SAN DIEGO COMMUNITY POWER

Board of Directors

Regular Meeting

January 23, 2023

Welcome
&
Call to Order

Roll Call

SDCP Welcomes You!

Chandra Pugh

Director of People

Items to be Added, Withdrawn or Reordered on the Agenda

Public Comment for Items NOT on the Agenda

Consent Agenda

1. Approval of Findings to Continue Holding Remote/Teleconference Meetings Pursuant to Assembly Bill 361
2. Receive and File Treasurer's Report for Fiscal Year-end Period Ending November 30, 2022
3. Receive and File Update on Back Office Operations
4. Receive and File Update on Marketing and Public Relations
5. Receive and File Update on Community Advisory Committee
6. Receive and File Update on Regulatory and Legislative Affairs
7. Approval of Second Amendment to Professional Services Agreement with Futura Energy Group to add $70,000 for a total of $305,000 for Professional Recruiting Services for FY2023.

Regular Meeting Agenda

Regular Agenda Items:

8. Election of Chair and Vice Chair for Calendar Year 2023
9. Appointment of Members to the Finance and Risk Management Committee
10. Approval of 2023 Rates
11. Approval of New Credit Agreement to Implement New Line of Credit of $150,000,000 from JP Morgan Credit Facility
12. Approval of Amended and Restated Vikings Power Purchase Agreement
13. Update on the Community Power Plan

Item 8

Election of Chair and Vice Chair for Calendar Year 2023

Recommendation:

Elect a Chair and Vice Chair for Calendar Year 2023

Presenters:

Ryan Baron, General Counsel

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Item 9

Appointment of Members to the Finance and Risk Management Committee

Recommendation:

Appointment of Members to the Finance and Risk Management Committee

<u>Presenters:</u>

Ryan Baron, General Counsel

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Item 10

Review and Approval of 2023 Rates

Recommendation:

Review and approve one of two rate adjustment options effective 2/1/23. The options feature rates that are 3% or 5% less expensive than San Diego Gas & Electric's electricity commodity rates that are effective 1/1/23.

Presenters:

Lucas Utouh, Director of Data Analytics & Account Services

Tim Manglicmot, Finance Manager

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Rate Development Policy Objectives

Objectives

- Cost Recovery
- Rate Simplicity
- Transparency
- Avoid Cost-Shifting
- Cost of Service

Priorities

- Reserves
- Rate Competitiveness
- Rate Stability
- Equity

Strategic Goals

- ✓ Adopt plan to increase reserves to **$175M by 10/23 (90-Days Cash On Hand)** and **$360M by 10/25 (180-DCOH)**.
- ✓ Obtain an investment grade credit rating by **Nov. 2025 (180 DCOH)**.
- ✓ Develop **Rate Stabilization Reserve of $70M**
- ✓ Develop/secure Clean Energy Portfolio with goals of 50% renewable energy ('22), 75% ('27), 85% ('30), and 100% ('35).
- ✓ 15% of our energy coming from **new, distributed infill storage/solar+ storage resources by 2035**.

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Rate Mechanics

SDG&E Generation Rates − **PCIA** − **Franchise Fee** = **SDCP** Rates

January 2023 SDG&E
43% average increase

January 2023 SDG&E
Varies by Customer & Vintage

Customer
Residential
Small Commercial
Medium & Large C&I
Agriculture
Lighting

Vintage Year
Vintage 2020 – Phase 1 & 2
Vintage 2021 – Phase 3
Vintage 2022 – Phase 4

Unchanged 2023 SDG&E
1.088% x SDG&E

February 2023 SDCP

SDCP's Rate Development Timeline

SDCP Board adopted 2022 rates	Jan 2022	SDG&E 2022 rates and PCIA effective Jan. 1
SDCP's 2022 rates effective Feb. 1. Phase 3 commenced	Feb 2022	
	May. 2022	SDG&E submitted application for its 2023 ERRA & Electric Sales Forecast
SDCP's Phase 3 conclusion for Non-NEM customers	June. 2022	SDG&E rate change
SDCP's Rate Development Policy Review By CAC and Board and its adoption.	Nov. 2022	SDG&E's November ERRA update
Board/Committee review of 2023 rate expectations	Dec. 2022	CPUC's Final Decision on 2023 ERRA & Electric Sales Forecast Application
Board reviews & adopts 2023 rates	Jan. 2023	SDG&E 2023 rates and PCIA effective Jan. 1
SDCP's 2023 rates effective no later than Feb. 15	Feb. 2023	

