AGENDA

Regular Meeting of the Board of Directors of San Diego Community Power (SDCP)

June 24, 2021

5:00 p.m.

Due to the public health orders and guidelines in California and in accordance with the Governor's Executive Orders N-08-21, there will be no location for in-person attendance. SDCP is providing alternatives to in-person attendance for viewing and participating in the meeting. Further details are below.

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

1. Providing Oral Comments During Meeting. To provide 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 form). Indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the Board 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 Board members in writing, and be part of the public record.

If you have anything that you wish to be distributed to the Board, please provide it via info@sdcommunitypower.org and it will be distributed to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar

https://zoom.us/j/94794075133

Telephone (Audio Only)

(669) 900-6833 or (346) 248-7799 | Webinar ID: 947 9407 5133

Welcome

Call to Order

Pledge of Allegiance

Roll Call

Items to be Added, Withdrawn, or Reordered on the Agenda

Public Comments
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 use the web form noted above to provide a comment or request to speak.

Consent Calendar
All matters are approved by one motion without discussion unless a member of the Board of Directors requests a specific item to be removed from the Consent Agenda for discussion. A member of the public may use the web form noted above to comment on any item on the Consent Calendar.

1. **Approval of Cooperation and Administrative Services Agreement with the City of Encinitas for Continued SDCP Human Resources Services**

   Recommendation: Approve Cooperation and Administrative Services Agreement with the City of Encinitas (City) for continued SDCP human resources services retroactive to January 1, 2021, in substantially the form attached hereto, with such changes as are approved by the Interim Chief Executive Officer and reviewed and approved as to form by General Counsel, and authorize the Interim Chief Executive Officer to execute the Agreement.

2. **Treasurer's Report – Financial Results for 2020/21 Period ended 4/30/21**

<u>REGULAR AGENDA</u>

The following items call for discussion or action by the Board of Directors. The Board may discuss and/or take action on any item listed below if the Board is so inclined.

3. **Operations and Administration Report from the Interim Chief Executive Officer**

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

   - Western Community Energy Bankruptcy Update – Bill Carnahan and Byron Vosburg
   - Offices, Reopening Update, and Summer Break – Bill Carnahan and Cody Hooven
   - Strategic Planning – Bill Carnahan
   - Staffing – Byron Vosburg
   - Power Resources – Byron Vosburg
   - Back Office Operations – Lucas Utouh

4. **Update on Regulatory and Legislative Affairs**

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

5. **Review and Provide Direction to Staff on Update of Analysis of County Membership**

   Recommendation: Approve analysis to move forward with the County membership

6. **Review and Approve Policy for Adding New Members to SDCP**

   Recommendation:

   A. Review and approve the New Member Policy
   B. Provide direction to staff to return to the Board with minor modifications to the Joint Powers Authority (JPA) Agreement that reflect the potential for new members

7. **Review and Approve FY21 Financial Audit Preparation**

   Recommendation: Approve the Professional Services Agreement with auditor Pisenti & Brinker, LLP for a 1 year term with two 1 year renewal options, fees of $21,000/year (not-to-exceed $63,000 total), and authorize the Interim Chief Executive Officer or his designee to execute the agreement.

8. **Review and Approve FY22 Budget**

   Recommendation: Review and approve the FY 2022 Budget

9. **Review and Approve Financial Reserves Policy**

   Recommendation: Review and approve the Financial Reserves Policy

10. **Review and Adopt a Resolution for a Retirement Plan**

    Recommendation:

    A. Approve Plan Advice and Consulting Program Services Agreements with PWA Financial for 457(b) and 401(a) Plans.
    B. Approve Service Agreement for Plan Administration with Benefit Resources Inc. for third-party administrator services associated with the 457(b) and 401(a) Plans.
    C. Approve the agreements associated with the retirement plan with Empower Retirement for recordkeeping services associated with the 457(b) and 401(a) Plans.
    D. Authorize the Interim Chief Executive Officer or his designee to execute the approved agreements and plan documents, with such changes as are approved by the Interim Chief Executive Officer and approved as to form by the General Counsel.
    E. Authorize the Interim Chief Executive Officer or his designee to sign and file such other documents as are necessary to establish the approved plans.

Director Comments
Board Members may briefly provide information to other members of the Board and the public, ask questions of staff, request an item to be placed on a future agenda, or report on conferences, events, or activities related to SDCP business. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

Reports by Management and General Counsel
SDCP Management and General Counsel may briefly provide information to the Board and the public. The Board may engage in discussion if the specific subject matter of the report is identified below, but the Board may not take any action other than to place the matter on a future agenda. Otherwise, there is to be no discussion or action taken unless authorized by law.

ADJOURNMENT

Compliance with the Americans with Disabilities Act

SDCP Board of Directors meetings comply with the protections and prohibitions of the Americans with Disabilities Act. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact (888) 382-0169 or info@sdcommunitypower.org. Requests for disability-related modifications or accommodations require different lead times and should be provided at least 72-hours in advance of the public meeting.

Availability of Board Documents

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. Previously, public records were available for inspection at the City of San Diego Sustainability Department, located at 1200 Third Ave., Suite 1800, San Diego, CA 92101. However, due to the Governor's Executive Orders N-25-20 and N-29-20 and the need for social distancing, in-person inspection is now suspended. Public records, including agenda-related documents, can instead be requested electronically at info@sdcommunitypower.org or by mail to SDCP, 815 E Street, Suite 12716, San Diego, CA 92112. The documents may also be posted at the above website.

SAN DIEGO COMMUNITY POWER
Staff Report – Item 1

To: San Diego Community Power Board of Directors

From: Bill Carnahan, Interim Chief Executive Officer

Subject: Approval of Cooperation and Administrative Services Agreement with the City of Encinitas for Continued SDCP Human Resources Services

Date: June 24, 2021

RECOMMENDATION
Approve Cooperation and Administrative Services Agreement with the City of Encinitas (City) for continued SDCP human resources services retroactive to January 1, 2021, in substantially the form attached hereto, with such changes as are approved by the Interim Chief Executive Officer and reviewed and approved as to form by General Counsel, and authorize the Interim Chief Executive Officer to execute the Agreement.

BACKGROUND
Section 7.3.2 of SDCP's JPA Agreement acknowledges that its Member Agencies may provide/fund certain activities necessary for the operations of SDCP, and that reimbursement shall occur to the Member Agencies for such costs pursuant to the execution of an agreement specifying the services provided and their related costs.

At the June 25, 2020 regular meeting of the SDCP Board of Directors, approval was given to enter into the initial Cooperation and Administrative Services Agreement with the City. The term of that agreement was from May 1, 2020 to December 31, 2020.

ANALYSIS AND DISCUSSION
Since approval of the initial Cooperation and Administrative Services with the City in June 2020, valuable human resources services have been provided to SDCP by Tom Bokosky, Director of Human Resources for the City of Encinitas. He has assisted with retirement planning, hiring of staff, and other administrative needs as requested by Mr. Carnahan and Ms. Hooven.

The initial agreement had a fixed end date of December 31, 2020. Staff recommends approving an updated Agreement with the City that removes the fixed end date and sets a retroactive start date to January 1, 2021. The agreement includes a provision that allows either the City or SDCP to terminate the agreement upon 60 days' prior notice.

COMMITTEE REVIEW

No committee review was conducted for this item.

FISCAL IMPACT

The fiscal impact will depend on the human resource needs of SDCP as it continues to increase staff and pursue other needs. The Agreement allows SDCP to continue to rely on City services until such time as it can finance its own operations and hire staff to perform the necessary services, while ensuring that a framework is in place to structure the reimbursement process of City services provided to SDCP.

ATTACHMENTS

Attachment A: SDCP and City of Encinitas Cooperation and Administrative Services Agreement.

COOPERATION AND ADMINISTRATIVE SERVICES AGREEMENT

THIS COOPERATION AND ADMINISTRATIVE SERVICES AGREEMENT (this "**Agreement**") is entered into as of _________________, 2021, by and between SAN DIEGO COMMUNITY POWER ("**SDCP**") and the CITY OF ENCINITAS (the "**City**") and shall become effective upon the terms set forth herein. SDCP and the City are sometimes referred to in this Agreement individually as a "**Party**," or collectively as "**Parties**."

Recitals

A. The City Council of the City of Encinitas, by Ordinance No. 2019-18 adopted on September 18, 2019, and the City Council of the City of San Diego, by Ordinance No. 21133, adopted on October 1 2019, and the City Council of the City of Chula Vista, by Ordinance No. 3463, adopted on September 24, 2019, and the City Council of the City of La Mesa, by Ordinance No. 2019-2871, adopted on September 10, 2019, and the City Council of the City of Imperial Beach, by Ordinance No. 2019-1187, adopted on October 2, 2019 (collectively, the "**Founding Members**") authorized the implementation of a Community Choice Aggregation Program through a Community Choice Energy Program ("**CCE Program**") to be operated by the San Diego Regional Community Choice Energy Authority ("**SDRCCEA**"), pursuant to California Public Utilities Code Section 366.2(c)(12).

B. The City Council of the City of Encinitas, by Resolution No. 2019-80, adopted on September 11, 2019, and the City Council of the City of San Diego, by Resolution No. 312666, adopted on September 20, 2019, and the City Council of the City of Chula Vista, by Resolution No. 2019-179, adopted on September 10, 2019, and the City Council of the City of La Mesa, by Resolution No. 2019-088 adopted on September 10, 2019, and the City Council of the City of Imperial Beach, by Resolution No. 2019-8087, adopted on September 18, 2019, authorized each city, respectively, to enter into a Joint Powers Agreement Relating to and Creating the San Diego Regional Community Choice Energy Authority (the "**JPA Agreement**") pursuant to the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (the "**Act**").

C. The Board of Directors of the San Diego Regional Community Choice Energy Authority, by Resolution No. 2020-01, adopted on November 21, 2019, amended the JPA Agreement to change the name of SDRCCEA from "San Diego Regional Community Choice Energy Authority" to "San Diego Community Power."

D. Section 3.2.9 of the JPA Agreement authorizes SDCP to make and enter into contracts and accept loans or other aids from any federal, state or local public agency.

E. Section 3.2.13 of the JPA Agreement authorizes SDCP to make and enter into service agreements relating to the provision of services necessary to plan, implement, operate, and administer the CCE Program.

F. Section 7.3.2(b) of the JPA Agreement provides that SDCP shall reimburse Founding Members for their initial costs in supporting the implementation of SDCP pursuant to the execution of an agreement specifying the services provided and their related costs.

G. SDCP and the City previously entered into that certain Cooperation and Administrative Services Agreement dated June 25, 2020, the term of which was from May 1, 2020 through December 31, 2020.

