



AGENDA

Special Meeting of the Finance and Risk Management Committee San Diego Community Power (SDCP)

January 12th, 2023
3:30 p.m.

The meeting will proceed as a teleconference meeting in compliance with waivers to certain provisions of the Brown Act provided for under Government Code section 54953(e)(1)(A), in relation to the COVID-19 State of Emergency and recommended social distancing measures. There will be no location for in-person public attendance. In compliance with the Brown Act, SDCP is providing alternatives to in-person public attendance for viewing and participating in the meeting. Further details are below.

Note: Any member of the public may provide comments to the Board of Directors on any agenda item. When providing comments to the Board, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the Board as a whole through the Chair. Comments may be provided in one of the following manners:

1. Providing Oral Comments During Meeting. To provide comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video conference by computer or mobile phone, use the "Raise Hand" feature. This will notify the moderator that you wish to speak during a specific item on the agenda or during non-agenda Public Comment. Members of the public will not be shown on video but will be able to speak when called upon. If joining the meeting using the Zoom dial-in number, you can raise your hand by pressing *9. Comments will be limited to three (3) minutes. Please be aware that the Chair has the authority to reduce equally each speaker's time to accommodate a large number of speakers.
2. Written Comments. Written public comments must be submitted prior to the start of the meeting by using this ([web form](#)). Please indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the Board members in writing. In the discretion of the Chair, the first ten (10) submitted comments shall be stated into the record of the meeting. Comments read at the meeting will be limited to the first 400 words. Comments received after the start of the meeting will be collected, sent to the Board members in writing, and be part of the public record.

If you have anything that you wish to be distributed to the FRMC, please provide it via info@sdcommunitypower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar <https://zoom.us/j/93476863568> Telephone (Audio Only)

(669) 900-6833 or (253) 215-8782 | Webinar ID: 934 7686 3568

Welcome

Roll Call

Public Comment for Items Not on the Agenda

Items to be Added, Withdrawn, or Reordered on the Agenda

MEETING AGENDA

1. Review of Treasurer's Report for Period Ending 11/30/22

Recommendation: Receive and File Treasurer's Report for Period Ending 11/30/22

2. Review of Rate Setting Process

Recommendation: Receive and File Report on Rate Setting Process

Committee Member Announcements

Committee Members may briefly provide information to other members and the public. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

Adjournment

Copies of the agenda and agenda packet are available at <https://sdcommunitypower.org/resources/meeting-notes/>. Late-arriving documents related to a Board meeting item which are distributed to a majority of the Members prior to or during the Board meeting are available for public review as required by law. Public records, including agenda-related documents, can be requested electronically at info@sdcommunitypower.org or by mail to SDGP, PO BOX 12716, San Diego, CA 92112. The documents may also be posted at the above website. Such public records are also available for inspection, by appointment, at San Diego Community Power, 2488 Historic Decatur Road, Suite 250, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



SAN DIEGO COMMUNITY POWER Staff Report – Item 1

To: Financial and Risk Management Committee

From: Eric W. Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Treasurer's Report –Presentation of Financial Results for Fiscal Year 2023 Period ended 11/30/22

Date: January 12, 2023

RECOMMENDATION

Receive and File Report.

BACKGROUND

San Diego Community Power (SDCP) maintains its accounting records on a full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental enterprise funds.

SDCP has prepared its year-to-date financial statements for the period ended November 30, 2022, along with budgetary comparisons.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 11/30/22: \$408.97 million in net operating revenues were reported compared to \$375.48 million budgeted for the period. \$382.52 million in total expenses were reported (including \$371.91 million in energy costs) compared to \$337.06 million budgeted for the period (including \$322.56 million budgeted for energy costs). After expenses, SDCP's change in net position of \$26.49 million was reported for Fiscal Year 2023. The following is a summary of the actual results compared to the Fiscal Year 2023 Budget.

