AGENDA

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

October 19, 2023
3:00 p.m.

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

Alternate location:
City of Chula Vista – City Hall, 276 4th Ave., Chula Vista, CA 91910

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 September 14, 2023 Meeting Minutes**

   Recommendation: Approve the September 14, 2023 Meeting Minutes

2. **Review of Treasurer's Report for Period Ending 8/31/23**

   Recommendation: Receive and File Treasurer's Report for Period Ending 8/31/23

3. **Fiscal Year End 2023 Financial Audit Progress Report Presentation**

   Recommendation: Receive and File Fiscal Year End 2023 Financial Audit Progress Report Presentation

4. **Recommend Board Approval of the Net Billing Tariff**

   Recommendation: Recommend to the Board of Directors Approval of the Net Billing Tariff

5. **Update on Existing Net Energy Metering Policy**

   Recommendation: Receive and File the Update on Existing Net Energy Metering Policy

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, 2488 Historic Decatur Road, Suite 250, 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
September 14, 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

Chair McCann (Chula Vista) called the Finance and Risk Management Committee meeting to order at 3:02 p.m.

ROLL CALL

PRESENT: Chair McCann (Chula Vista), Director Aguirre (Imperial Beach), Director Parent (La Mesa)

ABSENT: None

Also Present: Chief Financial Officer ("CFO")/Treasurer Washington, Chief Operations Officer ("COO") Clark, Assistant General Counsel Norvell, Executive Assistant to the Chief Executive Officer/ Board Clerk Isley

PLEDGE OF ALLEGIANCE

Director Aguirre (Imperial Beach) 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.

MEETING AGENDA

1. Approval of June 8, 2023 Meeting Minutes

ACTION: Motioned by Director Parent (La Mesa) and seconded by Director Aguirre (Imperial Beach) to approve the minutes of the Finance and Risk Management Committee meeting held Thursday, June 8, 2023. The motion carried by the following vote:

Vote: 3-0

Yes:	Chair McCann (Chula Vista), Director Aguirre (Imperial Beach), Director Parent (La Mesa)
No:	None
Abstained:	None
Absent:	None

2. Review of Treasurer's Report for Period Ending 6/30/23

CFO/Treasurer Washington presented the Treasurer's Report for period ending June 30, 2023.

Following Committee questions and comments, no action was taken.

3. Review of Treasurer's Report for Period Ending 7/31/23

CFO/Treasurer Washington presented the Treasurer's Report for period ending July 31, 2023.

Following Committee questions and comments, no action was taken.

COMMITTEE MEMBER ANNOUNCEMENTS

There were no announcements.

ADJOURNMENT

Chair McCann (Chula Vista) adjourned the meeting at 3:27 p.m.

Kimberly Isley, Clerk of the Board

Prepared by Sandra Vences, Assistant Clerk of the Board

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 8/31/23

Date: October 19, 2023

RECOMMENDATION
Receive and File Treasurer's Report for Period Ending 8/31/23.

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 preliminary year-to-date financial statements for the period ended August 31, 2023, along with budgetary comparisons. Audited financials for the period ending June 30, 2023 are expected to be available for review in the November 2023 meeting of the Financial and Risk Management Committee (FRMC).

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 08/31/23: $345.32 million in net operating revenues were reported compared to $342.88 million budgeted for the period. $214.07 million in total expenses were reported (including $208.79 million in energy costs) compared to $194.24 million budgeted for the period (including $183.43 million budgeted for energy costs). After expenses, SDCP's change in net position of $131.25 million was reported for Fiscal Year 2023. The following is a summary of the actual results compared to the Fiscal Year 2023 Budget.

Table 1: Budget Comparison Versus Actual Results

Budget Comparison							
	YTD FY24 as of 08/31/23 (2 mos)		FY24 YTD Budget		Budget Variance ($)		Budget (%)
Net Operating Revenues	$	345,321,525	$	342,884,273	$	2,437,252	101%
Total Expenses	$	214,073,840	$	194,238,450	$	19,835,390	110%
Change in Net Position	**$**	**131,247,685**	**$**	**148,645,823**	**$**	**(17,398,138)**	**-12%**

- Net operating revenues finished $2.44 million (or 1.0 percentage points) over the budget primarily due to slightly higher than expected remittances.
- Operating expenses finished $19.84 million (or 10.0 percentage points) over the budget primarily due to higher-than-expected energy costs related to resource adequacy and renewables.

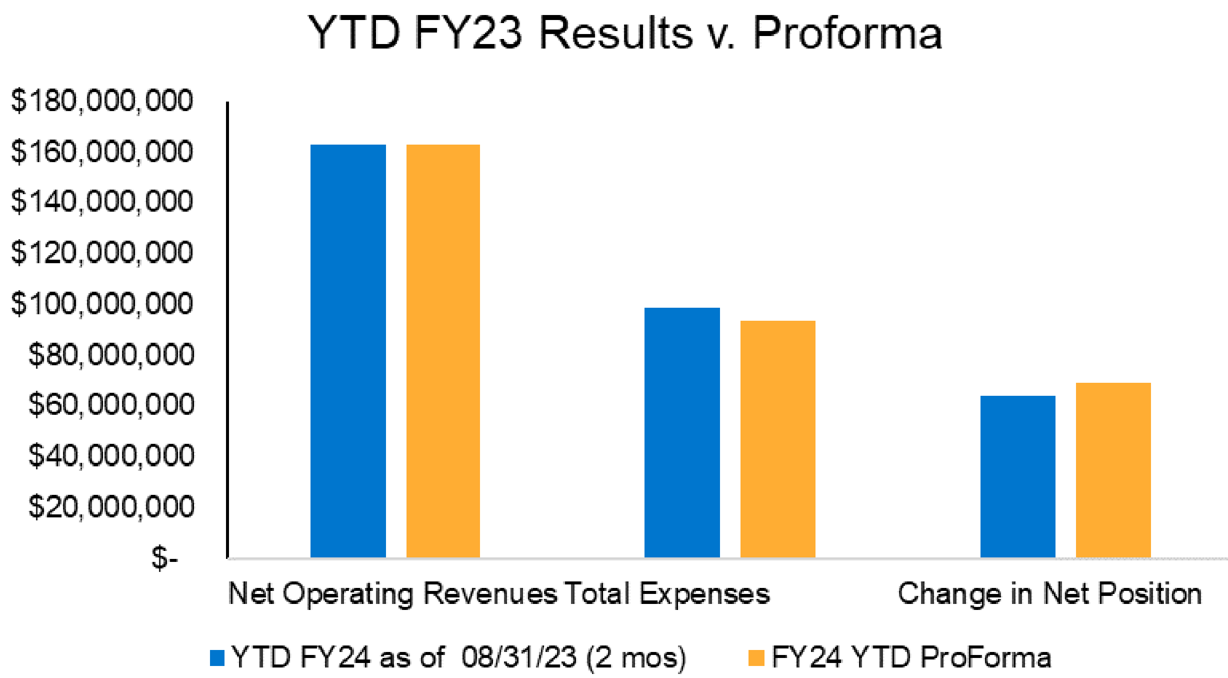
Financial results for the period underperformed the projections presented in the year-to-date proforma. SDCP's change in net position was -12% under the projection primarily due to actual energy costs being higher than projected.

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

Table 2: Proforma Comparison Versus Actual Results

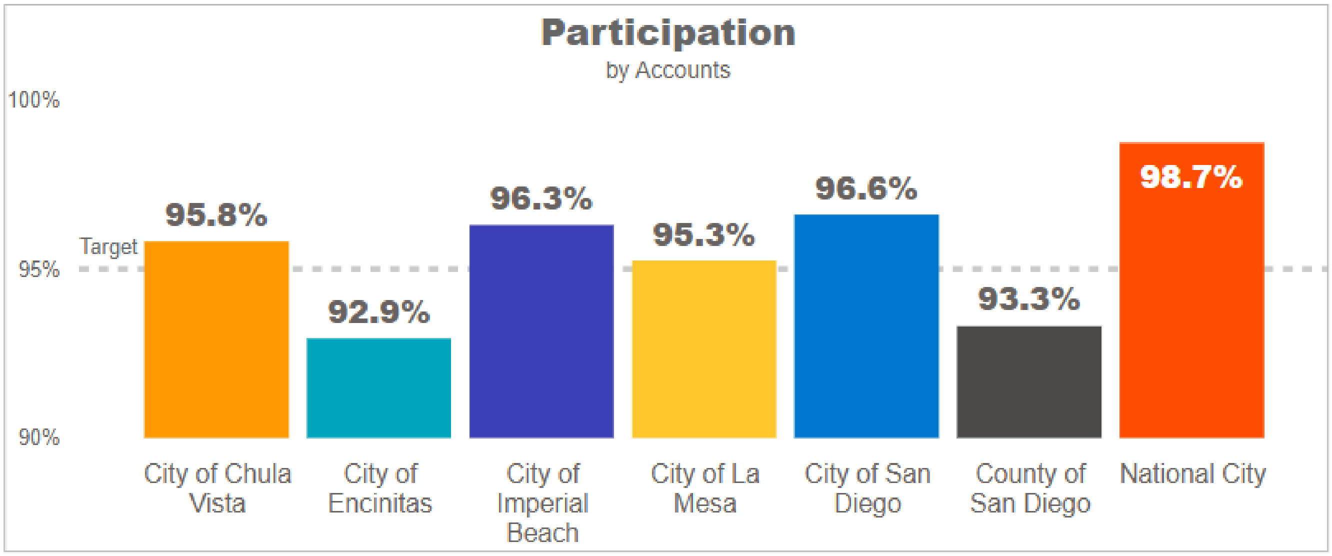
Proforma Comparison							
	YTD FY24 as of 08/31/23 (2 mos)		FY24 YTD ProForma		ProForma Variance ($)		Proforma (%)
Net Operating Revenues	$	345,321,525	$	342,884,273	$	2,437,252	1%
Total Expenses	$	214,073,840	$	193,931,678	$	20,142,162	10%
Change in Net Position	**$**	**131,247,685**	**$**	**148,952,595**	**$**	**(17,704,910)**	**-12%**

Figure 1: Proforma versus Actual Results



For the period ending 08/31/23, SDCP contributed $131,247,685 to its reserves but was expected to gain $148,645,823 per the FY 2023-24 adopted budget. Total SDCP reserves at the end of the period were $314,723,952 and total available liquidity (including lines of credit) was $443,993,952. SDCP has a total FY 2023-24 year-end 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.

Figure 2: Participation Rates



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,420	97,488	4,068	95.8%
City of Encinitas	26,449	28,456	2,007	92.9%
City of Imperial Beach	10,543	10,947	404	96.3%
City of La Mesa	28,062	29,460	1,398	95.3%
City of San Diego	599,089	620,065	20,976	96.6%
County of San Diego	145,553	174,425	11,665	93.3%
National City	18,355	19,032	238	98.7%
Total	**921,471**	**979,873**	**40,756**	**95.8%**

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. Below arrearage data is SDCP's Receivables aged 120+ Days as of 10/12/2023.