H. SDCP and City desire to enter into this Agreement for the following purposes:

a. To set forth activities and services that the City has rendered and shall render for and make available to SDCP on and after January 1, 2021 in furtherance of the activities and functions of SDCP under the JPA Agreement and in furtherance of the CCE Program; and

b. To provide that SDCP shall reimburse the City for past and future actions undertaken, and costs and expenses incurred by the City for and on behalf of SDCP.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereto agree as follows:

1. The City agrees to provide for SDCP such staff assistance, supplies, technical services and other services and facilities of the City as SDCP may request from time to time in carrying out its functions under the JPA Agreement and in furtherance of the CCE Program. Such assistance and services shall include, but not be limited to, human resources services. These services may be provided by officers, employees, or special consultants or contractors of the City. The term of this Agreement shall begin on January 1, 2021 ("**Effective Date**") and shall continue in effect until terminated as provided in Section 12.

2. The City agrees to advance necessary funds to SDCP or expend funds on behalf of SDCP for the performance of services and assistance under this Agreement.

3. The City will keep records of activities and services undertaken pursuant to this Agreement and the costs thereof so that an accurate determination of SDCP's liability to the City can be made. The City shall provide a quarterly report to SDCP providing a breakdown of the costs and expenses incurred by the City in rendering activities and services of the City to or on behalf of SDCP pursuant to this Agreement, together with documentation satisfactory to SDCP of such costs. Such statement of costs may include the City's administrative and salary expense attributable to services of City officials, employees and departments rendered for SDCP.

4. SDCP agrees to reimburse the City for all costs incurred for services by the City pursuant to this Agreement, including costs incurred retroactive to the Effective Date, from and to the extent that funds are available to SDCP from charges to CCE customers receiving electric services from SDCP, seed funding received as part of its credit package, and/or from revenues from grants or other third-party sources; provided, however, that:

a. SDCP shall have the sole and exclusive right to pledge any such sources of funds to the repayment of other indebtedness incurred by SDCP in implementing the CCE Program;

b. Prior to seeking reimbursement from SDCP, the City shall first submit to the Founding Members a description of the types of costs, cost estimates, and interest for which it expects reimbursement, and shall meet and confer with the Founding Members in the development of its proposal(s) for reimbursement to SDCP.

The costs of the City under this Agreement will be shown on statements submitted to SDCP pursuant to Section 3 above. Although the Parties recognize that payment may not occur for a few years and that repayment may also occur over a period of time, it is the express intent of the Parties that the City shall be entitled to repayment of the expenses incurred by the City under this Agreement, consistent with SDCP's financial ability, in order to make the City whole as soon as practically possible and no later than the earlier of five (5) years after SDCP formation date or two (2) years after initial loans/lines of credit are repaid.

5. SDCP may enter into similar Cooperation and Administrative Services Agreements with one or more Founding Members that provide for reimbursement to the Founding Member City for any costs and funds advanced to or on behalf of SDCP by the Founding Member City; provided that this Agreement will have priority over any such agreement with another founding Member City for reimbursement entered into after the date of this Agreement.

6. The City shall be reimbursed for costs described in this Agreement incurred by City, to assist with funding of Initial Costs as referenced in Section 7.3.2(b) of the JPA Agreement. Said amount shall be deemed the initial amount owed by SDCP under this Agreement, and further costs incurred by the City, or funding provided to SDCP, pursuant to this Agreement shall be added to such amount, as incurred from time to time, and reimbursement shall include the interest rate set forth in Section 15 below.

7. The City agrees to perform all services required by this Agreement in a manner commensurate with the standards of a reasonable professional having knowledge and expertise in the services provided under this Agreement.

8. Under no circumstances shall the employees of City be considered employees of SDCP, nor shall employees of SDCP be considered employees of the City. The City shall be solely responsible and liable for paying all compensation and benefits owed to its employees for the services provided by the City under this Agreement.

9. SDCP is organized as a Joint Powers Authority in accordance with the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) pursuant to the JPA Agreement, and is a public entity separate from its constituent members. SDCP shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement. The City shall have no rights and shall not make any claims, take any actions or assert any remedies against any of SDCP's constituent members in connection with this Agreement.

10. Each party shall defend, indemnify and hold harmless the other party (including its officers, employees and agents) against any claim, loss or liability arising out of the performance of this Agreement by such party. Nothing contained herein shall be construed as a waiver of any immunities or defenses that a party may have under applicable provisions of the law, including the provisions of the California Tort Claims Act (Government Code Section 801 et seq.). This mutual indemnification agreement is adopted pursuant to Government Code Section 895.4 and in lieu of and notwithstanding the pro rata risk allocation which might otherwise be imposed between the parties pursuant to Government Code Section 895.6. This provision shall survive expiration or termination of this Agreement.

11. The City shall make all documentation and records concerning all services performed under this Agreement available to SDCP for inspection and copying at any reasonable time. The City shall maintain such records for a period of three (3) years following completion of work hereunder.

12. Either party may terminate this Agreement by providing no less than sixty (60) calendar days written notice to the other party. SDCP shall pay the City for services performed up to the effective date of termination; provided, however, that the terms and conditions set forth in Sections 4 and 6 of this Agreement shall continue in effect following such termination until all amounts due and owing the City hereunder have been repaid in full.

13. In the event of termination, the City, within thirty (30) calendar days following the date of termination, shall deliver to the authority all records and work products generated by the City under this Agreement.

14. This Agreement and obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of the authorities having jurisdiction over this Agreement (or the successor of those authorities). Any suits brought pursuant to this Agreement shall be filed in the Superior Court of the County of San Diego, State of California. A waiver by any party of any breach of any term, covenant, or conditions contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or conditions contained herein, whether of the same or a different character.

15. The obligations of the City hereunder shall constitute a contribution, payment, and advance of funds, and use of personnel, equipment and property as authorized under Government Code Section 6504, to be repaid to the City by SDCP as authorized under Government Code Section 6512.1, plus two percent (2%) per annum.

SIGNATURES ON FOLLOWING PAGE

SIGNATURE PAGE TO
COOPERATION AND ADMINISTRATIVE SERVICES AGREEMENT
BETWEEN SAN DIEGO COMMUNITY POWER AND THE CITY OF ENCINITAS

IN WITNESS WHEREOF, the Parties have made and executed this Agreement as of the date first written above.

SAN DIEGO COMMUNITY POWER

By : ______________________________
Name: ____________________________
Title: _____________________________

ATTEST:

____
Secretary, SDCP Board of Directors

APPROVED AS TO FORM:

____
SDCP General Counsel

CITY OF ENCINITAS

By : ______________________________
Name: ____________________________
Title: _____________________________

ATTEST:

____
Name: ____________________________
Title: _____________________________

APPROVED AS TO FORM:

____
Encinitas City Attorney

SAN DIEGO COMMUNITY POWER
Staff Report – Item 2

To:	San Diego Community Power Board of Directors
From:	Michael Maher, Maher Accountancy
Subject:	Treasurer's Report - Financial Results for 2020/21 Period ended 4/30/21 (Informational Item)
Date:	June 24, 2021

RECOMMENDATION
Receive report.

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 financial statements for the period ended April 30, 2021 as well as a budgetary comparison statement for the same period.

ANALYSIS AND DIRECTION
Financial Comments:

- SDCP's main source of funding at this point is its Line of Credit with River City Bank (RCB), although revenue from sales to customers from phase 1 launch has begun.

- SDCP is running a deficit balance and will continue to do so until sufficient revenues from retail customers occur during the latter half of the fiscal year. This is in line with projections.

- As planned through this point in the year, cost of energy is disproportionately high compared to revenues. This is due to resource adequacy purchases that were required to be made for months prior to customer launch. This will become less pronounced as the year continues.

FISCAL IMPACT
Not applicable

ATTACHMENTS

Attachment A: 2020/21 Period Ended 4/30/21 Financial Statements

Attachment B: 2020/21 Period Ended 4/30/21 Budgetary Comparison Statement

MAHER
ACCOUNTANCY

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose statement of San Diego Community Power (SDCP), a California Joint Powers Authority, which comprise the budgetary comparison schedule for the period ended April 30, 2021, 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
June 8, 2021

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

SAN DIEGO COMMUNITY POWER
BUDGETARY COMPARISON SCHEDULE
July 1, 2020 through April 30, 2021

	2020/21 YTD Actual	2020/21 Annual Budget (Amended)	2020/21 Budget Remaining
REVENUES AND OTHER SOURCES			
Ratepayer revenues	$ 1,160,478	$ 26,552,000	$ 25,391,522
Less uncollectibles	(11,605)	(266,000)	(254,395)
Total Revenues and Other Sources	1,148,873	26,286,000	25,137,127
OPERATING EXPENSES			
Cost of Energy	10,068,501	29,562,000	19,493,499
Personnel Costs	556,623	1,188,000	631,377
Professional Services and Consultants	1,322,783	2,012,000	689,217
Marketing and Outreach	452,877	796,000	343,123
General and Administrative	125,594	220,000	94,406
Total Operating Expenses	12,526,378	33,778,000	21,251,622
Operating Income (Loss)	(11,377,505)	(7,492,000)	3,885,505
NON-OPERATING REVENUES (EXPENSES)			
Debt Service and Bank Fees	(148,904)	(357,000)	(208,096)
Total Non-Operating Revenues (Expenses)	(148,904)	(357,000)	(208,096)
CHANGE IN NET POSITION	$ (11,526,409)	$ (7,849,000)	$ 3,677,409

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 April 30, 2021, 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. 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
June 8, 2021

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

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of April 30, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 2,352,544
Accounts receivable, net	628,894
Accrued revenue	507,308
Other receivables	1,200,286
Deposits	3,050,000
Total current assets	7,739,032
Noncurrent assets	
Restricted cash	7,500,000
Total assets	15,239,032
LIABILITIES	
Current liabilities	
Accrued cost of energy	4,169,471
Accounts payable	150,877
Accrued payroll and benefits	80,545
Other accrued liabilities	103,078
Security deposits	1,581,000
Interest payable	128,322
Total current liabilities	6,213,293
Noncurrent liabilities	
Other noncurrent liabilities	582,176
Bank note payable	16,040,082
Loans payable	5,000,000
Total noncurrent liabilities	21,622,258
Total liabilities	27,835,551
NET POSITION	
Unrestricted (deficit)	(12,596,519)
Total net position	$ (12,596,519)

See accountants' compilation report.