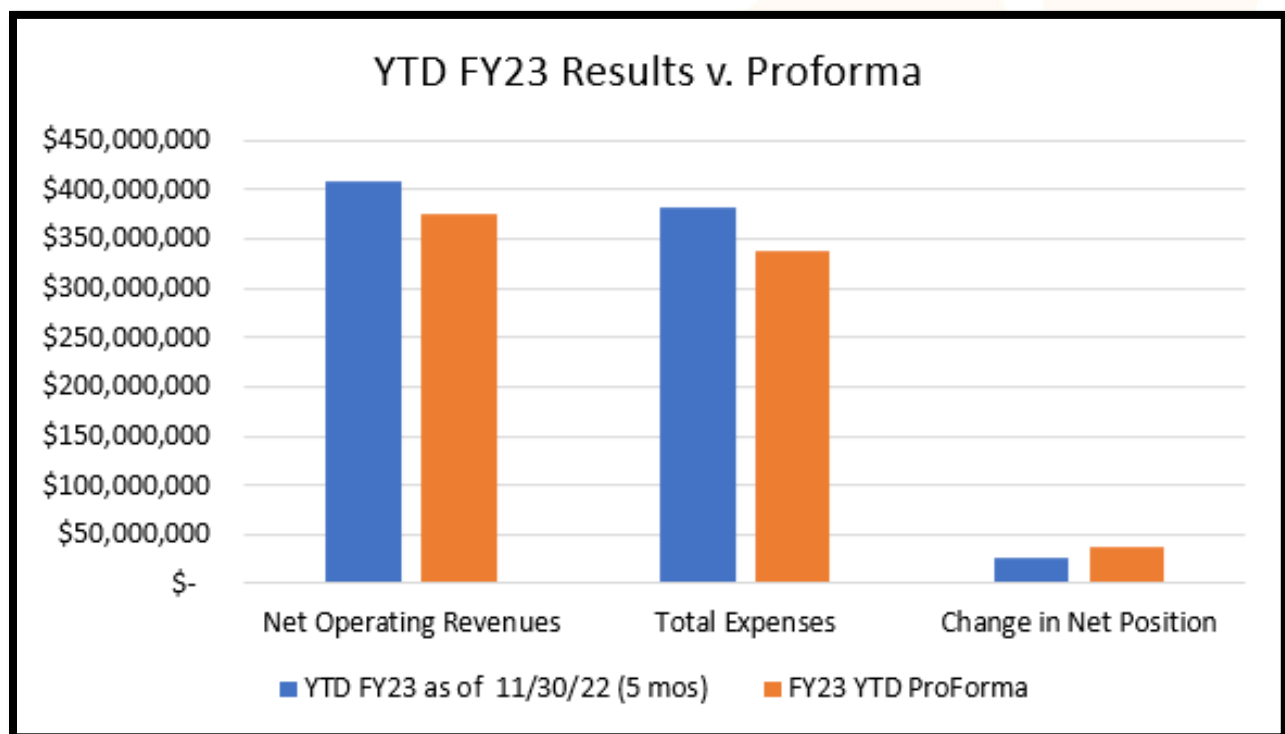
| Budget Comparison | | | | | |
|------------------------|------------------------------------|--------------------|-------------------------|------------|---------|
| | YTD FY23 as of 11/30/22 (5 mos) | FY23 YTD Budget | Budget Variance (\$) | Budget (%) | |
| Net Operating Revenues | \$ 408,971,298 | \$375,484,073 | \$ 33,487,225 | 109 | 0.08918 |
| Total Expenses | \$ 382,519,557 | \$337,060,688 | \$ 45,458,869 | 113 | 0.13487 |
| Change in Net Position | \$ 26,451,741 | \$ 38,423,385 | \$(11,971,644) | | -0.3116 |

- Net operating revenues finished \$33.49 million (or 9.0 percentage points) over the budget primarily due to opt outs performing better than projected and due to higher demand from non-residential customers.
- Operating expenses finished \$45.46 million (or 13.0 percentage points) over the budget primarily due to higher-than-expected energy usage and energy costs.

Financial results for the period performed under the projections presented in the year-to-date proforma. SDCP's change in net position was -28.44% under the projection primarily due to higher-than projected energy usage and costs.

