

I. POWER PURCHASE AGREEMENT (PPA) PROJECT SELECTION POLICY

The PPA Project Selection Policy ("Policy") shall be applied as part of the process of acquiring energy and capacity resources for new build, or substantial repower projects involving construction labor, in front of the meter electricity generation, or storage resources where SVCE does not own, develop or construct the generation or storage facility. Projects considered for PPAs will be evaluated based on best portfolio fit and value while considering regulatory mandates, reliability, risk mitigation, and other relevant factors including the following all else being equal goals:

A. Contributions to SVCE's Mission

1. Assessment and evaluation of proposed projects to ensure SVCE is able to meet its mission of providing clean, reliable and affordable energy.
2. Assessment and evaluation of proposed projects' operational performance and market economics to ensure selected projects maximize Regulatory and Market Value to SVCE and its customers.
3. Assessment and evaluation of projects to minimize risk to SVCE and its customers through effective location, Counterparty and technology diversification and management of Development Risk

B. Workforce Development

SVCE is committed to stimulating its local economy through, among other measures, supporting projects committing to applying prevailing wage rates as required by law, and supporting a local Skilled and Trained Workforce with construction work performed by appropriate Journeypersons and Apprentices from a state-approved apprenticeship training program.

1. SVCE will prioritize Power Purchase Agreements where:
 - a) Highest priority projects will commit to a multi-trade project labor agreement with additional preference given to projects committing to a target of 30% local hire and a target of 5% hiring from workforce pipeline programs.
 - b) Medium priority projects will commit to:
 - (1) Using prevailing hourly wage and benefit rates as determined by the California Department of Industrial Relations for California projects and state or federal prevailing wage and benefit rates, whichever is higher, for out-of-state projects.
 - (2) Additional preference will be given to projects that use apprentices at the same ratio of apprentice hours to journeyperson hours as required for public works projects under Section 1777.5 of the California Labor Code.
 - c) Low priority projects may demonstrate other commitments to local workforce development.

C. Technology Diversity

SVCE recognizes the importance of diversifying technology in its portfolio to minimize risk.

1. All else being equal, SVCE will prioritize projects that will diversify technologies in its current portfolio, provide local reliability, provide SVCE a competitive advantage, and/or reduce costs for SVCE customers while remaining cost competitive with established market alternatives.

D. Location

SVCE prioritizes projects within the California Independent System Operator (CAISO) and/or certified deliverability to the CAISO in accordance with the following:

1. Projects within SVCE's service territory.
2. Projects within the CAISO balancing authority.
3. Projects with the ability to interconnect with the CAISO balancing authority.
4. All other projects.

E. Environmental Stewardship

SVCE is committed to leading by providing customers with energy that delivers benefits for air, water, and the natural environment while avoiding impacts to important lands, species, and waters. Without diminishing or interfering with permitting, land use or development requirements of any authority with jurisdiction including local, state, and federal agencies, SVCE prioritizes projects:

1. That are proposed on urban or previously disturbed sites; and
2. Where the developer and local land use authority have established an enforceable development agreement which, in part, sets forth measures to mitigate impacts to sensitive habitats or environmentally sensitive areas.

F. Community Engagement

SVCE will prioritize projects that:

1. Demonstrate contact and collaboration with the local community organizations and stakeholder groups representing a broad diversity of demographics and interests, particularly low income and environmental justice communities, to identify and address benefits and impacts of projects and ensure project benefits are communicated and accessible to the local community.
2. Commit to meaningful engagement with local communities throughout the entitlement and construction processes to identify and address benefits and impacts of projects and ensure project benefits are communicated and accessible to the local community.

G. Greenhouse Gas Emissions Impact

SVCE will evaluate greenhouse gas emissions of project proposals and prioritize projects that minimize emissions on the grid and SVCE's portfolio.

II. REPORTING AND CALIFORNIA COMMUNITY POWER

A. Reporting

SVCE will assess project proposals in accordance with this Project Selection Policy and report to the SVCE Board of Directors the results of such assessment at the time of the project approval. SVCE will compile and report data and metrics, as appropriate, through the annual GO 156 Supplier Diversity report.

B. California Community Power

SVCE will consider the Power Purchase Agreement Project Selection Policy when it is determining whether to participate in joint procurement at California Community Power.

III. DEFINITIONS

- A. **Regulatory Value:** The value of project's anticipated ability to satisfy SVCE's regulatory compliance requirements such as Resource Adequacy, Renewable Portfolio Standard, integrated resource planning, and other binding orders or directives received from regulatory bodies.
- B. **Market Value:** The project's projected revenues across all relevant day-ahead real-time, ancillary, and other markets. Market Value shall also assess a project's ability to manage, shift, or arbitrage existing SVCE generation to maximize revenue and renewable energy generation on behalf of SVCE and its customers.
- C. **Counterparty Risk:** The risk that a counterparty will fail to perform, or adequately remedy, its obligations. Counterparty Risk is inclusive of Development Risk.
- D. **Development Risk:** The risk that the project is unable to obtain interconnection, deliverability, site control, entitlements, financing, or other necessary development milestones required to deliver the project on or ahead of the anticipated online date.

E. **Power Purchase Agreements:** An agreement that provides for new build or substantial repower projects but wherein SVCE's participation in the project is limited to receiving energy and any applicable attribute at a set price and term. This includes power purchase agreements, energy storage agreements, resource adequacy only agreements, or other energy product agreements.

F. **Journeyperson:** Is a worker who either:

1. Graduated from a California state-approved apprenticeship program for the applicable occupation or, when located outside California, approved for federal purposes pursuant to apprenticeship regulations adopted by the Secretary of Labor, or
2. Has at least as many hours of on-the-job experience in an applicable occupation as would be required to graduate from an apprenticeship program for the applicable occupation that is approved by the California Division of Apprenticeship Standards.

G. **Skilled and Trained Workforce:** means a workforce in which:

1. All workers performing work in apprentice-able occupations in the building and construction trades are either skilled Journeypersons or Apprentices registered in an apprentice program approved by the Chief of the Division of Apprenticeship Standards, as defined in Chapter 2.9 of Part 1 of Division 2 of the California Public Contracts Code.

H. **Local Hire:** A qualified worker that meets one of the following criteria in descending priority:

1. A resident within the nearest communities in proximity to the project, by a radius as reasonably determined on a project-by-project basis. Such radius will target a distance that is within reasonable daily commuting distance.
2. A resident within the county where the project is constructed.

I. **Workforce Pipeline Program Hires:** means an individual who is a participant in a workforce pipeline program which:

1. Partners with a structured, Multi-Craft Core Curriculum (MC3)-certified construction careers training and placement program or programs that

recruits, supports, and places targeted workers in skilled construction trades; and

2. Creates opportunities for certified MC3 graduates to enter Registered Apprenticeship Programs and/or obtain work hours needed to successfully complete their apprenticeship.