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
July 1, 2020 through April 30, 2021

OPERATING REVENUES	
Electricity sales, net	$ 1,148,873
Sales for resale	3,135,390
Total operating revenues	4,284,263
OPERATING EXPENSES	
Cost of energy	13,203,892
Contract services	1,744,525
Staff compensation	556,623
General and administration	156,728
Total operating expenses	15,661,768
Operating income (loss)	(11,377,505)
NONOPERATING EXPENSES	
Interest and financing expense	148,904
Total nonoperating expenses	148,904
CHANGE IN NET POSITION	(11,526,409)
Net position at beginning of period	(1,070,110)
Net position at end of period	$ (12,596,519)

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
July 1, 2020 through April 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 12,671
Receipts of supplier collateral	1,581,000
Other operating receipts	1,122,777
Payments to suppliers for electricity	(8,222,094)
Payments for goods and services	(2,070,472)
Payments to employees for services	(476,078)
Payments for deposits and collateral	(2,950,000)
Net cash provided (used) by operating activities	(11,002,196)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Proceeds from loans	15,050,000
Interest and related expense payments	(34,241)
Net cash provided (used) by non-capital financing activities	15,015,759
Net change in cash and cash equivalents	4,013,563
Cash and cash equivalents at beginning of period	5,838,982
Cash and cash equivalents at end of period	$ 9,852,545
Reconciliation to the Statement of Net Position	
Cash and cash equivalents (unrestricted)	2,352,544
Restricted cash	7,500,000
Cash and cash equivalents	$ 9,852,544

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
July 1, 2020 through April 30, 2021

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	$	(11,377,505)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Revenue adjusted for allowance for uncollectible accounts		11,605
(Increase) decrease in:		
Accounts receivable		(640,499)
Accrued revenue		(507,308)
Other receivables		(1,200,286)
Prepaid expenses		25,000
Deposits		(2,950,000)
Increase (decrease) in:		
Accrued cost of electricity		4,169,471
Accounts payable		(179,165)
Accrued payroll and benefits		80,545
Other accrued liabilities		(15,055)
Supplier security deposits		1,581,000
Net cash provided (used) by operating activities	$	(11,002,197)

SAN DIEGO COMMUNITY POWER
Staff Report – Item 3

To: San Diego Community Power Board of Directors

From: Bill Carnahan, Interim Chief Executive Officer

Subject: Operations and Administration Report from the Interim Chief Executive Officer

Date: June 24, 2021

RECOMMENDATION
Receive and file update on various operational and administration activities.

BACKGROUND
Staff will provide regular updates to the Board of Directors regarding San Diego Community Power's (SDCP) organizational development, administration, start-up and operating activities. The following is a brief overview of this month's discussion items, which are informational only.

ANALYSIS AND DISCUSSION

A) Western Community Energy Bankruptcy
Western Community Energy (WCE) is a CCA that serves customers in the Cities of Hemet, Jurupa Valley, Norco, Perris, Wildomar and Eastvale in Western Riverside County. On May 24, 2021, WCE declared a fiscal emergency and filed for Chapter 9 Bankruptcy protection. On June 10, 2021, WCE notified the CPUC of deregistration and termination of its CCA program, and WCE's customers have returned to SCE service as of June 15, 2021.

Staff reported on the facts available at the time directly to the Board via email. Given developments and additional opportunity to assess the situation, staff would like to provide additional information regarding key points and questions that your Board and communities may have. Please see attached Fact Sheet (Attachment A) for more information.

B) Offices, Reopening Update, and Summer Break
I. Offices
Staff are exploring shared office space for use on an interim basis until permanent offices are secured. Budget for leasing offices is in included in the FY22 proposed budget. Considerations for interim office space include availability of space, central locations,

transit/bike friendly, cost and availability of parking, and overall costs. Considerations for shared space and a hybrid in-office schedule will also dictate office space requirements.

II. Reopening Update

As the Governor's Executive Orders change and California reopens, SDCP will review options to return to in-person meetings. Starting in October, we expect Board and Committee meetings to return to in-person. We are targeting September as the first month for office space to be available for staff, with a hybrid flexible work schedule available to all staff to allow for both in-office work and joint meetings and collaboration, as well as continued remote work as schedules permit or require.

III. Summer Break

Staff are working with the Board Chair to determine the possibility of taking a summer recess from Board and Committee items, likely in August. A cancellation notice will be shared with the Board and public as soon as a decision is finalized.

C) San Diego County

As reported in the last Board meeting, the San Diego County Board of Supervisors took a step toward having unincorporated areas of the county to join one of the two community choice aggregation programs in the region, one being San Diego Community Power. The Supervisors adopted a set of six principles that would make up any Joint Powers Authority the county would sign with a prospective CCA. The SDCP Interim CEO and COO cosigned a letter stating that SDCP "is looking forward to talking to the county. The proposed Guiding Principles largely mirror SDCP's own principles."

Staff, along with Board member volunteer, Bill Baber, have been preparing responses to the various questions raised by the County and have engaged PEA to conduct an economic analysis of the impacts of having the County as a SDCP member.

The SDCP Staff will provide an update on the status of these efforts as a regular agenda item.

D) Strategic Planning

The original plan to hold the Board Strategic Planning Session in late spring or early summer was rescheduled for the fall, hopefully in mid-September. As a result, Lisa Gordon, our Strategic Planning and Organization Development Coordinator has shifted the activities related to SDCP Staff as a part of Organization Development to begin in July. The early activities will cover such topics as Staff and Organization Development, Impactful Presentations, Team Building, and Building a Customer Service Culture, among others. Staff and Lisa will keep you posted on the progress.

E) Staffing

Two new employees will be joining the Power Services team during the first week of July. Both new employees bring extensive CAISO and CCA procurement and risk management experience to the SDCP team.

Next up are positions to be posted within the External Affairs and Finance teams.

All of those positions are funded in the draft current FY 2021/22 Budget to be presented for review at this Board meeting.

F) Power Services

I. Renewable Energy

As reviewed with and approved by your FRMC and Board, SDCP has executed three long-term renewable contracts selected in last year's RFO for long-term renewable energy! All three new-build facilities represent incremental renewable capacity that will be built in San Diego, Imperial, and Riverside Counties – with contracting completed within 3 months of SDCP serving its first customers.

One remaining long-term contract remains to be negotiated; if staff can secure favorable contract terms, it will be presented at a Board meeting in the near future to complete the set of contracts that originated in last year's Long-term RPS RFO.

Staff continue to negotiate and are nearing completion of an EEI Master Agreement with and Confirmation to purchase renewable energy from SDG&E pursuant to bilateral discussions and consistent with previous direction from the Board. Staff hope to be able to report out on a successful conclusion at the July board meeting.

Staff completed solicitations for short-term renewable, carbon-free energy to meet a portion of SDCP's near-term energy needs while new-build facilities are under development. Contracting pursuant to that solicitation is underway, and Staff continue to monitor SDCP's near-term positions against compliance and voluntary environmental targets and will continue to transact as appropriate

II. **Resource Adequacy**

Staff completed solicitations for short-term resource adequacy to meet SDCP's 2021-2024 capacity needs. Contracting pursuant to that solicitation is underway, and Staff will continue procurement efforts as necessary to close short positions.

SDCP's ability to comply with Local RA requirements is subject to availability constraints in the San Diego area market.

III. Risk Management

Consistent with its Energy Risk Management Policy, SDCP has contracted for all of its expected market energy needs for 2021 and has started layering in purchases for 2022-2024.

G) Back Office Operations

As our back-office data manager, Calpine has deployed a back-end data warehouse that will allow Staff to query AMI usage, customer information, billing and SQMD data etc. on demand to aid in analyzing load, revenue and opt action trends.

From an operations perspective, SDCP Staff and Calpine have worked together to create a reporting dashboard of customer actions to opt-out or opt-up to Power100. The below charts summarize these actions accordingly as of June 14th, 2021:

I. Opt Outs

Opt Outs by Class Code	February	March	April	May	June - MTD	2021 YTD Grand Total
Residential	0	0	0	0	0	0
Commercial/Industrial	16	39	62	760	51	928
Grand Total	**16**	**39**	**62**	**760**	**51**	**928**

Opt Outs by Reason	February	March	April	May	June - MTD	2021 YTD Grand Total
Concerns about Government-Run Power Agency	0	0	2	15	1	18
Decline to Provide	0	4	19	11	17	51
Dislike being automatically enrolled	0	0	28	59	19	106
Have renewable Energy Reliability Concerns	0	0	0	3	0	3
Other	1	35	2	667	6	711
Rate or Cost Concerns	15	0	11	5	8	39
Service or Billing Concerns	0	0	0	0	0	0
Grand Total	**16**	**39**	**62**	**760**	**51**	**928**

Opt Outs by Method	February	March	April	May	June - MTD	2021 YTD Grand Total
CSR	0	35	31	681	12	759
IVR	0	0	1	8	5	14
Web	16	4	30	71	34	155
Grand Total	**16**	**39**	**62**	**760**	**51**	**928**

II. Opt Ups to Power100

Opt Ups by TOT	February	March	April	May	June - MTD	2021 - YTD Grand Total
CITY OF CHULA VISTA	0	65	0	0	0	65
CITY OF ENCINITAS	0	18	0	0	0	18
CITY OF IMPERIAL BEACH	0	0	0	0	0	0
CITY OF LA MESA	0	0	12	0	0	12
CITY OF SAN DIEGO	0	134	1	2	4	141
Grand Total	**0**	**217**	**13**	**2**	**4**	**236**

Opt Ups by Class Code	February	March	April	May	June - MTD	2021 - YTD Grand Total
Residential	0	2	0	0	0	2
Commercial/Industrial	0	215	13	2	4	234
Grand Total	**0**	**217**	**13**	**2**	**4**	**236**

Opt Ups by Method	February	March	April	May	June - MTD	2021 - YTD Grand Total
CSR	0	217	11	1	0	229
IVR	0	0	0	0	3	3
Web	0	0	2	1	1	4
Grand Total	**0**	**217**	**13**	**2**	**4**	**236**

III. Opt Downs from Power100 (Encinitas) - None.

FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: Western Community Energy Fact Sheet

How SDCP Differs from Western Community Energy

What happened to Western Community Energy?

Western Community Energy (WCE) was a community choice energy program that served customers in the Cities of Hemet, Jurupa Valley, Norco, Perris, Wildomar and Eastvale in Western Riverside County. On May 24, 2021, WCE declared a fiscal emergency and filed for Chapter 9 Bankruptcy protection. On June 10, 2021, WCE notified the California Public Utilities Commission of deregistration and termination of its program, and WCE's customers have returned to Southern California Edison's service as of June 15, 2021.

Why did that happen?

While SDCP does not have in depth knowledge of their operations, WCE have provided extensive details that can be found on their website and in an overview provided to their Board. Some of the details leading to their situation include:

- Delinquencies arising from COVID-19 and customers unable to pay utility bills. WCE estimates the rate of delinquency to be 10 times the industry standard, with a total impact of approximately $6 million.
- Summer 2020 heat wave increased power costs by $12 million.
- Inability to secure additional funding needed.
- Inadequate energy supply under contract for Summer 2021 creating potential shortfalls of $25 to $40 million for a "normal" budget of $125 million.
- Elevated energy and capacity prices for Summer 2021.
- Overreliance on consultants and limited staff support from WRCOG, who were not staff of WCE.

https://westerncommunityenergy.com/.

How is SDCP different?

SDCP, like all CCAs and load-serving entities (LSEs) in California including Investor-Owned Utilities, face many of the same risks as WCE. However, the financial outcomes have and will continue to be different from those of WCE for those LSEs that apply sound business practices. For example:

- Creating and implementing a staffing plan that focuses on talented, in-house expertise in areas such as portfolio management, risk management, data analytics, regulatory affairs, and finance. Our staff are committed the success of SDCP's mission in serving clean power in accordance with community needs and values.

- Limited use of specialized consultants to supplement staff when necessary, and with close staff oversight.
- Development of and adherence to comprehensive Risk Management policies and associated procurement strategies.
- Appropriate rate-setting, budgeting, and financial administration, including prudent Reserve policies.
- Effective Board oversight.
- Organizational culture of high expectations, humility, and continuous improvement.

