

Board of Directors

Regular Meeting

May 26, 2022



Moment of Silence for Uvalde

Regular Meeting Agenda

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Items to be Added, Withdrawn, or Reordered on the Agenda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

Regular Agenda Items:

- 7. Presentation of the FY 2023 Operating Budget
- 8. Discussion on 2022 Legislative Platform and AB 2838; Update on Legislative and Regulatory Items
- 9. Update on Power Resources
- 10. Update on Customer Energy Programs

Reports by Management and General Counsel

Director Comments

Adjournment











Consent Agenda

- 1. Approval of Findings to Continue Holding Remote/Teleconference Meetings Pursuant to Assembly Bill 361
- 2. Approval of January 20, 2022 Meeting Minutes for Regular and Closed Session
- 3. Receive and File Treasurer's Report for Period Ending 3/31/22
- 4. Update on Back Office Metrics/Dashboard
- 5. Update on Marketing and Public Relations
- 6. Approval of San Diego Community Power Ticket and Pass Distribution Policy

Item 7 Presentation of the Fiscal Year (FY) 2023 Operating Budget

Recommendation:

Receive and file the presentation of the Fiscal Year (FY) 2023 Operating Budget



<u>Presenter</u>:
Dr. Eric Washington
Chief Financial Officer

Budget Development for FY 2022-23

The schedule for budget development is the following.



February

Develop Operating Revenue Estimate

Develop Operating Expense Estimate

Develop financial plan for credit rating in 3-years

March-April

Staff develop operating budgets

Baseline budget is developed

May

Strategic planning sessions with SDCP Board

SDCP Board Preview (Presentation)

June

Financial and Risk Management Committee Review

SDCP Board Approval



July 1st Budget Implemented

Mid-year budget review (February)

Budget amendments as necessary









Budget - Highlights

- Focus on community programs by up Programs team and launching initial pilot programs.
- Phase 4 enrollment of the County of San Diego and National City during the first half of calendar year 2023.
- Continued outreach through community events, sponsorships and advertising to inform customers about SDCP.
- High cost of energy with continued increases in forward electricity prices.





SAN DIEGO COMMUNITY POWER

Operating Budget

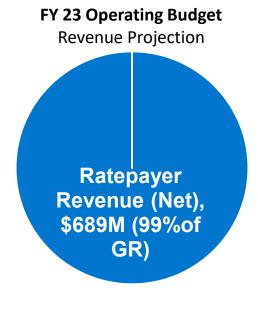
Fiscal Year 2022-23

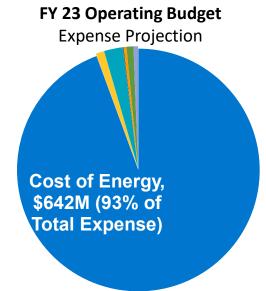
Proposed Draft June 23, 2022



Budget – Summary

ltem	FY 23 Proposed Budget, \$M	
Gross Revenue	696.2	380.8
Less Uncollectible Accounts	(7.0)	(2.7)
Net Revenue	689.2	378.1
Cost of Energy	641.9	329.5
Non-Energy Costs	31.7	11.7
Debt Service	6.3	0.7
Total Expense	680.0	341.9
Net Position	9.2	36.1







Budget – Key Revenue Assumptions

Item	FY 23 Proposed, \$M	FY 22 Amended, \$M
Gross Revenue	696.2	380.8
Less Uncollectible Accounts	(7.0)	(2.7)
Net Revenue	689.2	378.1

- Opt-out rate is assumed to be 5%.
- Participation rate in **Power100** assumed at 7% of revenues (currently 6.4% as of 5/9/22).
- Uncollectible accounts assumed at 1% of total gross revenue.
- Enrollment of Phase 4 expected to begin during the first half of 2023.



Budget – Cost of Energy

FY23 Budget Projections, \$M	Feb 2022	May 2022
Cost of Energy	597.8	641.9

• Outlook for future years has worsened due to continued increases in forward electricity prices, with natural gas prices having reached 18-year highs.

• Between February and May, projected cost of energy for FY23 has increased 7.4% or **\$44.1 million**.



