Board of Directors
Regular Meeting
May 27, 2021
Welcome
Call to Order
Pledge of Allegiance
Roll Call
Items to be Added, Withdrawn, or Reordered on the Agenda
Public Comment for Items Not on the Agenda
Consent Calendar (Items 1 – 8)
  9. Operations and Administration Report from the Interim CEO
  10. Update on Regulatory and Legislative Affairs
  11. Discussion and Direction on Potential New Members to SDCP and Input on Response Letter to County of San Diego
  12. Approval of Fiscal year (FY) 2021 Budget Amendment and Review Proposed Fiscal Year 2022 Budget
  13. Approval of Updates to the Net Energy Metering (NEM) Program and Amend the NEM Program Policy
  14. Review and Provide Direction to Staff on Legislative Position for AB 1139
  15. Renewable Power Purchase Agreement with IP Oberon, LLC
  16. Renewable Power Purchase Agreement with JVR Energy Park, LLC
Director Comments
Reports by Management and General Counsel
Adjournment
Consent Agenda

1. Approval of the minutes of the Regular Meeting of the Board of Directors of San Diego Community Power held on March 25, 2021 and April 22, 2021.

2. Amendment to Professional Services Agreement with Maher Accountancy for Accounting Services amendment.

3. Amendment to Professional Services Agreement with Tosdal APC for Legal and Regulatory Services

4. Amendment to Professional Services Agreement with NewGen Strategies and Solutions, LLC for Regulatory Support and Rate-related Analysis

5. Amendment to Professional Services Agreement with Keyes & Fox LLP for Legal and Regulatory Services

6. Amendment to Engagement Letter with Best Best & Krieger in the amount of $300,000 for Services through FY22

7. Amendment to Professional Services Agreement with Civilian, Inc. for Marketing and Communication Services

8. Amendment to Professional Services Agreement with Neyenesch Printers in the amount of $277,000 for services through FY22
Item 9
Operations and Administration Report from the Interim Chief Executive Officer

Recommendation: Receive and file update on various operational and administration activities.

- General Administrative Updates: San Diego County & Strategic Planning
- Staffing
- Power Resources
- Back Office Operations
- Retirement Plans

Presenter:
Bill Carnahan, Interim CEO
SDCP
Phase 2
A Blend of Concepts 2 & 3

2 WIN - WIN

Although doing the right thing for the environment is a goal for most companies, smaller partners may think it would cost them more. With SDCP, these businesses can have peace of mind with affordable pricing for renewable energy.

3 LOCAL PRIDE

With SDCP, San Diego companies can reach their renewable energy goals while knowing they’re making a positive impact to their communities.
There's a cleaner power option, who reinvests in your community.
Oh, hey, we're competitively priced too.

We're your energy partners working with SDG&E to bring you competitively priced electricity from renewable sources. We focus on our community, to provide local control of energy choices and a proven path to affordable, 100% renewable power. It's our priority to provide cleaner energy at competitive rates.

Commercial and Industrial customers will have their service launch in June 2021 and Residential customers will begin rolling out service in February 2022.

Learn more at SDCommunityPower.org
Make a positive impact in your community while getting cleaner power at competitive rates.

That's a win-win-win.

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Learn more at SDCommunityPower.org
San Diego Community Power

We put our communities first, while helping you toward a more sustainable energy future.

Make a positive impact in your community while getting cleaner power at competitive rates. That's a win-win-win.

SDCOMMUNITYPOWER.ORG

Commercial launch in June
It's time for change

LEARN MORE

There's a cleaner power option, who reinvests in your community. Oh, hey, we're competitively priced too.

LEARN MORE

127 likes

sdcommunitypwr Locally managed, we put our communities first, while helping you take a giant step toward a more sustainable energy future.
Using the Power100 Champion name, we needed to create a badge for those partners who opt to 100% renewable energy to display with pride.

Badges can be displayed as a decal on windows, on websites, or in email signatures.
Power100 Champion - Badge Design

Best practices of business badges/decals: Keep it short and sweet. What it's for and who you are. It's like a billboard, they're only looking to glance.
Item 10
Update on Regulatory and Legislative Affairs

Recommendation: Receive and file the update on regulatory and legislative affairs.

- Power Charge Indifference Adjustment Final Decision
- Senate Bill 612 Update
- SDG&E Application for Approval of 2022 Electric Procurement Revenue Requirement Forecasts
- Direct Access Rulemaking Proposed Decision
- Provider of Last Resort Rulemaking

Presenter:
Laura Fernandez,
Director of Regulatory and Legislative Affairs
Item 10: PCIA Final Decision

Issued May 24, 2021

- Adopt RPS Voluntary Allocation and Market Offer (VAMO) proposal
- Rejects RA VAMO proposal
- Defers long-term solution on GHG-Free Energy allocation
- Requires SDG&E to leave 2021 capped PCIA rates in effect through
- Permits LSEs to resell Voluntary Allocation shares of RPS energy
Item 10: Senate Bill 612

Survives Appropriations, Heads to Senate Floor

• Discussions are underway to increase chance of success on the Senate floor
• June 4 is the deadline for SB 612 to pass out of the Senate
• If the bill passes the Senate floor vote, it goes to the Assembly next month
Item 10: SDG&E ERRA Forecast

