



AGENDA

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

January 11, 2024
3:00 p.m.

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way, San Diego, CA 92123

The meeting will be held in person at the above date, time and location. Finance and Risk Management Committee (FRMC) Members and members of the public may attend in person. Under certain circumstances, FRMC Members may also attend and participate in the meeting virtually pursuant to the Brown Act (Gov. Code § 54953). As a convenience to the public, SDCP provides a call-in option and internet-based option for members of the public to virtually observe and provide public comments at its meetings. Additional details on in-person and virtual public participation are below. Please note that, in the event of a technical issue causing a disruption in the call-in option or internet-based option, the meeting will continue unless otherwise required by law, such as when an FRMC Member is attending the meeting virtually pursuant to certain provisions of the Brown Act.

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

1. Providing Oral Comments During Meeting. Anyone attending in person desiring to address the FRMC is asked to fill out a speaker's slip and present it to the Clerk of the Board or the Secretary. To provide remote 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.
2. Written Comments. Written public comments must be submitted prior to the start of the meeting by using this ([Web Comment Form](#)). Please indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the FRMC 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 FRMC 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

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

Opportunity for members of the public to address the Board on any items not on the agenda but within the jurisdiction of the Board. Members of the public may provide a comment in either manner described above.

MEETING AGENDA

1. Approval of November 9, 2023 Meeting Minutes

Recommendation: Approve the November 9, 2023 Meeting Minutes

2. Review of Treasurer’s Report for Period Ending 11/30/23

Recommendation: Receive and File Treasurer’s Report for Period Ending 11/30/23

3. Presentation on the Update on SDCP’s 2024 Projected Rate Changes

Recommendation: Receive and File the presentation on the Update on SDCP’s 2024 Projected Rate Changes

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 SDCP, 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, 2305 Historic Decatur Road, Suite 200, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



**FINANCE AND RISK MANAGEMENT COMMITTEE
SAN DIEGO COMMUNITY POWER (SDCP)**

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way
San Diego, CA 92123

MINUTES
November 09, 2023

The Committee minutes are prepared and ordered to correspond to the Committee Agenda. Agenda Items can be taken out of order during the meeting.

The Agenda Items were considered in the order presented.

WELCOME

CALL TO ORDER

Director Parent (La Mesa) called the Finance and Risk Management Committee meeting to order at 3:17 p.m.

ROLL CALL

PRESENT: Director Aguirre (Imperial Beach), Director Parent (La Mesa) Director Aguirre (Imperial Beach)

ABSENT: Chair McCann (Chula Vista)

Also Present: Chief Financial Officer (“CFO”)/Treasurer Washington, Chief Executive Officer (“CEO”) Burns, Assistant General Counsel Novell

PLEDGE OF ALLEGIANCE

Director Parent (La Mesa) led the Pledge of Allegiance.

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

There were no items to be added, withdrawn, or reordered.

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

There were no public comments.

REGULAR MEETING AGENDA

1. Approval of October 19, 2023, Meeting Minutes

ACTION: Motioned by Director Aguirre (Imperial Beach) and seconded by Director Parent (La Mesa) to approve the minutes of the Finance and Risk Management Committee meeting held Thursday, October 19, 2023. The motion carried by the following vote:

Vote: 2-0

Yes: Director Aguirre (Imperial Beach), Director Parent (La Mesa)

No: None

Abstained: None

Absent: Chair McCann (Chula Vista)

2. Review of Treasurer's Report for Period Ending 9/30/23

CFO/Treasurer Washington presented the Treasurer's Report for period ending 9/30/23.

Following Committee questions and comments, no action was taken.

3. Recommend Board Approval of Fiscal Year End 2022-23 Financial Audit

CFO/Treasurer Washington and Brett Bradford, CPA from Pimenti & Brinker LLP provided a PowerPoint presentation on the update on status of June 20, 2023, current audit.

Following Committee questions and comments.

ACTION: Motioned by Director Aguirre (Imperial Beach) and seconded by Director Parent (La Mesa) to recommend to the Board of Directors the approval of the fiscal year end 2022-23. The motion carried by the following vote:

Vote: 2-0

Yes: Director Aguirre (Imperial Beach), Director Parent (La Mesa)

No: None

Abstained: None

Absent: Chair McCann (Chula Vista)

COMMITTEE MEMBER ANNOUNCEMENTS

There were no announcements.

ADJOURNMENT

Director Parent (La Mesa) adjourned the meeting at 3:28 p.m.



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: San Diego Community Power Financial and Risk Management Committee
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Review of Treasurer’s Report for Period Ending 11/30/23
Date: January 11, 2024

RECOMMENDATION

Receive and File Treasurer’s Report for Period Ending 11/30/23.

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, 2023, along with budgetary comparisons.