Specifically, with respect to SDCP's current market position and risk management strategies:

- Fiscal Year (FY) 2022 budget and FY 2023-2025 projections reflect sufficient net revenue to exceed annual reserve contribution targets
- Per its Energy Risk Management Policy, SDCP:
    - Has been prudently hedging its energy market risk over time and has secured energy supply to meet all expected needs through December 2021.
    - Reviews risk metrics – such as Net Positions, Value at Risk, Counterparty Exposure, and Mark-to-Market Exposure – on a monthly basis.
    - Monitors COVID-19 and startup-related risks – such as opt-out rates, PCIA, and delinquent receivables – with no reason to believe at this time that any pose material risk to the overall health of SDCP.
- SDCP is in a strong position – both operationally and financially – to serve our communities now and into the future**.**
- The majority of SDCP's customers will be enrolled in 2022, well past the height of the COVID-19 pandemic.
- Our dedicated Board and staff leadership have taken prudent actions to position our agency for fiscal success, including:
    - Building in reserves and managing our finances and rate setting in a fiscally responsible and transparent manner.
    - Adoption of procurement strategies to manage risk that hedges our energy needs against market risks to ensure we protect ratepayers.
    - Establishment of a Financial and Risk Management Committee whose main focus is to provide input and oversight on matters related to the agency's funding plan, its fiscal year budgets, financial policies and procedures, risk management policies and procedures.

Will SDCP be raising rates in the summer?

- Our current rates are projected to be sufficient to meet our operational needs. Our portfolio is well-positioned for this summer and protected from risk consistent with our Energy Risk Management Policy.
- SDCP rates are established to meet operating expenses including reserve contributions, and standard bill comparison targets approved by our Board of Directors.
- Any changes to our rates are adopted at public meetings of our Board.

Are community choice programs risky as unnecessary middlemen in electricity?

- No. Community choice programs are beneficial to the people who matter – the customers and communities.
- Providing choice keeps rates and service competitive.
- As a not-for-profit public agency, SDCP reinvests revenues back into the community and not into shareholder pockets.
- Community choice programs are leading the way in achieving the State's clean energy goals.
- Electricity procurement is a critical role in the power supply chain. There are 23 operational community choice programs in California, all providing cleaner power than their incumbent Investor-Owned Utility at competitive prices and meeting community needs.

SAN DIEGO COMMUNITY POWER
Staff Report – Item 4

To:	San Diego Community Power Board of Directors
From:	Laura Fernandez, Director of Regulatory and Legislative Affairs
Via:	Bill Carnahan, Interim Chief Executive Officer
Subject:	Update on Regulatory and Legislative Affairs
Date:	June 24, 2021

RECOMMENDATION
Receive and file update on regulatory and legislative affairs.

BACKGROUND
Staff will provide regular updates to the Board of Directors regarding SDCP's regulatory and legislative engagement. The following is an overview of this month's discussion items, which are informational only.

DISCUSSION AND ANALYSIS

A) SB 612 (Ratepayer Equity Act) – Will be Heard in Committee June 30

The Power Charge Indifference Adjustment (PCIA) is a surcharge on all customers that is intended to collect the above-market costs of the investor-owned utilities' (IOU) legacy resources. The PCIA is intended to reflect the difference between the IOUs' above-market costs related to legacy power supply commitments, including third-party energy contracts and operating costs for utility owned generation, and today's market value for those resources. While Community Choice Aggregators (CCAs) and direct access customers continue to pay a significant share of the costs for these resources, their ability to access the benefits depends on the willingness of the IOU – at its sole discretion – to sell or allocate the resource.

As discussed during previous SDCP Board meetings, while all customers bear cost responsibility for legacy resources, only IOU customers have the right to access *the benefits* of these resources, such as renewable energy, greenhouse gas (GHG)-free energy, and Resource Adequacy (RA). Senate Bill (SB) 612 would ensure fair and equal access to the benefits of legacy resources for all customers and ensure that IOU portfolios are managed to maximize value and reduce unnecessary costs for all customers. SB 612 would require SDG&E to offer an allocation of not just RPS, but also RA and any GHG free resources.

CalCCA is sponsoring the bill and seeking support from all CCAs and their member agencies. In March, SDCP voted to take a support position for SB 612. All of the SDCP member cities have also submitted support letters for SB 612. The County of San Diego also submitted a letter in support of SB 612. More information can be found here: https://cal-cca.org/sb-612/.

The PCIA represents approximately 37% of operating costs (before financing) for fiscal year 2021, 42% of operating costs for fiscal year 2022, and 44% of operating costs for fiscal year 2023. SB 612 would reduce overall costs by ensuring that SDCP is able to access legacy resources that are currently being paid for through the PCIA.

Earlier this month, SB 612 passed off the Senate Floor, 33-6. All Democrats voted for the bill with the exception of Senator Hurtado (D-Sanger). Six of the eight Republicans voted “no” with “yes” votes coming from Melendez (Lake Elsinore) and Wilk (Santa Clarita). The vote was initially called at 34-5, however Senator Nielson asked to change his vote after the vote had closed and that request was granted.

SB 612 is now in the Assembly and will be heard in the Committee on Utilities and Energy on June 30. SDCP needs additional support to ensure that SB 612 will have enough support votes to make it out of the Committee hearing. Letters of support are due June 24 by noon.

B) Assembly Bill 1139 – Net Energy Metering

Assemblywoman Lorena Gonzalez (D-San Diego) authored Assembly Bill (AB) 1139. This bill would have required the California Public Utilities Commission (CPUC) to develop a replacement for the Net Energy Metering (NEM) 2.0 tariff, and would have required that the large IOUs offer the new standard contract or tariff beginning no later than December 31, 2023.

Last month, SDCP staff as well as the Community Advisory Committee recommended that the SDCP Board of Directors take an official “oppose” position on AB 1139. However, during the public comment period, the SDCP Board was informed that AB 1139 had been significantly amended that day while on the floor of the Assembly, but the amendments were not yet in print. Consequently, the SDCP Board did not take a position during the May board meeting, and directed staff to provide an update in June.

AB 1139 ultimately did not receive enough votes to make it out of the Assembly, and the bill was moved to the inactive file. Therefore, the bill is dead for the year.

C) Transportation Electrification Rulemaking

On Friday, June 18, SDCP filed a motion for party status in the Development of Rates and Infrastructure for Vehicle Electrification (DRIVE) Order Instituting Rulemaking

(OIR). SDCP has an interest in this proceeding as the policies adopted in this proceeding can impact the development of SDCP's future transportation electrification programs. Particularly, Section 10 of the Transportation Electrification Framework Energy Division Staff Proposal directly addresses issues related to Community Choice Aggregation programs. SDCP intends to actively engage in this proceeding to participate in relevant policy discussions that would impact SDCP's ability to offer transportation electrification programs and incentives to its customers.

D) Integrated Resource Planning

On May 21, the CPUC issued a proposed decision (PD) addressing the mid-term reliability needs of the electricity system within the California Independent System Operator's operating system by requiring at least 11,500 megawatts (MW) of additional net qualifying capacity to be procured by all of the load-serving entities (LSEs) subject to the CPUC's integrated resource planning (IRP) authority. The capacity requirements are adopted annually, beginning with 3,000 MW by 2023, an additional 4,500 MW by 2024, an additional 2,000 MW by 2025, and an additional 2,000 MW by 2026. There is also an alternate proposed decision (APD) in this proceeding that contains some modifications to the PD.

Under the methodology proposed in the PD/APD, SDG&E and SDCP's respective procurement allocations to meet 2023-2026 reliability needs would be based upon each LSE's 2021 load share. SDCP therefore filed comments to point out that the allocation methodology proposed in the PD/APD to assign procurement responsibility to individual LSEs improperly fails to capture the significant load departure that is expected to occur within SDG&E's distribution service territory within the next year. SDCP therefore urged the CPUC to assign procurement responsibility in proportion to LSE load share during the procurement period. SDCP suggested that the CPUC adopt an allocation exchange mechanism that allows CCA programs in the process of mass enrollment of customers like SDCP to voluntarily adjust the fulfillment of procurement obligations by mutual agreement with another LSE, in SDCP's case, SDG&E.

SDCP had four joint ex parte meetings with SDG&E and CPUC staff on Friday, June 18 in order to discuss these issues. The CPUC is expected to vote on a final decision on June 24.

E) Net Energy Metering 3.0 Proceeding

Background

The NEM program is designed to support the installation of customer-sited renewable generation. It was originally established in California with the adoption of Senate Bill (SB) 656 (Alquist, Stats. 1995, ch. 369), codified in Section 2827 of the Public Utilities Code. Importantly, Public Utilities Code Section 2827.1 only applies to large electrical corporations, and thereby excludes CCAs such as SDCP. This is because CCAs are legally entitled to set their own electricity generation rates. CCAs therefore determine their own rate policies, including NEM and net surplus compensation policies.

Under the original NEM program, customers who install and operate small (1MW or less) renewable generation facilities (referred to as “customer-generators”) may participate. Previously, under the original NEM rate, customer-generators received a full retail rate bill credit for power generated by their onsite systems that was fed back into the power grid during times when generation exceeded onsite energy demand. These credits were used to offset customers’ electricity bills, and could be rolled over to subsequent bills for up to a year.

AB 327 (Perea, 2013) directed each large IOU to switch over to the current NEM tariff on July 1, 2017 or after their NEM capacity exceeded 5% aggregated customer peak demand, whichever came first. SDG&E transferred to the current NEM tariff on June 29, 2016. Customer-generators that interconnected their systems to the grid prior to this date were grandfathered into the former NEM rate, pursuant to Decision (D.)14-03-041. These customer-generators are allowed to remain on the former rate for 20 years from the date they interconnected, or they are permitted to switch to the current NEM rate. The former NEM rate is sometimes referred to as "NEM 1.0", and the current NEM rate as "NEM 2.0" or "NEM Successor Tariff."

The current NEM program was adopted by the CPUC in D.16-01-044 on January 28, 2016 and is available to customers of the large IOUs. The program provides customer-generators full retail rate credits for energy exported to the grid and requires them to pay a few charges that align NEM customer costs more closely with non-NEM customer costs. Any customer-generator applying for NEM will:

- Pay a one-time interconnection fee: Customer-generators with facilities under 1 MW must pay a pre-approved one-time interconnection fee based on each IOU's historic interconnection costs. SDG&E's is $132.
- Pay non-bypassable charges: Customer-generators, similar to other utility customers, will pay charges on each kilowatt-hour (kWh) of electricity they consume from the grid. These charges fund programs such as low-income and energy efficiency programs.
- Transfer to a time-of-use (TOU) rate. If a customer-generator is not already on one, they will be required to take service on a time-of-use (TOU) rate to participate in NEM.