Figure 3: State of SDCP Arrearages

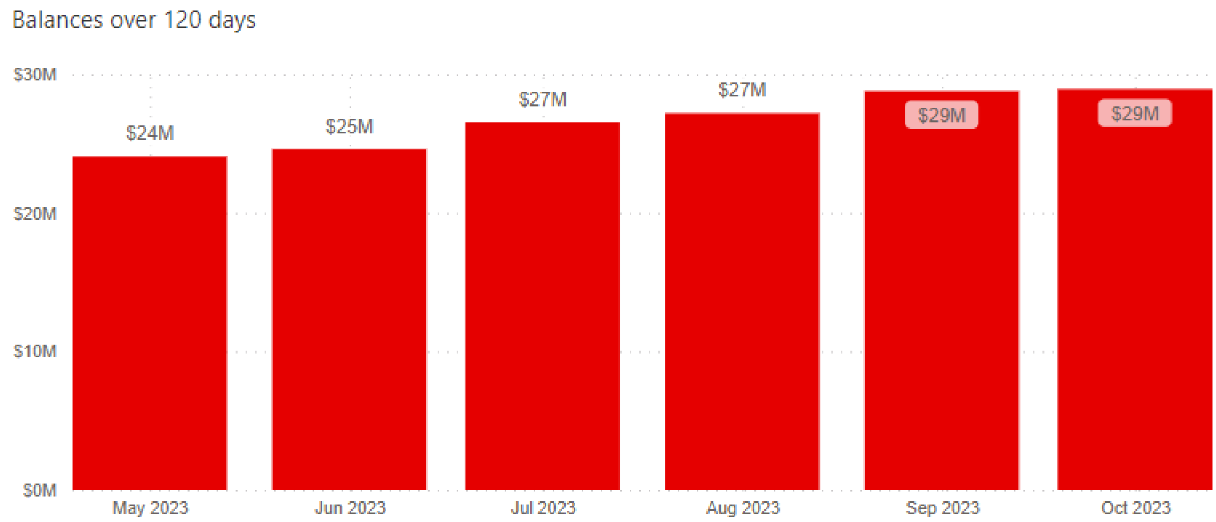
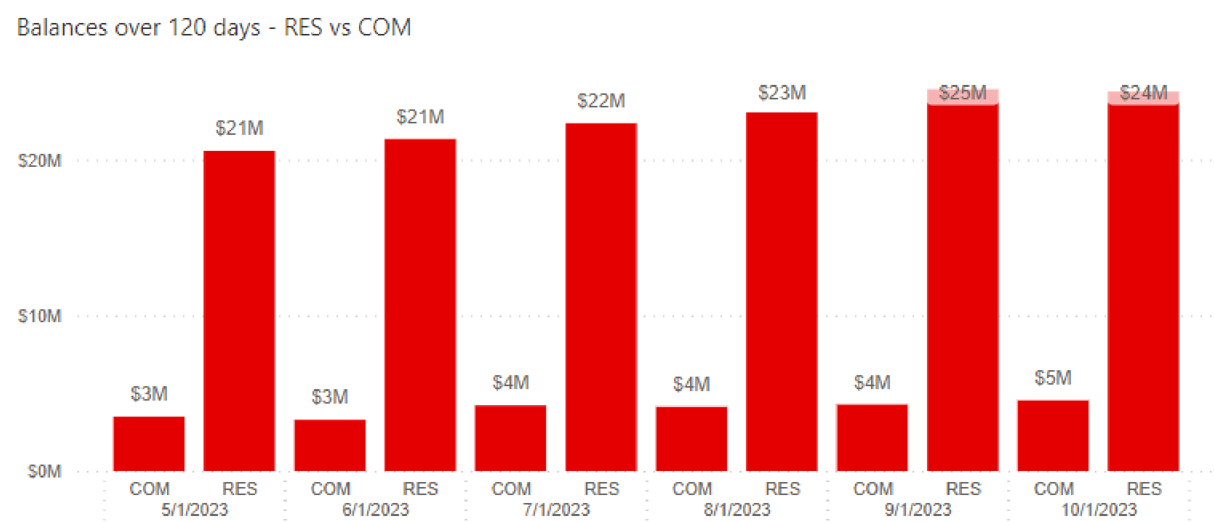


Figure 4: State of SDCP Arrearages Residential vs Commercial



FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 08/31/23 Financial Statements

MAHER
ACCOUNTANCY

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 August 31, 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
October 5, 2023

1101 Fifth Avenue, Suite 200 San Rafael, CA 94901 415 459 1249 mahercpa.com

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of August 31, 2023

ASSETS	
Current assets	
Cash and cash equivalents - unrestricted	$ 194,382,236
Cash and cash equivalents - restricted	500,000
Accounts receivable, net of allowance	167,334,495
Accrued revenue	100,825,173
Prepaid expenses	16,905,151
Other receivables	19,320
Deposits	17,486,014
Total current assets	497,452,389
Noncurrent assets	
Lease asset, net of amortization	810,877
Capital assets, net of depreciation	153,200
Cash and cash equivalents - restricted	1,897,129
Deposits	2,330,000
Total noncurrent assets	5,191,206
Total assets	502,643,595
LIABILITIES	
Current liabilities	
Accrued cost of electricity	156,842,865
Accounts payable	536,629
Other accrued liabilities	4,200,563
State surcharges payable	439,175
Deposits - energy suppliers	1,005,000
Interest payable	180,205
Lease liability	369,076
Total current liabilities	163,573,513
Noncurrent liabilities	
Bank note payable	20,730,000
Supplier security deposits	624,000
Lease liability	458,523
Total noncurrent liabilities	21,812,523
Total liabilities	185,386,036
NET POSITION	
Net investment in capital assets	136,478
Restricted for collateral	2,397,129
Unrestricted	314,723,952
Total net position	$ 317,257,559

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Two Months Ended August 31, 2023

OPERATING REVENUES	
Electricity sales, net	$ 344,848,275
Grant revenue	473,250
Total operating revenues	345,321,525
OPERATING EXPENSES	
Cost of electricity	208,786,044
Contract services	3,052,657
Staff compensation	1,480,751
Other operating expenses	475,346
Depreciation and amortization	68,257
Total operating expenses	213,863,055
Operating income	131,458,470
NON-OPERATING REVENUES (EXPENSES)	
Investment income	224,595
Interest and financing expense	(437,837)
Nonoperating revenues (expenses), net	(213,242)
CHANGE IN NET POSITION	131,245,228
Net position at beginning of year	186,012,331
Net position at end of year	$ 317,257,559

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Two Months Ended August 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 266,434,298
Receipts of supplier security deposits	2,315,863
Other operating receipts	3,075,203
Payments to suppliers for electricity	(119,653,208)
Payments for goods and services	(2,911,329)
Payments of staff compensation and benefits	(1,490,195)
Payments for deposits and collateral	(2,605,000)
Payments of state surcharges	(500,589)
Net cash provided by operating activities	144,665,043
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Principal payments - bank note	(15,000,000)
Interest and related expense payments	(803,142)
Net cash provided (used) by non-capital financing activities	(15,803,142)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments of lease liability	(66,461)
Payments to acquire capital assets	(71,550)
Net cash (used) by capital and related financing activities	(138,011)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	224,595
Net change in cash and cash equivalents	128,948,485
Cash and cash equivalents at beginning of year	67,830,880
Cash and cash equivalents at end of year	$ 196,779,365
Reconciliation to the Statement of Net Position	
Cash and cash equivalents (unrestricted)	$ 194,382,236
Restricted cash - current	500,000
Restricted cash - noncurrent	1,897,129
Cash and cash equivalents	$ 196,779,365

See accountants' compilation report.

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Two Months Ended August 31, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$ 131,458,470
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	68,257
(Increase) decrease in:	
Accounts receivable, net	(56,820,764)
Accrued revenue	(22,032,389)
Prepaid expenses	13,622,347
Other receivables	214,395
Deposits	(2,159,664)
Increase (decrease) in:	
Accrued cost of electricity	79,497,522
Accounts payable	97,367
Other accrued liabilities	405,916
State surcharges payable	(61,414)
Supplier security deposits	375,000
Net cash provided by operating activities	$ 144,665,043

MAHER
ACCOUNTANCY

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 August 31, 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
October 5, 2023

1101 Fifth Avenue, Suite 200 San Rafael, CA 94901 415 459 1249 mahercpa.com

SAN DIEGO COMMUNITY POWER
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
Two Months Ended August 31, 2023

	2023/24 YTD Budget	2023/24 YTD Actual	2023/24 YTD Budget Variance (Under) Over	2023/24 YTD Actual/ Budget %	2023/24 Annual Budget	2023/24 Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	357,171,118	$ 359,216,953	2,045,835	101%	$ 1,346,325,552	$ 987,108,599
Less Uncollectible Customer Accounts	(14,286,845)	(14,368,678)	(81,833)	101%	(53,853,022)	(39,484,344)
Grant revenue	-	473,250	473,250		-	(473,250)
Total Revenues and Other Sources	342,884,273	345,321,525	2,437,252		1,292,472,530	947,151,005
OPERATING EXPENSES						
Cost of Energy	183,426,530	208,786,044	25,359,514	114%	948,529,425	739,743,381
Professional Services and Consultants	4,732,268	2,969,370	(1,762,898)	63%	22,939,626	19,970,256
Personnel Costs	2,482,078	1,480,751	(1,001,327)	60%	13,178,031	11,697,280
Marketing and Outreach	613,647	314,450	(299,197)	51%	2,973,829	2,659,379
General and Administration	1,880,248	316,528	(1,563,720)	17%	7,861,973	7,545,445
Programs	57,417	-	(57,417)	0%	278,250	278,250
Total Operating Expenses	193,192,188	213,867,143	20,674,955		995,761,134	781,893,991
Operating Income (Loss)	149,692,085	131,454,382	(18,237,703)		296,711,396	165,257,014
NON-OPERATING REVENUES (EXPENSES)						
Investment income	-	224,595	224,595		-	(224,595)
Interest and related expenses	(406,262)	(431,292)	(25,030)	106%	(2,437,574)	(2,006,282)
Transfer to Capital Investment Program	(640,000)	-	640,000	0%	(3,840,002)	(3,840,002)
Total Non-Operating Revenues (Expenses)	(1,046,262)	(206,697)	839,565		(6,277,576)	(6,070,879)
NET INCREASE (DECREASE)	$ 148,645,823	$ 131,247,685	$ (17,398,138)		$ 290,433,820	$ 159,186,135

See accountants' compilation report.

SAN DIEGO COMMUNITY POWER

SAN DIEGO COMMUNITY POWER
Staff Report – Item 3

To: San Diego Community Power Finance and Risk Management Committee

From: Eric W. Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Fiscal Year End 2023 Financial Audit Progress Report Presentation

Date: October 19, 2023

RECOMMENDATION
Receive and File Fiscal Year End 2023 Financial Audit Progress Report Presentation.

BACKGROUND
On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021.

Section 4.6.14 of the JPA specifies the Board of Directors (Board) shall arrange for an annual independent fiscal audit.

Section 5.4 of the JPA specifies the Board shall appoint a Treasurer who shall function as the combined offices of Treasurer and Auditor and shall strictly comply with the statutes related to the duties and responsibilities specified in Section 6505.5 of the Act. The section further specifies that the Treasurer shall cause an independent audit(s) of the finances of SDCP to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act.

Section 7.2.2 of the JPA additionally specifies that the SDCP Board shall contract with a certified public accountant to make an annual audit of the financial statements of SDCP, which shall be conducted in accordance with the requirements of Section 6505 of the Act.

On July 1, 2021, SDCP entered into a professional services agreement with Pisenti & Brinker to perform its annual audit for FY 2020-21. On July 1, 2022, SDCP exercised an option in the professional services agreement to extend the term from June 30, 2022, to June 30, 2023, to conduct its annual audit for FY 2021-22.

Subsequently, On July 20, 2023, SDCP exercised an option in the professional services agreement to extend the term from June 30, 2023, to June 30, 2024, to conduct its annual audit for FY 2022-23. Pisenti & Brinker is a firm with extensive experience auditing CCA's throughout California, as well as other local government entities.

ANALYSIS AND DISCUSSION

Staff prepared a presentation describing the audit process and the preliminary results. The full financial audit report for FY 2022-23 will be presented to the FRMC on November 9, 2023, and reviewed by the Board on November 16, 2023.

FISCAL IMPACT

Not applicable

ATTACHMENTS

Not applicable

SAN DIEGO COMMUNITY POWER
Staff Report – Item 4

To:	San Diego Community Power Finance and Risk Management Committee
From:	Jack Clark, Chief Operating Officer Colin Santulli, Director of Programs Nelson Lomeli, Program Manager
Via:	Karin Burns, Chief Executive Offer
Subject:	Recommend Board Approval of San Diego Community Power's Net Billing Tariff
Date:	October 19, 2023

RECOMMENDATION

Recommend Board Approval of San Diego Community Power's (SDCP) Net Billing Tariff (NBT) for all new customers who install onsite generation on or after April 15, 2023, and existing customers transitioning out of the Net Energy Metering (NEM) Tariff following the conclusion and/or termination of their 20-year NEM legacy period.