SDCP additionally reports monthly metrics during its Board meetings as part of its Update on Back-Office Operations. As part of the Treasurer’s Report, certain key metrics related to risk are to be presented during Financial and Risk Management Committee (FRMC) meetings.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 11/30/23: \$734.85 million in net operating revenues were reported compared to \$767.74 million budgeted for the period. \$533.87 million in total expenses were reported (including \$521.34 million in energy costs) compared to \$464.47 million budgeted for the period (including \$441.07 million budgeted for energy costs). After expenses, SDCP’s change in net position of \$200.98 million was reported for Fiscal Year 2023-24. The following is a summary of the actual results compared to the Fiscal Year 2023-24 Budget.

Table 1: Budget Comparison Versus Actual Results

Budget Comparison					
	YTD FY24 as of 11/30/23 (5 mos)	FY24 YTD Budget	Budget Variance (\$)	Budget (%)	
Net Operating Revenues	\$ 734,849,330	\$ 767,744,428	\$ (32,895,098)	96%	
Total Expenses	\$ 533,868,988	\$ 464,474,524	\$ 69,394,464	115%	
Change in Net Position	\$ 200,980,342	\$ 303,269,904	\$ (102,289,562)	-34%	

- Net operating revenues finished \$32.90 million (or 4.3 percentage points) under the budget primarily due to lower-than-expected customer load correlated with cooler weather.
- Operating expenses finished \$69.39 million (or 14.9 percentage points) over the budget primarily due to higher-than-expected energy costs related primarily to resource adequacy and renewables.

Financial results for the period underperformed the projections presented in the year-to-date proforma. SDCP's change in net position was 34% under the projection primarily due to actual energy costs being higher than projected and lower customer load contributing to lower-than-expected revenue.

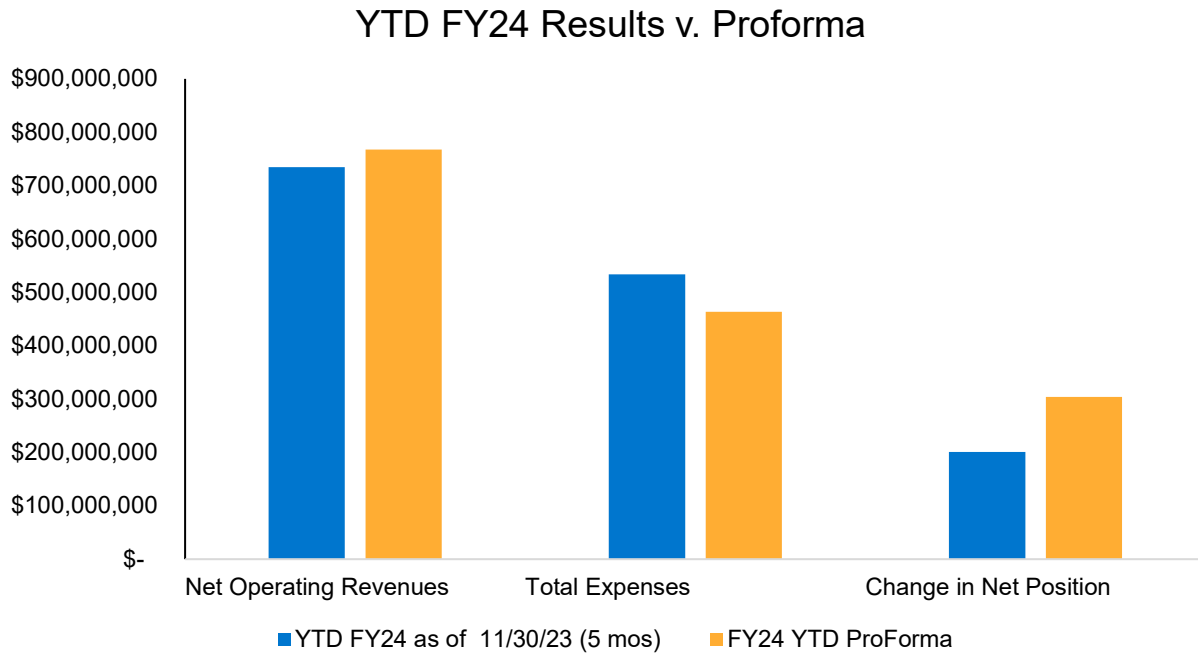
The following is a summary-to-actual results compared to the fiscal year-to-date proforma.

