County could increase the number of meters served by Sonoma Clean Power by 15.6% and Sonoma Clean Power's load by 18.5%. Table 3 shows a breakdown of how Lake County's meter count and load compares to Sonoma Clean Power. The annual electric usage per residential meter is over 56% higher in Lake

County (8.0 MWh/year in Lake County versus 5.1 MWh in SCP)—which leads to a disproportionate increase in load compared to meter count. Lake County's meter count and load is also more residential (less commercial) than SCP. The figures for Lake County in Table 3 include 100% of eligible customers and do not reflect the effect of customers who choose to opt-out—which are assumed to be 10% in the evaluation in Chapter 5. The conclusions of this analysis are not sensitive to the actual opt-out rate.

Table 3. Lake County Load vs. Sonoma Clean Power

	Sonoma Clean Power	Lake County	Total	% Potential Increase
Residential Meters	200,824	31,995	232,819	15.9%
Non-residential Meters	31,862	4,348	36,210	13.6%
Total Meters	232,686	36,343	269,029	15.6%
Residential Annual Load	1,022.6 GWh	254.8 GWh	1,277.5 GWh	24.9%
Non-residential Annual Load	1,090.0 GWh	136.7 GWh	1,226.6 GWh	12.5%
Total Annual Load	2,112.6 GWh	391.5 GWh	2,504.1 GWh	18.5%

Figure 6 shows the monthly load per meter for Lake County compared to SCP. Like Lake County, SCP has high usage in the summer and winter—although the Lake County fluctuations are amplified. Figure 7 shows an average hourly load comparison. The hourly load shapes are also very similar given similar penetrations of NEM solar and increased energy needs in the evening. In looking at 2024 data, the hourly load for Sonoma Clean Power and Lake County together would have fluctuated between 99 MW to 567 MW. The peak load of 567 MW is 17.5% higher than Sonoma Clean Power's standalone peak of 483 MW—and would occur at the same hour on a hot July evening. Understanding the impact of Lake County to SCP's load shape and peak are critical to evaluating the revenue requirement that is detailed in Chapter 5.

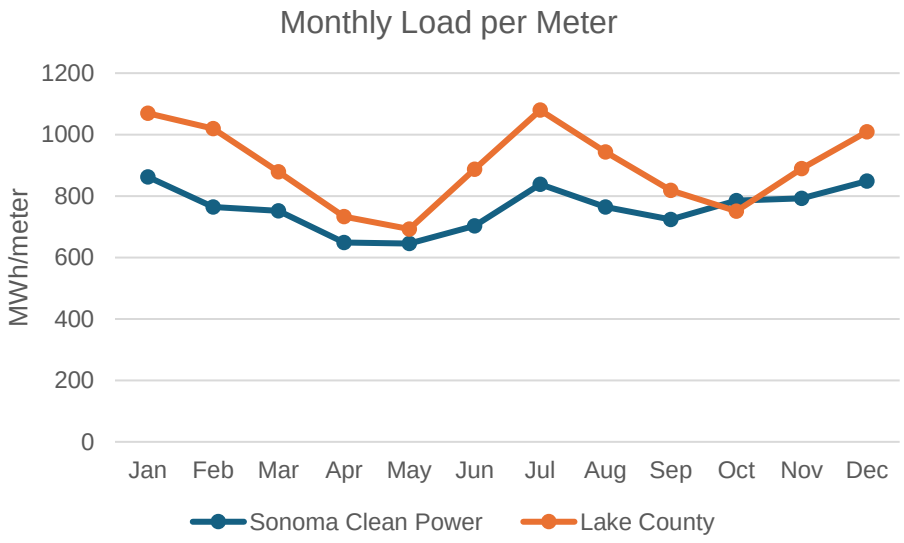

Figure 6. Monthly load comparison for Sonoma Clean Power and Lake County.

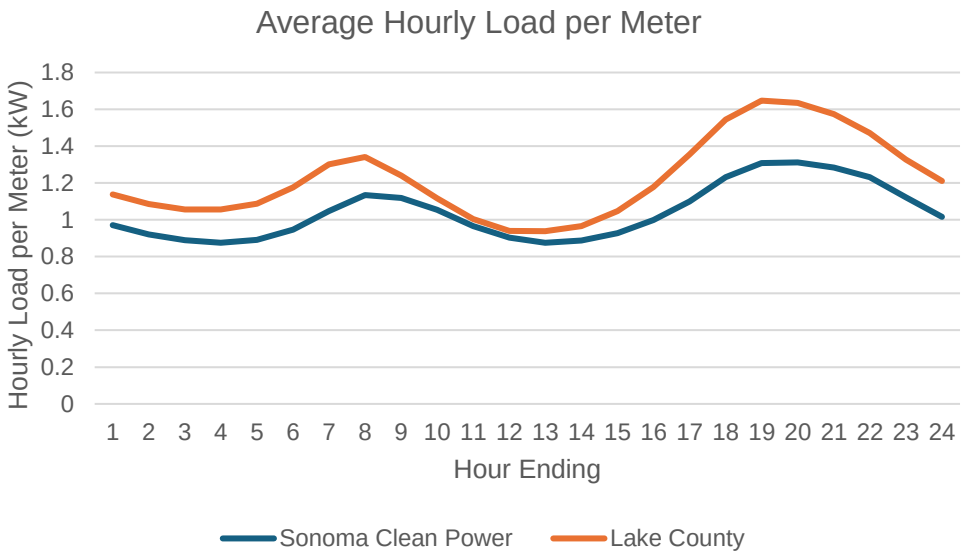

Figure 7. Hourly load comparison for Sonoma Clean Power and Lake County.

Chapter 4. Sonoma Clean Power Electric Service

Products & Resource Portfolio

SCP offers customers a choice between two products: CleanStart and EverGreen. CleanStart is SCP's standard offering and the default product for new customers. Power from CleanStart is sourced from renewable and carbon-free resources across

the Western Interconnection. A small portion, approximately ten to twelve percent, of CleanStart is provided by unspecified resources—which are primarily natural gas.

EverGreen is SCP's premium product that customers can opt-in to for an additional cost of 2.5 cents per kilowatt-hour. This premium translates to $17 extra per month for a typical Lake County household. EverGreen is completely sourced from local renewable resources within SCP's territory. Unlike products offered by other power providers, EverGreen is unique in that it is backed by resources that deliver clean energy for every hour—rather than relying on natural gas power to back up variable resources like solar and wind power. If Lake County were to join SCP, resources within Lake County would become eligible to provide EverGreen-eligible generation.