Application Filed April 15, 2021

- SDG&E indicates that the large decrease in revenue requirements leads to a reported decrease in both total bundled rates (decrease of 17.8%) and bundled commodity rates (decrease of 35%)
- Rate reductions are overstated - SDG&E has not yet incorporated its updated 2022 sales forecast
- SDG&E acknowledges that these projections could change if the CPUC approves the request to update the authorized sales forecast
- SDCP raised this issue, among others, in a protest that was filed May 21
Item 10: Direct Access Proposed Decision

Issued May 14, 2021

- Advocates of direct access have cited Texas as an example of successful, fully competitive retail market
- CPUC does not recommend that direct access be reopened at this time
- Cites reliability concerns and forecasts for additional generation in recommending against expansion
- Also cites CalCCA’s concerns regarding the ability of CCAs to remain financially viable and maintain their own long-term contracts if there is a significant risk that load will migrate to Direct Access following expansion
Item 10: Provider of Last Resort (POLR) Rulemaking

Proceeding Initiated March 25

- CPUC will establish cost allocation and recovery for the POLR
- CPUC will also take steps to ensure that electrical service will be provided to customers without disruption in the event an Load Serving Entity fails to provide or denies service to a retail end-use customer
- CalCCA argued that the POLR should provide service for a short duration (three – six months) from short term procurement with costs allocated to those that receive POLR service
Item 11
Discussion and Direction on Potential New Members to SDCP and Input on Response Letter to County of San Diego

Recommendation:
1. Discuss considerations of adding new member jurisdictions to SDCP and provide direction to staff.
2. Provide input to staff on the draft response letter to the County of San Diego.

Presenters:
Cody Hooven, COO
Bill Carnahan, Interim CEO
Item 11

Background

- JPA conditions
  - Agencies can apply for membership
  - Board resolution by 2/3 vote
  - Option for membership fee, cost recovery, or other conditions established by the Board
- Benchmarking with other CCAs
  - Many CCAs have expanded
  - Limited expansion policies available; typically, case-by-case decision
  - Common practice is to ensure mission alignment and positive or neutral impacts
  - Financial considerations include impacts of the power charge indifference adjustment, PCIA, reserves built up prior to new member joining, etc.
Item 11

Request from County of San Diego

• Board of Supervisors adopted new Guiding Principles related to Community Choice Energy
  • Prioritizing social equity and environmental stewardship
  • Provide cost competitiveness
  • Achieve 100% renewable energy by 2030; encourage local buildout (within County) and Category 1 renewable energy
  • Support requirements for prevailing wages, as defined in California Labor Code section 1770 et seq., and skilled and trained workforce, as defined in California Public Contract Code section 2601
  • Encourage the development of an equitable jobs pipeline for individuals from communities of concern; the use of a bid evaluation policy prioritizing the selection of new local renewable energy and storage projects; and the workforce development criteria prioritizing the use of State-certified apprenticeship...
• Limit General Fund Liability
• Additional questions included
• Reply requested prior to their June Board meeting, decision expected in August
Item 11

Reply to County of San Diego

• Alignment on Guiding Principles – see draft letter
• Responses to additional questions
  • Rates vs. SDG&E – competitive
  • Rates for new members – generation rates consistent among all customers, PCIA is determining factor,
  • Membership fees, payment obligations, liabilities - reimbursement for pro forma analysis if no-go
• 2023 enrollment timing – as soon as feasible with phasing TBD
• Recent pro forma provided
Item 11

Considerations for SDCP Board

- New members alignment with principles outlined in SDCP JPA and Board policy direction
- Financial impacts/benefits to existing customers and new members
  - Pro forma analysis will provide insight on potential costs and revenues
- Cost of pro forma analysis and report
  - Staff recommendation: SDCP funds cost of analysis (up to $30k) and seeks reimbursement from new member if they do not move forward
Item 11

Timeline

**County**
- By June 30
  - **COMPLETE** - Provide most recent 3 years of data
  - Commitment to pay fee for analysis if needed
  - By August 30 *(new)*
  - Preliminary decision needed
- By October 31
  - Adopt JPA Agreement
  - **COMPLETE** - Adopt CCA ordinance as required by law
  - Name a Director and Alternate

**SDCP**
- By May 27
  - Board approval/direction of New Member Package *(new)*
- By June 30
  - Provide further response to the County *(new)*
  - Policy - Set fee for evaluation and criteria or determine if fee needed
- By August 15
  - **IN PROCESS** - Complete pro forma analysis
- By September 30
  - Present findings and seek Board resolution for new member
  - Determine financial impact to SDCP of new member and mitigations, if needed
- By November 30
  - Amendment and Board approval of Implementation Plan for submission to CPUC (file no later than Jan. 2, 2022)
- January 1, 2023, or later
  - Start service for the County, enrollment schedule TBD
Item 12

Approval of Fiscal Year (FY) 2021 Budget Amendment and Review Proposed Fiscal Year 2022 Budget

Recommendation:

1. Approve the FY21 budget amendment.
2. Review the proposed FY22 budget.

Presenters:
Cody Hooven, COO
Mike Maher, Maher Accounting
Eric Washington, CFO
### Item 12: Approve FY21 Budget Amendment