Table 2: Proforma Comparison Versus Actual Results

Proforma Comparison					
	YTD FY24 as of 11/30/23 (5 mos)	FY24 YTD ProForma	ProForma Variance (\$)	Proforma (%)	
Net Operating Revenues	\$ 734,849,330	\$ 767,744,428	\$ (32,895,098)	-4%	
Total Expenses	\$ 533,868,988	\$ 463,638,309	\$ 70,230,679	15%	
Change in Net Position	\$ 200,980,342	\$ 304,106,119	\$ (103,125,777)	-34%	



Figure 1: Proforma versus Actual Results

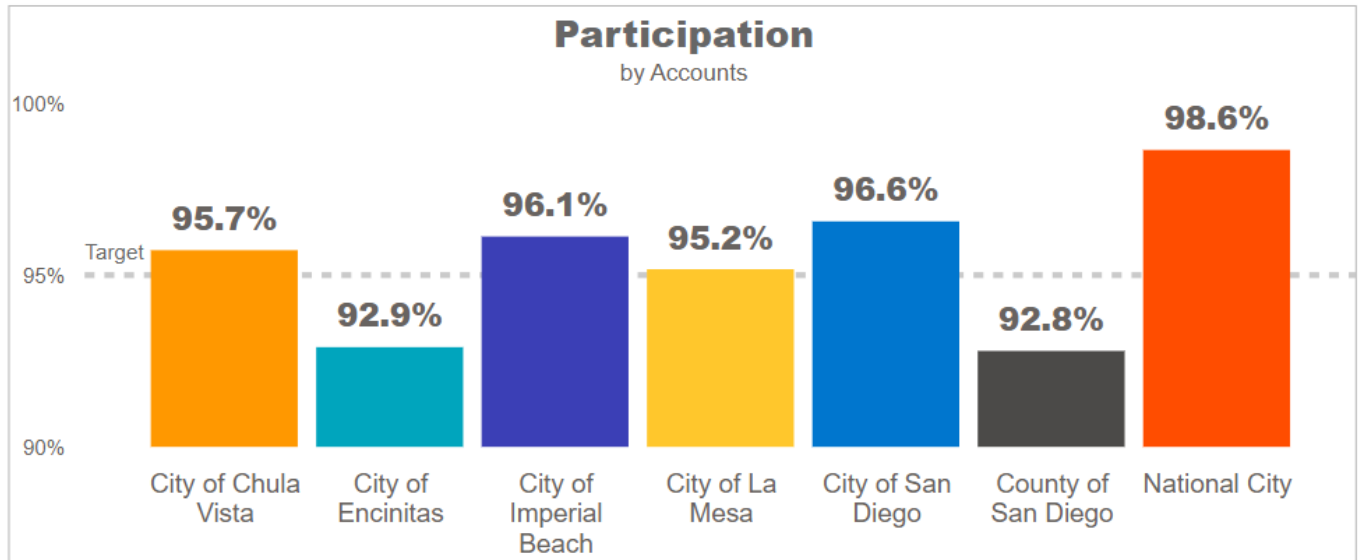


For the period ending 11/30/23, SDCP contributed \$200,980,340 to its reserves but was expected to gain \$303,269,904 per the FY 2023-24 adopted budget. Total SDCP reserves at the end of the period were \$406,281,413 and total available liquidity (including lines of credit) was \$519,281,413. SDCP has a total FY 2023-24 year-end cash reserve target of \$491,079,452, which is equivalent to 180-days of total operating expenses as set in SDCP's Reserve Policy and Strategic Goals.

SDCP's financial statements for November included an adjustment to the recorded estimated revenue and accrued revenue asset line items. As a result a \$29.20 million downward adjustment to net position was also made. Prior periods were not impacted by the November adjustments.



Figure 2: Participation Rates



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,414	97,585	4,171	95.7%
City of Encinitas	26,454	28,475	2,021	92.9%
City of Imperial Beach	10,515	10,939	424	96.1%
City of La Mesa	28,014	29,435	1,421	95.2%
City of San Diego	599,680	621,014	21,334	96.6%
County of San Diego	159,382	185,178	13,345	92.8%
National City	18,710	19,317	262	98.6%
Total	936,169	991,943	42,978	95.7%

Phase 4 mass enrollment process in National City and Unincorporated County of San Diego for Non-Net Energy Metering (NEM) customers is officially completed as of May, 2023. The participation rate for this new phase is fluid and will change as we continue with our enrollment of Net Energy Metering (NEM) customers from April 2023 through March 2024. In the interim, we are reporting on the opt outs and eligible accounts associated with the phase based on those accounts that we have noticed for enrollment on a rolling basis as of the reporting month.

Staff are also presenting State of SDCP Arrearages directly related to financial risk for FRMC consideration and for regular review. Additional metrics can be added by request. The below arrearage data includes SDCP's Receivables aged 120+ Days as of 1/3/2024.