SCP contracts for power from long-term power purchase agreements (PPAs), short-term contracts that give SCP claim to the bundled renewable or carbon-free attribute of energy, and purchases from the spot market. Table 4 is a list of long-term PPAs expected to be in SCP's portfolio in 2027. If Lake County were to join SCP, incremental energy needs would be first filled with new short-term contracts and spot market purchases, but long-term SCP would seek additional PPAs to optimize costs. Importantly, the resources in Table 4 provide 1,271 GWh of renewable annual energy, which is sufficient to meet the long-term contract compliance minimum for Sonoma Clean Power after an expansion to Lake County[2].

Table 4. Long-term Power Purchase Agreements

Facility	Technology	Capacity	Annual Energy
Geysers Sonoma County, CA	Geothermal	20 MW[3]	175.2 GWh
Mustang Kings County, CA	Solar	70 MW	156.2 GWh
Golden Hills Alameda County, CA	Wind	46 MW	124.6 GWh
Proxima Stanislaus County, CA	Solar	70 MW	169.1 GWh

[2] State law requires 65% of SCP's renewable energy for meeting compliance requirements is sourced from long-term contracts. The renewable compliance requirement for renewable energy maxes out at 60% in 2030—which means SCP would need 39% of its total energy in long-term renewable contracts.
[3] Contract includes 9 MW in 2027 that ramps-up to 20 MW in 2028-2037; table shows ramp-up values

Facility	Technology	Capacity	Annual Energy
Azalea Kern County, CA	Solar	60 MW	150.9 GWh
SunZia New Mexico	Wind	100 MW	328.1 GWh
Ormat Portfolio Imperial County, CA & Nevada	Geothermal	14 MW	122.6 GWh
Fish Lake Nevada	Geothermal	1.5 MW	13.3 GWh
Redemeyer Mendocino County, CA	Solar	4 MW	10.1 GWh
ProFIT Sonoma & Mendocino County, CA	Solar	6 MW (6 projects x 1 MW)	13.8 GWh
Montgomery Creek Shasta County, CA	Small Hydro	2.6 MW	7.4 GWh
		Total:	1, 271 GWh

Credit & Financial Resources

In 2021, SCP received an 'A' issuer credit rating from S&P Global Ratings that was reaffirmed in 2024. SCP's investor-grade credit rating is important in negotiating favorable power contract terms and reflects the agency's fiscal strength. SCP has no outstanding debt. In 2024, on behalf of SCP, the California Community Choice Financing Authority (CCCFA) issued $775.6 million in pre-pay bonds that provide SCP's customers with significant reductions in energy costs. Notably, those bonds do not appear on SCP's financial statements or impact SCP's borrowing capacity.

SCP's latest financial statement from February 2025 shows $373 million in total assets. SCP is targeting an end-of-year reserves balance of about $268 million which reaches the Board of Directors' target reserves of 365 days of annual budgeted operating expenses. SCP's financial policy dictates a minimum reserves balance of 180 days of operating expenses. SCP has funded a rate stabilization fund with a current balance of $56 million, which makes up a portion of total reserves. The rate stabilization fund is meant to provide flexibility in setting competitive rates in future years with a high PG&E PCIA fee. Conditions warranting the use of the rate stabilization fund are expected in 2026, but not necessarily in 2027 when service to Lake County would begin, though

forecasting the PCIA fee is difficult due to frequent regulatory changes and energy market price movement. The fee on SCP customers has varied by over $100 million in a single year, so the scale of this fee is important to consider.

Customer Programs and Customer Service

SCP offers programs and incentives to customers and the community to improve energy affordability, encourage electrification, and increase energy efficiency. These programs are incremental to programs offered by PG&E. A list of currently offered programs is included below. Note that these are subject to change at any time, including before Lake County would begin service in 2027, but are indicative of the types and scale of programs to expect.

- **GridSavvy Rewards:** GridSavvy is a demand response program that invites customers to sign-up to receive alerts for energy conservation or connect a smart thermostat or EV charger to be dispatched during energy-savings events in the summer. Customers receive a sign-up cash bonus and a modest payment for their performance in reducing energy during periods of grid stress.
- **Electric Appliance Rebates:** SCP offers rebates that can be added to state and local incentives for heat pump HVAC, induction cooking, and heat pump water heaters. The rebates are higher for low-income customers - providing up to $10,000 toward equipment and installation.
- **Energy Savings Box:** A free energy savings box packed with easy-to-use tools to conserve energy including things like LED lightbulbs, smart plugs, and weather stripping. The box contains over $100 of useful equipment and shipped directly to customers.
- **Commercial Energy Assistance Program:** An internal energy expert will identify energy savings opportunities for interested businesses and conduct an onsite visit with a detailed follow-up report.
- **Non-profit EV Incentives:** Up to $22,500 for non-profits to assist non-profits with the purchase of an electric vehicle.
- **Solar:** SCP compensates customers with solar by applying credits toward a future bill or as part of an annual cash-out.

SCP staffs a customer call center and the Sonoma Clean Power Customer Center in downtown Santa Rosa to assist customers with utility bills, electrification questions, customer programs, and other needs. SCP staff can assist residential and commercial customers with selecting an optimal rate plan and have a strong track record of identifying opportunities for customer cost savings.

SCP also supports the community through partnerships and funding. As examples, SCP currently partners with the Career Technical Education Foundation and the LIME Foundation for training and curriculum for careers in clean energy and sustainability. SCP also offers scholarships at local colleges, sponsors many key community events, and raises donations for food banks in Sonoma and Mendocino Counties.

Chapter 5. Economic Evaluation

In assessing the viability of SCP expansion to Lake County, results must both provide Lake County a reasonable expectation of competitive electric rates and the SCP Board of Directors with confidence that the expansion is not disadvantageous to SCP's current customers. The power market is very dynamic and conditions are certain to vary from the forecasts used as the basis for this evaluation. Accordingly, this chapter also includes several sensitivities to test the robustness of the results.