The following is a summary to actual results compared to the fiscal year-to-date proforma.

| Proforma Comparison | | | | |
|------------------------|------------------------------------|----------------------|---------------------------|--------------|
| | YTD FY23 as of 11/30/22 (5 mos) | FY23 YTD ProForma | ProForma Variance (\$) | Proforma (%) |
| Net Operating Revenues | \$ 408,971,298 | \$375,484,073 | \$ 33,487,225 | 8.92% |
| Total Expenses | \$ 382,519,557 | \$338,518,796 | \$ 44,000,761 | 13.00% |
| Change in Net Position | \$ 26,451,741 | \$ 36,965,277 | \$ (10,513,536) | -28.44% |



For the period ending 11/30/22, SDCP contributed \$26,487,185 to its reserves but was expecting to contribute \$38,484,073 per the FY 2022-23 adopted budget. Total SDCP reserves at the end of the period were \$69,018,137 and total available liquidity (including

lines of credit) was \$73,229,643. SDCP has a total FY 2022-23 year-end reserve target of \$171,276,631, which is equivalent to 90-days of total operating expenses.

FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 11/30/22 Financial Statements





ACCOUNTANTS' COMPILATION REPORT

Management
San Diego Community Power

Management is responsible for the accompanying financial statements of San Diego Community Power (a California Joint Powers Authority) which comprise the statement of net position as of November 30, 2022, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. San Diego Community Power's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
December 20, 2022

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of November 30, 2022

ASSETS

| | |
|---------------------------|---------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 46,749,725 |
| Accounts receivable, net | 80,076,810 |
| Accrued revenue | 27,652,970 |
| Prepaid expenses | 2,797,032 |
| Other receivables | 18,179 |
| Deposits | 15,197,111 |
| Total current assets | <u>172,491,827</u> |
| Noncurrent assets | |
| Restricted cash | 7,500,000 |
| Deposits | 3,450,000 |
| Total noncurrent assets | <u>10,950,000</u> |
| Total assets | <u><u>183,441,827</u></u> |

LIABILITIES

| | |
|------------------------------|---------------------------|
| Current liabilities | |
| Accrued cost of energy | 86,118,022 |
| Accounts payable | 559,452 |
| Other accrued liabilities | 2,577,904 |
| State surcharges payable | 339,834 |
| Security deposits | 614,873 |
| Interest payable | 175,782 |
| Total current liabilities | <u>90,385,867</u> |
| Noncurrent liabilities | |
| Other noncurrent liabilities | 517,741 |
| Bank note payable | 23,520,082 |
| Total noncurrent liabilities | <u>24,037,823</u> |
| Total liabilities | <u><u>114,423,690</u></u> |

NET POSITION

| | |
|---------------------------|-----------------------------|
| Restricted for collateral | 2,500,000 |
| Unrestricted | 66,518,137 |
| Total net position | <u><u>\$ 69,018,137</u></u> |

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Five Months Ended November 30, 2022

OPERATING REVENUES

| | |
|--------------------------|--------------------|
| Electricity sales, net | \$ 408,971,298 |
| Total operating revenues | <u>408,971,298</u> |

OPERATING EXPENSES

| | |
|----------------------------|--------------------|
| Cost of energy | 371,910,964 |
| Contract services | 6,575,683 |
| Staff compensation | 2,281,783 |
| General and administration | 1,173,576 |
| Total operating expenses | <u>381,942,006</u> |
| Operating income (loss) | <u>27,029,292</u> |

NON-OPERATING REVENUES (EXPENSES)

| | |
|----------------------------------|------------------|
| Investment income | 35,444 |
| Interest and financing expense | <u>(577,551)</u> |
| Nonoperating revenues (expenses) | <u>(542,107)</u> |

CHANGE IN NET POSITION

| | |
|-------------------------------------|----------------------|
| | 26,487,185 |
| Net position at beginning of period | <u>42,530,952</u> |
| Net position at end of period | <u>\$ 69,018,137</u> |