BACKGROUND

In December 2022, the California Public Utilities Commission (CPUC) approved Decision 22-12-056, which adopted a successor tariff to NEM 2.0 called "Net Billing Tariff." The CPUC determined through its NEM 2.0 Lookback Study that the current NEM program was not meeting the objectives of Assembly Bill 327 to:

1. Ensure sustainable growth in the market for customer-sited renewable distributed generation; and
2. Ensure that the total benefits of the successor program to all customers (including nonparticipating customers) are approximately equal to the total costs.

The study showed that NEM 2.0 was creating a cost-shift of hundreds of millions of dollars per year to non-NEM customers. The CPUC started the development of the NEM successor tariff that would eventually become known as "NBT" to alleviate the cost-shift, promote affordability across all customers, incentivize the installation of battery storage systems, and support grid reliability.

The development of NBT began in November 2020. The CPUC received 18 proposals from multiple parties for the design and structure of the successor tariff. Opening and rebuttal testimonies, evidentiary hearings, and opening and reply briefs were submitted throughout the summer of 2021. SDCP filed a Joint Reply Brief[1] alongside San Jose Clean Energy, recommending that the CPUC: 1) reject the Joint Investor-Owned Utilities proposal to use the Avoided Cost Calculator (ACC) for determining customer compensation, 2) reject the proposed high fixed charges, 3) adopt a reasonable glidepath for the industry, and 4) reject proposals to move NEM 1.0 and 2.0 customers to the successor tariff. In December 2021, the CPUC issued its Proposed Decision (PD) on the successor tariff. SDCP filed joint comments[2] alongside East Bay Community Energy in December 2021 arguing that "cumulative changes to the standard tariff from currently approved tariffs goes too far, too quickly" and "request that the Commission reject the grid participation charge, modify the export credit rate to provide long-term stability consistent with Sierra Club's proposal, and make other modest changes to the PD prior to its approval."

Due to the high number of comments and sharp disagreement among parties about the PD, the CPUC held the PD and issued a "Ruling Setting Aside Submission of the Record to Take Comment on a Limited Basis" in May 2022. The CPUC ultimately withdrew the December 2021 PD in November 2022. SDCP, in coalition with Redwood Coast Energy Authority, East Bay Community Energy, San Jose Clean Energy, and Peninsula Clean Energy Authority filed joint comments[3] applauding the withdrawal of the original PD and requested that the CPUC revise the new PD to ensure a smooth transition, clarify use of Public Purpose Program Charges to fund the ACC Plus Adder, consider additional incentives for low-income customers, and allow commercial customers to receive adders. The CPUC issued a new PD in November 2022 which was revised in December 2022 and ultimately adopted by the CPUC to become NBT.

NBT cannot accurately be called "NEM 3.0" because it shifts away from the "net metering" structure entirely. Instead, it nets billing credits and charges instead of netting energy itself. Under NBT, all consumption of energy from the grid (i.e., "electricity imports") is metered on a separate channel in real time and charged retail rates. All energy generated and exported to the grid (i.e., "electricity exports") is metered on a separate channel in real time and billing credits are generated using the utilities' ACC rates at each hour of the year.

The ACC provides an hourly estimate of the total grid benefits resulting from a customer's load reduction. This includes the avoided costs of both capacity and energy, as well as the value of ancillary services, greenhouse gas emissions reductions, and avoided transmission and distribution infrastructure costs. The CPUC simplified the prices in the 8760 hours of the ACC into a single average monthly value for each hour of the day, differentiated between weekdays and weekends/holidays. The ACC values are intended to incentivize adoption of solar paired with battery storage by providing price signals to

[1] https://sdcommunitypower.org/wp-content/uploads/2022/09/Joint-Reply-Brief-of-SJCE-and-SDCP_9.14.21.pdf

[2] https://sdcommunitypower.org/wp-content/uploads/2022/09/R2008020-Joint-CCA-Comments-on-PD_Filed_1.7.22.pdf

[3] https://sdcommunitypower.org/wp-content/uploads/2022/12/R.20-08-020-Opening-Comments-of-Joint-CCAs-on-the-NEM-Revised-PD.pdf

customers to export energy to the grid when energy is most valuable and needed to relieve grid stress.

All NBT customers must take service under a highly differentiated Time-of-Use (TOU) rate schedule. For the San Diego Gas & Electric (SDG&E) territory, the CPUC directed that rate schedule to be TOU-EV-5 since it has significantly different rates for on-peak and off-peak periods. Additionally, all customers must switch to monthly billing, instead of annually, and must pay the amount owed each month. The CPUC allowed the utilities to establish a successor rate schedule through a Tier 2 advice letter, a general rate case Phase 2, or a rate design window. SDCP will monitor the establishment of a successor rate schedule and may consider bringing back its own version for approval by the Board.

Recognizing the shift to decarbonization and electrification of buildings, the CPUC allowed for customers to oversize their generation systems by up to 50% more than historical loads. Customers, however, need to attest that their energy consumption will increase within 12 months.

Per the CPUC decision, SDG&E started placing new solar customers on its NBT rate schedule on April 15, 2023. SDG&E is required to implement a NBT billing system by mid-December 2023. Until the NBT billing system is operational, SDG&E will bill NBT customers under the NEM 2.0 Tariff.

DISCUSSION

Over the last several months, SDCP staff conducted significant analysis to broadly evaluate how SDCP compensates customers for the onsite generation of energy. The analysis included 1) considerations to adopt a payment structure for new onsite generation customers that aligns compensation with the needs of the grid (i.e., NBT), 2) potential programs designed to incentivize the pairing of storage with new onsite installations to support grid resilience, and 3) enhancements to the current SDCP NEM policy to improve compensation mechanisms and remove Net Surplus Compensation (NSC) caps. Comprehensively, this package of recommended actions would result in the most customer-centric, progressive onsite generation compensation strategy in California. The strategy carefully balances multiple priorities including supporting the local San Diego solar and storage industry, increasing access to distributed energy resources to Communities of Concern and low-income customers, an increasing statewide focus on grid resilience, customer fairness, and financial prudence for the agency.

This agenda item is focused on the consideration to adopt NBT recommendations for compensation for new onsite generation customers.

ANALYSIS

Current and Potential Future Onsite Generation Customer Overview

SDCP currently has over 152,000 accounts enrolled in its NEM tariff, with 98% of those accounts being residential customers, and approximately 12% being customers enrolled in the California Alternative Rates for Energy (CARE) program and Family Electric Rate Assistance (FERA).

The following tables show the breakdown of accounts currently enrolled in the SDCP NEM Tariff by customer type (i.e., Commercial, Residential CARE/FERA, and Residential Non-CARE/FERA) and the percentage of accounts by customer type per SDCP member agency.

Table 1: Number of Accounts Currently Enrolled in SDCP NEM Tariff

Residential CARE/FERA	Residential Non-CARE/FERA	Commercial	Total
18,616	130,761	2,796	152,173
12%	86%	2%	100%

Totals may not add up to 100% due to rounding.

Table 2: Percent of Accounts Enrolled in SDCP's NEM Tariff by Customer Type by Member Agency

Member Agency	Commercial	Residential CARE/FERA	Residential Non-CARE/FERA
City of Chula Vista	1%	16%	83%
City of Encinitas	1%	2%	96%
City of Imperial Beach	3%	19%	78%
City of La Mesa	2%	8%	90%
City of National City	5%	46%	49%
City of San Diego	2%	12%	86%
County of San Diego	2%	12%	86%

Totals may not add up to 100% due to rounding.

Importantly, if NBT is adopted, these NEM customers **would not** be affected by NBT until they complete or terminate their 20-year NEM legacy period, at which point they would transition to the new tariff. Existing customers with onsite generation would remain on the SDCP NEM tariff for their generation charges and credits and on their SDG&E NEM tariff for delivery charges and credits during that period. Their NEM legacy period starts on the date they interconnected and received permission to operate.

SDCP expects 252 of these existing onsite generation NEM accounts to complete their NEM 1.0 legacy period in 2024 and switch to NBT, representing 0.2% of customers. The annual number of customers completing their NEM 1.0 legacy period is approximately fewer than 500 customers per year until 2029.

Staff needed to estimate the potential number of customers who would be served by future rates to calculate potential financial impacts of various NEM and NBT scenarios. A key input to that analysis is expected future rooftop solar adoption, the primary source of onsite generation by SDCP customers. SDCP forecasted the following scenarios of solar growth over the next three years:

1. **Low Growth**: Assumes an adoption rate that is based on the average number of new NBT-specific setups seen in SDCP's service territory during the months of May-July 2023. May 2023 was the first full month that any new SDG&E solar interconnections were placed on NBT. This scenario assumes a dramatic decrease in the number of installations from the historical trajectory.
2. **Mid Growth**: Assumes a contraction in the number of historical installations by 40% in the residential market based on estimates from the Solar Energy Industries Association.[4]
3. **High Growth**: Assumes business as usual with no change in the number of installations and is based on the average number of installations per month in SDCP service territory seen in 2021, before the rush in 2022.

Based on these assumptions, the forecast shows that SDCP could see 2,000 new NBT customers in the Low Growth scenario, 30,000 in the Mid Growth scenario, or over 50,000 new NBT customers in the High Growth scenario. This includes customers who are ending their 20-year legacy NEM period and transitioning to NBT. Staff determined that the Mid Growth scenario is more likely to occur due to historic investments under the Inflation Reduction Act, a decline in rooftop solar prices, and an increasing number of incentives available for energy storage to be paired with solar systems.

Program Options

Using the Mid Growth scenario for future expected onsite generation customers, staff conducted an in-depth impact analysis of two potential policy options:

1. Extend the current NEM 2.0 Tariff to all new customers; or
2. Implement an NBT.

Option 1: Extending NEM 2.0 for All New Customers

The first option examined the possibility of keeping the current NEM 2.0 tariff for all new self-generation customers. Several factors led staff to not recommend this option.

Since SDCP represents only a portion of the total bill, new customers would still be subject to SDG&E's NBT (now called "Solar Billing Plan") for transmission and distribution costs. Since generation rates represent 35%-45% of the total bill, extending NEM 2.0 would have a minimal impact on the billing changes imposed by NBT.

Moreover, having two different structures could cause significant customer confusion, cause potential billing issues, and further complicate estimates on the value of rooftop

[4] Solar Industry Research Data | SEIA https://www.seia.org/solar-industry-research-data

solar for customers including system payback periods. As required by the CPUC's NBT decision, all new NBT customers would still be required to take service under TOU-EV-5, regardless of SDCP's NEM tariff.

Staff also analyzed the financial impact of extending the current NEM 2.0 Tariff. The analysis revealed that under the Mid Growth scenario, extending the current NEM Tariff to all new customers would result in costs to SDCP amounting to approximately $32 million over three years. All SDCP customers would have to bear these costs through rates while the benefits would be targeted to a limited number of customers. Additionally, staff believes that this investment fails to send the proper pricing signals to promote energy storage adoption and does not contribute to grid reliability.

Option 2: Adopt a Net Billing Tariff for All New Customers

The second option analyzed was the adoption of an NBT for all new customers. This is the staff recommendation based on the results of the analysis outlined below.

An initial step to analyze the adoption of NBT was to consider the appropriateness of using the SDG&E ACC rates for a potential SDCP NBT. To determine if the load curve and ACC rates for SDG&E could be used as a proxy for SDCP, SDCP and its consultant, Pacific Energy Advisors (PEA), analyzed the CPUC's 2022 Distributed Energy Resources ACC Documentation conducted by Energy and Environmental Economics, Inc. (E3). The SDCP and PEA teams determined that the work done by E3 for the CPUC was thorough and adequate, and that SDG&E's ACC rates for generation sufficiently reflect SDCP's load curve. Accordingly, the analysis of adopting NBT was done assuming the usage of SDG&E's ACC rates for SDCP's NBT.