Budget by Category FY23 FY22 FY23 FY22 Includes Phase 1 through Phase Revenue 3. Phase 4 starts in 2023. \$378.1m \$689.2m * Assumes hedging as of May 2022 and forward prices for the FY23 FY22 Cost of Energy remaining, unhedged energy. \$641.9m \$329.5m Professional Data Management and SDG&E FY23 FY22 fees comprise majority. Services \$5.1m \$17.0m 14 new staff and 2 interns -FY22 Amended Power Services to 8 staff and Personnel Programs to 7 staff. \$4.0m \$7.5m Marketing and Mandatory enrollment notices, FY22 Amended communication consultants, Outreach mailers, printing, sponsorships. \$1.7m \$4.1m Office space, equipment, membership dues, and other **⊞**r General and FY22 Amended Administrative general opérational costs. \$2.5m \$0.8m Initial pilot programs launch and FY22 Amended **Programs** other community-based program \$0.0m efforts.

Net Position +9.2m





FY 2023 Budget – Details



	FY 2022-23		% of Net	
RATING REVENUES Draft Budget		Revenues		
Gross Ratepayer Revenues		696,172,917		
(Less 1% Uncollectible Customer Accounts)		(6,961,729)		
Net Operating Revenues	\$	689,211,188	100.0%	
COST OF ENERGY				
Cost of Energy	\$	641,937,917		
Total Cost of Energy	\$	641,937,917	93.1%	
Gross Net Position	\$	47,273,270	6.9%	
OPERATING EXPENSES				
Personnel Costs				
Salaries	\$	5,914,426		
Benefits (retirement/health)	\$	1,052,803		
·	\$			
Payroll Taxes	ې خ	408,589		
Accrued PTO	\$	75,218	1 10/	
Total Personnel Costs	\$	7,451,035	1.1%	
Professional Services and Consultants				
Data Management	\$	10,541,810		
SDG&E Fees	\$	2,563,226		
Technical Support		1,335,000		
Legal/Regulatory	ζ	1,268,000		
Other Services	\$ \$ \$ \$	1,108,455		
Programs Consultant	¢	200,000		
Total Prof. Svcs. Costs	\$	17,016,491	2.5%	
Total Fron. Sves. Costs	Ų	17,010,431	2.370	
Marketing and Outreach				
Printing	\$	2,323,000		
Sponsorships/Local Memberships	\$	1,133,667		
Communications Consultants	\$	642,000		
Total Mrktg and Outreach Costs	\$	4,098,667	0.6%	
General and Administration				
Other G & A	\$	1,937,461		
Cal CCA Dues	ς	370,000		
Rent	¢	180,000		
Insurance	¢	3,902		
Total G & A Costs	\$ \$ \$	2,491,363	0.4%	
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Programs				
Programs	\$	667,000		
Total Programs Costs	\$	667,000	0.1%	
Net Operating Expenses	\$	31,724,556	4.6%	
Total Operating Expenses	\$	673,662,473	97.7%	
Operating Income (Loss)	\$	15,548,714	2.3%	
Operating income (2003)	ب	13,340,714	2.370	
NON-OPERATING REVENUES (EXPENSES)				
Interest and Related Expenses	\$	6,314,922		
Total Non-Operating Revenues (Expenses)		6,314,922	0.9%	
CHANGE IN NET POSITION	\$	9,233,792	1.3%	

Budget – CCA Comparison

Community Choice Aggregator	Years Est. (JPA eff. Date)	Customer Accounts*	Cost of Energy, \$M**	Non-Energy Costs, \$M	Net Ratepayer Revenue, \$M	Energy Costs/Net Revenue (%)
Clean Power Alliance	Jun 2017	972,500	834.28	32.665	895.25	93%
San Diego Community Power	Oct 2019	931,675	641.94	33.960***	689.21	93%
East Bay Community Energy	Dec 2016	613,263	442.34	37.757	499.70	89%
Marin Clean Energy	Dec 2008	470,000	410.70	49.436	483.96	85%
Central Coast Community Energy	Mar 2018	296,000	326.30	32.179	351.53	93%
Peninsula Clean Energy	Feb 2016	296,000	216.70	24.994	222.24	98%

^{*}Customer accounts from CalCCA as of October 2021, SDCP customer accounts are projected as of April 2023



^{**}Cost of energy, non-energy costs and ratepayer revenue are from FY22 adopted budgets. SDCP costs and revenue are from its May 2022 Proforma.