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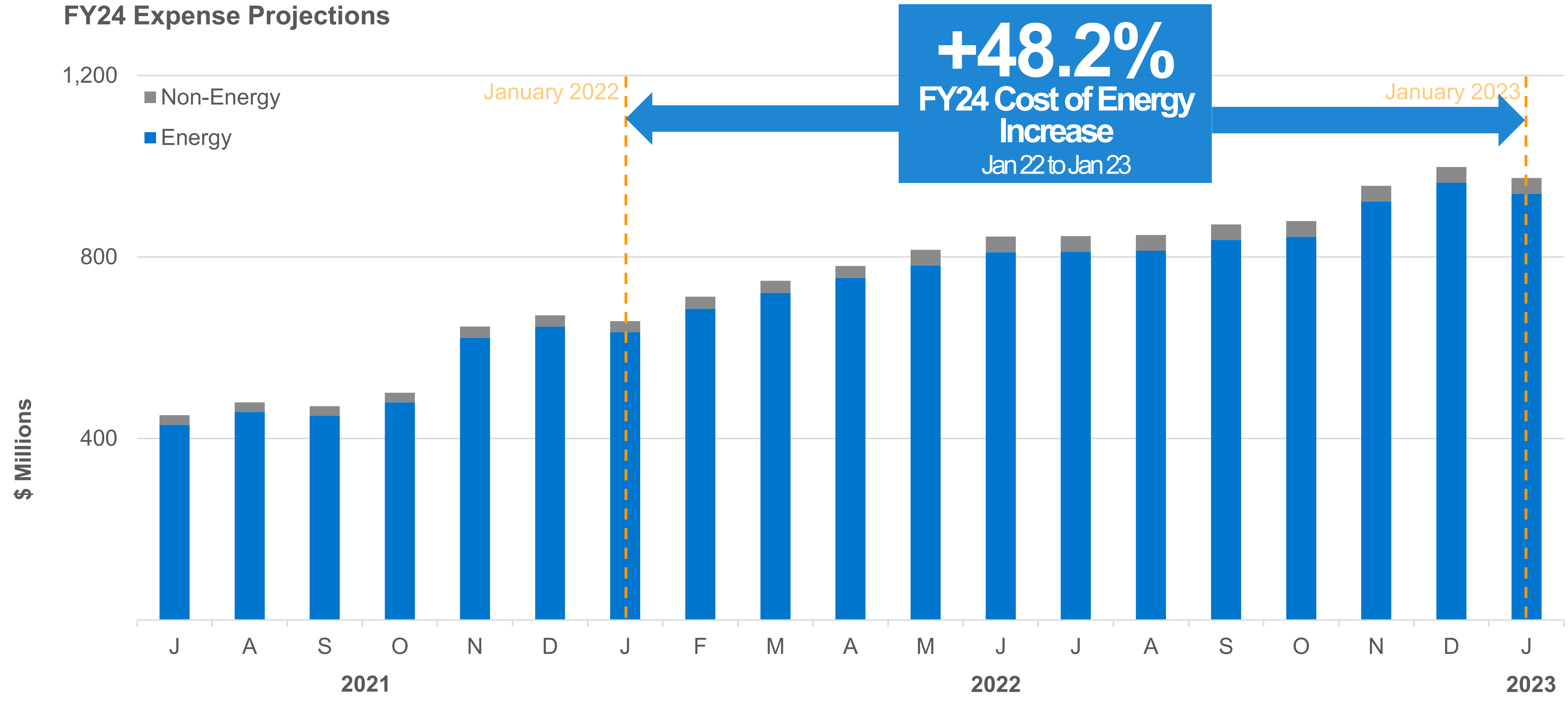
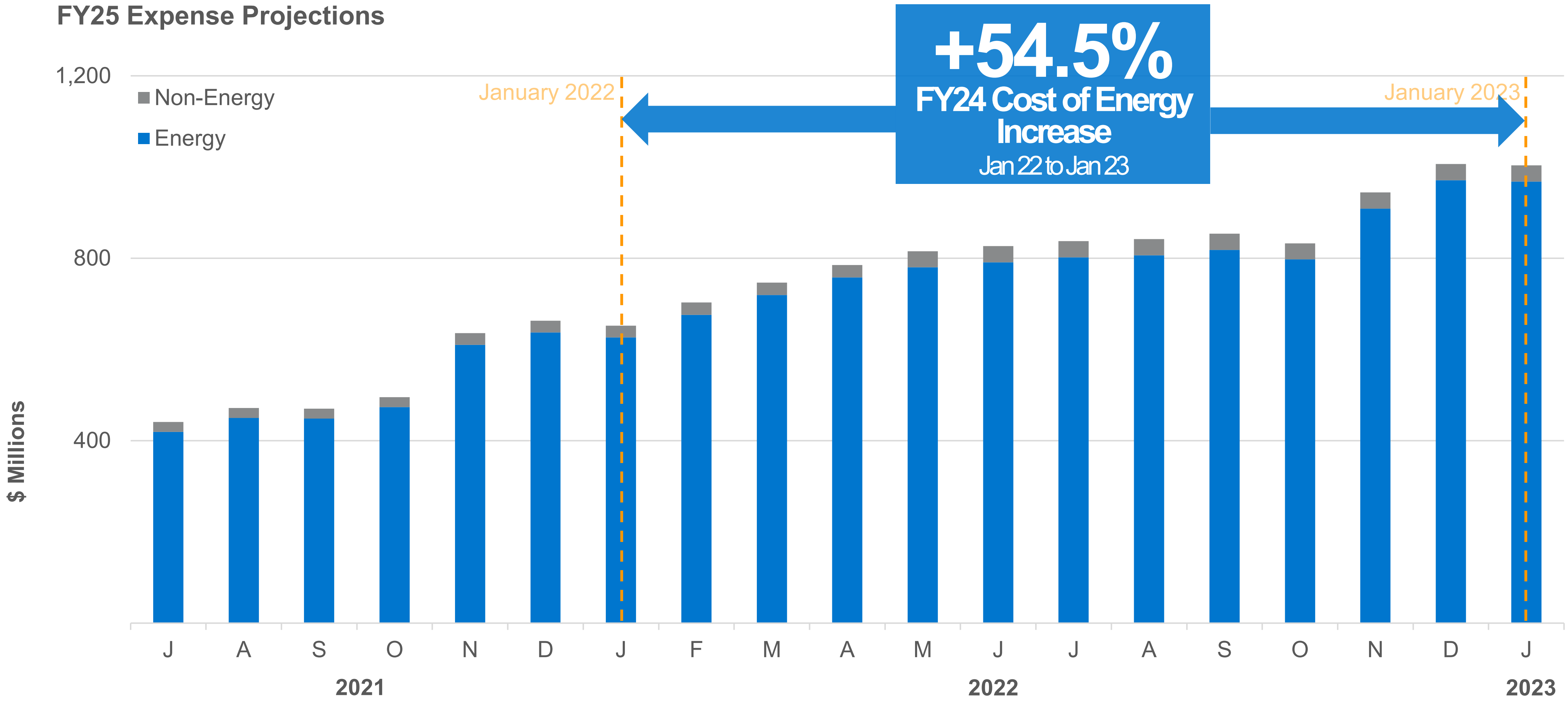
FY24 Cost of Energy Projection



FY25 Cost of Energy Projection



FY25 Year-End Projected Reserves

Largely due to rising energy costs, SDCP's reserve projection has decreased throughout calendar year 2022.

SDCP currently has a 90-day cash on hand reserve target and has a strategic goal to obtain 180-days cash on hand.

January 2022
$373.9 million
Rate Setting

June 2022
$145.4 million
Budget Adoption

December 2022
$88.5 million
December Estimate

180-Day Target
$500.0 million
Strategic Goal

90-Day Target
$250.0 million
Current Reserve Target

January 2022
(Rate Setting)

June 2022
(Budget Adopted)

December 2022
(Current)

January 2023
(Rate Setting)

