



PROJECT SELECTION METHODOLOGY

I. DEFINITIONS

- A. **Regulatory Value:** The project's anticipated ability to satisfy 3CE'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 and ancillary markets. Market Value shall also assess a project's ability to manage, shift, or arbitrage existing 3CE generation to maximize revenue and renewable energy generation on behalf of 3CE 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. **Energy Offtake Agreement:** Includes Power Purchase Agreements, Energy Storage Agreements, or Resource Adequacy Only Agreements where 3CE does not own, develop, or construct the generation or storage facility. Instead, 3CE's participation in the Project is limited to receiving energy and any applicable attributes at a set price and term.

- F. **Journey person:** 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. **Local Hire:** Is a worker who satisfies one of the following categories in descending priority:
1. Is a resident within the nearest city, town, or census-designated location within a determined proximity of the project, by radius as reasonably determined on a project-by-project basis;
 - a) *Additional preference shall be given, where the radius includes a city, town, or census-designated location within Monterey, San Benito, San Luis Obispo, Santa Barbara, and Santa Cruz counties (“3CE Service Territory Counties”), to the workers within those portions of the Service Territory Counties;*
 2. Is a resident within the County where the project is being constructed;
 3. Is a resident of the 3CE Service Territory Counties;
- H. **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.

I. **Targeted Hire:** means an individual who qualifies at least one of the following under-represented or under-employed populations:

1. experiencing homeless;
2. being a custodial single parent;
3. currently receiving public assistance;
4. lacking a GED or high school diploma;
5. has been continuously unemployed for 6 months;
6. has been emancipated from the foster care system;
7. is a veteran of the United States military;
8. residing in an area that falls in the top 20th percentile of the CalEnviroscreen 4.0 score;
9. is a member of a tribal community.

J. **Low-Income Communities:** means a zip code that includes a census tract or portion thereof in which the median annual household income is less than 50% of the California Median Family Income for the County in which the individual resides as reported by the Department of Housing and Urban Development (HUD).

II. **PROJECT SELECTION METHODOLOGY**

Projects will be evaluated based on 3CE's evaluation of several criteria as set forth below.

A. Contributions to 3CE's mission of 100% Clean and Renewable

1. Assessment and evaluation of proposed projects' operational performance and market economics to ensure selected projects maximize regulatory and market value to 3CE and its customers.
2. Assessment and evaluation of Counterparty and Development Risk.

B. Workforce and Local Workforce Development

3CE is committed to stimulating our 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.

1. 3CE will prioritize Energy Offtake Agreements where the developer is committed to:
 - a) Highest priority projects will commit to:
 - (1) a multi-trade project labor agreement that incorporates 3CE's Local and Targeted Hire objectives as follows:
 - (a) A goal of 30% of all project labor hours performed by Local Hires, and;
 - (b) A goal of 10% of all project labor hours performed by Targeted Hires.
 - b) Medium-priority projects will commit to:
 - (1) Utilization of a Skilled and Trained Workforce and commitment that all electrical work will be performed by appropriate Journeypersons and apprentices from a state-approved apprenticeship training program; and
 - (2) Utilization of prevailing hourly wage and benefit rates as determined by the California Department of Industrial Relations;
 - (3) Demonstrated commitment to Local and Targeted Hires
 - c) Low-priority projects would fail to meet II.B.1.a or II.B.1.b above but may demonstrate other commitments to local workforce development.
2. When considering contractors or developers for 3CE-owned generation or storage projects requiring a Large Generator Interconnection Agreement from the California Independent System Operator (currently 20MW and above, but subject to change from time to time), 3CE will commit to:
 - a) Negotiating a multi-trade project labor agreement incorporating 3CE's local and targeted hire objectives as follows:
 - (1) A goal of 30% of all project labor hours performed by Local Hires, and;
 - (2) A goal of 10% of all project labor hours performed by Targeted Hires.

3. When considering contractors or developers for 3CE-owned generation or storage projects requiring a Small Generator Interconnection Agreement from the California Independent System Operator (currently applies to projects under 20MW, but subject to change from time to time), 3CE will commit to:
 - a) Utilization of a Skilled and Trained Workforce and commitment that the majority of all electrical work will be performed by appropriate Journeypersons and Apprentices from a state-approved apprenticeship training program.
 - b) A goal of 30% of all project labor hours performed by Local Hires while incenting, through a negotiated contract structure, the contractor or developer to achieve a minimum of 60% of all project labor hours performed by Local Hires, and;
 - c) A goal of 10% of all labor hours performed by Targeted Hires while incenting, through a negotiated contract structure, the contractor or developer to achieve a minimum of 30% of all project labor hours performed by Targeted Hires.

C. Innovation

3CE recognizes that reaching 100% Clean and Renewable will require significant improvements and innovation in battery technologies, renewable baseload, dispatchable renewable resources, and renewable generation technologies, among other opportunities.

1. 3CE will prioritize projects that accelerate decarbonization, provide 3CE a competitive advantage, and/or reduce costs for 3CE customers while remaining cost competitive with established market alternatives. Innovation will be recognized among projects that:
 - a) Include new or improved technologies or methodologies with a demonstrated potential feasibility;
 - b) Achieve scale for existing technologies to benefit 3CE customers; or
 - c) Reduce or eliminate barriers to the adoption of scaled technologies.

D. Location

3CE prioritizes projects with California Independent System Operator-certified deliverability in accordance with the following:

1. Projects located within Monterey, San Benito, San Luis Obispo, Santa Barbara, and Santa Cruz counties.
2. Projects located within California.
3. Projects Grid-tied or Psuedo-tied to the California Independent System Operator wholesale power market.
4. Projects dynamically scheduled into the California Independent System Operator wholesale power market.

E. Environmental Stewardship

3CE 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.

1. Without diminishing or interfering with permitting, planning land use, or development requirements of any authority having jurisdiction, including local governmental agencies, 3CE prioritizes projects that:
 - a) *Avoid sensitive habitats for any endangered plant or animal species or other environmentally sensitive areas;*
 - b) *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;*
 - c) *The developer commits to measurable offset efforts within the vicinity of the proposed project.*

F. Benefits Accruing to Underserved and Low-Income Communities

3CE is committed to helping communities overcome barriers to their access to public investments, resources, education, and information about energy service and policy.

3CE will prioritize projects that:

1. Demonstrate having established contacts with local community organizations and stakeholder groups representing a broad diversity of demographics and interests with which it intends to collaborate with 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 the impacts of projects and ensure project benefits are communicated and accessible to the local community.

III. REPORTING

- A. 3CE will assess project proposals in accordance with this Project Selection Methodology and report the results of such assessment at the time of the project approval.
- B. 3CE's annual report will compile and report information regarding the impact of the Project Selection Methodology.

IV. RESERVATION OF AUTHORITY TO WAIVE PROJECT SELECTION METHODOLOGY

- A. The Policy Board may, by majority vote, waive this Project Selection Methodology, or any portion thereof, to:
 1. Address an emergency situation that jeopardizes the safety or feasibility of a project, or;
 2. Comply with a California State or Federal executive or regulatory order.