By design, the ACC provides customer compensation for exported energy from onsite energy systems that is more aligned with wholesale energy prices and thus incentivizes energy storage. These price signals align with grid conditions and needs, especially during the peak periods in the summer months of August and September. As such, adopting NBT (including the ACC) is aligned with SDCP's commitment of supporting grid reliability and encouraging energy storage adoption. Additionally, adopting NBT would align with the direction that the majority of Load Serving Entities (LSEs) are moving in, including fellow CCAs. Clean Power Alliance, the largest CCA in the state, adopted NBT for all new customers in July 2023, and the majority of CCAs in Pacific Gas & Electric (PG&E) territory are bringing NBT to their Board of Directors for consideration in the next couple of months. Additionally, aligning the generation and distribution components under a NBT structure would significantly reduce customer confusion and billing issues, and provide further clarity to the solar industry and thus allowing them to model estimates more effectively.

Staff analyzed the financial impacts of adopting NBT for all new customers. The analysis showed that under the Mid Growth scenario, adopting NBT would result in costs to SDCP amounting to approximately $8.5 million over three years. This represents a savings of approximately $23 million for all SDCP rate payers compared to extending the current NEM 2.0 tariff. This is due to the lower ACC rates paid for generation. These savings could be returned to all customers via rate savings and/or reinvested back into the community via programs, such as developing an incentive program to encourage pairing battery energy storage systems with new solar installations.

Recommendations

With the conclusion of this analysis, staff is bringing three recommendations to the Board of Directors ("Board") that relate to future onsite generation customers:

Adopt NBT for All New Customers

Based on the analysis described above and the associated savings for all ratepayers, staff will recommend to the Board adoption of a SDCP NBT that mirrors the CPUC NBT decision and is in line with portions of SDG&E's proposed NBT. NBT would give SDCP the opportunity to meet the needs of all customers more equitably, while helping to reduce costs for all customers. This enables SDCP to leverage the savings and provide programs that encourage clean energy use and energy storage adoption with a particular focus on low-income customers that are currently underrepresented in NEM participation.

Adopting NBT would mean that new NBT customers would:

1. Have all electricity exports separately metered on a different channel than all electricity imports;
2. Be compensated based on the ACC rates;
3. All electricity imports would be charged retails rates; and
4. Be billed monthly for net charges.

The adoption of NBT will not affect existing NEM customers until the completion and/or termination of their 20-year NEM legacy period.

Provide Generation Adders for New NBT Customers

To accompany the adoption of NBT, staff will recommend to the Board including additional generation incentives or "adders" in the tariff in the form of compensation per generated kilowatt hour to be added to the ACC. Similar adders were established by the CPUC for some investor-owned utilities (IOUs) as part of NBT. The adder amounts (i.e., $/kWh) were selected to achieve a simple payback period of nine years for solar systems. The CPUC determined the nine-year payback period was reasonable and would allow the market to grow sustainably.

The CPUC adopted a generation adder for residential customers to achieve the nine-year payback period for two IOUs: PG&E and Southern California Edison (SCE). This adder is higher for customers participating in the CARE/FERA programs due to their lower monthly bills. In its decision, the CPUC determined that in SDG&E territory, the simple payback period for solar systems was already below the nine-year target, in large part due to the relatively higher rates in SDG&E territory. Accordingly, no adder was included for SDG&E customers in the CPUC decision. The table below shows the adders and associated simple payback periods by IOU as determined by the decision:

Table 3: CPUC Adopted Initial ACC Plus Adders by Utility ($/kWh)

Customer Segment	SDG&E	PG&E	SCE
Residential Non-CARE	$0.000	$0.022	$0.040
Residential CARE	$0.000	$0.090	$0.093
Commercial (not eligible)	$0.000	$0.000	$0.000

Table 4: CPUC Simple Payback Periods for SDG&E Net Billing Customers Stand-alone Solar Payback Period (years)

Customer Segment	SDG&E	PG&E	SCE
Residential Non-CARE	5.95	9.00	9.00
Residential CARE	8.43	9.00	9.00
Commercial (not eligible)	7.50	8.17	9.38

To further support the growth of regional solar adoption, staff analyzed the possibility of providing generation adders that achieve the following goals:

- Enhance the competitiveness of SDCP's onsite generation compensation policy and clarify the value of SDCP to customers;
- Close the generation bill credit gap and reduce the payback period to make adoption more financially attractive for customers;
- Ensure simplicity and ease of understanding of the adder;
- Address and promote equity for CARE and/or FERA customers; and
- Support grid reliability.

In the Community Power Plan, SDCP committed to support populations historically underrepresented in energy program participation by centering communities of concern in program design to enable participation by all customers, in addition to directing more investments to communities of concern. Low-income customers are underrepresented in NEM participation; CARE/FERA customers make up 24% of all customers but account for only 12% of all NEM customers. This disparity was a key motivator for identifying an adder that would provide additional financial support to income-qualified customers to lessen the financial burden of adopting onsite generation, such as rooftop solar.

With these goals in mind, staff used the CPUC's customer bill model[5] employed during the adoption of NBT and analyzed the impact to the payback period the adder has on non-CARE/FERA customers and used it to determine the adder amount needed for CARE/FERA customers to achieve an equal simple payback period for stand-alone solar.

Staff will recommend to the Board that SDCP provide the generation adders outlined in Table 5 below to all customers, including residential non-CARE/FERA, residential CARE/FERA, and non-residential (commercial) customers. Staff will propose to the Board that all new non-CARE/FERA customers, both residential and non-residential, receive a generation adder of $0.0075/kWh for six years. This adder aligns with the premium for SDCP's Power100 service because customers are exporting 100% renewable energy. Additionally, staff proposes an adder for residential CARE/FERA customers of $0.11/kWh for six years.

Table 5: Proposed Generation Adders

Customer Class	Residential (Non-CARE/FERA)	Residential CARE/FERA	Commercial
Adder Amount	$0.0075/kWh	$0.11/kWh	$0.0075/kWh

Staff determined that the proposed adder amounts would result in a payback period for stand-alone solar of approximately six years, including CARE/FERA customers, which is similar to the average simple payback period for NEM 2.0 customers.[6] This aligned with the recommendations from GRID Alternatives to ensure that the tariff benefits income-qualified households with higher adders and shorter payback periods.

Table 6: Simple Payback Periods for SDCP Net Billing Customers with Generation Adders (years)

Customer Class	Residential (Non-CARE/FERA)	Residential CARE/FERA	Commercial
Stand-alone Solar Payback Period (years)	5.83	5.91	7.33

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[5] Net Billing Tariff (ca.gov) https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/customer-generation/nem-revisit/net-billing-tariff

[6] NEM 3.0 – Making the Financial Case by Combining Home Electrification with Energy Storage - Schneider Electric Solar America https://solar.se.com/us/en/2023/08/22/nem-3-0-making-the-financial-case-by-combining-home-electrification-with-energy-storage/#:~:text=Now%2C%20let's%20look%20at%20some,to%20recover%20the%20initial%20investment.

Staff will recommend to the Board that these adders be offered to all new NBT customers that started service on or after April 15, 2023, and be offered for three years, ending on December 31, 2026. After three years, but prior to the sunset of the adder, staff would assess the general market conditions for solar and storage and evaluate the effectiveness of the adders in helping:

- Reduce the simple payback period for CARE/FERA customers;
- Drive adoption of solar among CARE/FERA customers; and
- Sustain the region's rooftop solar market.

Staff would come back to the CAC and Board in 2026 with recommended adjustments or updates.

Additionally, staff is evaluating the feasibility of providing an energy storage grid interactive adder that will allow SDCP to utilize the batteries for grid reliability support. Staff will bring back an update on this adder to the Board in early 2024.

NBT Annual Net Surplus Compensation Approach

To accompany the adoption of NBT, staff will recommend to the Board a standard approach to the Net Surplus Compensation (NSC), similar to the NSC approach for NEM customers. Under the standard NSC payment procedure, the total amount of electricity export and electricity import volumes are netted to determine a net annual electricity export amount in kWh wherever applicable. This amount is then compensated based on the NSC rate for the month the customer has their true-up. Customers are eligible to receive a check if their NSC amount is $100 or more; otherwise, the amount is carried over to the next billing cycle to offset future charges.

In the CPUC decision, utilities contend that customers may receive a double payment for the same the exports — one payment at ACC rates and another at NSC rates, which is effectively the ACC rate for the entire month. The CPUC acknowledges this potential and directed the utilities to implement the following adjustment:

1. Calculate if a customer is a net exporter of electricity over the past 12 months;
2. Calculate the average of the ACC rate of all NBT customers in the service territory for the past 12 billing cycles;
3. Calculate a NSC adjustment amount by multiplying the average ACC by the annual net electricity exported; and
4. Debit the NSC adjustment from the total NSC payment amount.

Staff holds a different, more customer-centric perspective than the CPUC and considers the true-up process as a demarcation between the billing credits using the ACC and the compensation of net electricity exported. For this reason, staff will recommend to the Board that SDCP should not adopt a NSC adjustment process and instead should maintain the standard process for NSC. This would further differentiate our tariff from the utility and provide a better customer experience in alignment with keeping our customers as the cornerstone of everything that we do and in concert with our strategic goal to strongly source and promote local renewable power.

Recommendation Summary

In summary, Staff ask the Finance & Risk Management Committee to recommend to the Board approval of the Net Billing Tariff in Attachment A, with the following key features:

- All electricity exports, as metered on a separate channel in real time, will be valued using the same methodology as SDG&E bundled customers.
- All electricity exports, as metered on a separate channel in real time, will be compensated using the same hourly ACC rates as SDG&E bundled customers.
- All electricity imports, as metered on a separate channel in real time, will be charged using SDCP's generation rates as stipulated in the EV-TOU-5 rate schedule or a successor rate schedule for residential customers.
- All electricity exports, as metered on a separate channel in real time, for all customers will receive a flat generation adder of $0.0075/kWh for six years. The flat generation adder will be $0.11/kWh for six years for customers enrolled in the CARE or FERA programs.
- The generation adders will be offered for all new customers that interconnect and receive permission to operate on or after April 15, 2023, through December 31, 2026.
    - Staff will evaluate the effectiveness of the adders in 2026 and return to the Board with any updates or adjustments.
- NBT customers will continue to receive NSC for total net energy exports over the course of an applicable relevant period with no NSC adjustment and be subject to SDCP's standard terms and conditions of NSC payment.
- Customers currently served under SDCP's NEM Tariff will not be affected by the NBT Tariff for the duration of their 20-year NEM legacy period.
    - Once their legacy period concludes or is terminated, they will be placed into NBT and will not be eligible for the generation adders.
- The NBT will be applicable to customers who begin service on SDG&E's NBT schedule on or after April 15, 2023.
- Until SDG&E and SDCP NBT billing systems are fully operational, customers who began service on SDG&E's NBT schedule after April 15, 2023 are currently being billed under the SDCP NEM Tariff but are not eligible for the 20-year legacy period. These NBT transitional customers will be switched to billing under the SDCP and SDG&E NBT in December 2023 or the date that SDG&E specifies the transition will occur.

Stakeholder Engagement

Staff presented the recommended proposal, or earlier iterations of the proposal, to various local and statewide stakeholders. When possible, and deemed in the best interest of SDCP customers, adjustments were made to the proposal based on stakeholder feedback. Several of the stakeholders were involved in the 2021 and 2022 NEM CPUC proceeding and Staff reviewed and incorporated, when feasible, stakeholder recommendations included in comments to the CPUC.