Power Costs

In assessing the cost of power for Lake County, this feasibility study assumes a 90% opt-in rate - which is slightly higher than SCP's current opt-in rate of 87% but a reasonable expectation given the experience of recent CCA expansion elsewhere in the state[4]. This feasibility study also assumes a start date of April 2027, which appears optimal from a monthly review of cost and compatibility with SCP's portfolio but may occur as late as June. Costs are forecasted through 2030, when the price forecast SCP uses begins to stabilize. The projections for 2030 are a reasonable proxy for future years. SCP's direct costs of power for Lake County are driven by four components: the cost of wholesale power, the cost of energy attributes, grid charges from the California Independent System Operator (CAISO), and the cost of resource adequacy (RA). These are considered together with PG&E's charges for transmission, distribution and numerous fees and surcharges, including the PCIA in evaluating total bill impacts.

The cost of wholesale power for Lake County is highly dependent on its hourly load profile. Power costs directly correlate to the availability of renewable and hydro resources. Power is often cheaper in the spring and midday and more expensive in the evening and winter months when solar, wind and battery storage are less available. To assess the cost of power for Lake County, SCP developed an hourly load profile using smart meter data from 2024 and leveraged future hourly price forecasts available through its Ascend PowerSIMM platform as of April 12, 2025. The feasibility study assumes that the early years of power for Lake County will be procured entirely from the spot market, although in practice SCP would likely seek to optimize costs through

[4] Pioneer Community Energy achieved 99% opt-in rates in their 2024 expansion to Grass Valley and Nevada City. Peninsula Clean Energy achieved 89% opt-in rate in their 2022 expansion to Los Banos.

signing additional long-term PPAs. SCP needs to procure sufficient power to cover metered sales plus losses on the distribution system, which adds an additional 6%. Table 5 shows the unit cost, volume, and total dollars needed to provide wholesale energy to Lake County with a 90% participation rate (equal to 10% opt out). Note that the per unit results are not very sensitive to the actual participation rate.

In expanding to Lake County, SCP would need to maintain compliance with state-mandated renewable energy requirements while also seeking to maintain its Board-adopted voluntary environmental performance targets. As with wholesale power, SCP would seek to optimize the cost of its portfolio long-term through signing PPAs with resources that provide renewable or carbon-free energy. In the short-term, the volume of renewables needed for Lake County is estimated by applying the state's compliance minimum by year against the metered load. The volume of carbon-free energy needed to meet SCP's voluntary targets is calculated to reach a portfolio that is 93.5% renewable or carbon-free[5]. The required procurement of resources for Lake County is reduced by allocations SCP would expect to receive for Lake County's portion of carbon-free power from the Diablo Canyon Nuclear Power Plant and PG&E's hydropower fleet that is included in PCIA. Table 5 shows the resulting need for renewable and carbon-free to serve Lake County, along with the expected procurement cost based on current market prices.

CAISO charges SCP grid charges in addition to wholesale power costs to cover its costs of operation. These grid charges are expected to grow proportional to load. For this evaluation, SCP is assuming grid charges add an additional $1.50 per MWh of wholesale load.

SCP is required to procure resource adequacy (RA) for its load. RA is a contract with power plants to provide standby capacity to respond to peak grid conditions and is California's regulatory solution for ensuring system reliability. Recent revisions to RA rules require SCP to prove it has a resource fleet, battery storage, and short-term RA contracts sufficient to provide capacity across 24 hours for a peak load day each month. This new structure is known as "slice of day" and differs from the past approach of planning for a single peak hour. The incremental RA cost for serving Lake County is related to how Lake County's load profile interfaces with SCP's existing resource fleet and load shape. The cost of RA included in the table below is based on an assessment of how much additional RA, either firm capacity from natural gas plants or battery storage capacity, SCP needs to maintain compliance with its RA obligation when adding Lake County's load to its portfolio.

[5] A 93.5% renewable or carbon-free annual metric is consistent with a recent staff recommendation to adopt an 85% hourly renewable or carbon-free target for 2026 and beyond

The total power cost for Lake County is forecasted to grow from $25.6 million in the 9 months of participation and grow to $40.2 million per year in 2030, which represents around a 14% increase relative to SCP's power cost forecast in outer years without Lake County participation. This increase is lower than the anticipated 15.4% growth in sales, which importantly indicates that Lake County participation is expected to reduce power costs borne by SCP's current customers.

Table 5. Power Cost Forecast

	2027 (Apr-Dec)	2028	2029	2030
90% Opt-in Metered Sales MWh	255,342	351,182	351,182	351,182
Wholesale Power $/MWh	59.01	63.36	70.59	77.65
Wholesale MWh	270,663	372,253	372,253	372,253
Wholesale $ thousands	**15,970**	**23,585**	**26,278**	**28,906**
Renewable Need %	52.0%	54.7%	57.3%	60.0%
Carbon Free Allocation %	18.6%	18.3%	17.3%	13.0%
Carbon Free Need %	22.9%	20.5%	18.8%	20.5%
Renewable Need MWh	132,778	191,991	201,333	210,709
Carbon Free Need MWh	58,513	72,008	66,141	71,845
Clean Energy $ thousands	**4,490**	**5,136**	**5,217**	**5,507**
CAISO Grid Charges $ thousands	**402**	**553**	**553**	**553**
Resource Adequacy $ thousands	**4,823**	**5,274**	**5,274**	**5,274**
Total Power Cost $ thousands	**25,690**	**34,554**	**37,327**	**40,246**
Total Power Cost ¢/kWh	**10.06**	**9.84**	**10.63**	**11.46**

Administrative Costs

Adding Lake County to SCP would introduce some efficiencies of scale, but there are costs associated with data management and PG&E service fees that directly scale with meter count. SCP also anticipates growing customer service staff to maintain its high level of service, and expanding the budget for marketing, communications, and programs incentives for Lake County. Program participation for Lake County is forecasted to grow to the level of adoption SCP currently sees in Mendocino County. Overall, expansion to Lake County is expected to increase SCP's administrative costs by around 4%--which is lower than the anticipated 15.4% growth in sales. A breakdown of the administrative cost forecast is included in Table 6.