NEM 3.0
D.16-01-044 also established the CPUC’s commitment to review the NEM 2.0 tariff in 2019 (or later) citing interactive, yet unresolved, policy movements within the CPUC, but outside the scope of that proceeding. On September 3, 2020 the CPUC initiated a new rulemaking (R.) 20-08-020 in order to address the development of a successor to the existing NEM 2.0 tariffs. This proceeding is known as the NEM 3.0 proceeding.

SDCP is a party to the NEM 3.0 rulemaking.

On March 15, 2021, eighteen proposals for a successor to the current NEM tariff were filed by a wide range of parties in the proceeding, including the Joint IOUs, Sierra Club, The Utility Reform Network, Natural Resources Defense Council, Solar Energy

Industries Association, Vote Solar, Small Business Utility Advocates, Coalition for Community Solar Access, Protect Our Communities Foundation, GRID Alternatives, among others.

On May 28, 2021, a comparative analysis of the cost-effectiveness of the NEM successor rate proposals prepared by E3 was issued, and an update was released on June 15, 2021. Additionally, opening testimony was filed by parties in the proceeding on June 18, 2021. SDCP staff is currently reviewing the cost-effectiveness analysis as well as the opening testimony. SDCP staff is also coordinating with other CCA programs that are parties in this proceeding. SDCP intends to participate in settlement talks with other parties in the proceeding, if any occur. Furthermore, SDCP is working with the other CCA parties who are considering submitting briefing in this proceeding. The remaining procedural schedule is as follows:

- July 16, 2021 – Rebuttal Testimony Served
- July 26 to August 6, 2021 – Evidentiary Hearings
- August 27, 2021 – Opening Briefs/Completion of Settlement Talks
- September 10, 2021 – Closing Brief Filed
- Within 90 days of Closing Briefs (By December 10, 2021) – Proposed Decision

COMMITTEE REVIEW

The Community Advisory Committee (CAC) discussed the NEM 3.0 proceeding on June 11, 2021. The CAC would like the SDCP Board of Directors to direct staff to take actions in the NEM 3.0 rulemaking to support rooftop solar.

SAN DIEGO COMMUNITY POWER

SAN DIEGO COMMUNITY POWER
Staff Report – Item 5

To: San Diego Community Power Board of Directors

From: Bill Carnahan, Interim Chief Executive Officer
Cody Hooven, Chief Operating Officer

Subject: Review and Provide Direction to Staff on Update of Analysis of County Membership

Date: June 24, 2021

RECOMMENDATION

Approve analysis to move forward with the County membership.

BACKGROUND

The County of San Diego (County) has submitted a letter including updated Guiding Principles and additional questions to SDCP regarding potential membership.

At the last Board meeting, staff presented the responses to most of the questions asked by the County. The main item remaining was the pro forma analysis, or economic assessment of the impacts of adding the County as a member. Our consultant PEA was engaged to prepare the Assessment and will present the results at the Board meeting.

ANALYSIS AND DISCUSSION

Fiscal Impact

The Assessment considers:

- Resource impacts and needs such as consideration of renewable energy, hydro or other carbon-free energy and resource adequacy capacity requirements.
- Fiscal impacts such as quantifying incremental cost and net margins associated with serving County of San Diego customers.

Adding the County to SDCP represents an approximate 30% increase in retail sales, assuming 90% of eligible accounts would remain enrolled (reflecting a 10% opt-out rate). For economic reasons the report recommends a start date for service to be April 2023. Resource availability is also discussed including the need to work closely with SDG&E in order to ensure the ability to procure sufficient amounts of resources, especially resource adequacy. The report analyzed future wholesale power price trends to arrive at the fiscal impact, shown below. Incremental revenues were projected based on forecasted electricity sales and current SDCP rates. In addition to increased power supply needs, incremental costs such as billing charges, service fees, and notices were also included.

	FYE 2023[1] ($MM)	FYE 2024 ($MM)	FYE 2025 ($MM)
Revenue	$26.8	$135.7	$136.4
Power Costs	$-25.8	$-125.7	$-121.8
Other Costs	$-1.0	$-4.1	$-4.1
Net Margin/Reserve Contribution	$0	$5.9	$10.5

Impact on Voting
Voting is impacted any time a new member is added. There are two levels of voting, the first is the so-called "one entity one vote" with majority rules. In this case the five members casting votes will be increased to six. It is expected the vast majority of votes will be taken this way.

Under certain circumstances a "weighted vote" may be called for. This method is a form of proportional voting by size. The table below shows the impact of the County joining the current configuration of members.

Members	Existing	New w/County
San Diego	49.00%	49.00%
San Diego County	--	29.79%
Chula Vista	28.45%	11.83%
Encinitas	9.36%	3.89%
La Mesa	8.79%	3.66%
Imperial Beach	4.40%	1.83%

Summary
Accepting San Diego as a member, should they request to join, would provide an overall positive fiscal impact with current projections.

COMMITTEE REVIEW
N/A

FISCAL IMPACT
None at this stage of discussion.

[1] Reflects partial year of service for fiscal year ending June 20, 2023, with enrollments assumed to commence on April 1, 2023.

San Diego Community Power Expansion Assessment

June 2021

SUMMARY

The County of San Diego ("County") has engaged with San Diego Community Power ("SDCP") to explore the possibility of joining SDCP. On behalf of SDCP, Pacific Energy Advisors, Inc. ("PEA") conducted an assessment of the financial and resource planning implications associated with extending SDCP service to electric customers within the County (which are currently receiving bundled electric service from the incumbent utility, San Diego Gas & Electric, or "SDG&E"). The assessment involved a study to understand the potential increase in electric load and the additional energy resources that would be needed to serve the County. The study also estimated the incremental revenues that would be derived from electricity sales to County customers, as well as the incremental costs associated with energy resource procurement and other items/services that would be necessary to support CCA service expansion to County customers. These factors were jointly evaluated to determine whether any operating surpluses could be generated, on a projected basis, for the benefit of SDCP and its customers.

In consideration of the prospective timing associated with amended implementation plan submittal and in accordance with existing regulatory rules, the earliest possible enrollment date for County customers would be January 1, 2023.[1] For this assessment, PEA modeled various enrollment start times in 2023 and found that April 2023 would be optimal from a financial perspective. Thus, enrollment would be expected to occur toward the end of SDCP's fiscal year ending 2023; the first full year reflecting County load would be SDCP's fiscal year ending 2024.

Under base case assumptions, the analysis indicates that expansion would yield a positive financial impact for SDCP: the expansion would be expected to increase SDCP reserve contributions by approximately 25% per year, beginning in FYE 2024. The projected incremental revenues, costs, and net margin (i.e., surplus or contribution to reserves) is shown in Table 1.

Table 1: Incremental Net Margins from Expansion (in $MM)

	FYE 2023[2]	FYE 2024	FYE 2025
Revenue	$26.8	$135.7	$136.4
Power Costs	$-25.8	$-125.7	$-121.8
Other Costs	$-1.0	$-4.1	$-4.1
Net Margin/Reserve Contribution	$0	$5.9	$10.5

Electric resource requirements associated with the expansion would be significant, and close coordination between SDCP and SDG&E would be important to achieve an appropriate allocation of resources needed

[1] Achieving the prospective early enrollment date for County customers would require submittal of an amended CCA implementation plan no later than December 31, 2021.
[2] Reflects partial year of service for fiscal year ending June 20, 2023, with enrollments assumed to commence on April 1, 2023.

to serve the transferred load. Such coordination and cooperation would be especially critical for resource adequacy and long-term renewable energy supply. Without cooperation from SDG&E to sell excess resources, or alternatively, a regulatory mechanism to ensure transfer of resources as load shifts from SDG&E to SDCP, it may not be possible for SDCP to obtain the necessary resources in the near term to meet its resource adequacy and long-term Renewable Portfolio Standards ("RPS") obligations.

ANALYSIS

PEA conducted an analysis of the County's prospective electric accounts to estimate the revenues and costs associated with extending SDCP service to the County. The analysis incorporated historical monthly electric usage data provided by SDG&E for all current electric accounts located within the unincorporated areas of San Diego County. PEA reviewed load data from 2019 and 2020. PEA decided to base its load study on 2019 data due to the distorting effects of the COVID-19 pandemic on 2020 electricity usage.

Table 2 summarizes the account and electric usage data for the major customer classifications represented within the County. Available data indicate the potential to serve 186,797 new SDCP customer accounts, which are expected to use approximately 1,767,275 MWh of electric energy per year. This would be an approximate 30% increase in size for SDCP, relative to the anticipated retail sales volume associated with SDCP's current membership. The aggregate peak demand of these prospective accounts is estimated at 430 MW.[3]

Table 2: 2019 County Electric Data

Classification	Accounts	Annual Energy (MWh)	Monthly Per Account (kWh)
Residential	166,732	963,074	484
Small Commercial	15,197	198,075	1,086
Medium and Large Commercial	1,373	489,098	29,685
Agricultural	3,108	109,314	2,931
Street Lighting	1,387	7,716	464
Total	186,797	1,767,275	788
***Peak Demand (MW)**			430

*Estimate based on SDCP customer hourly usage profiles.

As compared to the current SDCP customer base, summarized in Table 3 below, the County has a proportionately larger residential and agricultural sector and a smaller commercial sector. County residential customers tend to be larger users of energy than those in SDCP's current service area, with 60% greater average monthly consumption. The agricultural sector is much more predominant in the

[3] These figures reflect bundled electricity customers of SDG&E and exclude customers taking service from non-utility energy providers (namely, direct access service providers) as well as certain accounts on generation service contracts that are not expected to transition to SDCP service. These figures are unadjusted for expected customer attrition (customer elections to "opt-out").

County, with significantly more accounts, although the agricultural accounts tend to be smaller than those currently served by SDCP.

Table 3: Projected Annual SDCP Electricity Data – Current Membership*

Classification	Accounts	Annual Energy (MWh)	Monthly Per Account (kWh)
Residential	592,459	2,143,048	301
Small Commercial	54,978	823,726	1,249
Medium and Large Commercial	6,960	2,350,808	28,147
Agricultural	229	47,840	17,409
Street Lighting	1,666	33,682	1,685
Total	656,292	5,399,104	686
Peak Demand (MW)			1165

*Forecasted values based on all enrollment phases, including those previously completed and currently planned.

As illustrated in Figures 1 and 2 below, electricity usage within the County shows greater seasonality relative to the current SDCP customer base, with elevated winter usage and more significant summer peak consumption. These usage characteristics are likely due to heating and cooling loads driven by climate differences between the two geographic areas.