Stakeholder engagement was conducted with a variety of stakeholders including:

- SDCP Board of Directors
- SDCP Community Advisory Committee Members
- Local elected officials
- California Solar & Storage Association
- Climate Action Campaign
- GRID Alternatives
- International Brotherhood of Electrical Workers 569
- Local chambers of commerce and economic development corporations
- Other Community Choice Aggregators
- Sierra Club San Diego chapter
- Staff of local public agencies
- Utility Consumers' Action Network
- Vote Solar
- Baker Electric
- Cleantech San Diego Energy Working Group

NEXT STEPS

SDG&E is anticipated to implement their updated billing systems and switch customers by December 15, 2023. If the Board adopts the staff recommendations, staff will work with Calpine Energy Solutions to implement the tariff for new onsite generation customers and NBT customers currently being served on NEM 2.0 on an interim basis. Staff will work with Calpine and SDG&E to ensure proper testing and validation of data communications and billing mechanics following adoption. Additionally, Staff will work to create a new webpage on the SDCP website with information on NBT.

Additionally, SDCP recently added a new staff member to focus solely on the development of a future battery storage incentive program. Over the coming months, staff will conduct an extensive review of battery storage incentive program best practices from throughout the country. Concurrently, staff will engage with the industry through informal interviews and workshops to incorporate industry feedback into program design. Staff will come back to the CAC and the Board in the first quarter of calendar year 2024 with an update on program development.

AD-HOC COMMITTEE AND/OR SUBCOMITTEE REVIEW

Not applicable.

FISCAL IMPACT

SDCP estimates that adopting NBT would result in bill credit costs amounting to approximately $8.5 million over three years. This represents a significant savings of approximately $23.5 million over three years compared to extending the SDCP NEM tariff.

SDCP estimates that providing generation adders to all customers would result in a cost of $2.8 million over three years. This cost would be covered by the savings resulting from the adoption of NBT, reducing the savings to approximately $20.7 million over three years.

SDCP estimates that NSC payments would result in a cost of approximately $3.2 million over three years. This cost remains consistent regardless of whether NBT is adopted and is factored into SDCP's annual operating budget.

Staff does not yet have an estimate of a potential battery energy storage pilot program. Staff will bring back an item to the Board in early 2024 to discuss a potential program offering and include budget estimates. Staff may be able to use the savings from adopting NBT for the battery program.

ATTACHMENTS

Attachment A: San Diego Community Power Net Billing Tariff

ITEM 4 – ATTACHMENT A

San Diego Community Power
Net Billing Tariff

APPLICABILITY: San Diego Community Power ("SDCP") Net Billing Tariff ("NBT" or "NBT Tariff") shall be effective beginning on April 15, 2023, the day following the NEM-Successor Tariff ("NEM-ST") eligibility sunset required by the California Public Utilities Commission ("CPUC").

NBT Tariff shall apply to

(i) SDCP customers served under San Diego Gas & Electric Company ("SDG&E") Solar Billing Plan ("SBP") and/or Schedule NBT for Customer-Sited Renewable Distributed Generation[1] ("SDG&E Schedule NBT") receiving electric generation services from SDCP, including customers with battery storage, fuel cells, or as approved by the CPUC under future aggregated or virtual designs,

(ii) SDCP customers who are eligible for SDG&E's NEM Tariff and elect to switch to the SDCP NBT Tariff, and

(iii) SDCP customers who are automatically transitioned to the SDCP NBT following the conclusion and/or termination of their 20-year SDG&E Net Energy Metering (NEM) legacy period.[2]

SDG&E tariffs are available on SDG&E's website[3] and may be amended or replaced by SDG&E from time to time.

This tariff shall remain in effect until modified, amended, or replaced by SDCP's Board of Directors ("Board") at a duly noticed public meeting of the Board.[4]

ELIGIBILITY: SDCP's NBT Tariff is available to customers operating a solar, wind, biomass, geothermal, or other renewable resource as defined in the California Energy Commission's ("CEC") Renewables Portfolio Standard ("RPS") Eligibility Guidebook.[5] Renewable Energy Generation Facilities ("REGF") are limited to 1MW under the SDCP and SDG&E NBT tariffs. Additionally, the customer must participate in SDG&E's SBP (or successor) for non-generation services, such as transmission and distribution. SDCP customers served under SDCP's NBT Tariff

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[1] SDG&'s proposed Schedule NBT was submitted to the California Public Utilities Commission in Advice Letter 4155-E and 4155-E-A, available at https://www.sdge.com/rates-and-regulations/tariff-information/advice-letters

[2] See SDG&E's Schedule NEM and Schedule NEM-ST at https://www.sdge.com/rates-and-regulations/current-and-effective-tariffs for details on SDG&E's NEM legacy periods.

[3] Current and Effective Tariffs | San Diego Gas & Electric (sdge.com) https://www.sdge.com/rates-and-regulations/current-and-effective-tariffs

[4] Board agendas are available at: https://sdcommunitypower.org/resources/meeting-notes.

[5] The latest RPF Eligibility Guidebook can be found at the CEC's website: https://www.energy.ca.gov/programs-and-topics/programs/renewables-portfolio-standard.

must provide SDG&E with a completed SDG&E NBT or SDG&E NEM Application and comply with all other SDG&E requirements for enrollment in the SDG&E [6] before becoming eligible for the SDCP NBT Program. No direct agreement with SDCP is necessary.

Eligible SDCP customers who begin service under the SDG&E NBT Schedule on or after April 15, 2023, are automatically enrolled in the SDCP NBT Tariff either at the time of initially enrolling with SDCP or at the time SDG&E begins serving them on the SDG&E NBT Schedule. Eligible SDCP customers who begin service under the SDG&E NEM tariff prior to April 15, 2023, will be eligible for service under the SDCP NEM Tariff[7] for 20 years following their SDG&E Original PTO.

Customers served under the SDCP NEM Tariff may elect to switch to the SDCP NBT Tariff. Customers who voluntarily switch to the SDCP NBT Tariff or who are automatically transitioned to the SDCP NBT Tariff following the conclusion and/or termination of their NEM legacy period are **not** eligible to return to service under the SDCP NEM Tariff.

This tariff does not apply to customer-generators with multiple meters who wish to aggregate the electrical load of the meters located on the customer's owned, leased, or rented property where the Renewable Electrical Generation Facility is located, including existing Net Energy Metering Aggregation or Virtual Net Energy Metering tariffs.

NBT TRANSITION CUSTOMERS: Customers who submit complete applications to SDG&E on or after April 15, 2023 will interconnect under SDG&E's Schedule NBT but will be temporarily billed on NEM-ST until SDG&E Schedule NBT is fully operationalized in SDG&E's and SDCP's billing systems, respectively. Once SDG&E Schedule NBT is operationalized, any customers who interconnected under SDG&E Schedule NBT but were billed temporarily on NEM-ST will complete their true up under their temporary NEM service and transition to billing on the SDG&E Schedule NBT at the beginning of their next available billing cycle, currently expected as of December 2023. The NEM-ST 20-year legacy period is not applicable to SDG&E Schedule NBT customers taking interim service on NEM-ST.

LEGACY PERIOD: The terms of the NBT Tariff shall remain effective for a period of up to 9 years from the Permission to Operate Notice ("PTO")[8] Date from SDG&E. Per CPUC Decision 22-12-056, the legacy period is linked to the customer that originally causes the system to be installed, not to the system or premise. Should another customer take control of *(e.g., buys, leases, or pays a power purchase agreement for)* the system (such as a new customer moves into the premise),

[6] See https://www.sdge.com/solar/solar-billing-plan for more information.

[7] SDCP's NEM Schedule is available at: https://sdcommunitypower.org/key-documents/.

[8] Permission to Operate Notice (PTO) is SDG&E's written approval authorizing a customer to commence operation of a qualifying renewable electrical generating facility or approving customer's proposed modifications of the generating facility. The date that SDG&E provides the customer with the original PTO is referred to as the Original PTO Date. See SDG&E Schedule NBT for additional information.

the subsequent customer does not have a legacy period. Exceptions are made for:

- The subsequent customer is or was the legal partner *(e.g., spouse or domestic partner in the case of residential customers or, in the case of nonresidential customers, the account-holding entity continues to be majority controlled by the same underlying individuals or entities from the time the legacy system was installed)* of the original customer. For this latter group, the legacy period maintains its original interconnection date and length of nine years.
- When a builder/contractor constructs a new building and receives PTO before selling the unit. The new owner after the rebuild will be able to retain the 9-year legacy period.

RATES: All rates for the SDCP NBT Tariff are in accordance with the applicable customer's otherwise applicable SDCP rate schedule ("SDCP OAS").[9] SDCP NBT residential customers are required to enroll on highly differentiated time-of-use rates currently defined as EV-TOU-5 in SDCP and SDG&E territory, or other qualified rates that SDG&E and SDCP may develop in the future, and may choose to enroll in critical peak pricing or peak day pricing rates wherever applicable. The SDCP NBT Tariff provides the mechanism for billing and crediting customers with generating facilities only. Customers served under this tariff are still responsible for all billed usage charges according to their applicable SDCP rate schedule, including volumetric usage, demand charges (if applicable), Power100 surcharges (if applicable), taxes, and all other charges owed to SDCP. Nothing in this tariff will supersede any SDG&E or SDCP authorized charges.

CHARGES, CREDITS AND BILLING: SDCP's generation charges and credits for electricity (measured in kilowatt-hours, or "kWh") are calculated as described below.

A) <u>Definitions:</u>

i. "Imported Electricity" is defined as when a customer uses any metered electricity supplied by SDCP, reflected as "positive" kWh usage, as recorded on the import channel of the customer's SDG&E meter.

ii. "Imported Charges" is defined as the charges associated with the amount of Imported Electricity during a billing cycle within the Relevant Period based on the customer's OAS.

iii. "Energy True Up" is defined as the process performed by SDG&E for the transmission and delivery service and by SDCP for the generation service, as applicable, at the end of each Relevant Period following the date the customer-generator was first eligible for schedule NBT, or the date of SDG&E's written approval to begin parallel operation of the REGF for purposes of participating in Schedule NBT, whichever is later, and at each

[9] SDCP's residential rates can be found at https://sdcommunitypower.org/billing-rates/residential-rates and non-residential rates at https://sdcommunitypower.org/billing-rates/commercial-rates.

anniversary date thereafter.

iv. "Exported Electricity" is defined as when a customer supplies any metered electricity to the electric grid, reflected as "negative" kWh usage, as recorded on the export channel of the customer's SDG&E meter.

v. "Export Compensation Rate," at times referred to as the Generation Electricity Export Credits ("EEC")[10], is defined as the rate or amount at which Exported Electricity will be compensated per kWh. The Export Compensation Rate is based on the CPUC's most recent Avoided Cost Calculator ("ACC"), adopted as of January 1 of the calendar year of the customer's interconnection date. The Generation EEC is based on hourly ACC values, averaged across days in a month for each hour, differentiated by weekdays and weekends/holidays. SDCP utilizes SDG&E's Generation EEC calculated based on a weighted average of ACC values across its four different climate zones. EEC does not vary between customer classes or technology. The Generation EEC Price is posted on SDG&E's & SDCP's websites.

vi. "Export Credits" are defined as the appropriate credit for any Exported Electricity, based on the Export Compensation Rate multiplied by the amount of Exported Electricity, and any applicable credit surcharges.

vii. "Export Credit Balance" is defined as when a customer has excess export credits carried into the subsequent billing period, or into the SDCP true up process at the end of the relevant period.

viii. "Net Surplus Electricity" is defined as the kWh amount of excess electricity exported to the grid after netting Electricity Imports and Electricity Exports at end of the Relevant Period.

ix. "Relevant Period" is defined as the billing period that consists of twelve-monthly billing cycles commencing on the date SDG&E provides Customer-Generator with SDG&E's written approval to begin parallel operation of the REGF PTO for purposes of participating in NBT, and on every subsequent anniversary thereof.