Table 6. Administrative Cost Forecast, $ Thousands

Category	2027 (Apr-Dec)	2028	2029	2030
Data Management	337.5	450.0	450.0	450.0
PG&E Service Fees	11.3	15.0	15.0	15.0
Personnel	250.0	270.0	280.0	290.0
Marketing & Communications	570.0	400.0	410.0	420.0
Customer Service	50.0	50.0	50.0	50.0
Programs Incentives	120.0	240.0	330.0	350.0
Total Administrative Cost	**1,338.8**	**1,425.0**	**1,535.0**	**1,575.0**
Total Administrative Cost ¢/kWh	**0.52**	**0.41**	**0.44**	**0.45**

Uncollectible Revenue

A consideration in determining the revenue requirement for a utility is the amount of revenue that is uncollectible. SCP's collectible rate on its current customers is 98.6%, which means rates need to be set to recover 101.4% of projected costs. Lake County is expected to have a lower collectible rate due to lower average household incomes than SCP territory. Whereas 16.5% of SCP meters are enrolled in the California Alternative Rates for Energy (CARE) income-assistance program, 43.1% of Lake County meters are enrolled. This feasibility study applies SCP's observed CARE-specific collection rate of 96.6% and non-CARE collection rate of 98.7% using the 43.1% weighting of CARE meters in Lake County to estimate an overall 97.8% collection rate. In evaluating the revenue requirement for Lake County, rates are therefore set at 102.2% of projected costs.

Revenue Requirement

Table 7 below incorporates the incremental load, power costs, administrative costs, and uncollectible rates associated with an expansion to Lake County alongside the SCP financials for the status quo to evaluate the impact of expansion to SCP's revenue requirement. Importantly, the results show that due to efficiencies of scale and compatibility with SCP's portfolio, an expansion is expected to provide a reduction in the per-kilowatt-hour revenue requirement for SCP. These results suggest that an expansion to Lake County would not create an additional financial burden on existing SCP ratepayers and are an indication of the generation rates SCP could offer given the assumed market conditions. The revenue requirement does not include any contributions to reserves, which is discussed in a later section.

Table 7. Revenue Requirement Comparison, ¢/kWh

Scope	2027 (Apr-Dec)	2028	2029	2030
SCP (Status Quo)	11.79	12.55	13.12	13.62
SCP + Lake County Expansion	11.66	12.27	12.88	13.43
Change	-0.13	-0.28	-0.24	-0.19

Startup Costs

The power and administrative costs above reflect ongoing expenses pertinent to evaluating the long-term viability of a Lake County expansion. There are also one-time costs that SCP would incur in expanding to Lake County. These costs cover enrollment notices, staff outreach, travel expenses, preparation of this feasibility report, and marketing. The SCP Board will want to take these costs into consideration while establishing its offer for service to Lake County. For context, the revenue requirement reduction detailed in Table 7 generates $238,000 of reduced costs for SCP ratepayers per month in 2027, implying that the payout for SCP's investments in startup costs will likely occur within three months.

Table 8. Startup Costs

Category	Startup Cost, $ Thousands
Feasibility Report Staff Time	15
Implementation Plan Update	10
Outreach Staff Time	236
Enrollment Notices	150
Travel Expenses	24
Marketing & Communication	143
Total Startup Costs	**578**

Customer Type and Usage Pattern Impacts to Unit Revenue

SCP currently sets rates by making adjustments to PG&E's rate schedules—all of which fluctuate with season and customer type and many that also vary based on time of day. Because Lake County's load profile and customer mix is different than SCP's existing customers, a potentially important consideration is whether the different customer mix will impact revenue. To approximate the impact of these dynamics, the average rate for a given month, hour, and residential or non-residential customer was determined from SCP's current rates. These implied rates were then applied to the hourly residential and non-residential load profiles for Lake County. The results imply Lake County would

provide 0.6% more revenue per kilowatt-hour. The results of this analysis were close enough to treat the revenue contribution of Lake County and SCP the same when assessing the revenue contribution of an overall generation rate.

PG&E Generation Rates, PCIA, and Rate Competitiveness

A key priority for Lake County in exploring SCP service is the potential for delivering lower cost electricity to its residents. To evaluate the potential for rate savings compared to PG&E service, the revenue requirement estimated for the expansion in Table 7 should compare favorably to generation rates expected to be offered by PG&E, net of the effects of PG&E's PCIA fee. Both PG&E's competing generation rate and PCIA depend on market conditions. If market prices of energy are lower, PG&E is able to reduce its generation rates and yet the PCIA paid by CCA customers increases due to poorer market performance of the portfolio PG&E procured for departing customers. Although a CCA's revenue requirement also decreases in a low-price market, the lower PG&E generation rate and higher PCIA make it difficult to maintain cost competitiveness. Conversely, in a high-price market scenario PG&E's generation rates increase to cover costs and the PCIA is reduced, making CCA competitiveness generally easier.

PCIA rates vary by the date customers depart PG&E service (called "vintage" by PG&E). Most SCP customers are on the 2014 vintage with a PCIA based on the portfolio of resources PG&E procured before 2014. If Lake County were to join SCP service in April through June 2027, they would be assigned vintage year 2026[6]. Their 2026 vintage portfolio would include the resources in SCP's PCIA portfolio but also resources procured between 2014 and 2026. The resources PG&E has procured in that timeframe have by and large been more cost-competitive than their older vintage portfolio—which has had the impact of significantly reducing PG&E's PCIA fee for newer vintages of CCA customers. To offer savings, SCP must offer rates that are at or below the PG&E generation rate minus the PCIA - a term referred to as "competitive differential". Table 9 shows the 2025 generation rate paid by PG&E customers, PCIA credit, and resulting competitive differential for three different vintages to illustrate how PCIA has reduced over time. The table shows that 2025 vintage customers pay 3.25 cents less per kWh for PCIA than SCP's 2014 vintage customers. At SCP's current generation rate of 11.5 cents per kWh, SCP's current customers enjoy a discount of 2.4 cents per kWh versus service with PG&E. At that same rate, as an example, a 2025 vintage customer would enjoy a discount of 5.7 cents per kWh. A 2.4 cent per kWh discount is a 16% decrease from PG&E for generation and reduces total bills (which

[6] PG&E assigns vintage based on a fiscal year that runs from July 1st through June 30th. April 2027 through June 2027 is thus in the 2026 vintage year.

include 20 cents per kWh of additional costs paid to PG&E for transmission and distribution) around 7%.