Figure 3: State of SDCP Arrearages

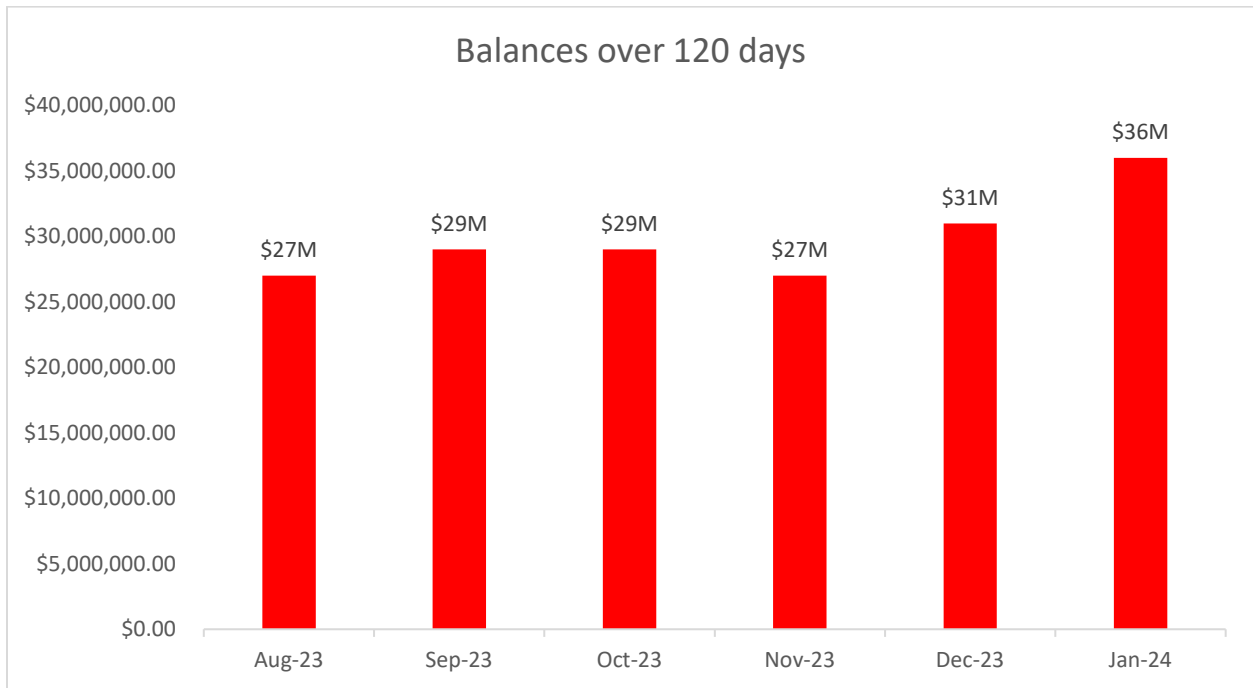
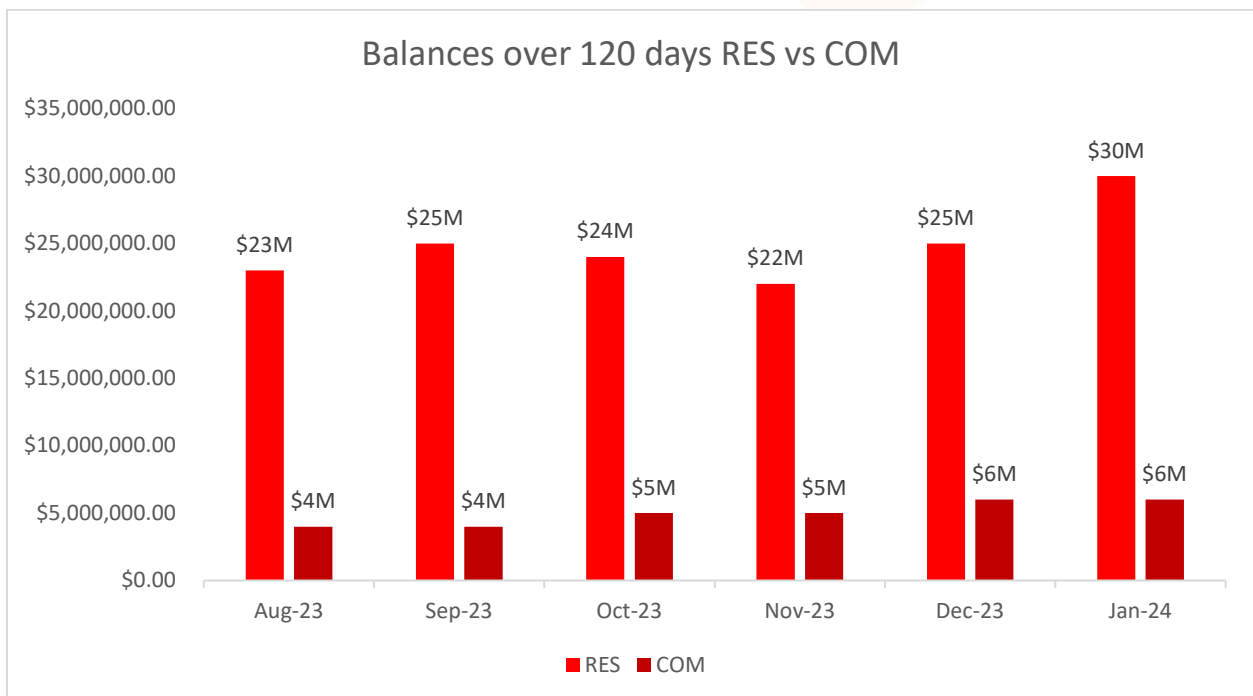