[10] The EEC Price is a $/kWh value which represents the estimated value of exports to the grid. Each year, the EEC Price is calculated using the California Public Utilities Commission (CPUC) Avoided Cost Calculator (ACC) approved to be effective as of January 1 of the calculation year (the "vintage year"). For each "vintage year", the EEC Price is calculated for each month of a 9-year horizon period, and it is differentiated by hour (24 hours) and by weekdays and weekend/holidays. In addition, each hourly EEC Price is broken down in two components: (1) the Generation EEC Price (energy, cap and trade and generation capacity) component, and (2) the Delivery Service EEC Price (transmission, distribution, greenhouse adder and methane leakage) component. The current version of the ACC is available at https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/idsm.

B) Generation Electricity Charges:

As determined in each billing period, Generation Electricity Charges are calculated by multiplying the customer's Imported Electricity (i.e., electricity consumption from the grid) in kWh by the applicable electricity (commodity) rate components ($/kWh) in the customer's applicable SDCP OAS.

C) Export Credits:

As determined in each billing period, Export Credits are calculated by multiplying the hourly-differentiated customer's Exported Electricity (i.e., electricity generated and sent to the grid) in kWh by the Export Compensation Rate.[11] The calculated value of such net electricity exports shall be credited to the customer and applied as described in Sections (c) and (d), below.

Export Credits are calculated monthly and can be used to offset volumetric (kWh) Generation Electricity Charges (as calculated above) incurred during the billing period but at no point can they offset demand charges, taxes, or other charges or fees within the Customer's SDCP OAS, nor will they offset any SDG&E transmission and delivery charges. Any unused Generation Electricity Export Credits accrued in a given month can be used to offset volumetric (kWh) Generation Electricity Charges within the customer's Relevant Period as described in Section (d). Customers on SDCP NBT will be billed based on no netting of kWh imports (consumption) and kWh exports (excess generation placed on the grid). Generation charges owed to SDCP net of any eligible credits will be paid each month and all charges and credits will be trued up at the end of the Relevant Period.

For the first five years of this NBT Tariff ("lock-in period"), the Export Compensation Rate will be set annually using a 9-year schedule from the ACC. All customers who interconnect during this five year "lock-in period" will receive a nine-year schedule of Generation ECC set in the year of interconnection as long as the SDG&E Interconnection Agreement remains valid and under the name of the original customer (or an "eligible customer-generator" as defined in SDG&E's Schedule NBT). During the "lock-in period", these customers will have the Export Compensation Rate derived from the ACC adopted by the CPUC to be in effect as of January 1 of the calendar year of the customer's Original PTO Date. A new customer moving into a dwelling with an existing generating facility served under SDG&E's Schedule NBT will not be eligible to retain the Export Compensation Rate associated with the Original PTO Date of the generating facility, with two exceptions as described in SDG&E's Schedule NBT.

Customers may opt out of their nine-year schedule of Generation EEC and receive an

[11] See https://sdcommunitypower.org/programs/net-billing-tariff.

Export Compensation Rate that is updated annually based on the most recently adopted ACC. Customers that interconnect during the five-year lock-in period may exit their respective nine-year schedule of Generation EEC, but will not be able to opt back in. Following the five-year lock-in period, Generation EEC for new NBT customers will be updated annually on January 1 based on the ACC adopted as of January 1 of that year. Generation EEC will be accrued separately for Delivery under SDG&E and Generation under SDCP.

D) SDCP Generation Adders:

All new NBT customers are eligible to receive an SDCP Generation Adder. Customers that subsequently transfer into this NBT Tariff after the conclusion and/or termination of their 20-year NEM legacy period are not eligible for the SDCP Generation Adder.

The credit is calculated monthly by multiplying the Exported Electricity by the applicable $/kWh Generation Adder Rate shown in Table 1.

Table 1: Generation Adder Rates

Residential Non-CARE	Residential CARE	Non-Residential
$0.0075/kWh	$0.11/kWh	$0.0075/kWh

i. *Eligibility:*

a. To be eligible for the SDCP "Residential Non-CARE" and "Non-Residential" Generation Adder, customers need to (a) be served on this tariff, and (b) have an NBT effective date between April 15, 2023 and December 31, 2026.

b. To be eligible for the SDCP "Residential CARE" Generation Adder, customers need to (a) be served on this tariff, (b) have an NBT effective date between April 15, 2023 and December 31, 2026, and (c) be enrolled in either the CARE or FERA programs as of the effective date.

c. A new customer moving into a dwelling with an existing Generating Facility served under this tariff on or after January 1, 2027 will not be eligible for the SDCP Generation Adder.

ii. *Adder Period:*

a. The SDCP Generation Adder Rates, as defined above, will be fixed during the first six (6) years (the "Adder Period") beginning on the NBT effective date communicated by SDG&E to SDCP. Residential customers will receive the SDCP Generation Adder during their Adder Period, as long as the SDG&E Interconnection Agreement remains valid and under the name of the original customer.

b. Customers receiving the Residential CARE adder will need to maintain enrollment in either the CARE or FERA programs for the duration of the Adder Period.

   i. If a customer account ceases to be enrolled in either the CARE or FERA programs (as communicated to SDCP by SDG&E), the customer will be moved to the Residential Non-CARE adder rate.

   ii. If a customer account enrolls in either the CARE or FERA programs (as communicated to SDCP by SDG&E), the customer will be moved to the Residential CARE adder rate.

E) <u>Monthly Settlement of SDCP Charges/Credits</u>:

All NBT customers will pay monthly for all applicable charges including the fixed charges within the OAS and any additional net charges due to SDCP and SDG&E. Customers will have net charges due in a given month if the sum of their Import Charges and Export Credits is greater than zero. Each customer will receive a statement as part of their monthly SDG&E bill indicating accrued SDCP Electricity Charges for Imported Electricity and/or SDCP Export Credits for Exported Electricity during the current monthly billing cycle. When a customer's SDCP credits during the monthly billing cycle result in an accrued credit balance in excess of currently applicable SDCP Electricity Charges, the value of those credits shall be noted on the customer's bill and carried over as a bill credit for use in a subsequent billing cycle(s).

A customer who has accrued credits during previous billing cycles will see such credits applied against currently applicable SDCP Generation Electricity Charges, reducing otherwise applicable Generation Electricity Charges by an equivalent amount to such credits. Any remaining credits reflected on the customer's billing statement shall be carried forward to subsequent billing cycle(s) until either (i) the excess credit is used to satisfy current Generation Electricity Charges, (ii) the customer no longer receives service from SDCP, or (iii) an annual account true up is performed.

F) <u>SDCP Annual True Up & Cash Out Processes:</u>

i) *<u>SDCP Annual True Up:</u>* At the end of the most recent twelve (12) monthly billing cycles ("Relevant Period") of each NBT customer, SDCP will perform a true up of all active customers. SDCP will determine whether or not each customer has produced net surplus electricity, as measured in kWh, over the most recent 12 billing cycles, or the period of time extending from the customer's commencement of participation in SDCP's NBT Tariff through the end of their Relevant Period, whichever is shorter ("True Up Period") and at each anniversary date thereafter.

a. NBT Generation Payment Credit Refund: If the customer has an Export Credit Balance but incurred SDCP usage charges earlier within the same SDCP Annual True Up period, the credits will be applied against any of these charges still due.

   If these charges were already paid during the Relevant Period being trued up, the amount will instead be carried over as a bill credit for use in the subsequent Relevant Period(s) for the benefit of the customer.

b. Electricity Export Credit Refund: At the time of the Annual True Up, if the customer has accumulated Electricity Export Credits in excess of any currently outstanding Electricity Charges, those credits will be carried over as a bill credit for use in the subsequent Relevant Period(s) for the benefit of the customer up to the total SDCP Electricity Charges paid by the customer on the same NBT account during the applicable Relevant Period ("Refundable EEC"), consistent with SDCP's Annual Cash Out practice in Section (d)(ii). Any unused Electricity Export Credits over what is carried over as a bill credit for use in the subsequent Relevant Period (s) for the benefit of the customer up to the total SDCP Electricity Charges paid by the customer shall not be carried forward to the start of a new Relevant Period; rather, the unused Electricity Export Credits shall be zeroed out and a new Relevant Period will commence.

c. Net Surplus Compensation ("NSC"): SDCP will determine at the time of Annual True Up whether each customer has produced Net Surplus Electricity over the course of the Relevant Period. If a customer has produced Net Surplus Electricity, then SDCP shall credit such customer an amount that is equal to the monthly Net Surplus Compensation rate per kWh, as defined in Section e.i.c.1, multiplied by the quantity of Net Surplus Electricity produced by the customer during the Relevant Period, consistent with SDCP's Annual Cash Out practice in Section F.ii below. The SDCP NSC Rate is posted to SDCP's website and updated monthly.[12]

   1. SDCP's NSC Rate is equal to the applicable monthly SDG&E's NSC, which is defined by the CPUC as "a simple rolling average of each utility's Default Load Aggregation Point ("DLAP") price from 7 a.m. to 5 p.m.", and "calculated monthly based on the hourly day-ahead electricity market price at each utility's DLAP price published on the California Independent System Operator ("CAISO") Open Access Same-Time Information System ("OASIS"), and ending the twentieth day of each month[13]", of the customer true up month plus

[12] SDCP Net Energy Metering (NEM) - https://sdcommunitypower.org/programs/net-energy-metering/

[13] CPUC Decision 11-06-016 https://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/137431.pdf

$0.0075/kWh.

ii) *SDCP Annual Cash Out:* At the end of each customer's relevant period, any current customer who has a combined Refundable EEC and Net Surplus Compensation value of $100 or more that exceeds any outstanding Electricity Charges, will be sent a payment by check via United States Postal Service Mail to the customer's U.S. mailing address on file at the time of mailing for the credit balance on their account, as determined through SDCP's Annual True Up process as specified in this section c(i), above. Customers receiving direct payment will have an equivalent amount removed from their NBT account balance at the time of check issuance. In the event that customers have a combined Refundable EEC and Net Surplus Compensation value that does not exceed $100, such credit balances will be carried forward into the subsequent Relevant Period(s) to offset future SDCP Electricity Charges as a Rollover. All NBT accounts will be reset to zero kWh annually as of the customer's next monthly billing cycle and the only NBT credits carried forward on the customer's account will be the combined Refundable EEC and Net Surplus Compensation credit balances less than $100.

Payments will be released up to 60 days after true up billing. Checks will expire 90 calendar days after issuance. If checks expire, customers may request the reissuance of a check and SDCP will make a reasonable effort to reissue the check within 30 days of a customer's request.

iii) *SDCP Cash Out for Terminations:* Customers who close their electric account through SDG&E, opt out of SDCP and return to bundled service, or move outside of the SDCP service area prior to the end of their relevant period, shall be trued up according to SDCP's Annual True Up Process. If applicable, the customer shall receive a refund payment by check via United States Postal Service mail to the customer's U.S. mailing address on file within 60-90 days after final billing to allow for any usage revisions and/or any adjustments from SDG&E for any Export Electricity Credits on their account that exceed outstanding Electricity Charges at the time of true up, up to the total amount of Electricity Charges paid by the customer during the Relevant Period along with Net Surplus Compensation if they are determined to have produced Net Surplus Electricity.

Checks will expire 90 calendar days after issuance. If checks expire or are returned to SDCP, customers may request the one-time reissuance of a check and SDCP will make a reasonable effort to reissue the check within 30 days of a customer's request. If the customer did not produce Net Surplus Electricity, as measured in kWh, they will not receive a direct payment. After one year, the funds will be considered unclaimed property and turned over to the California State Controller's Office.

SDCP reserves the right to work with customers on a case-by-case basis to transfer Net Surplus Electricity credits.

SDG&E NBT PROGRAM: Customers are subject to all applicable terms and conditions and billing procedures of SDG&E for SDG&E charges as described in SDG&E's Schedule NBT (with the exception of SDCP OAS charges, which are described in SDCP's rate schedules). SDCP may amend this NBT Tariff to align with SDG&E Schedule NBT following CPUC approval of the SDG&E Schedule NBT and any future amendments to the SDG&E Schedule NBT. SDCP calculates and applies generation charges and credits on a monthly basis. SDG&E will continue to calculate and apply charges and credits for delivery, transmission, and other services as detailed in SDG&E's NBT Rate Schedule, and SDCP credits cannot be applied to any SDG&E charges.