Table 9. PG&E Gen Rate, PCIA, and Competitive Differential by Vintage, ¢/kWh

	2014 Vintage	2020 Vintage	2025 Vintage
2025 PG&E Generation Rate	14.99		
2025 PCIA	1.06	0.31	-2.19
2025 Competitive Differential	13.93	14.68	17.17

PG&E's generation rate, PCIA, and resulting headroom are expected to change before 2027. The PCIA is currently lower due to high-price market conditions in 2024 that were used as the basis for setting 2025 rates. Market prices have since fallen and the forecast model SCP used to estimate the power costs for this feasibility study provide conditions in 2027 for a lower PG&E generation rate and higher PCIA. SCP has access to a model that can provide an estimate for future generation rates and PCIA by vintage using market assumptions and has leveraged that model to predict competitive differential for the same market conditions underpinning the power cost estimates. However, it is important to note that actual PG&E rates and fees have historically varied significantly from estimates – both estimates made by SCP and estimates made by PG&E. Table 10 shows the anticipated PG&E competitive differential for a 2026 vintage (Lake County) and 2014 vintage (SCP) compared to the revenue requirement estimate for an expansion from Table 7.

Table 10. Competitive Differential Forecast vs. Revenue Requirement, ¢/kWh

	2027 (Apr-Dec)	2028	2029	2030
SCP Expansion Revenue Requirement	11.66	12.27	12.88	13.43
PG&E 2026 Vintage Competitive Differential (Lake County)	16.35	15.55	15.22	14.89
PG&E 2014 Vintage Competitive Differential (SCP)	12.95	12.69	12.74	12.78

SCP currently sets the same generation rates for its customers, regardless of PCIA vintage. If SCP continues that practice in expanding to Lake County and sets rates at its revenue requirement, Table 10 indicates Lake County with its 2026 vintage PCIA would enjoy higher savings than SCP customers in Mendocino and Sonoma Counties (1.46 cents per kWh to 4.69 cents per kWh of savings relative to PG&E service, which

represents 9.8% to 28.7% savings on generation or 4.2% to 12.9% savings on a total bill basis). In this same scenario, current SCP customers would be seeing comparatively smaller discounts (or a slight premium) due to their 2014 vintage, but with increased savings relative to the status quo without expansion. In 2027, SCP would need to add some costs to its revenue requirement to build reserves up to the new higher target balance beyond the amounts reflected in Table 10.

Sensitivity Analysis

Changes in regulations are a key uncertainty in predicting the future but are difficult to model and forecast. As a result, staff have completed this analysis assuming the existing regulatory conditions. In contrast, power market conditions are the other key uncertainty in determining the economic feasibility of expanding SCP service to Lake County and are possible to model. Power prices not only drive the costs for serving Lake County's load, but also directly influence PG&E's generation rate, PCIA, and competitive differential that determines whether SCP service offers cost savings. In order to understand the robustness of the feasibility study's findings, scenarios have been evaluated for both a high and low market price scenario. Figure 8 shows the power price assumptions used in the low and high price scenarios compared to the base case described above.

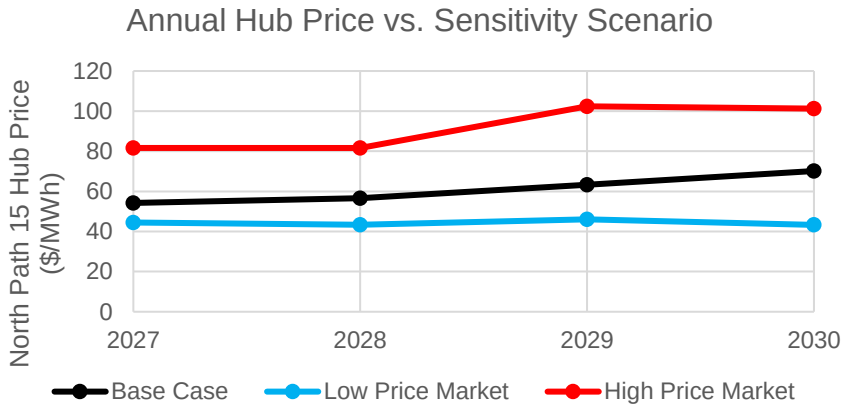

Figure 8. Power price assumptions for low and high price sensitivities vs. base case.

Table 11 shows the expected total power costs in the low price and high price scenarios compared to the base case. Whereas the base case represents a scenario with an average power cost of 10.5 cents per kWh, the low case averages 8.45 cents per kWh and the high scenario averages 14.23 cents per kWh. Because this feasibility study assumes power for the expansion to Lake County will be first procured on the spot market, the overall power costs are very sensitive to market price assumptions.

Table 11. Power Costs for Lake County by Sensitivity Scenario, ¢/kWh

Scenario	2027 (Apr-Dec)	2028	2029	2030
Base Case	**10.06**	**9.84**	**10.63**	**11.46**
Low Price Market	9.01	8.17	8.49	8.11
High Price Market	13.36	12.89	15.28	15.39

In order to understand whether the changes in power costs impact the determination that a Lake County expansion lowers the revenue requirement to existing SCP ratepayers, SCP's existing load profile and power portfolio were tested using the same scenarios with and without a Lake County expansion. The results of this analysis are shown in Table 12.

Table 12. Revenue Requirement Comparison by Sensitivity Scenario, ¢/kWh

Scenario	Scope	2027 (Apr-Dec)	2028	2029	2030
Low Price Market	SCP (Status Quo)	11.29	11.61	11.89	11.77
	SCP + Lake County Expansion	11.08	11.23	11.53	11.37
	Change	-0.21	-0.38	-0.37	-0.40
High Price Market	SCP (Status Quo)	13.65	14.69	16.26	16.27
	SCP + Lake County Expansion	13.72	14.54	16.24	16.26
	Change	+0.07	-0.15	-0.02	-0.01

Unlike Lake County's power costs, a large portion of SCP's power is contracted through long-term power purchase agreements at fixed prices. These contracts reduce the sensitivity of SCP's revenue requirement to variations in market price. Accordingly, the revenue requirement benefits for an expansion to Lake County are amplified in the low market scenario compared to base case results in Table 7 because an expanded portfolio can realize more benefits from reduced power costs. Conversely, the revenue requirement benefits in a high price scenario are muted because SCP's portfolio becomes more exposed to high market prices with an expansion. However, even in the high price scenario, the revenue requirement with an expansion is either similar or lower than the status quo—indicating that expansion is likely advantageous to SCP across a range of market conditions.