<table>
<thead>
<tr>
<th></th>
<th>FY 2021 Original Budget</th>
<th>Amendments</th>
<th>Proposed Amended Budget</th>
<th>Description of change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Ratepayer Revenues</td>
<td>$22,688,802</td>
<td>$3,863,541</td>
<td>$26,552,433</td>
<td>Increased for customer enrollment and volume projections</td>
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<tr>
<td>(Less 1% Uncollectible Customer Accounts)</td>
<td>$(56,722)</td>
<td>$(206,802)</td>
<td>$(265,524)</td>
<td>Decreased due to more conservative uncollectible assumption (1%/4 to 1%)</td>
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<tr>
<td>Net Operating Revenues</td>
<td>22,632,070</td>
<td>3,654,739</td>
<td>26,286,908</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Energy</td>
<td>$32,511,279</td>
<td>(2,949,279)</td>
<td>$29,562,000</td>
<td>Decreased based on actual costs</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>1,500,000</td>
<td>(312,000)</td>
<td>1,188,000</td>
<td>Decreased due to timing of new hires throughout the year</td>
</tr>
<tr>
<td>Professional Services and Consultants</td>
<td>1,336,768</td>
<td>675,202</td>
<td>2,012,000</td>
<td>Increased to better align with known costs and contracted services</td>
</tr>
<tr>
<td>Marketing and Outreach</td>
<td>549,000</td>
<td>247,000</td>
<td>796,000</td>
<td>Increased to better align with known costs and contracted services</td>
</tr>
<tr>
<td>General and Administration</td>
<td>365,000</td>
<td>(145,000)</td>
<td>220,000</td>
<td>Decreased due to lower costs</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>36,262,047</td>
<td>(2,464,047)</td>
<td>33,778,000</td>
<td></td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>$(13,629,877)</td>
<td>(7,491,092)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Related Expenses</td>
<td>(1,048,000)</td>
<td>691,000</td>
<td>(357,000)</td>
<td>Decreased to align with anticipated debt levels. Interest only, no principal payments.</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenues (Expenses)</strong></td>
<td>$ (1,048,000)</td>
<td>691,000</td>
<td>$ (357,000)</td>
<td></td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>$ (14,677,877)</td>
<td>$ 691,000</td>
<td>$ (7,848,959)</td>
<td></td>
</tr>
</tbody>
</table>

| Non-Budgeted Cash Inflows (Outflows) |                     |            |                         |                       |
| Working capital from River City Bank | $24,600,000         | (900,000)  | $24,000,000            | Adjust loan draws to available balance |
| Collateral postings              | (5,500,000)         | -          | (5,500,000)            | Collateral on energy deals, CAISO and related |
| Total Other Sources and Uses     | 19,100,000           | (900,000)  | 10,500,000             |                       |

* Reclassifications have been made from the original budget to align with the amended budget categories.
Item 12: Approve FY21 Budget Amendment

Operating Expenses FY20/21

- Cost of Energy: $29,562,000
- Personnel Costs: $796,000
- Professional Services and Consultants: $2,012,000
- Marketing and Outreach: $1,188,000
- General and Administration: $220,000
## Item 12: Review Proposed FY22 Budget

<table>
<thead>
<tr>
<th>Operating Revenues</th>
<th>Amended FY 2021 Budget</th>
<th>Proposed FY 2022 Budget</th>
<th>Changes</th>
<th>Description of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Ratepayer Revenues</td>
<td>$26,552,433</td>
<td>$31,320,880</td>
<td>$4,768,447</td>
<td>Increased due to enrolling customers in Phase 1, 2, and 3</td>
</tr>
<tr>
<td>(Loss 1% Uncollectible Customer Accounts)</td>
<td>$(265,524)</td>
<td>$(3,193,200)</td>
<td>$(3,448,723)</td>
<td></td>
</tr>
<tr>
<td>Net Operating Revenues</td>
<td>$26,286,909</td>
<td>$28,127,680</td>
<td>$1,840,771</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>Amended FY 2021 Budget</th>
<th>Proposed FY 2022 Budget</th>
<th>Changes</th>
<th>Description of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Energy</td>
<td>$29,562,000</td>
<td>$28,304,000</td>
<td>$1,258,000</td>
<td>Increased due to enrolling customers in Phase 1, 2, and 3</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>1,183,000</td>
<td>4,891,000</td>
<td>3,708,000</td>
<td>Adjusted for anticipated timing of new hires throughout the year</td>
</tr>
<tr>
<td>Professional Services and Consultants</td>
<td>2,012,000</td>
<td>4,901,000</td>
<td>2,889,000</td>
<td>Major categories are Data Manager fees (Calpine) and SDG&amp;E service fees</td>
</tr>
<tr>
<td>Marketing and Outreach</td>
<td>796,000</td>
<td>1,417,000</td>
<td>621,000</td>
<td>Larger outreach and community presence anticipated; includes pilot member city grants</td>
</tr>
<tr>
<td>General and Administration</td>
<td>220,000</td>
<td>845,000</td>
<td>625,000</td>
<td>Increase to accommodate increasing industry membership, rent, and insurance</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>33,778,000</td>
<td>29,942,000</td>
<td>262,000</td>
<td></td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>$(7,491,092)</td>
<td>$10,705,952</td>
<td>$18,197,045</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-operating Revenues (Expenses)</th>
<th>Amended FY 2021 Budget</th>
<th>Proposed FY 2022 Budget</th>
<th>Changes</th>
<th>Description of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Related Expenses</td>
<td>$(357,000)</td>
<td>$(978,000)</td>
<td>$(621,000)</td>
<td>Adjust to align with anticipated debt levels. Interest only, no principal payments.</td>
</tr>
<tr>
<td>Total Non-Operating Revenues (Expenses)</td>
<td>$(357,000)</td>
<td>$(978,000)</td>
<td>$(621,000)</td>
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</tr>
</tbody>
</table>