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Five Months Ended November 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Receipts from customers | \$ 399,479,005 |
| Other operating receipts | 2,893,772 |
| Payments to suppliers for electricity | (323,366,920) |
| Payments for goods and services | (6,305,712) |
| Payments to employees for services | (2,056,806) |
| Payments for deposits and collateral | (71,766,512) |
| Payments for state surcharges | (903,633) |
| Net cash provided (used) by operating activities | <u>(2,026,806)</u> |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|---|---------------------|
| Proceeds from loans | 20,180,000 |
| Principal payments - loans | (28,000,000) |
| Principal payments - note | (5,000,000) |
| Interest and related expense payments | (515,631) |
| Net cash provided (used) by non-capital financing activities | <u>(13,335,631)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------------------------|
| Interest income received | <u>35,444</u> |
| Net change in cash and cash equivalents | (15,326,993) |
| Cash and cash equivalents at beginning of period | 69,576,718 |
| Cash and cash equivalents at end of period | <u><u>\$ 54,249,725</u></u> |

Reconciliation to the Statement of Net Position

| | |
|--|-----------------------------|
| Cash and cash equivalents (unrestricted) | \$ 46,749,725 |
| Restricted cash | 7,500,000 |
| Cash and cash equivalents | <u><u>\$ 54,249,725</u></u> |

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Five Months Ended November 30, 2022

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

| | |
|---|------------------------------|
| Operating income | \$ 27,029,292 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | |
| Provision for uncollectible accounts | 4,131,023 |
| (Increase) decrease in: | |
| Accounts receivable | (33,820,843) |
| Accrued revenue | 19,286,645 |
| Other receivables | (18,179) |
| Prepaid expenses | 1,664,276 |
| Deposits | (8,956,054) |
| Increase (decrease) in: | |
| Accrued cost of electricity | 28,886,517 |
| Accounts payable | (65,502) |
| Other accrued liabilities | 1,837,898 |
| State surcharges payable | 7,248 |
| Supplier security deposits | (42,009,127) |
| Net cash provided (used) by operating activities | <u><u>\$ (2,026,806)</u></u> |



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended November 30, 2022, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SDCP.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. SDCP's annual audited financial statements will include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to SDCP because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
December 20, 2022

SAN DIEGO COMMUNITY POWER
BUDGETARY COMPARISON SCHEDULE
Five Months Ended November 30, 2022

| | 2022/23 YTD Budget | 2022/23 YTD Actual | 2022/23 YTD Budget Variance (Under) Over | 2022/23 YTD Actual/ Budget % | 2022/23 Annual Budget | 2022/23 Budget Remaining |
|--|-------------------------------|-------------------------------|---|---|----------------------------------|---|
| REVENUES AND OTHER SOURCES | | | | | | |
| Gross Ratepayer Revenues | 379,276,841 | \$ 413,102,321 | 33,825,480 | 109% | \$ 716,146,107 | \$ 303,043,786 |
| Less Uncollectible Customer Accounts | (3,792,768) | (4,131,023) | (338,255) | 109% | (7,161,461) | (3,030,438) |
| Total Revenues and Other Sources | <u>375,484,073</u> | <u>408,971,298</u> | <u>33,487,225</u> | | <u>708,984,646</u> | <u>300,013,348</u> |
| OPERATING EXPENSES | | | | | | |
| Cost of Energy | 322,559,141 | 371,910,964 | 49,351,823 | 115% | 661,638,828 | 289,727,864 |
| Professional Services and Consultants | 6,901,935 | 6,412,358 | (489,577) | 93% | 16,881,036 | 10,468,678 |
| Personnel Costs | 2,925,426 | 2,281,783 | (643,643) | 78% | 7,951,499 | 5,669,716 |
| Marketing and Outreach | 1,635,625 | 856,609 | (779,016) | 52% | 4,164,167 | 3,307,558 |
| General and Administrative | 1,724,985 | 480,292 | (1,244,693) | 28% | 2,591,363 | 2,111,071 |
| Programs | 745,417 | - | (745,417) | 0% | 1,395,000 | 1,395,000 |
| Total Operating Expenses | <u>336,492,529</u> | <u>381,942,006</u> | <u>45,449,477</u> | | <u>694,621,893</u> | <u>312,679,887</u> |
| Operating Income (Loss) | <u>38,991,544</u> | <u>27,029,292</u> | <u>(11,962,252)</u> | | <u>14,362,753</u> | <u>(12,666,539)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | |
| Investment income | - | 35,444 | 35,444 | | - | (35,444) |
| Debt Service and Bank Fees | (568,159) | (577,551) | (9,392) | 102% | (1,314,922) | (737,371) |
| Total Non-Operating Revenues (Expenses) | <u>(568,159)</u> | <u>(542,107)</u> | <u>26,052</u> | | <u>(1,314,922)</u> | <u>(772,815)</u> |
| CHANGE IN NET POSITION | <u>\$ 38,423,385</u> | <u>\$ 26,487,185</u> | <u>\$ (11,936,200)</u> | | <u>\$ 13,047,831</u> | <u>\$ (13,439,354)</u> |

See accountants' compilation report.