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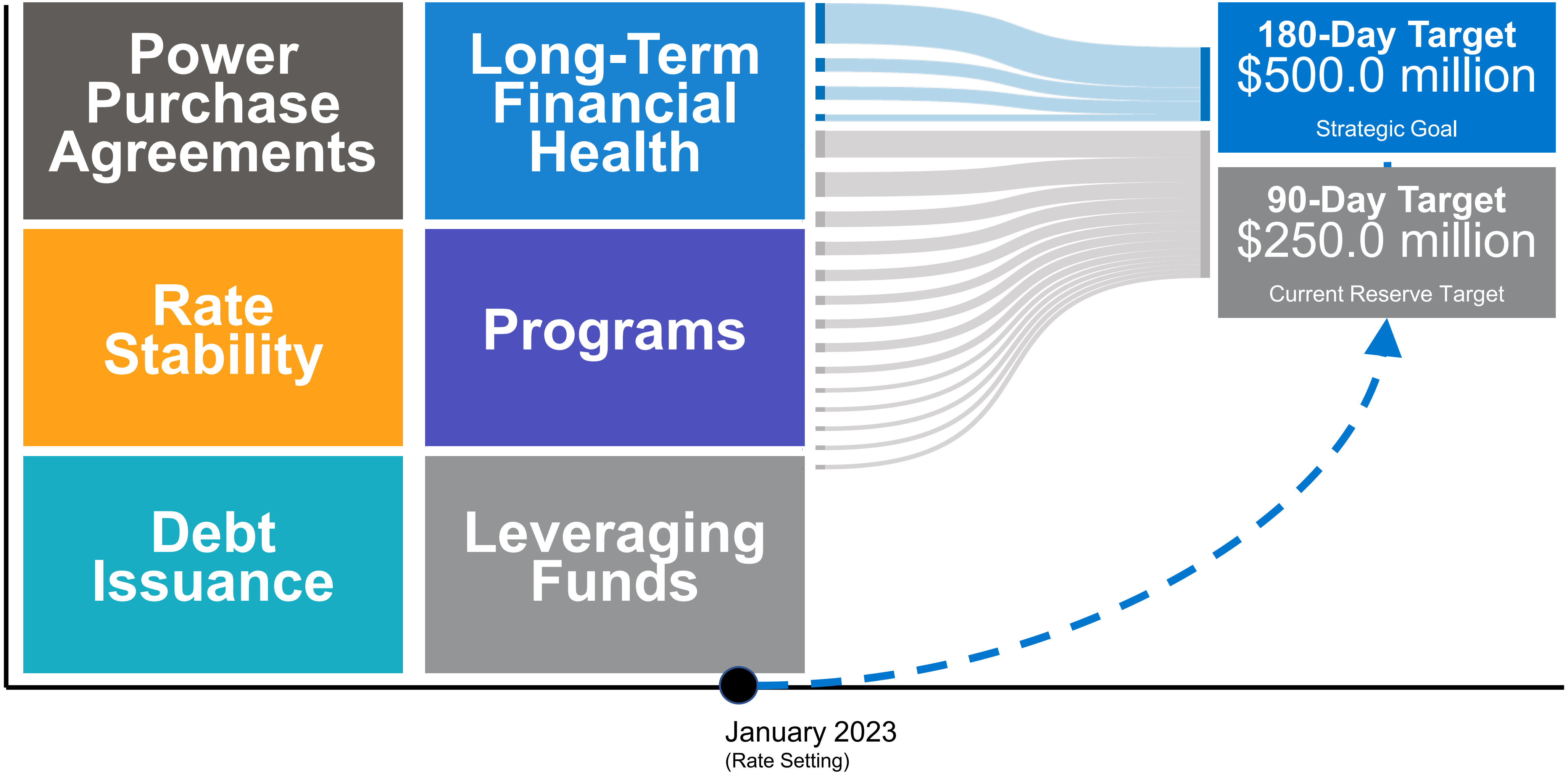
Why Reserves?



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Risk Factors – Impact to Net Income

SDGE™ Rates *Rate Competition and PCIA*	SDG&E remains a direct competitor to SDCP and investor-owned utilities generally remain in competition with their CCA counterparts. In June 2022, for example, SDG&E unexpectedly lowered its rates. A 25-point reduction in SDG&E rates on 1/1/24, for example translates in up to ~$600M in net income if SDCP reduces rates in lockstep.	**$600 million annually**
Forward Energy Prices *Energy commodities remain SDCP's largest expense and fluctuate*	At the 1/20/22 Board meeting SDCP expected expenses to average $628.6M annually from FY24-FY26. In SDCP's latest January forecast, expenses average $965.8M annually from FY24-FY26 mainly due to changes in forward energy prices.	**$340 million annually**
Participation Rates *CCA participation rates range from 80% to 97%*	At the 12/15/22 Board meeting participation rates for Phase 1 & 2 customers was reported at 95.7% and for Phase 3 customers at 96.5%. The 5-year forecast assumes a 95% participation rate; other CCAs report participation rates as low as 80%. An 80% participation rate would drop SDCP net income by ~$100M annually.	**$100 million annually**
Heat Wave *Additional, unhedged energy needs in a heat-wave scenario*	SDCP modeled a scenario for what a "bad month" in summer 2022 could look like with regard to cashflow. The two key drivers of the analysis were day-ahead market exposure and DA-RT imbalance cost as summarized here with notes and assumptions below.	**$22 million annually**

Scenarios

Scenario 1. Recommendation.

3% Value Proposition.

- 90-days reserve: Jun 2023
- 180-days reserve: Oct 2023
- Reserve targets achieved prior to next rate setting

Scenario 2.

5% Value Proposition.

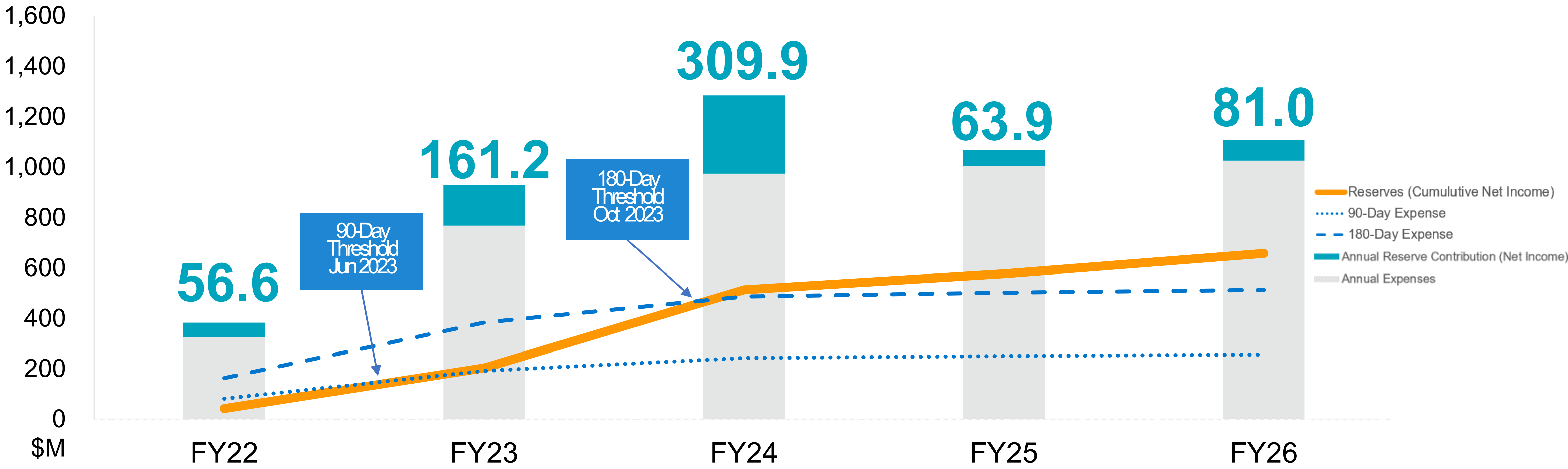
- 90-days reserve: Jun 2023
- 180-days reserve: Jul 2024
- Power100 lower than SDG&E base rates