**Change in Net Position**:

<table>
<thead>
<tr>
<th></th>
<th>Amended FY 2021 Budget</th>
<th>Proposed FY 2022 Budget</th>
<th>Changes</th>
<th>Description of change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(7,848,092)</td>
<td>$17,727,852</td>
<td>$25,575,945</td>
<td></td>
</tr>
</tbody>
</table>

**Non-Budgeted Cash Inflows (Outflows)**

<table>
<thead>
<tr>
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<th>Amended FY 2021 Budget</th>
<th>Proposed FY 2022 Budget</th>
<th>Changes</th>
<th>Description of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital from River City Bank</td>
<td>$24,000,000</td>
<td>$10,000,000</td>
<td>$(14,000,000)</td>
<td>Adjust loan draws to align with expected needs and available balance</td>
</tr>
</tbody>
</table>
Item 12: Review Proposed FY22 Budget

Operating Expenses FY21-22

- $284,304,000
- $4,885,000
- $4,981,000
- $1,417,000
- $845,000

- Cost of Energy
- Personnel Costs
- Professional Services and Consultants
- Marketing and Outreach
- General and Administration
Revenues – takes into account sales of electricity to customers from Phase 1, 2, and the beginning of Phase 3, include opt outs and rates.
Item 12

Expenses

• Cost of energy is higher due to customer enrollment during
• Personnel proposed budget includes
  • Plans to increase staff from 10 to 24 members
  • Development of an intern program for two positions
• Professional services budget reflects
  • Fees paid to Calpine and SDG&E
  • Member city grants funding to support electrification and climate action efforts
• Marketing and Outreach proposes to expand
  • Paid media
  • Additional printing costs
  • Community outreach
• General and Administration – general operations (rent, travel, insurance, etc.)
Net position – FY22 proposed $17.7M. Staff will present the Board with a proposed reserve policy in the coming months.
Item 13

Approval of Updates to the Net Energy Metering (NEM) Program and Amend the NEM Program Policy

Recommendation:

1. Establish a Net Surplus Compensation Rate
2. Establish a Net Surplus Compensation Limit
3. Establish monthly settlements and billing
4. Delegate authority to the Interim Chief Executive Officer to update the NEM policy consistent with the approved Board actions

Presenter:
Nelson Lomeli, Program Manager
Agenda

Net Energy Metering (NEM)

- Background Information:
  - Number of Existing NEM Customers
  - How Net Energy Metering (NEM) Works
  - True-Up Process & Billing

- Action Items:
  1. Establishing a SDCP Net Surplus Compensation Rate
  2. Establishing a Net Surplus Compensation Cap
  3. Standardize on Settlement & Billing Method for All NEM Customers
  4. Amending the NEM Program Policy
Background: Existing NEM Customers
Item 13: Net Energy Metering

Net Energy Metering (NEM) is a long and complicated subject.

We are NOT affecting Transmission & Distribution charges, minimum bill payments, grid access, and other charges the utility can, may, and will charge customers.

We will have an opportunity to weigh in on those issues in the next agenda item.
Item 13: Current NEM Customers

Current NEM Customer Landscape

As of February 2021, we have:

- Over 89,800 eligible NEM accounts
  - 573 (0.6%) in the City of Imperial Beach
  - 13,209 (3.8%) in the City of Chula Vista
  - 4,425 (4.9%) in the City of Encinitas
  - 3,426 (14.7%) in the City of La Mesa
  - 68,188 (75.9%) in the City of San Diego
- 8,232 (9.2%) are CARE/FERA customers
- 87,936 (97.9%) accounts are considered Residential
- 1,839 (2.0%) accounts are considered Commercial
- 46 (0.1%) accounts are considered Industrial
Background: How Net Energy Metering Currently Works
Item 13: How NEM Works

Nelson Lomeli Inc. installs a solar system and interconnects with SDG&E

The energy produced by the system will first be used by the building.

When the customer consumes less electricity than what the system produces, the extra electricity produced is sent to the grid.

When the customer consumes more electricity than what the system produces, the extra electricity consumed is drawn from the grid.
Item 13: How NEM Billing Works

On a monthly basis, if the amount of electricity consumed from the grid is more than the electricity generated from the system, this is called net consumption.

- It is charged based on the customers rate schedule and time-of-use period (peak/off-peak).

If, however, the amount of electricity sent to the grid is more than the electricity consumed from the grid, this is called net generation.

- It is credited (paid) based on the customers rate schedule and time-of-use period (peak/off-peak).
  - It is credited at the same rate the customer would have otherwise paid for electricity.
Item 13: How True-Up Works

Monthly net consumption and net generation by time-of-use periods are tracked monthly for 12-months (referred to as the relevant period).