The low price and high price market scenarios were also tested in the PCIA and competitive differential model—as different market conditions will impact the competitiveness of the rates SCP is able to offer. Table 13 shows the revenue requirement results from Table 12 alongside the PG&E competitive differential model outputs for the low and high price scenarios. In the low price scenario, the competitive differential is reduced due to higher PCIA and reduced PG&E generation rates. The results show that the revenue requirement reductions, however, are likely sufficient to continue providing discounts to the 2026 vintage for Lake County. The low scenario for 2014 vintage customers shows reduced discounts in 2027 and 2028 and increased premiums in 2029 and 2030—but the amplified revenue requirements benefits in the low scenario improve their outcome relative to service without Lake County. In the high market scenario, the differential increases disproportionately to the revenue, allowing greater potential for savings for the 2026 vintage. These results demonstrate that the feasibility study's finding that SCP could likely deliver competitive rates for Lake County is applicable across a range of market conditions.

Table 13. Competitive Differential Forecast by Scenario, ¢/kWh

Scenario	Scope	2027 (Apr-Dec)	2028	2029	2030
Low Price Market	SCP Expansion Revenue Requirement	11.08	11.23	11.53	11.37
	2026 Vintage Competitive Differential (Lake County)	15.31	14.16	13.39	12.04
	2014 Vintage Competitive Differential (SCP)	11.92	11.31	10.92	9.95
High Price Market	SCP Expansion Revenue Requirement	13.72	14.54	16.24	16.26
	2026 Vintage Competitive Differential (Lake County)	19.25	18.21	19.35	18.18
	2014 Vintage Competitive Differential (SCP)	15.84	15.33	16.85	16.05

Reserves and Rate Stabilization Fund Considerations

The results above assume the rates are set at SCP's revenue requirement and no contribution is made to reserves or a rate stabilization fund[7]. In practice, SCP will need to budget for contributions to reserves and the rate stabilization fund in years with sufficient competitive differential. Conversely, in years where the revenue requirement is above the competitive differential, SCP would likely draw from its stabilization fund or reserves to provide competitive electric bills to customers.

[7] SCP's rate stabilization fund is a subset of SCP's reserves entirely made up of deferred revenue. In contrast, the rest of SCP's reserves are comprised of revenue that was recognized.

Expanding to Lake County equates to a $21.1 million increase in SCP's minimum reserves requirement using 2030 costs (the reserves minimum is 180 days of operating costs). Given its current assets and budget for the next year, SCP expects to have a sufficient reserves balance to accommodate the increased requirement without supplemental revenue requirements before or after the start of service.

SCP's current financial policy sets a target reserves balance of 365 days and stipulates that during periods where SCP is below its target, rates should be set to meet it within 5 years while still protecting customers from unreasonable rates. Adding Lake County increases SCP's target reserves balance by $42.7 million using 2030 costs. In order to build $42.7 million in additional reserves by the end of 2032, rates would need to be set at 0.28 cents per kWh above the revenue requirement (on average). Depending on the market scenario, this would likely offset the cost reductions for expanding service projected for existing SCP ratepayers in the short term but still allow for discounts to Lake County customers.

An important consideration in expanding to Lake County is that the reserves and rate stabilization fund built-up from SCP's existing participants will be spread out over 15.4% more load.

Chapter 6. Local Resource Development Opportunities

Since inception, a core value of SCP has been supporting the construction of local energy resources that provide economic development opportunities to the communities it serves. SCP has contracted with the Geysers, built six 1 MW local solar projects, and is currently building a 4 MW solar with storage project in Mendocino County. SCP has created the Geothermal Opportunity Zone (GeoZone) in partnership with Sonoma and Mendocino counties with the aim of building 600 MW of new geothermal capacity. SCP has also recently created a capital projects department specifically focused on building local energy resources. In expanding to Lake County, SCP may find new opportunities for partnership in resource development and use its leverage as a large power customer and regulatory advocate to steer development towards positive outcomes for the region.

Geothermal Opportunity Zone (GeoZone)

SCP's GeoZone is structured as a public-private partnership to promote local geothermal development. SCP sees clean firm resources such as geothermal as key components of the future grid. The motivation of GeoZone is to leverage SCP's community relationships, power offtake, and political and regulatory advocacy to build geothermal capacity that is cost-competitive at scale-up and that generates significant local economic benefits. GeoZone partners commit to offering SCP a first right-of-refusal on all future capacity—locking-in long-term ratepayer benefits if a scale-up is

successful.

The Clear Lake Volcanic Field that underlies the Geysers creates a regional temperature anomaly that provides favorable conditions for both conventional geothermal development—such as the existing operation at the Geysers—as well as deployment of next-generation geothermal technologies. Although next-generation technologies such as Enhanced Geothermal Systems (EGS) and advanced closed loop (ACL) are technically viable far beyond the reaches of existing geothermal fields, the elevated temperatures in that area allow for them to be tested at shallower depths and lower cost. SCP has identified an "Early Interest Area" in the GeoZone where elevated temperatures and transmission availability are likely to attract near-term development interest. Figure 9 shows how SCP expects the "Early Interest Area" could expand should Lake County join the GeoZone. Figure 9 also shows the Geothermal Setback Area where Lake County has passed a moratorium on geothermal development that would be left unchanged.

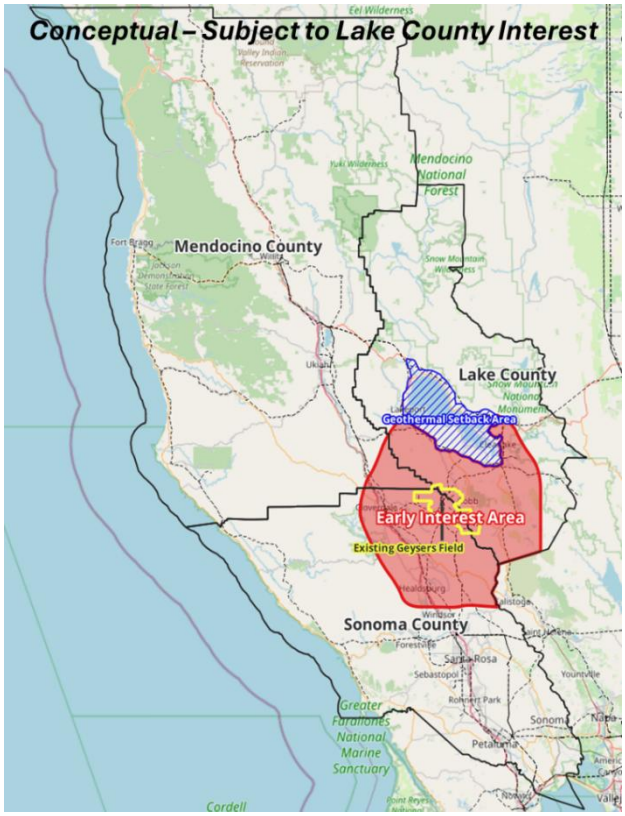

Figure 9. Early interest area for an expanded GeoZone with Lake County.