SDGE™

43% Average Increase

- Increase effective 1/1/23

Scenario 1: 3% Value Proposition



Operating Budget, $M	FY22	FY23	FY24	FY25	FY26
Net Revenue	383.8	929.8	1,284.0	1,067.9	1,107.0
Total Expense	327.2	768.6	974.1	1,004.0	1,026.0
Annual Reserve (Net Income)	56.6	161.2	309.9	63.9	81.0
Reserves (Cumulative Net Surplus)	42.5	203.7	513.6	577.5	658.6
90-Day Expense Target	81.8	192.2	243.5	251.0	256.5
180-Day Expense	163.6	384.3	487.1	502.0	513.0

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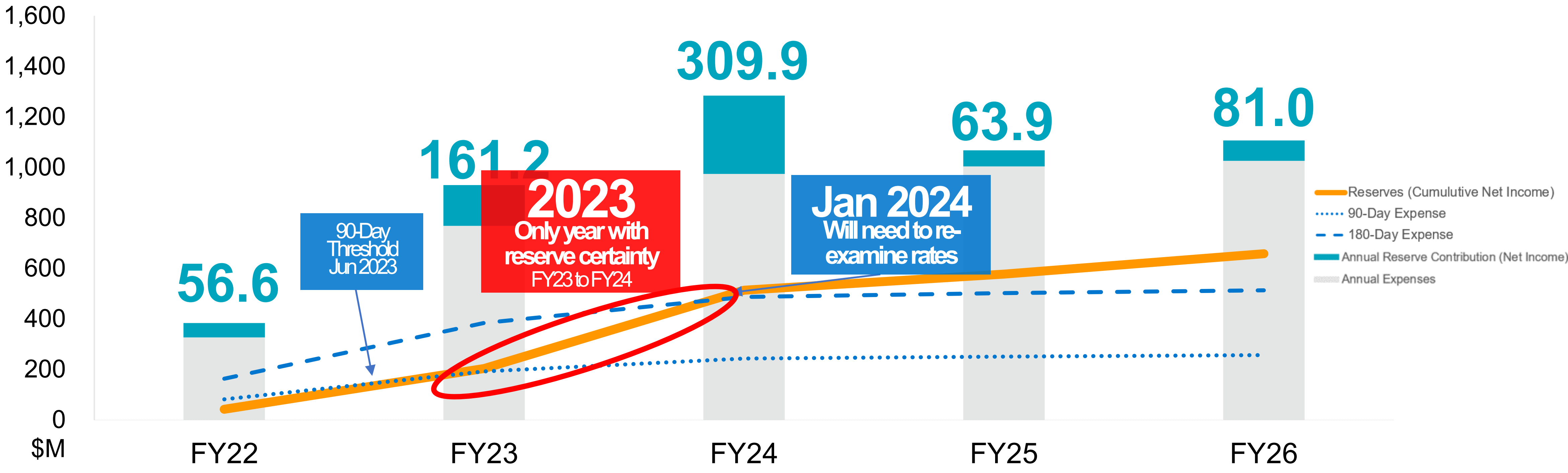
Scenario 1: 3% Value Proposition



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Scenario 1: Bill Impact

Rate: ALTOU (Secondary Voltage)

Large Commercial	SDG&E	SDCP PowerOn	SDCP Power100	SDCP Value Prop
Generation	$3,572.61	$4,799.99	$4,982.78	
*PCIA	$1,336.80	-$39.48	-$39.48	
*Franchise Fees	$109.47	$109.46	$109.46	
Total Generation Related Charges	$5,018.88	$4,869.97	$5,052.76	-3.0%
SDG&E Delivery	$5,041.95	$5,041.95	$5,041.95	
Total Average Monthly Cost	**$10,060.83**	**$9,911.92**	**$10,094.71**	-1.5%

Average Monthly Usage (kWh): 24,372

Average Monthly Demand (kW): 73.9

Vintage 2020

SAN DIEGO COMMUNITY POWER

Scenario 1: Bill Impact

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Average Monthly Usage (kWh): 24,372

Average Monthly Demand (kW): 73.9

Vintage 2020

SAN DIEGO COMMUNITY POWER

Scenario 1: Bill Impact

Rate:TOU-A (Secondary Voltage)

Small Commercial	**SDG&E**	**SDCP PowerOn**	**SDCP Power100**	**SDCP Value Prop**
Generation	$159.56	$181.24	$190.96	
*PCIA	$61.88	$33.49	$33.49	
*Franchise Fees	$5.73	$5.73	$5.73	
Total Generation Related Charges	$227.17	$220.46	$230.18	-3.0%
SDG&E Delivery	$298.87	$298.87	$298.87	
Total Average Monthly Cost	**$526.04**	**$519.33**	**$529.05**	-1.3%

Average Monthly Usage (kWh): 1296

Average Monthly Demand (kW): 5.3

Vintage 2021

Scenario 1: Bill Impact

Rate: TOU-DR-1

Residential	SDG&E	SDCP PowerOn	SDCP Power100	SDCP Value Prop
Generation	$50.13	$48.19	$50.64	
*PCIA	$14.52	$14.51	$14.51	
*Franchise Fees	$1.46	$1.46	$1.46	
Total Generation Related Charges	$66.11	$64.16	$66.61	-3.0%
SDG&E Delivery	$68.70	$68.70	$68.70	
Total Average Monthly Cost	**$134.81**	**$132.86**	**$135.31**	-1.5%

Average Monthly Usage (kWh): 327

Vintage 2022

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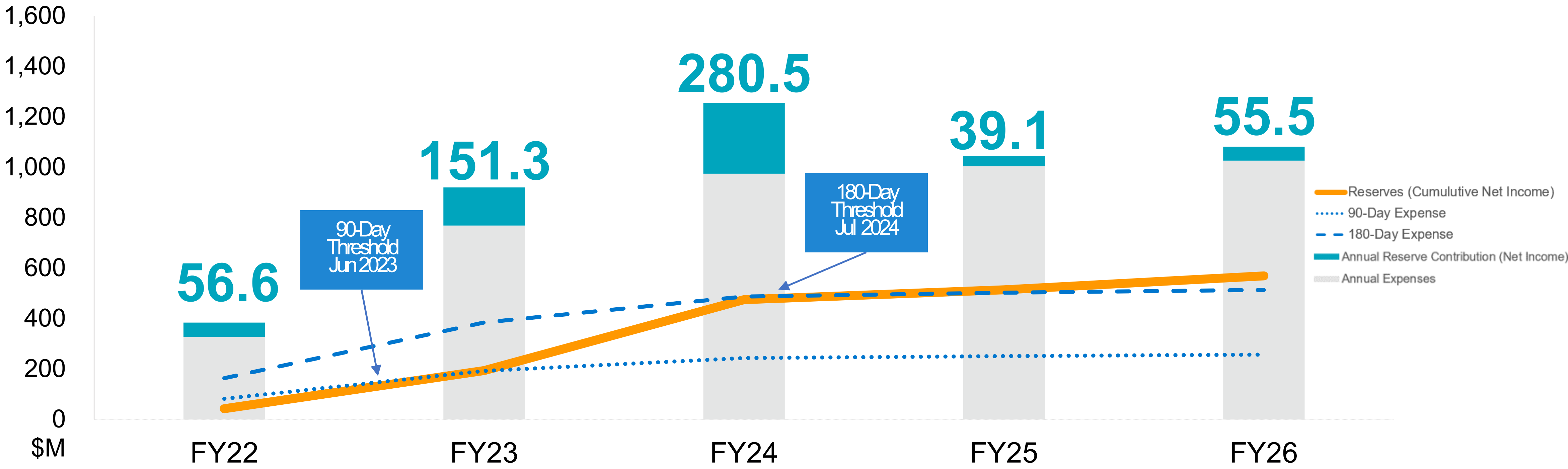
Scenario 2: 5% Value Proposition