The associated generation credits and consumption charges are calculated and banked for those 12-months as well.

At the end of 12-months, a True-Up is conducted where the monthly generation credits, monthly consumption charges, and minimum bill payments are added up.

- If a customer has more generation credits than charges, the customer owes nothing!
- If a customer has more charges than generation credits, the customer is billed and required to pay the difference.

<table>
<thead>
<tr>
<th>Month</th>
<th>TOU Period</th>
<th>Customer Rate Schedule $/kWh</th>
<th>Net Usage (Generation) kWh</th>
<th>Charges $</th>
<th>Total Monthly Charges/ (Credits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>Peak $0.19</td>
<td>Off-Peak $0.09</td>
<td>(-200)</td>
<td>(38.53)</td>
<td>($92.21)</td>
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<tr>
<td>July</td>
<td>Peak $0.19</td>
<td>Off-Peak $0.09</td>
<td>(-250)</td>
<td>(48.16)</td>
<td>($106.31)</td>
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<td>August</td>
<td>Peak $0.19</td>
<td>Off-Peak $0.09</td>
<td>(-250)</td>
<td>(48.16)</td>
<td>($101.84)</td>
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<tr>
<td>September</td>
<td>Peak $0.19</td>
<td>Off-Peak $0.09</td>
<td>(-200)</td>
<td>(38.53)</td>
<td>($87.73)</td>
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<tr>
<td>October</td>
<td>Peak $0.19</td>
<td>Off-Peak $0.09</td>
<td>(-100)</td>
<td>(19.27)</td>
<td>($55.05)</td>
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<td>November</td>
<td>Peak $0.05</td>
<td>Off-Peak $0.04</td>
<td>100</td>
<td>5.04</td>
<td>$12.57</td>
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<td>December</td>
<td>Peak $0.05</td>
<td>Off-Peak $0.04</td>
<td>200</td>
<td>10.07</td>
<td>$25.14</td>
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<td>January</td>
<td>Peak $0.05</td>
<td>Off-Peak $0.04</td>
<td>300</td>
<td>15.11</td>
<td>$33.94</td>
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<td>February</td>
<td>Peak $0.05</td>
<td>Off-Peak $0.04</td>
<td>300</td>
<td>15.11</td>
<td>$33.94</td>
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<td>March</td>
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<td>Off-Peak $0.04</td>
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<td>10.07</td>
<td>$25.14</td>
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<tr>
<td>April</td>
<td>Peak $0.05</td>
<td>Off-Peak $0.04</td>
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<td>5.04</td>
<td>$12.57</td>
</tr>
<tr>
<td>May</td>
<td>Peak $0.05</td>
<td>Off-Peak $0.04</td>
<td>50</td>
<td>2.52</td>
<td>($1.25)</td>
</tr>
</tbody>
</table>

NET TOTAL: $-301.10
Action Item #1: Review & Recommend Establishment of a Net Surplus Compensation (NSC) Rate
Item 13: Net Surplus Compensation

- Net Surplus Compensation is **only paid for annual net generation** to compensate those customers that *net* exported electricity in the *year*.

- The Net Surplus Compensation rate for the utilities is set at the wholesale cost of electricity and varies by month.

- Net Surplus Compensation Rate is **NOT** used to calculate monthly generation credits for NEM customers.
  - Generation credits are calculated using the customers’ applicable rate schedule (*i.e.* TOU-A-S, EV-TOU, DR-TOU, etc.)
Item 13: Net Surplus Compensation

With NSC, we only care about the Net Usage in kWh

Example:
Annual net generator of -450 kWh

<table>
<thead>
<tr>
<th>Month</th>
<th>TOU Period</th>
<th>Customer Rate Schedule $/kWh</th>
<th>Net Usage (Generation) kWh</th>
<th>Charges $</th>
<th>Total Monthly Charges/(Credits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>Peak $0.19</td>
<td>(-200)</td>
<td>(38.53)</td>
<td>($92.21)</td>
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</tr>
<tr>
<td></td>
<td>Off-Peak $0.09</td>
<td>(-600)</td>
<td>(53.68)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>Peak $0.19</td>
<td>(-250)</td>
<td>(48.16)</td>
<td>($106.31)</td>
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<tr>
<td></td>
<td>Off-Peak $0.09</td>
<td>(-650)</td>
<td>(58.15)</td>
<td></td>
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<tr>
<td>August</td>
<td>Peak $0.19</td>
<td>(-250)</td>
<td>(48.16)</td>
<td>($101.84)</td>
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<tr>
<td></td>
<td>Off-Peak $0.09</td>
<td>(-650)</td>
<td>(53.68)</td>
<td></td>
<td></td>
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<tr>
<td>September</td>
<td>Peak $0.19</td>
<td>(-200)</td>
<td>(38.53)</td>
<td>($87.73)</td>
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</tr>
<tr>
<td></td>
<td>Off-Peak $0.09</td>
<td>(-400)</td>
<td>(49.20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>Peak $0.19</td>
<td>(-100)</td>
<td>(19.27)</td>
<td>($55.05)</td>
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<tr>
<td></td>
<td>Off-Peak $0.09</td>
<td>(-400)</td>
<td>(35.78)</td>
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<tr>
<td>November</td>
<td>Peak $0.05</td>
<td>100</td>
<td>5.04</td>
<td>$12.57</td>
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<tr>
<td></td>
<td>Off-Peak $0.04</td>
<td>200</td>
<td>7.53</td>
<td></td>
<td></td>
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<tr>
<td>December</td>
<td>Peak $0.05</td>
<td>200</td>
<td>10.07</td>
<td>$25.14</td>
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<tr>
<td></td>
<td>Off-Peak $0.04</td>
<td>400</td>
<td>15.06</td>
<td></td>
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<tr>
<td>January</td>
<td>Peak $0.05</td>
<td>300</td>
<td>15.11</td>
<td>$33.94</td>
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<tr>
<td></td>
<td>Off-Peak $0.04</td>
<td>500</td>
<td>18.83</td>
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<tr>
<td>February</td>
<td>Peak $0.05</td>
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<td>15.11</td>
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<td></td>
<td>Off-Peak $0.04</td>
<td>500</td>
<td>18.83</td>
<td></td>
<td></td>
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<tr>
<td>March</td>
<td>Peak $0.05</td>
<td>200</td>
<td>10.07</td>
<td>$25.14</td>
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<tr>
<td></td>
<td>Off-Peak $0.04</td>
<td>400</td>
<td>15.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>Peak $0.05</td>
<td>100</td>
<td>5.04</td>
<td>$12.57</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Off-Peak $0.04</td>
<td>200</td>
<td>7.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>Peak $0.05</td>
<td>50</td>
<td>2.52</td>
<td>($1.25)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Off-Peak $0.04</td>
<td>(-100)</td>
<td>(3.77)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Item 13: Net Surplus Compensation