Adding Lake County to the GeoZone would be mutually beneficial. By expanding the total land area of opportunities, SCP and GeoZone partners are more likely to identify viable projects. Lake County offers high rock temperatures, lower land costs, and significant transmission infrastructure that are likely to attract development interest. Through participation in the GeoZone, Lake County would have increased influence on guiding project development and selecting project partners and importantly would retain its existing jurisdiction over projects proposed within its borders. It would also benefit from SCP's investment in community engagement and through long-term cost savings from commercial commitments in the GeoZone cooperation agreements. Although Lake County is likely to see geothermal development regardless of participation in the GeoZone, participation in the GeoZone will attract additional interest from industry—accelerating and increasing the scale of investment.

Given the strategic nature of the GeoZone and potential long-term ratepayer benefits, it is strongly recommended that Lake County join the GeoZone concurrently with SCP's electric service. The SCP Board may want to establish expectations or a requirement on Lake County's participation in the GeoZone in its offer for service.

Other Clean Energy Opportunities

Lake County has excellent conditions for clean energy development beyond geothermal power as well. In 2024, Calpine installed two utility-scale battery storage systems totaling 38 MW at the Geysers. AES is in the early stages of developing a 70 MW wind project in Morgan Valley (see Figure 10). Lake County and the Hidden Valley Lake Community Services District have been exploring the development of closed-loop pumped hydropower systems. Lake County has high solar irradiance, high wind power density, relatively affordable land, and access to transmission.

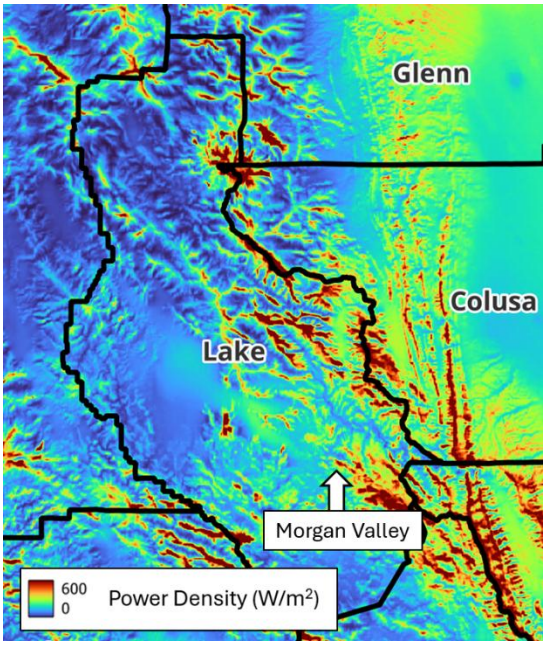

Figure 10. Wind power density map for Lake County with location of Morgan Valley project.

Lake County's participation in SCP would support clean energy development that maximizes local benefits. As a potential buyer of local projects, SCP can increase the importance of local considerations in siting and constructing projects. SCP offtake of local projects also allows Lake County residents to directly benefit from electricity generation. SCP is also very active in advocacy at the CPUC, California Energy Commission (CEC), and CAISO and can advocate for infrastructure and grants to support local project development for Lake County. Importantly, SCP's new capital projects team provides an avenue for SCP to directly invest and build resources in Lake County.

Chapter 7. Additional Benefits

SCP expansion to Lake County offers potential benefits beyond ratepayer savings and increased opportunities for partnership in local resource development. These additional benefits include:

- **Cost-effective building electrification:** SCP has invested heavily in building programs, incentives, and expertise to promote building electrification. However, electrification in Sonoma and Mendocino Counties is challenging because it is not clearly cost-effective due to the relatively low cost of natural gas compared to

electricity. Lake County does not have access to natural gas and instead relies on higher-cost propane for heating. SCP thus expects the cost-effectiveness of electrification to be significantly better in Lake County which will result in higher adoption rates and allow faster and larger impact.

- **Increased portfolio flexibility:** As shown in Table 4, over half of SCP's existing load is served by long-term contracts, which limit SCP's flexibility to optimize its portfolio if costs decline or new resources or technologies become available. Adding additional load increases opportunities for SCP to optimize its portfolio. Adding load also increases utilization of SCP's existing resources, including its large battery storage fleet. Although the revenue requirement estimates in Chapter 5 assume spot market purchases for incremental load, SCP will look for new long-term contract opportunities that provide supplemental savings.
- **Improved advocacy:** Adding Lake County would expand SCP's voice to be representative of energy-related issues across a broader region and a more diverse set of experiences. Partnering with Lake County would give SCP more direct experience in understanding the concerns of tribes, low-income communities, and regions that are net exporters of electricity. Lake County would gain access to SCP's expertise in engaging in energy-related issues with the CPUC, CEC, CAISO, and PG&E to address local priorities.
- **Improved customer service:** SCP staffs a call center and a Customer Center in Santa Rosa that provides very responsive customer service. SCP is able to answer questions on both its own charges and PG&E bill overall. SCP staff also has a long-track record of delivering savings to customers by identifying optimal rate plans, low cost or no cost tips for energy savings, and information on energy efficient appliances.
- **Customer choice:** An intrinsic benefit of a jurisdiction participating in CCA service is that it provides customers with a choice for two options for their electric provider, where before they had only PG&E. Providing choice to Lake County gives customers greater control over their electricity sources and costs, and creates competition that encourages better service and lower costs.