Figure 1: San Diego County 12-Month Hourly Load Profile (kW)

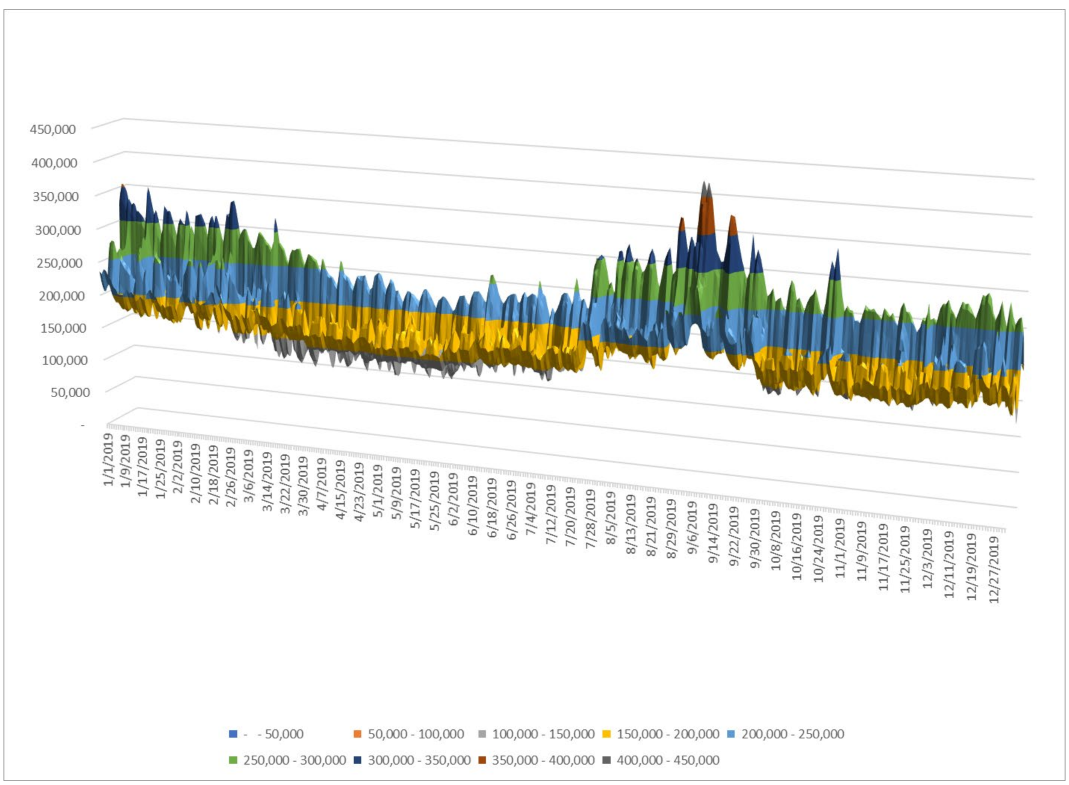
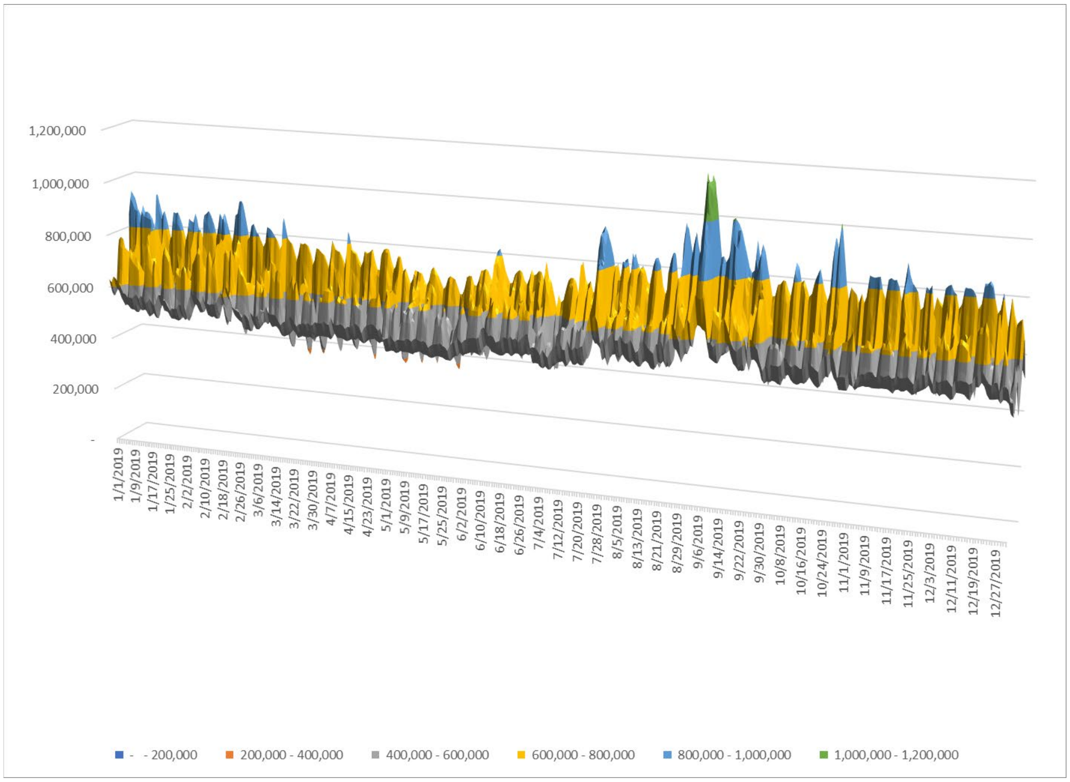


Figure 2: 12-Month Hourly Load Profile (kW) of SDCP's Current Customer Base (All Phases)



FISCAL IMPACTS

For purposes of the fiscal impact analysis, it was assumed that service would be initiated to the County in April 2023 and that 90% of eligible accounts would choose to participate (with the remaining 10% electing to opt-out, continuing to receive bundled electric service from the incumbent utility). This would equate to an increase in annual SDCP electricity sales of 1,630 GWh, or approximately 30% relative to pre-expansion sales. In order to quantify anticipated financial impacts to SDCP, the incremental revenues and costs associated with the prospective service expansion were examined. More specifically, the year of enrollment and the next two fiscal years following expanded service, i.e., the period beginning April 1, 2023 through June 30, 2025, were analyzed to determine likely fiscal impacts over a multi-year planning period.

The incremental revenue surplus - based on the difference between projected revenues and costs directly related to the addition of County accounts - represents the expected fiscal benefit related to expansion. Incremental revenues were projected based on forecasted electricity sales and current SDCP rates. The incremental cost analysis accounts for requisite power supplies that would be required to serve accounts within the County, increased customer billing charges, customer service support (call center), SDG&E service fees, and required customer notices associated with serving additional customers.

Table 4 reflects the estimated incremental fiscal impact during each of the first three fiscal years commencing with (and immediately following) enrollment of County accounts.

Table 4: Incremental Fiscal Impact Related to Prospective County Expansion

	FYE 2023[4]	FYE 2024	FYE 2025
Revenue ($MM)	$26.8	$135.7	$136.4
Power Costs ($MM)	$-25.8	$-125.7	$-121.8
Other Costs ($MM)	$-1.0	$-4.1	$-4.1
Net Margin/Reserve Contribution ($MM)	**$0**	**$5.9**	**$10.5**
Incremental Sales Volume (MWh)	341,635	1,626,416	1,634,548

In consideration of current market conditions, the incremental fiscal impact analysis indicates that adding the County accounts to SDCP's current customer base would provide benefits to SDCP in the form or incremental surplus revenues that could be used to augment reserves or applied to other uses. It is estimated that expanding SDCP service to the County would increase net program margins by approximately $5.9 million and $10.5 million in FYE 2024 and FYE 2025, respectively. This benefit accrues due to the margins generated by increased retail electricity sales relative to anticipated costs, including certain economies of scale that will result from various fixed administrative cost components (that will be spread over a larger sales base). It is worth noting that power supply costs may change over time, and to the extent such changes occur, actual net revenues could materially differ from the net revenue projections reflected in Table 4 (above).

WHOLESALE POWER PRICE SENSITIVITY

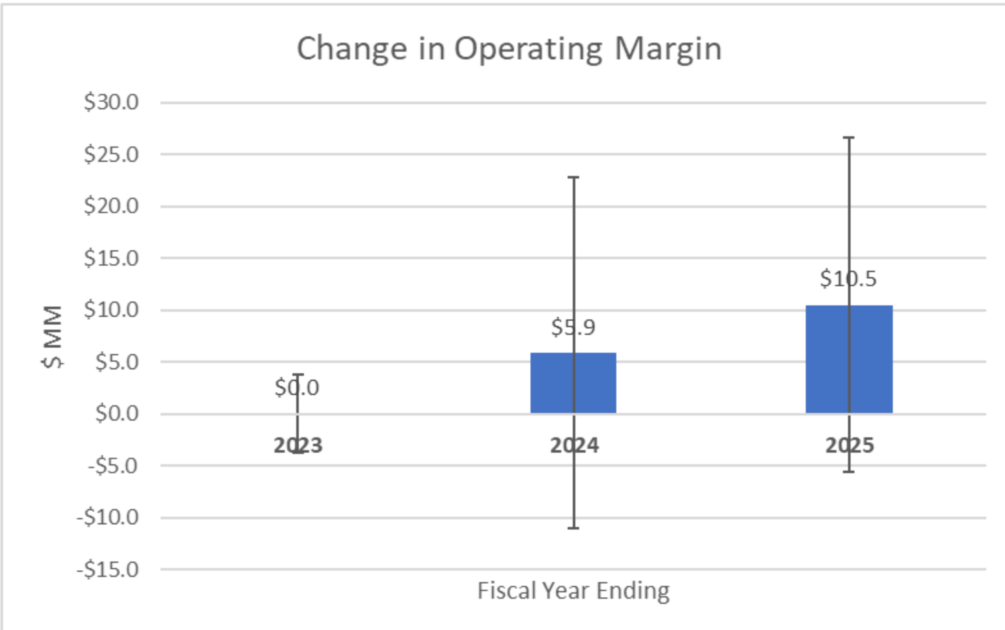
Changes in market prices for electricity represent the single greatest uncertainty that could impact the projected benefits related to expansion. Electricity is a commodity, traded in a highly volatile market, and prices could materially change before SDCP is ready to contract for the power supply needed to serve anticipated County electric loads. Commodity price risk is inherent in the electric utility industry and is not unique to expansion, but expansion imposes challenges with respect to the timing of electricity purchases as well as the timing associated with a final/definitive determination regarding the expansion itself. This is not unlike the challenges SDCP (or any Community Choice Aggregator) faced during its initial startup period. SDCP utilizes professional risk management approaches and forward hedging contracts to mitigate commodity price risk for its existing customers; however, adverse price movements that may occur before SDCP initiates power purchases for the County load could drive up costs and result in negative margins.

Utilizing historical volatility in wholesale power market prices, a likely range of potential power supply costs and resulting net margins can be calculated. Figure 3 shows the base case operating margins and error bars representing one standard deviation in power supply costs, assuming SDCP does not initiate procurement until March 2022, the month during which the CPUC would be expected to certify SDCP's

[4] Reflects partial year of service for fiscal year ending June 20, 2023, with enrollments assumed to commence on April 1, 2023.

Implementation Plan amendment addressing expansion to the County. Over this nine-month period (between the date of this Expansion Assessment and March 2022), the estimated change in market prices at one standard deviation of variation is approximately 14% relative to base case assumptions. As reflected in Figure 3 (below), the likely range of net margin outcomes is wide, ranging from strongly positive to moderately negative. SDCP could narrow the range of outcomes to the extent it begins purchasing power earlier than the timeframe assumed in this Expansion Assessment. Once power supply contracts are executed, and assuming no change in SDCP rates, the ranges would significantly narrow.