With NSC, we only care about the Net Usage in kWh

Example:
Annual net generator of -450 kWh
True-Up in May
SDG&E NSC is $0.02702/kWh

<table>
<thead>
<tr>
<th>Annual Net kWh Exported</th>
<th>-450 kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG&amp;E May Net Surplus Compensation Rate</td>
<td>$0.02702 $/kWh</td>
</tr>
<tr>
<td>Total Paid to Customer by SDG&amp;E</td>
<td>$ (12.16)</td>
</tr>
</tbody>
</table>
Item 13: Setting Our Net Surplus Compensation Rate

Staff Recommendation:

• Set the Net Surplus Compensation to match SDG&E’s monthly Net Surplus Compensation
• Add a $0.0075/kWh adder as an incentive for customers generating 100% renewable, local electricity.
• Potential financial payment to customers of $2.8M per year for net generators.
  • Estimate based on a conservative SDG&E’s Max 3-year NSC rate of $0.04452/kWh + $0.0075/kWh adder
Item 13: CCA Compensation Landscape

Using the NSC Method
- Apple Valley Choice Energy
- Baldwin Park Resident Owned Utility District (BPROUD)
- Central Coast Community Energy
- Clean Power Alliance (CPA)
- CleanPower SF
- Desert Community Energy
- East Bay Community Power
- Lancaster Choice Energy

Using the Retail Credit Balance Method
- MCE
- Pico Rivera Innovative Municipal Energy (PRIME)
- Pioneer Community Power
- Pomona Choice Energy
- Rancho Mirage Energy Authority
- San Jose Clean Energy
- Sonoma Clean Power
- Valley Clean Energy
- Silicon Valley Clean Energy
- Peninsula Clean Energy
- Redwood Energy Authority
Item 13: Setting Our Net Surplus Compensation Rate

Other Options Explored

1. **Setting the NSC at parity to SDG&E**
   - Not recommended because:
     - Doesn’t differentiate between SDCP and the utility
     - Doesn’t give customers any incentive to stay with SDCP

2. **Setting the NSC at double SDG&E’s NSC**
   - Not recommended because:
     - SDCP has a large NEM customer base as compared to other CCAs
     - Expose SDCP to large financial risk

3. **Cashing-out customer’s credit balance**
   - Not recommended because:
     - Potentially compensates customers that are not generators of clean electricity on an annual basis
Item 13: Setting Our Net Surplus Compensation Rate

Action Item Before the Board:

• Establish a Net Surplus Compensation Rate for SDCP.

Staff Recommendation:

• Set the Net Surplus Compensation to match SDG&E’s monthly Net Surplus Compensation
• Add a $0.0075/kWh adder as an incentive for customers generating 100% renewable, local electricity.

Finance & Risk Management Committee Input:

• Recommended approval of Staff’s recommendation for the Net Surplus Compensation Rate
Action Item #2: Review & Recommend Establishment of a Compensation Cap
Item 13: Establish a Compensation Cap

Action Item Before the Board:

• Establish a Limit for Net Surplus Compensation from SDCP.

Staff Recommendation:

• Limit net surplus compensation at $2,500 per account per relevant period.

Reason for Recommendation:

• Cap set to minimize financial impacts to SDCP and our customers.
• Protect SDCP customers in the unlikely event that the wholesale market prices (thus the NSC rate) are ever volatile and spike.
  • Note: The 10-year average NSC is $0.035/kWh. Highest it’s gone is $0.05082/kWh back in Nov. 2014.
• Vast majority of customers will never approach this cap.
  • Our net generator customers on average, generate 1,773 kWh/year, receiving an avg. compensation of $100.