Operating Budget, $M	FY22	FY23	FY24	FY25	FY26
Net Revenue	383.8	920.0	1,254.6	1,043.1	1,081.4
Total Expense	327.2	768.6	974.1	1,004.0	1,026.0
Annual Reserve (Net Income)	56.6	151.3	280.5	39.1	55.5
Reserves (Cumulative Net Surplus)	42.5	193.9	474.3	513.4	568.9
90-Day Expense Target	81.8	192.2	243.5	251.0	256.5
180-Day Expense	163.6	384.3	487.1	502.0	513.0

SAN DIEGO COMMUNITY POWER

Scenario 2: Bill Impact

Rate: ALTOU (Secondary Voltage)

Large Commercial	**SDG&E**	**SDCP PowerOn**	**SDCP Power100**	**SDCP Value Prop**
Generation	$3,572.61	$4,700.67	$4,883.46	
*PCIA	$1,336.80	-$39.48	-$39.48	
*Franchise Fees	$109.47	$109.46	$109.46	
Total Generation Related Charges	$5,018.88	$4,770.65	$4,953.44	-5.0%
SDG&E Delivery	$5,041.95	$5,041.95	$5,041.95	
Total Average Monthly Cost	**$10,060.83**	**$9,812.60**	**$9,995.39**	-2.5%

Average Monthly Usage (kWh): 24,372
Average Monthly Demand (kW): 73.9

Vintage 2020

SAN DIEGO COMMUNITY POWER

Scenario 2: Bill Impact

Rate: TOU-A (Secondary Voltage)

Small Commercial	SDG&E	SDCP PowerOn	SDCP Power100	SDCP Value Prop
Generation	$159.56	$176.76	$186.48	
*PCIA	$61.88	$33.49	$33.49	
*Franchise Fees	$5.73	$5.73	$5.73	
Total Generation Related Charges	$227.17	$215.98	$225.70	-5.0%
SDG&E Delivery	$298.87	$298.87	$298.87	
Total Average Monthly Cost	**$526.04**	**$514.85**	**$524.57**	-2.1%

Average Monthly Usage (kWh): 1,296

Average Monthly Demand (kW): 5.3

Vintage 2021

SAN DIEGO COMMUNITY POWER

Scenario 2: Bill Impact

Rate: TOU-DR-1

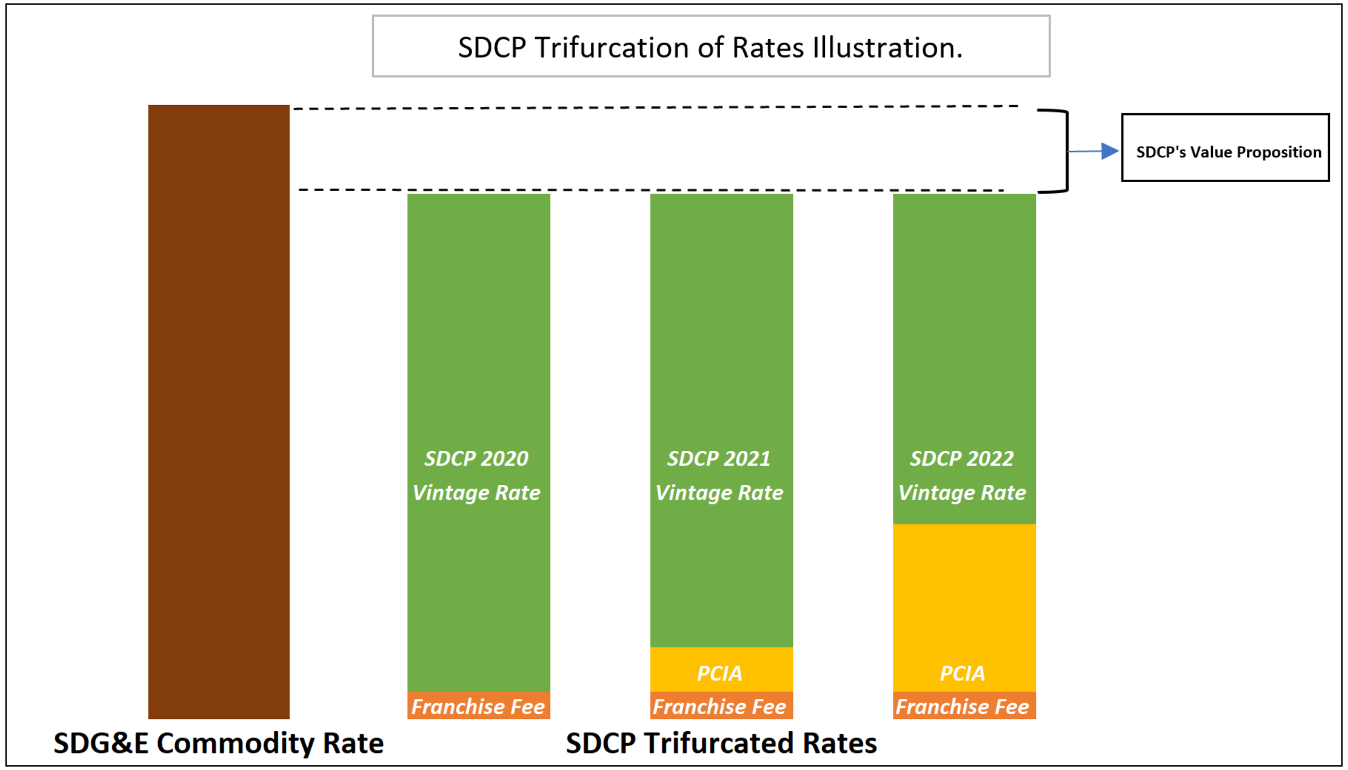
Residential	**SDG&E**	**SDCP PowerOn**	**SDCP Power100**	**SDCP Value Prop**
Generation	$50.13	$46.87	$49.32	
*PCIA	$14.52	$14.51	$14.51	
*Franchise Fees	$1.46	$1.46	$1.46	
Total Generation Related Charges	$66.11	$62.84	$65.29	-5.0%
SDG&E Delivery	$68.70	$68.70	$68.70	
Total Average Monthly Cost	**$134.81**	**$131.54**	**$133.99**	-2.4%

Average Monthly Usage (kWh): 327

Vintage 2022

Trifurcation of Rates by Vintage

- Three sets of rates are needed in 2023 to balance this nuance.
- Trifurcation will ensure a fair, equitable and balanced rate structure for all customers.