^{***}SDCP includes debt service costs of \$6.3M.

Item 7

Recommendation:

Receive and file the presentation of the Fiscal Year (FY) 2023 Operating Budget



<u>Presenter</u>:
Dr. Eric Washington
Chief Financial Officer

Item 8 Discussion on 2022 Legislative Platform and AB 2838; Update on Legislative and Regulatory Affairs

Recommendation:

Review and discuss SDCP 2022 Legislative Platform; Discuss SDCP position on AB 2838; Receive and discuss update on pending legislation and regulatory items.

Presenter:

Laura Fernandez
Director of Regulatory and Legislative Affairs



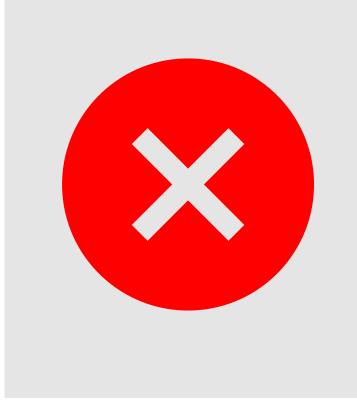
Discussion on 2022 Legislative Platform: Three Major Priorities





Discussion on 2022 Legislative Platform Highlight: Governance and Authority





- Support legislation that makes it easier for other cities and counties to form or join a CCA
- Oppose legislation that limits the local decision-making authority for CCAs (e.g. rate-setting and procurement)



Discussion on 2022 Legislative Platform Highlight: Environment al Justice

Support:

- Legislation that enables communities of concern to have affordable, reliable and clean energy
- Legislation that enables all communities to participate in deep decarbonization efforts
- Legislation that would reduce local air pollution, reduce other negative local impacts associated with energy production, and boost adoption of distributed energy resources within communities of concern

Oppose:

 Legislation and initiatives that have the potential to disproportionately and negatively impact communities of concern



Discussion on 2022 Legislative Platform Highlight: Environmental Sustainability

Support:

- Legislation that encourage the conservation of energy resources as well as the development of dynamic load-shifting capabilities
- Legislation and funding for renewable and advanced energy technology that increase efficient consumption
- Legislation and funding for pilot energy and resource efficiency programs





Discussion on 2022 Legislative Platform Highlight: Local Economic Development

Support:

- Legislation that is consistent with SDCP's commitment to an inclusive and sustainable workforce
- Legislation that enhances opportunities for CCAs to promote local economic development through locally designed programs
- Efforts to enhance development of local and regional sources of renewable energy
- Legislation that enables CCAs to collaborate with their member jurisdictions on local energy resources and projects to advance environmental objectives





Discussion on AB 2838

- Will be heard June 2 in Senate Energy, Utilities and Communications Committee
- CalCCA sent Floor Alert with "Oppose Unless Amended" Position on April 29
 - Floor Alert notes AB 2838 violates well established ratepayer indifference principle by allowing cost recovery from customers who did not participate in or benefit from program
 - Floor Alert also notes the bill isn't necessary because there are established CPUC procedures in place that would permit program closure





Update on Regulatory Item: Voluntary Allocation & Market Offer (VAMO)

- SDCP has an opportunity to secure voluntary allocations (VA) of PCIA-eligible renewable resources from SDG&E
- These are renewable resources that SDCP customers already pay above market costs for through the PCIA, but do not yet count towards SDCP's portfolio





Update on Regulatory Item: Voluntary Allocation & Market Offer (VAMO)

- In 2021, the CPUC ordered the IOUs to offer PCIA-paying LSEs voluntary allocations (VA) of PCIA-eligible renewable resources, and then sell any unallocated resources through an annual market offer (MO) process
- SDCP now has an opportunity to secure voluntary allocations of PCIA-eligible renewable resources from SDG&E at the Market Price Benchmark, which is established by the current market price in any given year and is the same price at which the PCIA is set