Finance & Risk Management Committee Input:

• Recommended establishment of a limit on Net Surplus Compensation
Action Item #3: Review & Recommend Standardization of Settlement & Billing Method
Item 13: Standardize True-Up & Billing Method

Current Status

Current SDCP NEM Program Policy states that:

- Residential customers will be trued-up and billed annually.
- Commercial and industrial customers (non-residential) are trued-up and billed monthly.

Under the current policy, for residential customers:

- Their generation credits and consumption charges are calculated and banked for 12-months.
- At their true-up, they potentially can get one massive bill for 12-months worth of electricity usage.
Item 13: Standardize True-Up & Billing Method

Staff Recommendation: Monthly Settlement & Billing for ALL NEM customers

When a customer is a net generator, generation credits are calculated and added to a NEM credit balance account.

When a customer is a net consumer, monthly charges are paid *(taken from)* any accrued generation credits.

If the monthly charges exceed available credit balance, customer is billed for the difference.

This method is more customer centric as it helps customers avoid large end-of-year charges for customer and budget accordingly.

<table>
<thead>
<tr>
<th>Month</th>
<th>TOU Period</th>
<th>TOU-A-S $/kWh</th>
<th>Net Usage kWh</th>
<th>Charges $</th>
<th>Total Monthly Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>Peak</td>
<td>$0.19265</td>
<td>-100</td>
<td>$(19.27)</td>
<td>$(37.16)</td>
</tr>
<tr>
<td></td>
<td>Off-Peak</td>
<td>$0.08946</td>
<td>-200</td>
<td>$(17.89)</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>Peak</td>
<td>$0.19265</td>
<td>25</td>
<td>$4.82</td>
<td>$13.76</td>
</tr>
<tr>
<td></td>
<td>Off-Peak</td>
<td>$0.08946</td>
<td>100</td>
<td>$8.95</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>Peak</td>
<td>$0.19265</td>
<td>100</td>
<td>$19.27</td>
<td>$37.16</td>
</tr>
<tr>
<td></td>
<td>Off-Peak</td>
<td>$0.08946</td>
<td>200</td>
<td>$17.89</td>
<td></td>
</tr>
</tbody>
</table>

Credit Balance | Billed to Customer
$ (37.16) | $ -
$ (23.39) | $ -
$ - | $ 13.76
Item 13: Standardize True-Up & Billing Method

Benefits of Monthly Settlement & Billing

Allows customers to have smaller monthly billing payments instead of potentially one giant bill.

- Avoids the “bill shock” if customers is a net consumer.
- (66% of our NEM customers are net consumers)
- Potential risk of customers opting-out when they receive one large bill – may blame it on SDCP.

Aligns all customer classes to one settlement and billing method simplifying an already confusing program

Aligns with where the industry is going.

- Numerous NEM 3.0 proposals call for monthly true-ups and billing.
Item 13: Standardize True-Up & Billing Method

Action Item Before the Board:

- Amend the NEM Policy to Standardize Settlement & Billing Method for All NEM Customers

Staff Recommendation:

- Establish that all NEM customers will receive monthly settlement & billing with ability for customers to elect to enroll in optional yearly settlement & billing.

CAC Input:

- CAC suggested offering yearly settlement & billing as an option to customers alongside monthly.

Finance & Risk Management Committee Input:

- Recommended approval of Staff’s recommendation and offer optional yearly settlement & billing to NEM customers.
Action Item #4: Amend Board Adopted NEM Program Policy
Item 13: Amend Board Adopted NEM Program Policy

Action Item Before the Board:

• Update the NEM Program Policy as adopted in December 2020 to reflect adopted changes to NEM program in this meeting.

Staff Recommendation:

• Delegate authority to the Interim Chief Executive Officer or his designee to update the NEM policy consistent with the adopted Board actions.

Finance & Risk Management Committee Input:

• Recommended delegation of authority to make necessary updates to NEM Program Policy
Item 14

Review and Provide Direction to Staff on Legislative Position for AB 1139

Recommendation:
1. Receive and file the Community Advisory Committee’s recommended position on AB 1139
2. Adopt a position on AB 1139

Presenter:
Laura Fernandez,
Director of Regulatory and Legislative Affairs
Item 14: AB 1139 – Heads to Assembly Floor

Staff Supports the Community Advisory Committee Recommendation

- Requires CPUC to develop NEM 3.0 tariff by February 1, 2022
- CPUC required to ensure alternatives for growth in residential disadvantaged communities
- Requires NEM 1.0/2.0 customers be transferred to NEM 3.0 no later than 10 years from date of service under NEM 1.0/2.0
- Eliminates requirement that NEM 3.0 ensures sustainable growth of renewable distributed generation
- If CPUC fails to act by February 1, 2022, requires interconnection fees, monthly fixed charges, and crediting based on hourly wholesale market rate
- CAC recommends the Board take an “oppose” position over concern that the bill will harm rooftop solar in California
Item 15

Renewable Power Purchase Agreement with IP Oberon, LLC

Recommendation: Approve the Long-term Renewable Power Purchase Agreement with IP Oberon, LLC and authorize the Interim CEO to execute the agreement.