Figure 4: State of SDCP Arrearages Residential vs Commercial



FISCAL IMPACT

N/A



ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 11/30/23 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, 2023, 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 27, 2023

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of November 30, 2023

ASSETS

Current assets	
Cash and cash equivalents - unrestricted	\$ 321,061,273
Cash and cash equivalents - restricted	500,000
Accounts receivable, net of allowance	132,173,320
Accrued revenue	52,177,943
Prepaid expenses	2,645,652
Other receivables	301,395
Deposits	<u>10,677,498</u>
Total current assets	519,537,081
Noncurrent assets	
Lease asset, net of amortization	1,631,639
Capital assets, net of depreciation	144,375
Cash and cash equivalents - restricted	<u>1,898,234</u>
Total noncurrent assets	<u>3,674,248</u>
Total assets	<u><u>523,211,329</u></u>

LIABILITIES

Current liabilities	
Accrued cost of electricity	123,862,820
Accounts payable	764,444
Other accrued liabilities	5,048,606
State surcharges payable	403,443
Deposits - energy suppliers	3,723,000
Interest and finance costs payable	146,440
Lease liability	<u>749,596</u>
Total current liabilities	<u>134,698,349</u>
Noncurrent liabilities	
Supplier security deposits	624,000
Lease liability	<u>895,533</u>
Total noncurrent liabilities	<u>1,519,533</u>
Total liabilities	<u><u>136,217,882</u></u>

NET POSITION

Net investment in capital assets	130,885
Restricted for collateral	2,398,234
Unrestricted	<u>384,464,328</u>
Total net position	<u><u>\$ 386,993,447</u></u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Five Months Ended November 30, 2023**

OPERATING REVENUES

Electricity sales, net	\$ 734,218,330
Grant revenue	631,000
Total operating revenues	<u>734,849,330</u>

OPERATING EXPENSES

Cost of electricity	521,341,621
Contract services	7,932,060
Staff compensation	4,047,487
Other operating expenses	1,502,456
Depreciation and amortization	210,396
Total operating expenses	<u>535,034,020</u>
Operating income	<u>199,815,310</u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	2,133,352
Interest and financing expense	(967,546)
Nonoperating revenues (expenses), net	<u>1,165,806</u>

CHANGE IN NET POSITION

	200,981,116
Net position at beginning of year	<u>186,012,331</u>
Net position at end of year	<u>\$ 386,993,447</u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Five Months Ended November 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 740,234,082
Receipts of supplier security deposits	22,402,875
Other operating receipts	3,535,951
Payments to suppliers for electricity	(459,307,436)
Payments for goods and services	(7,864,077)
Payments of staff compensation and benefits	(3,908,959)
Payments for deposits and collateral	(2,767,000)
Payments of state surcharges	(1,157,645)
Net cash provided by operating activities	291,167,791

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Principal payments - bank note	(35,730,000)
Interest and related expense payments	(1,352,078)
Net cash provided (used) by non-capital financing activities	(37,082,078)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments of lease liability	(217,543)
Payments to acquire capital assets	(71,550)
Net cash (used) by capital and related financing activities	(289,093)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	1,832,007
Net change in cash and cash equivalents	255,628,627
Cash and cash equivalents at beginning of year	67,830,880
Cash and cash equivalents at end of year	\$ 323,459,507

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	\$ 321,061,273
Restricted cash - current	500,000
Restricted cash - noncurrent	1,898,234
Cash and cash equivalents	\$ 323,459,507

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Five Months Ended November 30, 2023

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 199,815,310
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	210,396
(Increase) decrease in:	
Accounts receivable, net	(21,659,589)
Accrued revenue	26,614,841
Prepaid expenses	27,881,846
Other receivables	233,665
Deposits	6,978,852
Increase (decrease) in:	
Accrued cost of electricity	46,517,477
Accounts payable	325,180
Other accrued liabilities	1,253,959
State surcharges payable	(97,146)
Supplier security deposits	3,093,000
Net cash provided by operating activities	<u>\$ 291,167,791</u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose operating fund budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended November 30, 2023, 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 27, 2023