Update on Regulatory Item: Voluntary Allocation & Market Offer (VAMO)

- Voluntary Allocations are a "slice" of an IOU's entire PCIA-eligible RPS portfolio, therefore SDCP does not have discretion over resource mix.
 - Considered a tradeoff to provide option for allocation without allowing cherry picking of desirable resources from IOU portfolios
- SDG&E's PCIA RPS portfolio includes PCC0 resources
- There is a risk that out-of-state PCC0s will transfer as PCC3s (unbundled RECs- but charged to SDCP at the PCC1 price)
 - PCC3s are valued at a significant discount to PCC1, are discouraged by the JPA, and are difficult to remarket



Item 8

Recommendation:

Review and discuss SDCP 2022 Legislative Platform; Discuss SDCP position on AB 2838; Receive and discuss update on pending legislation and regulatory items.

Presenter:

Laura Fernandez
Director of Regulatory and Legislative Affairs



Recommendation:

Receive and file the update on Power Resources



<u>Presenter</u>:Byron VosburgManaging Director

Voluntary Allocation Market Offer (VAMO)

- CPUC has created VAMO process via which LSEs can elect to receive allocations of renewable energy from PCIA-eligible resources in IOU portfolios
- SDCP will have an opportunity to receive long-term and short-term renewable energy from SDG&E's portfolio of resources procured on behalf of SDCP customers before they departed SDG&E service
- SDCP and SDG&E anticipated VAMO and incorporated SDCP's allocation into the longterm renewable energy contract that was approved and signed in 2021
- No action necessary at this time, but Staff will discuss with and present a recommendation to Committees and Board in the coming weeks



2021 Power Source Disclosure (PSD)

- Annual reporting process
- Filed to CA Energy Commission (CEC) by June 1 of each year for previous year's retail energy sales
- Once reviewed and finalized, PSD will inform SDCP's Power Content Label (PCL)
- PCL will be reviewed with SDCP Board in the coming months prior to distribution



2021 Power Source Disclosure (PSD)

Power100

Instructions: No data input is needed on this schedule. Retail suppliers should use these auto-populated calculations to fill out their Power Content Labels.

	Adjusted Net Procured (MWh)	Percent of Total Retail Sales
Renewable Procurements	129,043	100.0%
Biomass & Biowaste	-	0.0%
Geothermal	-	0.0%
Eligible Hydroelectric	-	0.0%
Solar	64,522	50.0%
Wind	64,521	50.0%
Coal		٥.٥
Large Hydroelectric		0.0%
Natural gas		0.0%
Nuclear		0.0%
Other		0.0%
Unspecified Power		0.0%
Total	129,043	100.0%
Total Retain Sales (Mini)		129,043

ensity (converted to lbsCO2e/MWh)

Percentage of Retail

Unbundled RECs

PowerOn

Instructions Nodata input is needed on this schedule. Retail suppliers should use these auto-populated calculations to fill out their Power Content Labels.

	Adjusted Net Procured (MWh)	Percent of Total Retail Sales
Renewable Procurements	1,052,674	54.9%
Biomass & Biowaste	132,319	6.9%
Geothermal	73,327	3.8%
Eligible Hydroelectric	9,398	0.5%
Solar	552,892	28.8%
Wind	284,720	14.8%
Coal		0. 6
Large Hydroelectric	22\ '58	11.1
Natural gas		0.0%
Nuclear		0.0%
Other		0.0%
Unspecified Power	635,704	33.3%
Total	1,918,834 100.0%	
		•

ensity (converted to lbs CO2e/MWh)