Presenter:
Byron Vosburg,
Director of Power Services
Item 15

Background: Long-term RPS Requirements

- California Renewables Portfolio Standard (“RPS”) requires purchase of renewable energy under long-term contracts (“PPAs”) of 10 years or longer
- Starting in 2021, at least 65% of RPS obligation must be secured via long-term RPS contracts
- Long-term RPS requirement is measured across multi-year compliance periods (e.g. CP4 is 2021-2024)
Item 15

Background: SDCP 2020 LT RPS RFO Timeline

- June 25, 2020: SDCP Board Approved LT RPS RFO
- June 29, 2020: RFO Launched
- July 24, 2020: Responses Due
- Aug 4, 2020: Responses Reviewed with Ad-Hoc Contracts Committee
- Aug 18, 2020: Shortlist Reviewed with Ad-Hoc Contracts Committee
- Sep 2020 – March 2021: Negotiations on-going with all Shortlisted Respondents
- April 15, 2021: Update to FRMC Regarding PPA Negotiations
- April 22, 2021: SDCP Board Meeting
- May 27, 2021: SDCP Board Meeting
## Item 15

Background: SDCP LT PPAs Reviewed by FRMC on April 15, 2021

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Counterparty</th>
<th>Technology</th>
<th>Location</th>
<th>Term (yrs)</th>
<th>Expected Commercial Online Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAI Energy</td>
<td>Vikings Energy Farm, LLC</td>
<td>100 MW Solar 150 MW 4-hr Battery Storage</td>
<td>Imperial County, CA</td>
<td>20</td>
<td>Q2 2023</td>
<td>Executed 5/3/21</td>
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<td>Intersect Power</td>
<td>IP Oberon, LLC</td>
<td>150 MW Solar</td>
<td>Riverside County, CA</td>
<td>15</td>
<td>Q2 2023</td>
<td>Presenting for Review</td>
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<tr>
<td>BayWa r.e.</td>
<td>JVR Energy Park, LLC</td>
<td>90 MW Solar 70 MW 4-hr Battery Storage</td>
<td>San Diego County, CA</td>
<td>20</td>
<td>Q4 2022 – Q1 2023</td>
<td>Presenting for Review</td>
</tr>
</tbody>
</table>
Company Overview: Intersect Power

- Established in 2016
  - IP team has shared experience of 10 years, delivered over 2 GW together prior to Intersect
- Developed 1.7 GW of utility-scale solar in CA and TX
  - Team members have developed 3.7 GW (over 65 projects) of utility-scale solar
- Headquartered in San Francisco, CA
- Actively developing 2.4 GW of solar and storage resources to be online by 2023
Item 15

Project Overview: IP Oberon

• Project: 150 MW Solar
• Location: Desert Center, Riverside County, CA
• Guaranteed commercial operation date: June 30, 2023
• Contract term: 15 years
• Expected annual energy production: ~460,000 MWh
  • Power for ~92,000 homes
• Guaranteed energy production: 85% of projected annual deliveries
• Energy price: Fixed energy price applicable to the full term of the agreement
• No credit or collateral obligations for SDCP
• SDCP would receive financial compensation in the event of seller's failure to successfully achieve certain development milestones
Item 15
Item 15
Item 15

**Recommendation:** Approve the Long-term Renewable Power Purchase Agreement with IP Oberon, LLC and authorize the Interim CEO to execute the agreement.
Item 16

Renewable Power Purchase Agreement with JVR Energy Park, LLC

Recommendation: Approve the Long-term Renewable Power Purchase Agreement with JVR Energy Park, LLC and authorize the Interim CEO to execute the agreement.

Presenter:
Byron Vosburg,
Director of Power Services
# Item 16

**Background:** SDCP LT PPAs Reviewed by FRMC on April 15, 2021

<table>
<thead>
<tr>
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<td>20</td>
<td>Q4 2022 – Q1 2023</td>
<td>Presenting for Review</td>
</tr>
</tbody>
</table>
Item 16

Company Overview: BayWa r.e.

• Jointly owned by BayWa AG (51%) and Energy Infrastructure Partners (49%)
  • BayWa AG founded in Munich, Germany in 1923
• Located in 30 countries
• 4 GW installed worldwide
• 10 GW under management
  • 1.5 GW operating/constructing in North America.
• US headquarters in Irvine, CA
• Previously completed 28 MW Jacumba Solar facility in 2017
Project Overview: JVR Energy Park

- Project:
  - 90 MW Solar
  - 70 MW/280 MWh Battery Energy Storage System (BESS)
- Location: Jacumba Hot Springs, San Diego County, CA
- Guaranteed commercial operation date: March 31, 2023
- Contract term: 20 years
- Expected annual energy production: ~260,000 MWh
  - Power for ~52,000 SD Co. homes
- Guaranteed energy production: 85% of projected annual deliveries
- Energy price:
  - Solar – Fixed energy price applicable to the full term of the agreement
  - BESS – Fixed capacity price adjusted for efficiency, availability and verified capacity
- No credit or collateral obligations for SDCP
- SDCP would receive financial compensation in the event of seller’s failure to successfully achieve development milestones
Item 16
Item 16
**Item 16**

**Recommendation:** Approve the Long-term Renewable Power Purchase Agreement with JVR Energy Park, LLC and authorize the Interim CEO to execute the agreement.
Regular Meeting Agenda

Director Comments
Reports by Management and General Counsel
Adjournment
Board of Directors

Next Regular Meeting
June 24, 2021