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: San Diego Community Power Board of Directors
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: San Diego Community Power Rate-Setting Process
Date: January 12, 2023

RECOMMENDATION

Receive and file report on rate-setting process.

BACKGROUND

San Diego Community Power (SDCP) advocates for ratepayers by providing a choice of electricity providers and shifting control of local energy decisions from the incumbent utility into the hands of residents and businesses located in our service jurisdiction. This creates competition in rates that benefits customers, increased transparency, and ensures a better overall customer experience.

On January 20, 2022, the SDCP Board of Directors (Board) approved rates that at the time provided a 2% generation savings compared to SDG&E. At the time, these rates also:

- Allowed customer savings to be increased from 1% to 2% from the previous rate adjustment in 2021
- Provided a higher renewable content (base product: 50% with SDCP vs 31% with SDG&E)
- Allowed SDCP's Power100 to be a significantly lower cost than SDG&E's EcoChoice product (that has since been suspended by SDG&E in 2022)
- Allowed 2022 contributions towards reserves that maintained financial stability
- Prepared SDCP for 2023 expected market/costs shifts and unexpected costs
- Satisfied credit obligations

Subsequently, on November 17, 2022, the Board approved SDCP's Rate Development Policy to enshrine specific objectives that shall be prioritized during SDCP's regular annual rate design and development process. The intent of this policy was to provide a framework for the Board and staff to ensure SDCP's rate design, development and implementation process remains transparent, fiscally responsible and centered on the customer.

SDCP established various objectives and priorities that shall be considered as part of SDCP's rate development process. SDCP's rate development objectives are as follows:

1. **Cost Recovery:** rates must be sufficient to recover all expenses, debt service and other expenditure requirements.
2. **Reserves:** rates must be sufficient to build prudent reserves in line with SDCP's Reserve Policy, which will provide funds to cover unanticipated expenditures, secure favorable terms with vendors, secure a standalone investment-grade credit rating and meet strategic objectives.
3. **Rate Competitiveness and Customer Value:** rates must allow SDCP to successfully compete in the marketplace to retain and attract customers while offering superior electricity service offerings with higher renewable content compared to the incumbent investor-owned utility.
4. **Rate Stability:** rate changes should be minimized to reduce customer bill impacts with a preference for annual rate adjustments. Additionally, a Rate Stabilization Fund may be established and over time sufficiently funded to help mitigate significant swings in rates.
5. **Equity among customers:** rate difference among customers should be justified by differences in usage characteristics and/or cost of service. Additionally, to the extent possible, rates shall be equalized from a value proposition perspective among customers enrolled during different Power Charge Adjustment Indifference (PCIA) Vintage Years.
6. **Rate Structures:** as new rates are developed emphasis shall be put on rate-design simplicity and comparability as well as overall customer experience. SDCP reserves the right to design pilot rates as reviewed and approved by the Board.
7. **Transparency:** SDCP's Board will review and approve rates at an open and public meeting held in accordance with the Ralph M. Brown Act. SDCP shall post a copy of the adopted rates in both English and Spanish on its website within 14 calendar days of approval or by the rates' effective date, whichever is sooner. SDCP shall also make any rate design documents promptly available upon request under the California Public Records Act.
8. **Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.
9. **Cost of Service:** SDCP may explore a cost-of-service model for rate design. Cost-of-service studies are used to determine the total costs incurred by a utility in providing service to its customers and the allocation of those costs through rates back to customer classes. Revenue collected from each customer class then may be compared with that class's cost responsibility to determine the extent to which each class is reimbursing the utility for the costs it incurred in providing service.