Summary

- Customer savings are increased to either 3% or 5% compared to SDG&E.
- At 5% savings, SDCP's 100% renewable and 100% carbon-free Power100 electricity service will be at parity on average with SDG&E's base product, which is composed of approximately 45% renewable content.
- Higher renewable content (base product: 54.9% with SDCP vs 44.5% with SDG&E as of the most recent Power Content Label in 2021).
- Contributions towards reserves that allow SDCP to achieve its 90-day cash on hand reserve target in 2023 which will provide financial stability.
- Prepares SDCP for expected and unexpected market and cost shifts in 2023.
- Satisfies credit obligations.
- Three sets of rates are needed in 2023 to ensure a fair, equitable and balanced rate structure for all customers.

Item 10

Recommendation:

Review and approve one of two rate adjustment options effective 2/1/23. The options feature rates that are 3% or 5% less expensive than San Diego Gas & Electric's electricity commodity rates that are effective 1/1/23.

Item 11

Approval of New Credit Agreement to Implement New Line of Credit of $150,000,000 from JP Morgan Credit Facility

Recommendation:

Approval to authorize the CEO or CFO to execute a new credit agreement and related documents necessary to implement a new line of credit of $150,000,000 from a JP Morgan credit facility.

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Presenter: Dr. Eric Washington, Chief Financial Officer

Execute New J.P. Morgan Credit Agreement for $150M

Recommendation: Authorize the CFO or CEO to execute a new credit agreement and related documents necessary to implement a $150 million line of credit for up to 5 years.

May 2021

Provider of Last Resort Rulemaking (POLR). CPUC initiated a Rulemaking to develop POLR rules based on requirements of SB 520. Rules to **prevent IOUs from incurring charges in an event of a CCA failure**.

May 2022

Financial Security Requirement (FSR). IOUs filed a recommendation update to POLR rules regarding FSR calculations. Analysis determined the update would **increase risk to CCAs up to $125M**.

Oct 2022

Request-for-Proposal. PFM Financial Advisors issued an RFP on behalf SDCP for a line of credit. J.P. Morgan subsequently submitted a proposal for $150 million line of credit.

Jan 2023

SDCP Board Action. Approve the Credit Agreement with JPM and authorize the CFO (or his designee) to finalize the terms of the Credit Agreement and the exhibits thereto and) execute Credit Agreement, Fee Agreement, Note, and such other ancillary agreements.

SAN DIEGO COMMUNITY POWER

Approve New J.P. Morgan Credit Agreement for $150M

Increased Risk from POLR
Supports SDCP in substantial increased risk incurred from POLR rule updates regarding financial security requirements.

Credit Rating
Supports SDCP with added liquidity that will position the agency to establish a stronger credit rating.

Unexpected Climate Conditions
Allows SDCP to react quickly to unexpected changes in customer demand and market conditions.

Unexpected Power Costs
Provides SDCP with additional resources to respond fiscally to unexcepted rises in the power supply costs.

SAN DIEGO COMMUNITY POWER

Approve New J.P. Morgan Credit Agreement for $150M

J.P.Morgan

New Line of Credit
$150.0m

Prior Line of Credit
$50.0m
(to be closed)

River City Bank

Loan Type	• Commercial Revolving Line of Credit ("RLOC")
Purpose	• To support increased financial risk incurred by regulatory proceedings • To support working capital as needed • To support the issuance Letters of Credit
Interest Rate ***Note:*** As of 11/11/2022 1-Month SOFR is 3.79% 3-Month SOFR is 4.26% 6-month SOFR is 4.62%	• **SOFR** or **ABR**: SDCP may elect that interest on each Loan be based off either the Adjusted Term SOFR Rate or the Alternate Base Rate ("ABR"). • **For SOFR Loans**: Taxable Loans will accrue interest at a rate per annum equal to the one, three, or six-month (as selected by SDCP) Adjusted Term SOFR Rate, subject to availability, plus the Adjusted Term SOFR Rate Applicable Margin. • **For ABR Loans**: Loans will accrue interest at a rate per annum equal to the ABR plus the ABR Applicable Margin.
Repayment	• Loans shall be due and payable in full, together with all accrued interest thereon, on the maturity date of the Facility.

Item 11

Recommendation:

Approval to authorize the CEO or CFO to execute a new credit agreement and related documents necessary to implement a new line of credit of $150,000,000 from a JP Morgan credit facility.

Item 12

Approval of Amended and Restated Vikings Power Purchase Agreement

Recommendation:

Approval of Amended and Restated Renewable Power Purchase Agreement with Vikings Energy Farm, LLC in substantially the form attached hereto, with such changes as are approved by the Chief Executive Officer and reviewed and approved as to form by General Counsel, and authorize the Chief Executive Officer to sign the Agreement.

<u>Presenters:</u>

Byron Vosburg, Managing Director Power Services

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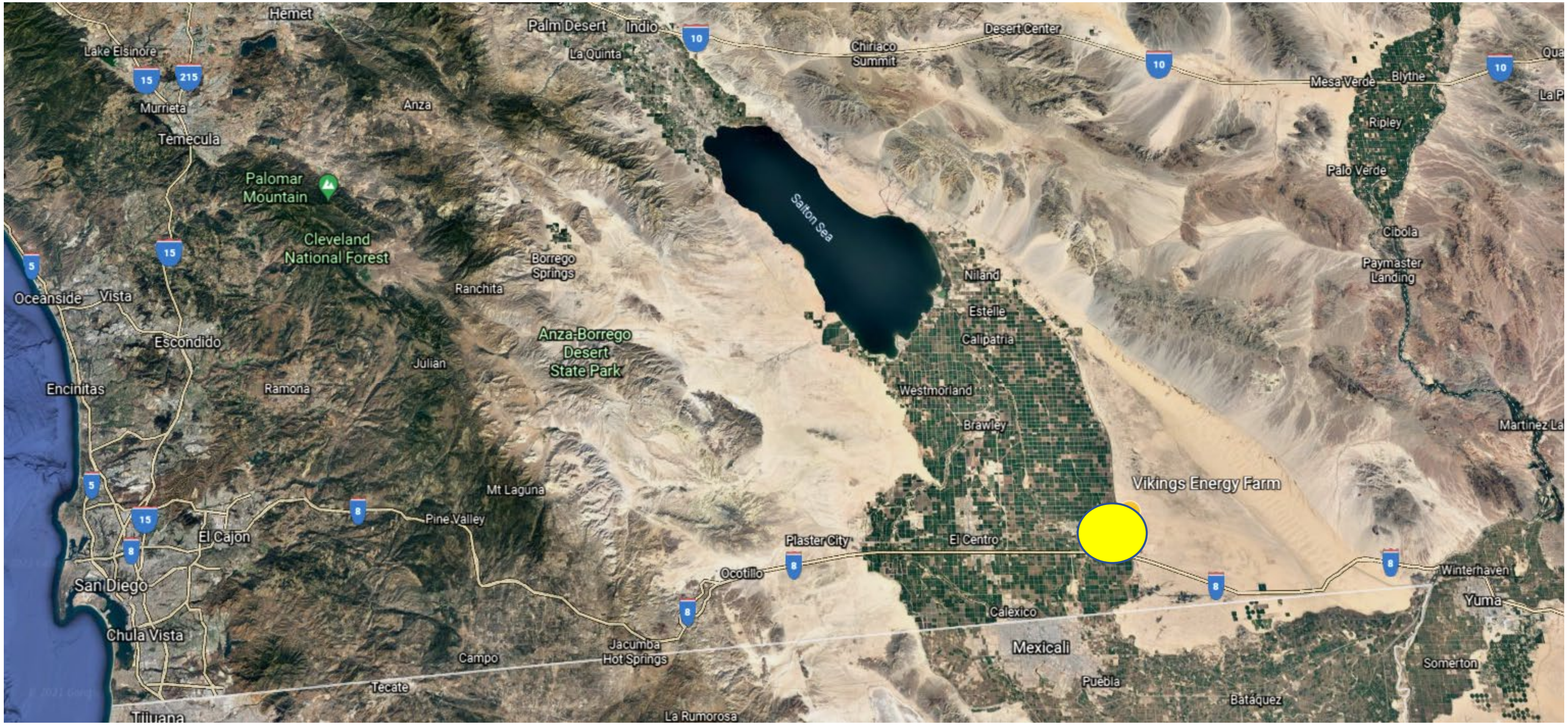
Approval of Amended and Restated Vikings Power Purchase Agreement