**SAN DIEGO COMMUNITY POWER
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
Five Months Ended November 30, 2023**

	<u>2023/24 YTD Budget</u>	<u>2023/24 YTD Actual</u>	<u>2023/24 YTD Budget Variance (Under) Over</u>	<u>2023/24 YTD Actual/ Budget %</u>	<u>2023/24 Annual Budget</u>	<u>2023/24 Budget Remaining</u>
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	799,733,779	\$ 764,810,760	(34,923,019)	96%	\$ 1,346,325,552	\$ 581,514,792
Less: Uncollectible Customer Accounts	(31,989,351)	(30,592,430)	1,396,921	96%	(53,853,022)	(23,260,592)
Grant revenue	-	631,000	631,000		-	(631,000)
Total Revenues and Other Sources	<u>767,744,428</u>	<u>734,849,330</u>	<u>(32,895,098)</u>		<u>1,292,472,530</u>	<u>557,623,200</u>
OPERATING EXPENSES						
Cost of Energy	441,067,974	521,341,620	80,273,646	118%	948,529,425	427,187,805
Professional Services and Consultants	10,185,986	7,590,684	(2,595,302)	75%	22,939,626	15,348,942
Personnel Costs	5,484,773	4,047,487	(1,437,286)	74%	13,178,031	9,130,544
Marketing and Outreach	1,321,702	996,158	(325,544)	75%	2,973,829	1,977,671
General and Administration	3,674,766	951,120	(2,723,646)	26%	7,861,973	6,910,853
Programs	123,667	100,000	(23,667)	81%	278,250	178,250
Total Operating Expenses	<u>461,858,868</u>	<u>535,027,069</u>	<u>73,168,201</u>		<u>995,761,134</u>	<u>460,734,065</u>
Operating Income (Loss)	<u>305,885,560</u>	<u>199,822,261</u>	<u>(106,063,299)</u>		<u>296,711,396</u>	<u>96,889,135</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	-	2,133,352	2,133,352		-	(2,133,352)
Interest and related expenses	(1,015,656)	(975,271)	40,385	96%	(2,437,574)	(1,462,303)
Transfer to Capital Investment Program	(1,600,000)	-	1,600,000	0%	(3,840,002)	(3,840,002)
Total Non-Operating Revenues (Expenses)	<u>(2,615,656)</u>	<u>1,158,081</u>	<u>3,773,737</u>		<u>(6,277,576)</u>	<u>(7,435,657)</u>
NET INCREASE (DECREASE)	<u>\$ 303,269,904</u>	<u>\$ 200,980,342</u>	<u>\$ (102,289,562)</u>		<u>\$ 290,433,820</u>	<u>\$ 89,453,478</u>



SAN DIEGO COMMUNITY POWER Staff Report – Item 3

To: San Diego Community Power Community Advisory Committee

From: Aaron Lu, Senior Rates and Strategy Analyst
Tim Manglicmot, Senior Finance Manager
Lucas Utouh, Senior Director of Data Analytics and Customer Operations

Via: Karin Burns, Chief Executive Officer

Subject: Presentation on the Update on SDCP’s 2024 Projected Rate Changes

Date: January 11, 2024

RECOMMENDATION

Receive and file a presentation on the update on SDCP’s 2024 projected rate changes.

BACKGROUND

As San Diego Community Power (SDCP) prepares to develop and propose rates for 2024, it is critical to understand current San Diego Gas and Electric (SDG&E) generation and the Power Charge Indifference Adjustment (PCIA) rates – as both SDG&E bundled and PCIA rates play a role in the SDCP rate setting process, particularly as it relates to SDCP’s competitiveness. SDCP’s Board of Directors last adjusted SDCP generation rates on January 23, 2023, and those rates came into effect as of February 1, 2023. Staff will be proposing SDCP’s 2024 rates for the Board of Directors’ review, deliberation, and approval during the January board meeting which will be held on January 18, 2024.

ANALYSIS AND DISCUSSION

Rate Setting Process

SDCP will establish 2024 rates sufficient to recover all costs related to operations of our program and the Board of Directors has the ultimate responsibility for setting the electric generation rates for SDCP’s customers. The Chief Executive Officer, in cooperation with Staff and appropriate advisors, consultants, and committees of the Board, is responsible for developing proposed rates for the Board to consider before finalization. For SDCP to be fiscally sustainable, the final approved rates should, at a minimum, meet the annual revenue requirements developed by SDCP, including any reserves or coverage requirements set forth in policy and/or loan covenants/debt service. The Board has the



flexibility to consider rate adjustments, provided that the overall revenue requirement is achieved.

In alignment with the Rate Development Policy, adopted by the Board of Directors on November 17, 2022, SDCP considers the following objectives in its rate setting framework:

- Cost Recovery,
- Reserves,
- Rate Competitiveness and Customer Value,
- Rate Stability,
- Equity Among Customers,
- Rate Structure Simplicity and Comparability,
- Transparency,
- Avoidance of Cost Shifting, and
- Cost of Service.

Additionally, per previous Board direction, SDCP staff will, if possible, recommend rates that remain competitive with SDG&E service.

It is important to note rates are made up of several components, only one of which SDCP has control over, i.e., SDCP’s generation rate. The chart below is an example of a current rate tariff composition for a residential customer to illustrate the various components that affect rates and make up a total customer bill. Staff tracks the changes to the PCIA rate, as it is the above market cost of power associated with SDG&E’s portfolio that both SDG&E’s bundled customers and SDCP’s customers, who have departed SDG&E commodity service, pay and can affect SDCP’s overall headroom or competitiveness. Above market refers to expenditures for generation resources that cannot be fully recovered through sales of these resources at current market prices.