ANALYSIS AND DISCUSSION



SDCP's Rate Setting Timeline

SDG&E's Energy Resource Recovery Account (ERRA) application is usually approved by the CPUC in December, which provides the trajectory of bundled service commodity rates including the above market costs and other fees¹ that will be passed on from SDG&E to all customers. Once the ERRA is approved, SDCP staff shall present proposed rates for the year to the Board in January of each year for review, deliberation and approval to be effective no later than February 15. With ever-changing market developments and regulatory climate, there may be instances where Staff also proposes intra-year changes to rates. The rate-development timeline is outlined further in Figure 1.

To the greatest extent possible, SDCP's rates will be competitive with SDG&E's rates. With each SDG&E and SDCP rate change, both entities are required to work collaboratively to co-publish and post a Joint Rate Comparison on their respective websites to allow customers to easily see how rates compare.

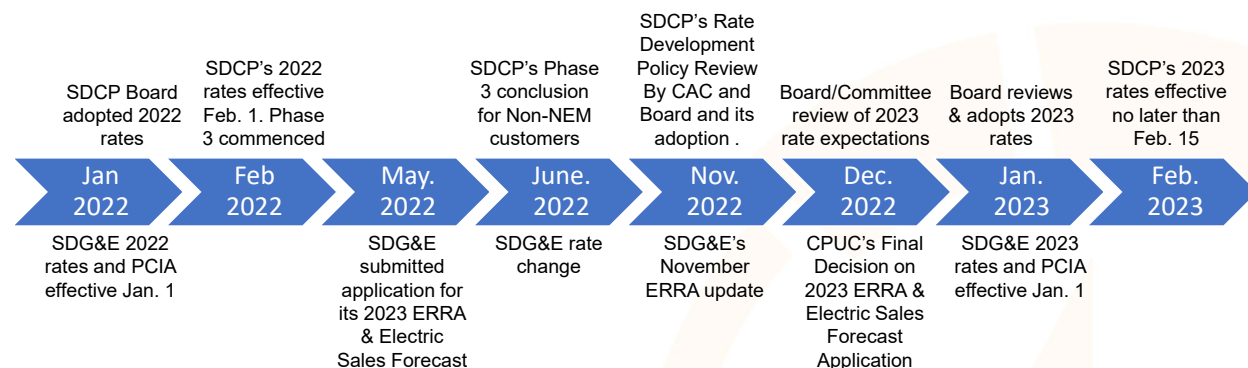


Figure 1: SDCP's 2022/2023 Rate Development Timeline

Implementation of SDCP's Rates

¹ Fees passed on by SDG&E to "departing load" customers such as SDCP include the Power Charge Indifference Adjustment (PCIA) and Franchise Fees. The PCIA is a charge to ensure that both SDG&E customers and those who have left SDG&E service to purchase electricity from other providers pay for the above market costs for electric generation resources that were procured by SDG&E on their behalf. "Above market" refers to expenditures for generation resources that cannot be fully recovered through sales of these resources at current market prices.

The Franchise Fee is a surcharge applied to electricity transported over SDG&E systems that are constructed in public streets and highways. SDG&E collects the surcharge from customers and remits them to the appropriate municipality. The surcharge is charged equally to customers regardless of who provides their electric generation.

The PCIA and the SDG&E commodity portion of the Franchise Fee are included within the generation rate of SDG&E's standard bundled service. In other words, they are paid by all customers, regardless of who provides their electricity generation.

SDCP's rate setting process is and will always be open and transparent to the public. SDCP's Board of Directors, which is composed of a representative from each of its member agencies, will set rates according to agreed-upon strategic goals of SDCP and the cost of service.

Prior to the implementation of new rates, the Board will review and deliberate the proposed rates in a public setting and take comments from the public.

Once the Board approves proposed rates, the rates will be published on SDCP's website in advance of their effective date, giving customers time to compare, budget and better understand what to expect on their bills going forward. For more information on SDCP's rates, visit <https://sdcommunitypower.org/billing-rates/residential-rates/> for residential rates or <https://sdcommunitypower.org/billing-rates/commercial-rates/> for commercial rates.

FISCAL IMPACT

N/A

ATTACHMENTS

N/A