Project Overview: Vikings Energy Farm, LLC

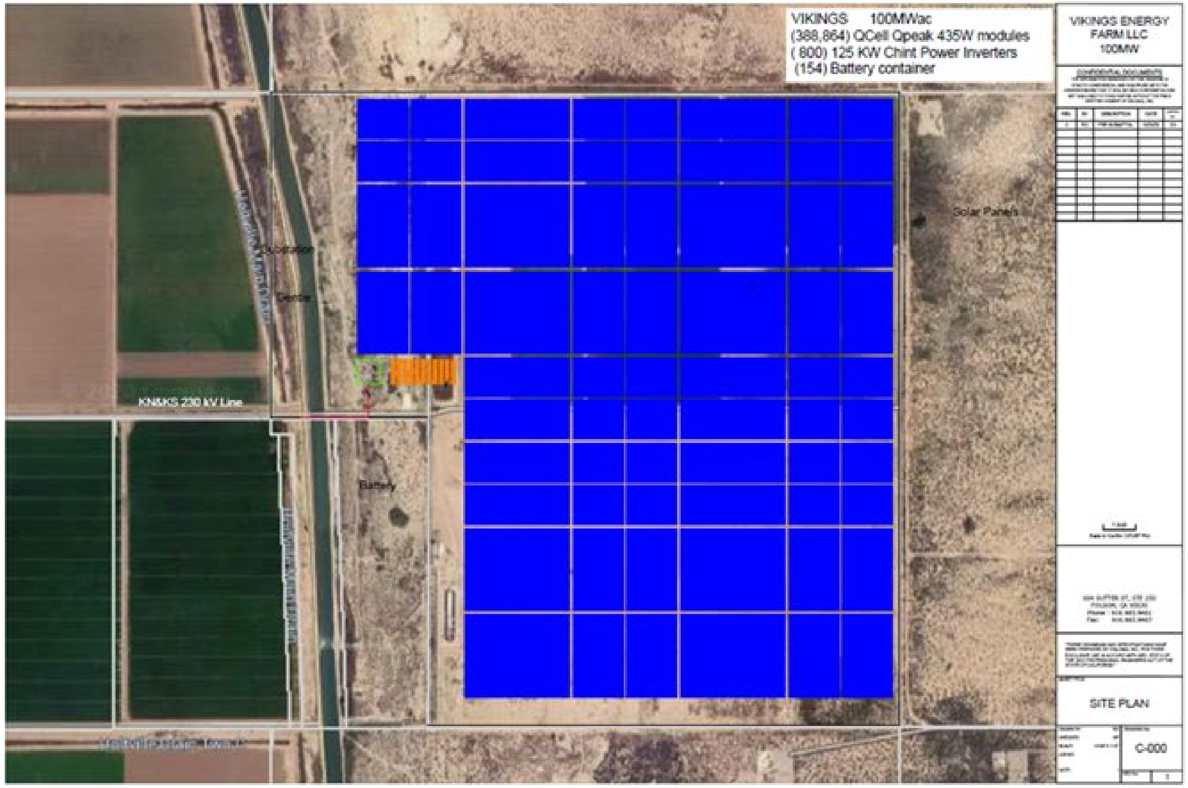
- Board approved April 22, 2021
- SDCP signed PPA May 3, 2021
- 100 MW Solar, 150 MW/600 MWh Battery Storage
- Location: Holtville, Imperial Co, CA
- Guaranteed Commercial Operation Date: June 30, 2023
- Contract Term: 20 years
- Expected Annual Energy Production: ~270,000 MWh/year
  - Equivalent of ~55,000 San Diego Co households
- Guaranteed Energy Production: 85% of projected annual deliveries
- Solar Energy Price: fixed, no escalation over 20-year term
- Capacity Price: fixed, no escalation over 20-year term
- No credit or collateral obligations for SDCP

Approval of Amended and Restated Vikings Power Purchase Agreement



SAN DIEGO COMMUNITY POWER

Approval of Amended and Restated Vikings Power Purchase Agreement



Approval of Amended and Restated Vikings Power Purchase Agreement

Updates:

- Sept 2021: Vikings Energy Farm, LLC acquired by Arevon Energy
- 2021-2022: Pandemic and supply-chain impacts cause widespread delays and price increases in renewable energy and battery storage development; Arevon and Vikings are impacted
- 2022: SDCP and Arevon brainstorm options to ensure Vikings Energy Farm can remain viable, with as little impact to SDCP customers as possible
- January 2023: SDCP and Arevon complete an Amended and Restate PPA, presented today for board review

DEEP DIVE

Supply-chain squeeze: Solar, storage industries grapple with delays, price spikes as demand continues to grow

Developers are facing price pressures and uncertainties that are making it difficult to complete the projects in their pipeline — or procure new ones, experts say.