Please review the SDG&E Schedule NBT[14] for more information.

RETURN TO SDG&E BUNDLED SERVICE: SDCP customers participating in the SDCP NBT Program may opt out and enroll in SDG&E's bundled service, subject to any applicable restrictions imposed by SDG&E. Customers who opt out of SDCP service are subject to SDG&E Schedule NBT.

SDCP will perform a true up of the customer's account in accordance with Section (d)(iii) at the time of return to SDG&E bundled service, and customers will be subject to SDG&E's then current rates, terms and conditions of service at the time of enrollment in SDG&E bundled service.

For details concerning opting out of SDCP service, please contact SDCP Customer Service by phone at 888-382-0169 or via email at customerservice@sdcommunitypower.org.

MISCELLANEOUS: The Chief Executive Officer ("CEO") of SDCP or their designee may, in their discretion, reserve the right to work with customers on a case-by-case basis to transfer NEM and NSC credits and/or otherwise deviate from the process specified in this policy for reasons including but not limited to cases of unforeseeable events, inconsistent receivable data from SDG&E, exigent circumstances, SDG&E bill presentment limitations or customer hardship.

[14] See https://www.sdge.com/solar/solar-billing-plan

SAN DIEGO COMMUNITY POWER
Staff Report – Item 5

To: San Diego Community Power Financial and Risk Management Committee

From: Nelson Lomeli, Program Manager
Lucas Utouh, Director of Data Analytics & Account Services

Via: Karin Burns, Chief Executive Officer

Subject: Update on the existing Net Energy Metering (NEM) Policy

Date: October 19, 2023

RECOMMENDATION

Receive and file the update on existing Net Energy Metering (NEM) policy.

BACKGROUND

What is Net Energy Metering and How Does it Work?

Net Energy Metering ("NEM") is a statewide program available to customers that install an onsite renewable energy generation system, like rooftop solar. This program allows customers to reduce their electricity consumption and bills.

NEM allows customers who generate their own energy ("customer-generators") to serve their energy needs directly onsite and to receive a financial credit on their electric bills for any surplus energy fed back to their utility. In technical terms, the excess energy is paid at the customer's otherwise applicable rate schedule and time-of-use period. This credit is reflected as a negative number on the bill.

> *For example: if a commercial customer is on the time metered small general service rate schedule, A-TOU, and they are generating and exporting electricity in the summer during the 12:00 PM – 4:00 PM timeframe, every kWh of electricity exported would be paid at $0.2205 (the A-TOU rate for that time of use period).*

Every billing period, the utility determines how much electricity was exported and how much electricity was consumed at each time-of-use period. If the generation credits exceed the usage consumption charges, a customer receives a credit on their bill which will be applied to future usage costs within the relevant period. If a customer's consumption charges exceed the generation credits, a consumption charge is applied on the bill.

True Up and Billing

Over the course of 12 months, a period commonly referred to as the Relevant Period, the utility tracks how many generation credits or consumption charges a customer accrues each month and banks them. At the end of the 12 months, the utility engages in a reconciliation process called true up where all credits, charges, minimum bill payments, and any adjustments are summed. If the customer has more consumption charges than generation credits, the customer is sent a bill for the outstanding charges. However, if the customer has more generation credits than consumption charges, the customer does not owe anything, the credits are zeroed out, and their net usage is re-set or trued up.

During the Net Usage true up process, the utility also determines how much net kWh electricity was either exported or consumed during the 12 months. They sum up all the monthly net generation kWh and monthly net consumption kWh to determine a final net kWh amount for the year. If the customer was a net consumer *(i.e., they consumed more electricity from the utility than they exported and thus ended up with net positive (+) kWh)* the customer does not receive any compensation. However, if the customer was a net generator *(i.e., they exported more electricity than they consumed in the year and thus ended up with net negative (-) kWh)* they will then get compensated using the utility's applicable monthly Net Surplus Compensation (NSC) rate.

Net Surplus Compensation:

When a customer exports more electricity to the grid than they consumed during the relevant period, the customer is eligible to receive compensation. The amount of compensation is determined based on the utility's applicable monthly Net Surplus Compensation (NSC) Rate, which varies every month and is based on the wholesale prices of electricity. The California Public Utilities Commission defines it as a rolling average based on the utility's Default Load Aggregation Point (DLAP) price from 7 a.m. to 5 p.m. multiplied by the annual net usage exported by the customer. For the month of October 2023, SDG&E's NSC rate is $0.04591/kWh.

> *Example:*
> *Annual net generation = -450 kWh*
> *October 2023 Net Surplus Compensation Rate = $0.04591 per kWh*
> *Total Compensation = $20.70*

ANALYSIS AND DISCUSSION

Over the last several months, Staff undertook a significant analysis to broadly evaluate how SDCP compensates customers for the on-site generation of energy. The analysis included 1) consideration for enhancements to the current SDCP NEM policy by removing the Net Surplus Compensation (NSC) cap, 2) consideration to incentivize customers to install new on-site generation that aligns compensation with the needs of the grid (i.e. NBT), and 3) potential programs designed to incentivize the pairing of storage with new on-site installations to support grid resilience. Comprehensively, Staff believes this package of recommended actions would result in the most customer-centric, progressive on-site generation compensation strategy in the State. The strategy carefully balances multiple priorities including supporting the local San Diego solar and storage industry, increasing access to distributed energy resources to Communities of Concern and low-income customers, an increasing statewide focus on grid resilience, customer fairness, and financial prudence for the agency.

This agenda item is focused on the consideration to enhance the current SDCP NEM policy. Details on Net Billing Tariff are included in Agenda Item 6 of the October Community Advisory Committee meeting. Progress updates on a potential future solar-plus-storage incentive program will be brought to future Community Advisory Committee meetings.

Status of current NEM customers

Based on data from SDG&E as of 9/25/2023, SDCP is currently serving 152,173 NEM accounts. The table below captures the breakdown of NEM accounts currently being served across SDCP's service territory.

Jurisdiction	Number of Accounts	Percent
City of Imperial Beach	836	0.5%
City of La Mesa	4,392	2.9%
City of Encinitas	5,894	3.9%
City of Chula Vista	18,792	12.3%
City of San Diego	90,559	59.5%
County of San Diego	30,846	20.3%
City of National City	854	0.6%
Total	**152,173**	

**Please note that SDCP is currently still enrolling approximately 5,000 NEM accounts a month until March 2024 as part of Phase 4 customer enrollment in National City and Unincorporated County of San Diego.*

The vast majority of NEM accounts (~98%) are residential with commercial, agricultural and industrial customers making up the remaining ~2%.

Customer Type	Number of Accounts	Percent
Non-residential	2,796	2.0%
Residential	149,377	98.0%
Total	**152,173**	

Customers enrolled in the California Alternative Rates for Energy (CARE) program or the Family Electric Rate Assistance (FERA) program, which provides discounted rates, make up 12% of NEM accounts.

A look-back analysis conducted for usage on our NEM customers in 2022 determined that 35% of our NEM accounts are net generators with an average excess generation production of 2,122 kWh per a12-month relevant period.

Background on the existing NEM Tariff Policy

The Board of Directors approved SDCP's original Net Energy Metering Program in December of 2020. As part of the original Net Energy Metering Program, staff provided great details around the mechanics of how SDCP's NEM program was going to be set up and with the goal of offering a very progressive but financially prudent NEM program, updates were brought to the Board in May 2021 before the commencement of Phase 2 mass enrollment for Commercial customers in June 2021. With the May 2021 update that the Board approved, staff recommended adoption of a Net Surplus Compensation (NSC) rate that is set to match SDG&E's monthly NSC Rate with a $0.0075/kWh adder along with establishing an SDCP Net Surplus Compensation limit of $2,500 per account per relevant period to protect SDCP and limit the financial risk. This meant that individual NEM customers would not receive more than $2,500 in compensation for excess net generation per NEM account. As part of the due diligence then, staff evaluated the compensation limits of other CCAs and found most had a $5,000 per account per year limit. Staff recommended a $2,500 per account per relevant period compensation limit due to the significantly larger number of NEM accounts served by SDCP and the growing number of rooftop solar installations in our area. This compensation limit offered protection to SDCP from volatile wholesale market prices and therefore volatile NSC rates especially at a time when we were launching service to customers for the first time and did not have any reserves.

As part of the May 2021 NEM program update, staff also recommended that the Board standardize NEM settlement and billing for all customer classes to a monthly process but offer yearly settlement and billing as an option for customers that wish to enroll into that option.

The monthly settlement and billing method allows customers that are net consumers (65% of our NEM accounts) to pay smaller monthly statements instead of one large bill for an entire year's worth of usage charges. This avoids the bill shock that net consumers can experience when they get their true up bill and will reduce the potential risk of NEM customers opting out due to the misconception of SDCP increasing their bills.

Overview of the latest staff recommended changes to the NEM Program/Tariff policy as of October 2023

With the growth of SDCP service in our region and experience gained in serving NEM customers over the past 2 years, staff has received a great deal of meaningful feedback from stakeholders in the region with regards to how best to improve the customer experience of both net consumers and net generators at the time of their annual true up.

Staff has heard from NEM customers that the transition of their electric generation service to SDCP at the conclusion of their relevant period with SDG&E has been appreciated, as this process ensures minimal inadvertent impacts to any accrued generation credits under SDG&E's bundled service and reduces customer confusion.

Customers have also provided overwhelming feedback to staff that the default monthly billing and settlement option (which was intended to assist the majority of NEM customers who end up as net consumers at the end of the relevant period to avoid large true up bills) may at times not be beneficial in terms of a customer's ability to accrue credits and offset their charges accordingly had they been in an annual billing and settlement option.

NEM customers have also voiced their dislike of the $2,500 Net Surplus Compensation (NSC) limit for net generators per account per relevant period especially as it relates to SDCP's commitment and strategic goal to source and promote local renewable power. It should be noted that SDG&E's bundled NEM program/tariff does not have any Net Surplus Compensation (NSC) limit for net generators.

With our customers being the cornerstone of everything we do here at SDCP along with our commitment and strategic goal to strongly source and promote local renewable power, staff will be recommending that the Board should review and approve two critical updates to our existing NEM program/tariff:

1. Removal of the $2,500 Net Surplus Compensation (NSC) limit per account per relevant period. At the end of each customer's relevant period, any current NEM customer who is a net generator with an accrued Net Surplus Compensation equal to or greater than $100, as determined during the applicable true up process, will be sent a direct payment by check to the customer's mailing address on file.
2. Adoption of a NEM Generation Credit Refund whereby at the time of the annual true up, if a customer on SDCP's default monthly settlement and billing option has accumulated any NEM generation credits in excess of any charges accrued over the relevant period, those NEM generation credits will be carried over as a bill credit for use in the subsequent relevant period(s) for the benefit of the customer up to the total SDCP charges assessed and/or paid on the NEM account during the Relevant Period being trued up.

Attachment A shows the proposed changes to the NEM Tariff Policy in redline for ease of tracking should the Board adopt Staff's recommendation.

AD-HOC COMMITTEE AND/OR SUBCOMITTEE REVIEW

N/A

FISCAL IMPACT

Using February 2023 SDG&E's NSC of $0.14538/kWh (the highest NSC observed in the last decade) plus the $0.0075/kWh adder and the look-back usage from 2022, staff estimates approximately $1.1 million in incremental Net Surplus Compensation; whereas looking at the 5-year average of SDG&E's NSC of $0.04138/kWh plus our adder, staff estimates approximately $228,104 in incremental Net Surplus Compensation.