Figure 3: Net Surplus Sensitivity to Changes is Power Prices



RESOURCE IMPACTS

Similar to the procurement approach used to support SDCP's current customers, SDCP would need to acquire various energy products to serve the County – it is assumed that the proportionate acquisition of such resources would occur over time through the application of laddered hedging strategy, as followed under SDCP's risk management program. These energy products include Renewable Energy, Other Carbon Free Energy (e.g., large hydro-electric), System Energy, and Resource Adequacy capacity. The quantities will vary over time and are summarized in Table 5 below for a representative year.

Table 5: Summary of Resources Needed to Serve San Diego County

Product	Quantity	Units	Notes
Renewable Energy	950 GWh	GWh Per Year	Approx. half must be from long-term commitments (>= 10 years) per RPS rules
Other Carbon Free	88 to 270 GWh	GWh Per Year	Higher end of range would be needed to offset emissions attributed to PCC2 renewable energy products; lower use of PCC2 products will reduce need for Other Carbon Free volumes

Product	Quantity	Units	Notes
Resource Adequacy, System	55 MW	MW per Month, September Peak	
Resource Adequacy, Local	325 MW	MW Per Month	

Put into more concrete terms, the 950 GWh of annual renewable energy shown above is generally equivalent to the energy produced by a 360 MW solar or wind generation facility or a 125 MW Geothermal facility.

Under California's RPS rules, a significant portion of renewable energy purchases must be secured through contractual commitments of at least ten years in duration. Compliance with the RPS program is measured over multi-year compliance periods, and the expansion would occur during Compliance Period 4 (2021-2024). As shown below, RPS compliance would require an increase in renewable energy purchases during Compliance Period 4 of 1,372 GWh, of which 892 GWh would have to be associated with long-term commitments. Note that SDCP has voluntarily adopted higher renewable energy targets than required by the RPS program, so the total renewable energy needed to meet SDCP policy is greater than the figures shown below.

Current SDCP Membership					
Compliance Period 4	**2021**	**2022**	**2023**	**2024**	**Total**
Retail Sales (GWh)	1,916	4,644	5,391	5,434	17,385
Gross RPS %	35.8%	38.5%	41.3%	44.0%	*40.8%*
Required RPS (GWh)	686	1,788	2,226	2,391	7,091
Gross RPS LT %	65.0%	65.0%	65.0%	65.0%	65.0%
Gross LT RPS	***446***	***1,162***	***1,447***	***1,554***	***4,609***

Current SDCP Membership Plus County					
Compliance Period 4	**2021**	**2022**	**2023**	**2024**	**Total**
Retail Sales (GWh)	1,916	4,644	6,983	7,057	17,385
Gross RPS %	35.8%	38.5%	41.3%	44.0%	*40.8%*
Required RPS (GWh)	686	1,788	2,884	3,105	8,463
Gross RPS LT %	65.0%	65.0%	65.0%	65.0%	65.0%
Gross LT RPS	***446***	***1,162***	***1,875***	***2,018***	***5,501***

RESOURCE AVAILABILITY

Accommodating County expansion will require careful consideration of resource availability, particularly for resource adequacy and long-term renewable energy products. A critical element of resource procurement will be the ability to access resources currently held by SDG&E for the benefit of County customers. When County customers transition to SDCP service, SDG&E should have surplus resource adequacy and long-term renewable energy supply, so SDCP will need to arrange for the acquisition of such supply to facilitate applicable compliance mandates. If no transfer of resources occurs, either by sale or some form of allocation, SDCP would risk being unable to meet its regulatory obligations associated with the increased load associated with County expansion.

Under existing regulation, SDG&E is required to have 100% of the local resource adequacy capacity associated with its current customer base two years forward and 50% in the third year. With the well-known shortages of local resource adequacy capacity in the San Diego/Imperial Valley area, this virtually assures that accessing local RA resources held by SDG&E will be required if SDCP is to meet its increased local RA obligations associated with the County load.

With respect to renewable energy availability, the resource constraint would primarily relate to the long-term renewable energy requirement for Compliance Period 4. Ideally, SDCP would be able to enter into long-term contracts for renewable energy starting in 2023, coincident with the increased load associated with extension of service to the County. Development timelines for new renewable resource development, however, would more likely extend the commercial operation date for new capacity to 2024 or even 2025, depending on how early SDCP begins its procurement efforts. If long-term renewable deliveries were to commence in 2024, SDCP would require the full 892 GWh Compliance Period 4 long-term renewable energy obligation to be delivered in that year, and that commitment would extend for the next nine years. This may result in a higher proportion of renewable energy under long-term contracts than SDCP would normally desire; it is generally beneficial to have a mix of short-, medium-, and long-term contract commitments to diversify risk. Of course, if the earliest delivery for new long-term contracts is after 2024, they could not be used in Compliance Period 4. The RPS program makes no accommodations for significant load increases, and there are severe penalties for not meeting the long-term contracting obligation.

In light of the resource availability issues described above, it would be advisable to engage with SDG&E early in the process to ensure that appropriate resource transfers will be accommodated.

CAPITAL AND LIQUIDITY IMPACTS

Although relatively minimal, additional costs related to the prospective expansion would be incurred during the fiscal year preceding enrollment of County accounts. These costs would relate to marketing and outreach activities, customer noticing, regulatory and legal representation, internal operations, resource planning and electric procurement activities that would be necessary to successfully integrate the County and its customers in SDCP's organization. There would also be increased working capital requirements to address changes in cash flow. SDCP is projected to have sufficient cash liquidity to internally fund pertinent activities related to the prospective expansion.

CONCLUSIONS

This assessment concludes that under base case assumptions extending service to the County would have an overall positive financial benefit to SDCP in the form of additional net surpluses that could be used to augment reserves or applied to other purposes. Due to wholesale market volatility, the likely range of outcomes is wide, ranging from strongly positive (if power prices decrease) to moderately negative (if power prices increase). Extending service to the County would increase SDCP's sales volume by approximately 30% and would require a meaningful increase in SDCP resource acquisition. Advance coordination with SDG&E for resource adequacy and long-term renewable energy resource transfers would be strongly advised to ensure SDCP has the resources necessary to meet its regulatory obligations associated with an increase in load. Among other resource implications, the expansion would increase SDCP's long-term RPS compliance obligations, and meeting these heightened obligations during Compliance Period 4, which spans 2021-2024, would be of immediate importance. It is highly likely that local resource adequacy and long-term renewable energy would need to be obtained from SDG&E to facilitate the transfer of customers to SDCP.

SAN DIEGO COMMUNITY POWER

SAN DIEGO COMMUNITY POWER
Staff Report – Item 6

To: San Diego Community Power Board of Directors

From: Cody Hooven, Chief Operating Officer

Via: Bill Carnahan, Interim Chief Executive Officer

Subject: Review and Approve Policy for Adding New Members to SDCP

Date: June 24, 2021

RECOMMENDATION

A. Review and approve the New Member Policy.
B. Provide direction to staff to return to the Board with minor modifications to the Joint Powers Authority (JPA) Agreement that reflect the potential for new members.

BACKGROUND

As additional municipalities in the region continue to explore the potential to join a community choice program and approach SDCP for information, adoption of a policy will provide guidance that can be used by staff and shared with interested parties.

ANALYSIS AND DISCUSSION

General

Staff have researched the practices of other community choice aggregation (CCA) programs in California to understand if there are best practices to expansion of membership. A summary of that research is below:

- Many CCAs have expanded
- Limited expansion policies available; typically, an ad hoc analysis of data and Board direction is provided
- Common practice is to review consistency between the existing CCA and the new member and ensure mission alignment and positive or neutral impacts are expected from the addition of customers
- Financial considerations include different rates for different vintage years (power chare indifference adjustment, PCIA, costs set by year of load departure), reserves built up prior to new member joining, etc.

Based on this information and current discussions with potential new member agencies, staff have provided a draft New Member Policy for Board review and approval. The policy also builds upon the guidance outlined in Section 2.4 of the JPA Agreement, provided below.

Section 2.4 **Addition of Parties**. After the initial formation of the Authority by the Founding Members, any incorporated municipality, county, or other public agency authorized to be a community choice aggregator under Public Utilities Code Section 331.1 located within the service territory of the IOU may apply to and become a member of the Authority if all the following conditions are met:

> 2.4.1 The adoption by a two-thirds vote of the Board satisfying the requirements described in Section 4.11 (Board Voting) of this Agreement, of a resolution authorizing membership into the Authority;
>
> 2.4.2 The adoption by the public agency of a CCA ordinance as required by Public Utilities Code Section 366.2(c)(12) and approval and execution of this Agreement and other necessary program agreements by the public agency;
>
> 2.4.3 Payment of a membership fee, if any, as may be required by the Board to cover Authority costs incurred in connection with adding the new party; and
>
> 2.4.4 Satisfaction of any other reasonable conditions established by the Board.
>
> Pursuant to this Section 2.4 (Addition of Parties), all Parties shall be required to commence electric service as soon as is practicable within statutory and regulatory requirements, as determined by the Board and Authority management, as a condition to becoming a Party to this Agreement.

Revision of JPA Agreement
Director Baber suggested at the May 2021 Board meeting that a minor revision to the JPA Agreement may be needed to the voting structure to reflect the potential of more than five members as parties to SDCP. Staff is seeking direction from the Board on this change to be made and returned to the Board for a vote. Per the JPA Agreement, any change to the Agreement requires 30 days' notice to the existing member cities.

COMMITTEE REVIEW
N/A

FISCAL IMPACT
None.

ATTACHMENTS
Attachment A: Draft New Member Policy

San Diego Community Power
New Member Policy

Effective Date: ____

PURPOSE

This policy provides the framework for SDCP staff and Board of Directors to evaluate the addition of new member agencies and communities to SDCP.

GENERAL CRITERIA

Ultimately, admission of a new member will be a decision made by the Board of Directors on a case-by-case basis. It is important for all members, existing and new, to share a common vision of the goals and objectives of SDCP.

Following are general criteria staff and the Board may use to aid in the decision.

- Does the new member agency support the mission, vision, goals, and objectives of SDCP?
- Does the new member agency commit to supporting SDCP through regulatory, legislative, and other policy support, where possible?
- Are there financial impacts/benefits to existing customers?
- Are there financial impacts/benefits to the new member agency's communities?

COSTS

Analysis

A pro forma analysis should be conducted by SDCP to determine the financial and operational impacts of new member communities. The new member agency must request the most current year(s) of electricity data for their jurisdiction from San Diego Gas & Electric and provide that data to SDCP for analysis. The new member agency shall agree to paying the costs of the analysis within the fiscal year it is conducted. These costs will be waived for the new member under the following circumstances:

1. The new member agency decides to join SDCP;
2. The new member agency has a population of 75,000 or less; or,
3. The Board waives the costs.