Published March 31, 2022

NEWS

'Unprecedented market conditions' force PG&E to up price on 2GWh of battery storage contracts

By Cameron Murray

December 5, 2022

Europe Grid Scale Business

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https://www.energy-storage.news/unprecedented-market-conditions-force-pge-to-up-price-on-2gwh-of-battery-storage-contracts/
https://www.utilitydive.com/news/solar-storage-delays-price-supply-chain/620537/

Approval of Amended and Restated Vikings Power Purchase Agreement

PPA Overview: Vikings Energy Farm, LLC (Amended and Restated)

- Solar Capacity: ~~100 MW~~ **136.8** MW
- Storage Capacity: ~~150 MW/600 MWh~~ **145.5** MW/**582** MWh
- Guaranteed Commercial Operation Date: ~~June 30, 2023~~
  - Battery Storage COD: **April 1, 2024**
  - Solar PV COD: **September 1, 2024**
- Contract Term: 20 years
- Expected Annual Energy Production: ~~~270,000 MWh/year~~ **~370,000 MWh**/year
  - Equivalent of ~~~55,000~~ **~75,000** San Diego Co households
- Guaranteed Energy Production: 85% of projected annual deliveries
- Solar Price: **(↓)** fixed, no escalation over 20-year term
- Storage Price: **(↑)** fixed, no escalation over 20-year term
- No credit or collateral obligations for SDCP
- Significant collateral obligations **(↑)** for Vikings to ensure that SDCP customers are not harmed if project is delayed further

SAN DIEGO COMMUNITY POWER

Item 12

Recommendation:

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Item 13

Update on the Community Power Plan

Recommendation:

Receive and File the Update on the Community Power Plan

Presenter

Colin Santulli, Director of Programs

Community Power Plan: Overview

SDCP's 5-year strategic plan for customer energy programs

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Timeline

Engage with community members

Listening Sessions

- *Co-hosted with community-based organizations*
- *Interest groups*
- *General public*
- *Businesses*

Q3 2022

Survey community to determine most prioritized issues

- Community-wide Survey
- Community priorities and program interest

Report back to the community on findings

- Reporting results of survey & Listening Sessions

Q3 & Q4 2022

Assess programs and draft CPP document

- Database of possible programs
- Ranked list of programs that meet needs

Q4 2022

Draft Community Power Plan presented for public comment

- **Community Power Plan**

Q1 2023

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Program Prioritization Framework

Program Prioritization Framework

- Analysis of programs from CCAs, state agencies (e.g., CARB, CEC), and IOU
- Interviews with 10 CCAs/program implementers

- 200+ programs
- ~70 program options

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Program Prioritization Framework

Program Elements

Program Category

Building/Transportation/Equipment Electrification, Distributed Energy Resources, Energy Efficiency, Codes & Standards, Demand Response

Technical Element

Heat Pumps, Appliances, Electrical Panels, LD/MD Electric Vehicles and Chargers, Battery Storage, Onsite Solar, Community Solar, Smart Devices, Energy Efficiency Measures, Peak Demand Behavior

Delivery Element

Rebates, Bill Credits, Grants/Funds, Other Incentives, Free Equipment/Direct Installations, Rates, Technical Assistance, Application Assistance

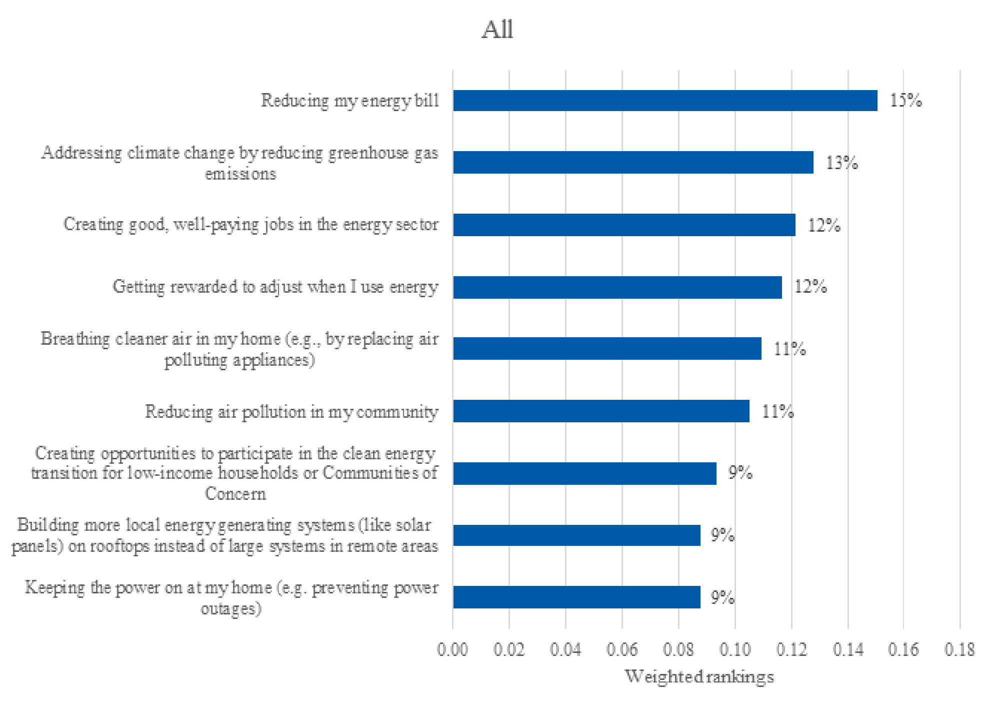
Customer Segment

Low-Income/Disadvantaged Communities, Public Sector, Commercial, Market Rate

Program Prioritization Framework

Community Priorities Weighting

Each program element was scored based on its ability to address the energy issues learned from the community needs survey.



Organizational Priorities Weighting

Each program element was scored based on its ability to meet internal goals and priorities learned from the Board interviews, CAC, and Staff workshops.

Board/CAC/Staff Prioritization Weighting					
Impact to Revenues (Fiscally Responsibility)	Equity by investing in Communities of Concern	Increased Education/ Awareness of Energy	Maximize Infill Generation & Storage	Visibility	Ability to Manage Load Flexibility
18%	20%	16%	16%	17%	13%

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Program Strategy

Program Strategy

Short-Term
FY23/24 – FY24/25

- Fill immediate needs on customer education and awareness
- Access available programs currently underutilized
- Leverage existing external funding and/or minimal SDCP funding commitment
- Pilots to prepare for mid-term broader incentive programs

Examples: Community Solar, customer education initiatives, application assistance, etc.

Mid-Term
FY25/26 – FY26/27

- External funding sources developed
- Better positioned to direct internal revenues to customers via programs
- Require more time to establish, or for funding to start flowing
- Require identifying and gathering additional data

Examples: equipment rebates and incentives, energy efficiency programs, etc.

Long-Term
FY27/28+

- More complex program design
- Unique rates that require established presence with customers
- Support emerging emission-reducing technologies
- Update customer preferences and market data

Examples: Innovative financing, rate design etc.

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Next Steps

Next Steps

Public Draft of the Community Power Plan

- Develop draft list of program types for public draft
- 30-day public comment period expected in March 2023
- Re-engage with stakeholders, customers, interest groups to gather feedback on draft
- Final draft taken to the Board for adoption consideration expected in May 2023

Item 13

Recommendation:

Receive and File the Update on the Community Power Plan

Report by Chief Executive Officer and General Counsel

Director Comments

Adjournment

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Next Regular Board Meeting

February 23, 2023