Time of Use – TOUDR-Residential

Residential: TOUDR	SDG&E 44.5% Renewable	SDCP PowerOn 54.9% Renewable + 5% Carbon Free	SDCP Power100 100% Renewable
Generation Rate (\$/kWh)	\$0.15454	\$0.17602	\$0.18353
SDG&E Delivery Rate (\$/kWh)	\$0.25571	\$0.25571	\$0.25571
SDG&E PCIA (\$/kWh)	\$0.04439	\$0.01687	\$0.01687
Franchise Fees (\$/%)	\$0.00376	\$0.00376	\$0.00376
Total Electricity Cost (\$/kWh)	\$0.45840	\$0.45236	\$0.45987
Average Monthly Bill (\$)	\$182.90	\$180.49	\$183.49

Average Monthly Usage: 399 kWh

Rates current as of February 1, 2023

2023 – 2024 Rates Timeline

SDCP, like most Community Choice Aggregators (CCAs), usually adjusts rates annually or in response to utility rate adjustments. There is a very narrow window of time between



when SDG&E sets their 2024 rates and when SDCP needs updated rates available for 2024. The expected schedule for SDCP's rate setting is as follows:

- May 15, 2023: SDG&E's 2024 Energy Resource Recovery Account (ERRA) forecast application was filed.
- October 13, 2023: SDG&E's Updated 2024 ERRA forecast application was filed.
- December 14, 2023: SDCP staff briefed its Board of Directors and the Community Advisory Committee of SDG&E's 2024 projected and PCIA rates changes. Concurrently, the CPUC approved SDG&E's 2024 ERRA application.
- December 29, 2023: SDG&E filed Advice Letter 4344-E: Consolidated Filing to Implement January 1, 2024 Electric Rates.
- January 1, 2024: SDG&E's effective date of implementation of its delivery and generation rates as well as the PCIA.
- January 11, 2024: SDCP staff presentation on SDCP's 2024 projected rate changes to the Finance Risk Management and Community Advisory committees.
- January 18, 2024: SDCP Board adopts 2024 rates, effective on February 1, 2024.

2024 Bundled & PCIA Rates Projections

Based on SDG&E's October 2023 Updated forecast application, their projected bundled system average rates were expected to decrease by approximately 4.7% as of January 1, 2024. This translates to a decrease of approximately 8.5% to the underlying SDG&E's generation rates. However, in November 2023, SDG&E filed a regulatory account update advice letter which adjusted their projected bundled system average rates downwards by approximately 10.8% as of January 1, 2024. This translates to a decrease of approximately 16.9% to the underlying SDG&E's generation rates. Finally, SDG&E submitted its Consolidated Filing to Implement January 1, 2024 Electric Rates on December 29, 2023 which adjusted their projected bundled system average rates downwards by approximately 18% as of January 1, 2024. This translates to a decrease of approximately 23% to the underlying SDG&E's generation rates.

These projections are articulated in the table below:

SDG&E Generation Rates	October-23				November-23			December-23		
	Current (\$/kWh)	Proposed (\$/kWh)	Difference	% Difference	Proposed (\$/kWh)	Difference	% Difference	Proposed (\$/kWh)	Difference	% Difference
Residential	0.197	0.180	-0.02	-8.6%	0.164	-0.03	-16.8%	0.151	-0.05	-23.0%
Small Commercial	0.174	0.160	-0.01	-8.4%	0.139	-0.04	-20.4%	0.128	-0.05	-26.3%
Medium & Large C&I	0.204	0.185	-0.02	-9.1%	0.170	-0.03	-16.6%	0.158	-0.05	-22.6%
Agriculture	0.146	0.134	-0.01	-8.2%	0.121	-0.02	-17.0%	0.112	-0.03	-23.0%
Streetlighting	0.129	0.117	-0.01	-8.8%	0.107	-0.02	-16.7%	0.091	-0.04	-29.1%
System Total	0.195	0.178	-0.02	-8.5%	0.162	-0.03	-16.9%	0.150	-0.04	-23.0%

SDG&E attributes the decreasing electric generation energy costs in 2024 primarily to decreasing electricity purchasing costs. Actualization of balancing account projections and projected increases in load may also contribute to the generation rate decrease.

Based on our high-level forecasts, SDCP is expecting to see an approximately 46% increase in PCIA rates for Vintage Year 2020 (Phase 1 & 2 customers), 48% reduction for Vintage Year 2021 (Phase 3 customers), and 46% reduction for Vintage Year 2022 (Phase 4 customers), as depicted in the SDG&E PCIA Rates table below. SDG&E's rate decreases and PCIA rate changes are effective as of January 1, 2024.