Actual compensation amount will vary depending on several factors including, number of NEM accounts, number of NEM accounts that are net generators, amount of electricity net generated, wholesale prices of electricity, month of true up, customer system size, customer behavior, and weather.

ATTACHMENTS

Attachment A: NEM Program Policy Upd. 10-26-2023

Policy Title Net Energy Metering ~~Program~~ Tariff Policy

Effective Date Original: 12/17/2020
Revision 1: 5/27/2021
Revision 2: 10/26/2023

Net Energy Metering ~~Program~~ Tariff Policy

A. PURPOSE

The p~~P~~urpose of this Net Energy Metering (NEM) ~~Program~~ Tariff Policy (Policy) is to provide a process for how Net Energy Metering (“NEM) ~~(commonly referred to as rooftop solar~~) customers are enrolled into ~~with~~and served by San Diego Community Power (SDCP).

B. APPLICABILITY

Customers enrolled in San Diego Gas & Electric’s (SDG&E) Net Energy Metering Program (SDG&E NEM) or those who submitted a complete interconnection agreement ~~-~~to SDG&E prior to April 15, 2023 that has been approved who have not opted out of SDCP service, will be automatically enrolled in SDCP’s NEM ~~Program~~tariff. Phase-in will occur as stated in Section D below. The ~~Program~~ tariff is applicable ~~for~~ to all NEM customers who install and use a Renewable Electrical Generation Facility ~~(e.g., rooftop solar)~~ as defined by and eligible under SDG&E’s Schedule NEM – Net Energy Metering tariff (i.e., NEM 1.0) or ~~successor~~ SDG&E’s Successor NEM tariff (i.e., NEM 2.0), which may be amended or replaced by SDG&E from time to time. A customer’s eligible Renewable Electrical Generation Facility must fall within the capacity limits described in SDG&E’s Schedule NEM or Successor NEM and must be located on the customer’s owned, leased, or rented premises, must be interconnected and operated in parallel with SDG&E’s transmission and distribution systems, and must be intended primarily to offset part or all of the customer’s own electrical requirements.

This ~~rate schedule~~ tariff ~~will~~ shall be available ~~on a first-come, first-served basis to~~ to~~-~~customers that provide SDG&E with a completed SDG&E NEM application and comply with all SDG&E NEM requirements as described in SDG&E’s Schedule NEM or ~~s~~Successor NEM tariff. This includes, but is not limited to, customers served by NEM-V (Virtual Net Energy Metering), VNM-A (Virtual Net Energy Metering for Multifamily Affordable Housing), VNEM-SOMAH (Virtual Net Energy Metering - Solar on Multifamily Affordable Housing) and Multiple Tariff facilities as described by SDG&E’s Schedule NEM.

This tariff is not applicable to customers taking service under SDG&E's Net Billing Tariff/Solar Billing Plan.

C. TERRITORY

SDCP service area.

D. ~~INITIAL~~ PHASE-IN

SDCP phased its NEM customers into service on a monthly basis primarily starting ~~in~~ in Phase 3 of customer enrollment which commenced in 2022. The transition into SDCP’s service~~-~~ occurs at the conclusion of a NEM customer’s relevant period with SDG&E. This approach is to minimize any impacts from when the SDG&E NEM customers' true ups occur and when SDCP's service begins.

E. RATES

All rates charged under this schedule will be in accordance with the customer's otherwise applicable SDCP rate schedule (OAS). A customer served under this schedule is responsible for all charges from its OAS, including monthly minimum charges, customer charges, meter charges, facilities charges, demand charges and surcharges, and all other charges owed to SDCP or SDG&E. Charges for energy (kWh) supplied by SDCP will be based on the net metered usage in accordance with this tariff.

F. BILLING

1. Net Consumer and Net Generator: "Net Consumer" is defined as a customer having overall positive usage during a specific billing cycle ~~cycle~~ as measured in kilowatt-hours (kWh). "Net Generator" is defined as a customer having overall negative usage during a specific billing cycle as measured in kWh.
2. For a customer with Non-Time of Use (TOU) Rates: If the customer is a "Net Consumer," the customer will be billed in accordance with the customer's OAS. If the customer is a "Net Generator," any net energy production shall be valued in accordance ~~of~~with the customer's OAS. The calculated value of any net energy production shall be credited to the customer according to the OAS.
3. For a customer with TOU Rates: If the customer is a Net Consumer during any discrete TOU period reflected within a specific billing cycle, the net kWh consumed during such TOU period shall be billed in accordance with applicable TOU period-specific rates / charges, as described in the customer's OAS. If the customer is a Net Generator during any discrete TOU period reflected within a specific billing cycle, any net energy production shall be valued in consideration of the customer's OAS. The calculated value of such net energy production shall be credited to the customer according to the OAS.
4. Monthly Settlement and Billing:

    a. -All NEM customers will receive a statement in their monthly SDG&E bill indicating any accrued charges for electric energy usage during the current billing cycle. These charges are due and payable on a monthly basis, in accordance with the OAS. A customer who has accrued credits during previous billing cycles will see such credits applied against currently applicable charges, reducing otherwise applicable charges by an equivalent amount to such credits. Any remaining balance reflected on each customer's billing statement shall be carried forward to subsequent billing cycle(s) until either excess credit is sufficient to satisfy the charges or an account true -up is performed. When a customer's net energy production results in an accrued credit balance in excess of currently applicable charges, the value of any net energy production during the billing cycle (in excess of currently applicable charges) shall be valued at the OAS and noted on the customer's bill, including the quantity of any surplus NEM production (measured in kWh), and carried over as a bill credit for use in a subsequent billing cycle(s).

    ~~a.~~ NEM Generation Credit Refund: At the time of the a~~A~~nnual t~~T~~rue u~~-U~~p, if ~~the~~ a customer on SDCP’s default monthly settlement and billing option has accumulated any NEM generation credits in excess of any currently outstanding charges, those NEM generation credits will be ~~refunded~~carried over as a bill credit for use in the subsequent Relevant Period(s) ~~to the~~for the benefit of the customer up to the total SDCP charges assessed and/or paid ~~by the customer~~ on the NEM account during the Relevant Period being trued up.

~~4.~~5. Optional Yearly Settlement and Billing: ~~Residential and Non-residential customers, as determined by their OAS,~~ NEM customers may elect to receive yearly settlement and billing by notifying SDCP. Customers electing a yearly settlement and billing option will receive a statement in their monthly SDG&E bill indicating any accrued SDCP charges or credits for electric energy usage or generation during the current billing cycle. Charges are not due and payable; rather, the charges or credits are calculated in accordance with the OAS and tracked over the course of the relevant period. At the end of the relevant period, any accrued charges in excess of generation credits are due and payable on the next bill. If at the end of the relevant period a customer has produced net surplus energy, defined as energy generated and exported to the grid in excess of energy consumed by the customer, as measured in kWh~~excess generation credits~~, the customer will be paid out in accordance with the SDCP True-up & Cash-Out Process set forth at Section 6~~5~~.

~~5.~~6. SDCP True-Up & Cash-Out Processes.

a. *True-Up*: At the end of each NEM customer’s relevant period, SDCP will determine whether or not each customer has produced net surplus energy, defined as energy generated and exported to the grid in excess of energy consumed by the customer, as measured in kWh, over the most recent 12 billing cycles, or the period of time extending from the customer’s commencement of participation in SDCP’s NEM program through the end of their 12-month relevant period, whichever is shorter (the “True-Up Period”). If the customer has not produced net surplus energy at the end of the applicable relevant period during the True-Up Period, all NEM credits, if any, generated through participation in SDCP’s NEM program in excess of currently applicable SDCP charges shall be set to zero and any remaining balance will be due and payable.

However, if a customer has produced net surplus energy during their True-Up Period, then SDCP shall compensate such customer at a Net Surplus Compensation (NSC) amount equal to the SDCP NSC Rate per kWh, as defined in section 6.b, multiplied by the quantity of net surplus energy produced by the customer during the True-Up Period, consistent with SDCP’s cash-out practice.

b. *“SDCP’s NSC Rate”* is defined as and equal to the monthly SDG&E’s NSC, which is defined by the California Public Utilities Commission as “a simple rolling average of each utility’s Default Load Aggregation Point (DLAP) price from 7 a.m. to 5 p.m.”, and “calculated monthly based on the hourly day-ahead electricity market price at each utility’s DLAP price published on the California Independent System Operator (CAISO) Open Access Same-Time Information System (OASIS,) and ending the twentieth day of each month”, of the customer true-up month plus $0.0075/kWh.

c. *Cash-Out and Payment*: At the end of each customer’s relevant period, any current NEM customer who is a net generator with an accrued N~~n~~et S~~s~~urplus C~~c~~ompensation equal to or greater than $100, as determined during the applicable true ~~-~~up process, will be sent a direct payment by check~~, up to $2,500~~ per account per relevant period. Net S~~s~~urplus C~~c~~ompensation less than $100 will be rolled over into the next relevant period and used to offset future charges. In either scenario, customers will have an equivalent credit removed from their NEM account balance at the time of check issuance or roll-over. All NEM accounts will be reset to zero kWh upon true ~~-~~up.

Payments will be released up to ~~30~~ 60 days after true ~~-~~up billing. Checks will expire 90 days after issuance. If checks expire or are returned to SDCP, customers may request the one-time reissuance of a check and SDCP will make a reasonable effort to reissue the check within 30 days of a customer's request.

d. *Aggregated NEM:* Pursuant to California Public Utilities Code section 2827(h)(4)(B), aggregated NEM customers are "permanently ineligible to receive net surplus electricity compensation." Therefore, any excess accrued credits over the course of a year under an aggregated NEM account are ineligible for SDCP's Cash ~~-~~Out as described in Section 5. All other NEM rules apply to aggregated NEM accounts.

G. ACCOUNT CLOSURES

Customers who close their electric account through SDG&E, opt out of SDCP and return to bundled service, or move outside of the SDCP service area prior to the end of their relevant period will be trued up according to SDCP's NEM policy. Customers that have produced net surplus energy, will be paid out in accordance with the SDCP true ~~-~~up & cash ~~-~~out processes. Payments will be released within 60-90 days~~30 days~~ after final billing to allow for any usage revisions and/or adjustments from SDG&E. Checks will expire 90 days after issuance. If checks expire or are returned to SDCP, customers may request the one-time reissuance of a check and SDCP will make a reasonable effort to reissue the check within 30 days of a customer's request. If customer did not produce net surplus energy, as measured in kWh, they will not receive a direct payment.

SDCP reserves the right to work with customers on a case-by-case basis to transfer NEM credits. ~~and/or otherwise deviate from the process specified in this policy for reasons including but not limited to cases of unforeseeable events, inconsistent receivable data from SDG&E, exigent circumstances, SDG&E bill presentment limitations or customer hardship.s.~~

H. SDG&E NEM SERVICES

Customers are subject to the conditions and billing procedures of SDG&E for services outside of electric generation~~their non-generation services~~, as described in SDG&E's applicable NEM tariffs and options addressing NEM service. Customers should be advised that while SDCP may settle out balances for generation on a monthly basis, SDG&E will continue to assess charges for delivery, transmission, and other services they provide. Customers are encouraged to review SDG&E's most up-to-date NEM tariffs, which are available at www.sdge.com.

I. RETURN TO SDG&E BUNDLED SERVICE

Customers with NEM service may opt ~~-~~out and return to SDG&E bundled service at any time. SDCP will perform a true ~~-~~up of the customer's account in accordance with Section 6~~5~~, at the time of return to SDG&E bundled service, and customers will be subject to SDG&E's

then current rates, terms and conditions of service. For details, please visit www.sdge.com.

J. MISCELLANEOUS

The Chief Executive Officer (CEO) of SDCP or their designee may, in their discretion, reserve the right to work with customers on a case-by-case basis to transfer NEM and NSC credits and/or otherwise deviate from the process specified in this policy for reasons including but not limited to cases of unforeseeable events, inconsistent receivable data from SDG&E, exigent circumstances, SDG&E bill presentment limitations or customer hardship.