Percentage of Retail Sales Covered by Retired

Unbundled RECs

1,918,834

0.0%

378



SalesCovered by Retired	0.0%

Clean Firm RFO

- CPUC requires all Load Serving Entities (LSEs) to contract for new capacity to be online between 2023-2026 for Mid-Term Reliability (MTR) – D.21-06-025
- One category of new resource requirements is "firm, zero emitting" or "clean firm" resources
 - capacity factor of at least 80%
 - no associated energy storage or reliance upon weather
 - eligible projects are expected to be geothermal and bioenergy resources
- SDCP's target for the Clean Firm category is ~40 MW, to be online by 2026
- Staff will release an RFO tomorrow, 5/27, for proposals for eligible resources
- Offers to be due in early July, followed by Staff and Ad-Hoc Contracts Committee review
- Contracts will be reviewed with FRMC and Board prior to execution



Item 9

Recommendation:

Receive and file the update on Power Resources



<u>Presenter</u>:
Byron Vosburg
Managing Director

Item 10 Update on Customer Energy Programs

Recommendation:

Receive and file the update on Customer Energy Programs



Presenter:
Colin Santulli
Director of Programs

Existing Programs



Net Energy Metering:

 Program to support customers that installed onsite generation

Feed-In-Tariff:

- Renewable energy purchasing program which sets the rules and price for the purchase of electricity from small-scale wholesale renewable electricity projects within service territory
- Opened in March 2022, inquires about program but no applications submitted

Next Steps

 Track progress and review program guidelines to identify areas for improvement.

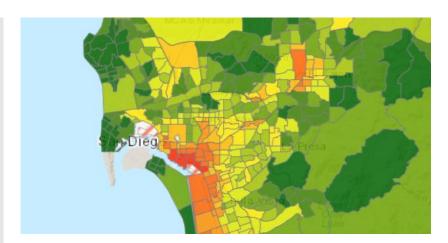
Under Development

Disadvantaged Communities Green Tariff & Community Solar Green Tariff

- CPUC Allocated 14.39 MW in Nov 2021, largest allocation in the state
- 20% bill discount on generation and distribution available to CARE/FERA residential customers and those living in DACs
- All customers would receive 100% renewable energy

Next Steps

- Application Advice Letter to be submitted to CPUC in October
- Launch expected early 2023



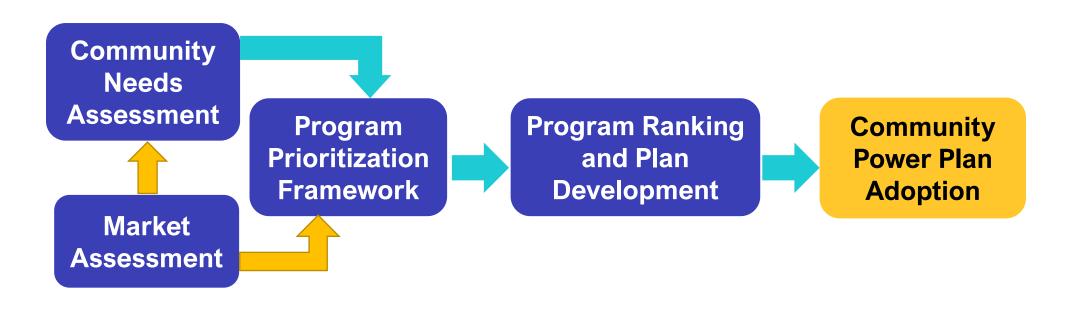




Community Power Plan

Next Steps

- Board and Community Advisory Committee Goal Setting Workshop
- Community listening sessions & stakeholder interviews
- Information Gathering via surveys, community event attendance, and public goal setting workshops



May 2022 Summer 2022 Fall 2022 Winter 2022 Early 2023 39

Funding Opportunities



Elect to Administer (ETA)



Regional Energy Network (REN)



Next Steps

Easiest method to access funds CPUC funds to conduct energy efficiency work

Restrictive cost-effectiveness requirements makes programs difficult to design and implement

Funding available is expected to be <\$1M/yr and reducing over time

Significant effort to form and manage

Significant higher funding potential and program design flexibility

Intended to fill gaps in existing programs and serve hard-to-reach customers

Pending FY22-23 budget approval, competitive procurement for technical consultant

Hire staff to lead development of application(s) and program management



Item 10

Recommendation:

Receive and file the update on Customer Energy Programs



Presenter:
Colin Santulli
Director of Programs





Board of Directors

Next Regular Meeting June 23, 2022