SDG&E PCIA Rates			December-23									
			Current (\$/kWh)			Proposed (\$/kWh)			Difference			% Difference
Rate Group	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA	PCIA
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage	Vintage
Residential	-0.00116	0.01687	0.04437	-0.00055	0.00697	0.02329	0.00061	-0.00990	-0.02108	53%	-59%	-48%
Small Commercial	-0.00081	0.02584	0.04774	-0.00054	0.01252	0.02765	0.00027	-0.01332	-0.02009	33%	-52%	-42%
Medium & Large C&I	-0.00162	0.02871	0.05483	-0.00170	0.01630	0.03790	-0.00008	-0.01241	-0.01693	-5%	-43%	-31%
Agriculture	-0.00081	0.02264	0.04184	-0.00060	0.00774	0.01735	0.00021	-0.01490	-0.02449	26%	-66%	-59%
Streetlighting	-0.00070	0.02099	0.03873	-0.00029	0.00924	0.02024	0.00041	-0.01175	-0.01849	59%	-56%	-48%
System Total	-0.00137	0.02048	0.04657	-0.00074	0.01055	0.02529	0.00063	-0.00993	-0.02128	46%	-48%	-46%

2024 Rate Setting Mechanics

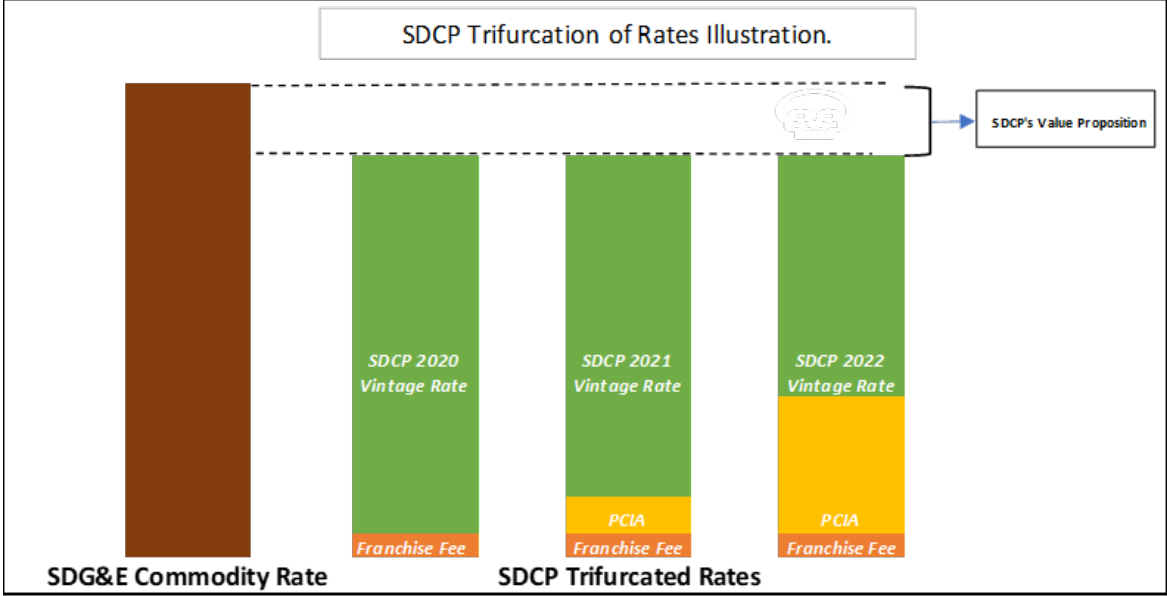
In accordance with SDG&E's definition of load transfer from bundled service to SDCP's service per Schedule CCA-CRS, our Phase 1 and 2 customers' Vintage Year is 2020, our Phase 3 customers' Vintage Year is 2021, and our Phase 4 customers' Vintage Year is 2022. Vintaging denotes the year during which SDG&E recognizes the transition of our customers from bundled service into our service and creates a mechanism for the assessment of PCIA rate.

Next Steps

Staff is in the process of analyzing information to synthesizing and recommend SDCP specific rate changes that are reflective of all the inputs articulated in CPUC's decision(s). Staff expects to present rates to the SDCP Board for adoption at the January 18, 2024 meeting that both meet the revenue and prudent reserve needs of SDCP as well as maintain value for our customers.

As a result of the substantial deltas expected between PCIA rates for Vintage Years 2020, 2021, and 2022, staff will also recommend to the Board to continue to trifurcate three sets of rates for 2024 during the January 2024 Board meeting. This trifurcation will maintain a fair, equitable, and balanced rate structure that does not create winners and losers across our customers with differing vintage years, as articulated below:





AD-HOC COMMITTEE AND/OR SUBCOMITTEE REVIEW

N/A

FISCAL IMPACT

N/A

ATTACHMENTS

N/A