Chapter 8. Risks

The economic evaluation and benefits listed in Chapter 6 and Chapter 7 provide support for moving forward with expansion of SCP service to Lake County. However, in evaluating whether to proceed it is important to understand the following risks:

- **Financial risk to Lake County jurisdictions:** Section 3.3 of the JPA governing SCP stipulates that the debts, liabilities, and obligations of SCP shall not be the

debts, liabilities, or obligations, of participating jurisdictions. Accordingly, participation in SCP should not have any impact on the credit rating or books of Lake County jurisdictions. This also means that member cities and counties of SCP have absolutely no access to the funds or other assets of SCP. In addition, if a jurisdiction decides to completely withdraw from SCP service, Section 7.3 of the JPA give that jurisdiction a choice: (A) they may withdraw on a date of SCP's choosing without cost obligation, noting that date may be as far in the future as the length of SCP's longest energy contract (typically 20 or 25 years); or (B) the withdrawing jurisdiction must pay SCP for the financial liability for costs related to the jurisdiction's participation in SCP service—including losses from the resale of power contracts entered to serve load (an amount that will generally exceed $40 million for a region the size of Lake County). Given the practical difficulty of withdrawal, Lake County jurisdictions should only consider SCP participation if they intend on making a very long-term commitment that will weather different rate and political environments.

- **Customer opt-outs:** This study assumes a 90% participation rate. However, given the flexibility allowed to individual customers in switching power providers, the participation rate could be higher or lower. High opt-outs could lead to a situation where SCP has excess energy procured in long-term contracts that is not offset by customer revenues. SCP seeks to mitigate customer opt-out risk by investing heavily in marketing and community engagement leading up to start of service and make procurement decisions for the expansion with the flexibility to adapt to lower or higher opt-out rates.

- **SCP credit rating:** SCP's current investor-grade credit rating is based on its financial assets, portfolio position, industry conditions, and the demographics of its customers among other conditions. Although this study demonstrates that expansion is financially prudent, credit rating agencies may see it as adding risk—particularly given the impact to the reserves target and the lower average household income observed in Lake County. SCP will seek to mitigate this issue by socializing the financial merits of the expansion with rating agencies and building up reserves to the new higher target balance.

- **PG&E Generation Rates & PCIA:** As demonstrated in Chapter 5, the ability of SCP to offer competitive rates is very sensitive to the generation rate and PCIA PG&E charges. SCP's estimates of PG&E's rates and fees are based on a model calibrated to long sets of historical data, but regulatory changes or changes in PG&E's procurement practices could cause future generation rates and PCIA to diverge from SCP's forecasts in Chapter 5. Although this analysis provides strong evidence that SCP will be able to offer competitive rates to Lake County, discounts cannot be guaranteed.

- **Legislative and regulatory risk:** SCP is subject to many different compliance requirements, which can be changed through new legislation or rulemaking. Compliance requirements can challenge the ability of SCP to compete or can devalue its existing resources. SCP seeks to mitigate this risk by investing heavily in its own legislative and regulatory capacity and working through its trade association CalCCA.

Chapter 9. Implementation

Enrollment Process

The steps for Lake County joining SCP service are established in SCP's Policy D-4, CPUC Resolution 4907, and guided by best practices by other CCA expansions. The steps in Table 14 below include the activities SCP anticipates in working towards a start of service date between April and June 2027 (exact date to be determined following CPUC approval of an updated Implementation Plan).

Table 14. Enrollment Activities and Expected Timing

Expected Timing	Activity
June 2025	**Socialize Feasibility Study:** Feasibility Study presented to SCP Board and Lake County jurisdictions. Starts 60-day clock for SCP jurisdictions to review.
July 2025	**Tribal Engagement:** SCP, with support from Lake County, begins engaging Lake County tribes to build awareness of CCA service and address concerns.
August to September 2025 (depending on meeting schedule)	**SCP Board Invitation:** SCP Board of Directors votes on whether to extend a formal offer of service **Lake County Ordinance Approval:** Lake County jurisdictions approve resolution requesting SCP membership and ordinance authorizing CCA service through SCP. Note: this requires two consecutive meetings.
October 2025	**SCP Resolution:** SCP Board of Directors adopts resolution authorizing participation of Lake County jurisdictions. **Drafting:** SCP staff write an updated Implementation Plan and circulate to the SCP Community Advisory Committee for review.
November 2025	**Implementation Plan:** SCP Board certifies the updated Implementation Plan and SCP staff submits updated Implementation Plan to CPUC with Lake County expansion
February 2026	**Implementation Plan Certified:** CPUC must certify it has received the Implementation Plan within 90 days of filing.

Expected Timing	Activity
April 2026	**RA:** SCP submits its load forecast for 2027 RA requirements including Lake County.
Sep 2026	**Customer Outreach:** SCP hires necessary staff and begins community outreach in Lake County in earnest including participation in community events, advertising/marketing, and dedicated townhall meetings.
July 2026	**Procurement:** SCP is assigned RA obligation for Lake County and begins supplemental procuring resources to serve load in earnest.
February 2027	**First Notice:** SCP will mail notices to all prospective customers describing terms of service and customer's opt-out opportunity before service.
March 2027	**Second Notice:** SCP will mail second notice to all prospective customers describing terms of service and customer's opt-out opportunity before service.
Between April and June 2027 (TBD)	**Start of Service:** PG&E will transfer eligible accounts to SCP service based on billing period.

Governance

SCP is governed by a Board of Directors composed of elected members from participating jurisdictions. The early Board included one appointee from Sonoma County and one from each of the participating municipalities in Sonoma County. When SCP expanded to Mendocino County in 2017, one seat was assigned to Mendocino County and one seat was shared by the three participating cities: Fort Bragg, Point Arena, and Willits. The SCP Board currently has eleven total board members. Decisions of the Board of Directors are generally made by a majority of directors present at the meeting, but a director can request approval of any matter also require the majority of voting shares. Voting shares are allocated between participants proportional to annual load.

It is the staff's recommendation that the Board consider following the approach used in expanding to Mendocino County. Adding one seat from Lake County's Board of Supervisors and a shared seat between the City of Clearlake and City of Lakeport would expand the SCP Board of Directors to thirteen seats. The three Lake County jurisdictions are expected to represent 13.5% of SCP's load after expansion. Two seats on a 13-member board closely approximates their load share (15.4% vs. 13.5%), which will still be used as the basis for allocating voting shares.