Other Costs

The Board or staff may choose to assess membership or other fees to mitigate financial impacts for the additional of a new member community on a new member agency pending the outcome of the pro forma analysis.

TIMELINE

The following timeline is a guide for analysis and potential admission of a new member community. The timeline is based on lead time for necessary steps and regulatory deadlines.

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

- SDCP
  - By August 15
    - Complete pro forma analysis
  - By September 30
    - Present findings and seek Board resolution for admission of new member community
    - Determine financial impact to SDCP of new member and mitigations, if needed
  - By November 30
    - Amendment and Board approval of Implementation Plan for submission to California Public Utilities Commission (deadline to file is Jan. 1 of the following year)
  - January 1, 2023 or later
    - Start service for the County, enrollment schedule TBD

VOTING

Pursuant to Section 4.11.2 of the Joint Powers Authority Agreement, voting shares should be re-calculated with any new member's electricity load added to the calculation. The new voting shares should be presented to the Board annually or when the new member is added.

SAN DIEGO COMMUNITY POWER
Staff Report – Item 7

To: San Diego Community Power Board of Directors

From: Eric W. Washington, Chief Financial Officer

Via: Bill Carnahan, Interim Chief Executive Officer

Subject: Review and Approve FY21 Financial Audit Preparation

Date: June 24, 2021

RECOMMENDATION
Approve the Professional Services Agreement with auditor Pisenti & Brinker, LLP for a 1 year term with two 1 year renewal options, fees of $21,000/year (not-to-exceed $63,000 total), and authorize the Interim Chief Executive Officer or his designee to execute the agreement.

BACKGROUND
According to the Professional Services Agreement (PSA) dated September 21, 2020, San Diego Community Power (SDCP) enlisted the services of Pisenti & Brinker to conduct the June 30, 2020 fiscal year end audit and to provide and independent auditors report.

ANALYSIS AND DISCUSSION
SDCP's previous agreement with Pisenti & Brinker expired December 31, 2020 with a not-to-exceed limit of $6,000. The FY20 CPA audit covered SDCP's operating period from inception (October 1, 2019) through the first fiscal year end (June 30, 2020). The proposed agreement allow for the completion of an audit covering a full financial reporting cycle of SDCP. The details of the scope of services are presented in the PSA and the engagement letter in Attachment A and B, respectively.

FISCAL IMPACT
The cost of this action is included in the FY22 proposed budget pending review and final approval by the Board.

ATTACHMENTS
Attachment A: Professional Services Agreement with Pisenti & Brinker, LLP
Attachment B: Engagement Letter with Pisenti & Brinker, LLP

SAN DIEGO COMMUNITY POWER
PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement ("**Agreement**") is made and entered into this 1st day of July 2021, by and between SAN DIEGO COMMUNITY POWER, a California joint powers agency ("**SDCP**") and Pisenti & Brinker, an **LLP** ("**Consultant**"). SDCP and Consultant are sometimes individually referred to as "**Party**" and collectively as "**Parties**."

RECITALS

A. Consultant desires to perform and assume responsibility for the provision of certain professional services required by SDCP on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing **independent financial statement auditing services,** is licensed in the State of California, and is familiar with the plans of SDCP.

B. SDCP desires to engage Consultant to render such professional services for the independent financial statement auditing services ("**Project**") as set forth in this Agreement.

AGREEMENT

1. **Scope of Services and Term.**

1.1 General Scope of Services. Consultant promises and agrees to furnish to SDCP all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply the **independent financial statement auditing services** necessary for the Project ("**Services**"). The Services are more particularly described in Exhibit A attached hereto, and which are stated in the proposal to SDCP. All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto, and all applicable local, state and federal laws, rules and regulations.

1.2 Term. The term of this Agreement shall be from July 1, 2021 to June 30, 2022, unless earlier terminated as provided herein. Consultant shall complete the Services within the term of this Agreement and shall meet any other established schedules and deadlines.

1.2.1 Option to Extend. SDCP shall have the option to extend the term of this Agreement for two (2) additional terms of one (1) year each commencing on the first day after the expiration date of the previous term. SDCP may exercise the options by giving Consultant written notice not later than sixty (60) days prior to the expiration of the then current term. If SDCP exercises the options to extend, Consultant's allowable compensation under Section 3.1 shall reset for each additional term.

2. **Responsibilities of Consultant.**

2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement. SDCP retains Consultant on an independent contractor basis and not as an employee. Consultant retains the right to perform similar or different services for others during the term of this Agreement. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of SDCP and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

2.2 Schedule of Services. Consultant shall perform the Services expeditiously, within the term of this Agreement, and in accordance with the Schedule of Services set forth in Exhibit B attached hereto. Consultant represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Consultant's conformance with the Schedule, SDCP shall respond to Consultant's submittals in a timely manner. Upon request of SDCP, Consultant shall provide a more detailed schedule of anticipated performance to meet the Schedule of Services.

2.3 Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the approval of SDCP.

2.4 Substitution of Key Personnel. Consultant has represented to SDCP that certain key personnel will perform and coordinate the Services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of SDCP. In the event that SDCP and Consultant cannot agree as to the substitution of key personnel, SDCP shall be entitled to terminate this Agreement for cause. As discussed below, any personnel who fail or refuse to perform the Services in a manner acceptable to SDCP, or who are determined by the SDCP to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, or a threat to the safety of persons or property, shall be promptly removed from the Project by the Consultant at the request of the SDCP. The key personnel for performance of this Agreement are as follows:

Brett Bradford, CPA
Andrea Lifto

2.5 SDCP's Representative. SDCP hereby designates **its CEO** or **Interim Executive Officer**, or such person's designee, to act as its representative for the performance of this Agreement ("**SDCP's Representative**"). SDCP's Representative shall have the power to act on behalf of SDCP for all purposes under this Agreement. Consultant shall not accept direction or orders from any person other than SDCP's Representative, or designee.

2.6 Consultant's Representative. Consultant hereby designates **Brett Bradford,** or his or her designee, to act as its Representative for the performance of this Agreement ("**Consultant's Representative**"). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his or her best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

2.7 Coordination of Services. Consultant agrees to work closely with SDCP staff in the performance of Services and shall be available to SDCP's staff, consultants and other staff at all reasonable times.

2.8 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and sub- contractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from SDCP, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of the Consultant or its subcontractors who is determined by SDCP to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to SDCP, shall be promptly removed from the Project by the Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

2.9 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Consultant shall be liable for all violations of such laws and regulations in connection with Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to SDCP, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold SDCP, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

2.10 Insurance.

2.10.1 Time for Compliance. Consultant shall not commence the Services under this Agreement until it has provided evidence satisfactory to SDCP that it has secured all insurance required under this section, in a form and with insurance companies acceptable to SDCP. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to SDCP that the subcontractor has secured all insurance required under this section.

2.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Consultant, its agents, representatives, employees or subcontractors. Consultant shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Scope of Insurance. Coverage shall be at least as broad as the latest version of the following: (1) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001 or exact equivalent); (2) *Automobile Liability*: Insurance Services Office Business Auto Coverage (form CA 0001, code 1 (any auto) or exact equivalent); and (3) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(B) Minimum Limits of Insurance. Consultant shall maintain limits no less than: (1) *General Liability:* $1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability:* $1,000,000 per accident for bodily injury and property damage; and (3) *Workers' Compensation and Employer's Liability:* Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of $1,000,000 per accident for bodily injury or disease.

2.10.3 Professional Liability. Consultant shall procure and maintain, and require its subcontractors to procure and maintain, for a period of five (5) years following completion of the Services, errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than $2,000,000 per claim. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

2.10.4 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by SDCP to add the following provisions to the insurance policies:

(A) General Liability.

(i) Commercial General Liability Insurance must include coverage for (1) Bodily Injury and Property Damage; (2) Personal Injury/Advertising Injury; (3) Premises/Operations Liability; (4) Products/Completed Operations Liability; (5) Aggregate Limits that Apply per Project; (6) Explosion, Collapse and Underground (UCX) exclusion deleted; (7) Contractual Liability with respect to this Agreement; (8) Broad Form Property Damage; and (9)

Independent Consultants Coverage.

(ii) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; or (3) contain any other exclusion contrary to the Agreement.

(iii) The policy shall give SDCP, its directors, officials, officers, employees, and agents insured status using ISO endorsement forms 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(iv) The additional insured coverage under the policy shall be "primary and non-contributory" and will not seek contribution from SDCP's insurance or self-insurance and shall be at least as broad as CG 20 01 04 13, or endorsements providing the exact same coverage.

(B) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) SDCP, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Consultant or for which the Consultant is responsible; and (2) the insurance coverage shall be primary insurance as respects SDCP, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by SDCP, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way.

(C) Workers' Compensation and Employers Liability Coverage.

(i) Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and Consultant will comply with such provisions before commencing work under this Agreement.

(ii) The insurer shall agree to waive all rights of subrogation against SDCP, its directors, officials, officers, employees, agents and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

(D) All Coverages. Defense costs shall be payable in addition to the limits set forth hereunder. Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. It shall be a requirement under this Agreement that any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements and/or limits set forth herein shall be available to SDCP, its directors, officials, officers, employees and agents as additional insureds under said policies. Furthermore, the requirements for coverage and limits shall be (1) the minimum coverage and limits specified in this Agreement; or (2) the broader coverage and maximum limits of coverage of any Insurance policy or proceeds available to the named insured; whichever is greater.

(i) The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of SDCP (if agreed to in a written contract or agreement) before SDCP's own insurance or self-insurance shall be called upon to protect it as a named insured. The umbrella/excess policy shall be provided on a "following form" basis with coverage at least as broad as provided on the underlying policy(ies).

(ii) Consultant shall provide SDCP at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to SDCP at least ten (10) days prior to the effective date of cancellation or expiration.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by SDCP, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(v) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, SDCP has the right but not the duty to obtain the insurance it deems necessary and any premium paid by SDCP will be promptly reimbursed by Consultant or SDCP will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, SDCP may cancel this Agreement. SDCP may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(vi) Neither SDCP nor any of its directors, officials, officers, employees or agents shall be personally responsible for any liability arising under or by virtue of this Agreement.

2.10.5 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to SDCP, its directors, officials, officers, employees, agents and volunteers.

2.10.6 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by SDCP. Consultant shall guarantee that, at the option of SDCP, either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects SDCP, its directors, officials, officers, employees, agents and volunteers; or (2) the Consultant shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

2.10.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, licensed to do business in California, and satisfactory to SDCP.

2.10.8 Verification of Coverage. Consultant shall furnish SDCP with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to SDCP. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf and shall be on forms provided by SDCP if requested. All certificates and endorsements must be received and approved by SDCP before work commences. SDCP reserves the right to require complete, certified copies of all required insurance policies, at any time.

2.10.9 Subcontractor Insurance Requirements. Consultant shall not allow any subcontractors to commence work on any subcontract until they have provided evidence satisfactory to SDCP that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors shall be endorsed to name SDCP as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, SDCP may approve different scopes or minimum limits of insurance for particular subcontractors.

2.10.10 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed. Safety precautions as applicable shall include, but shall not be limited to: (A) adequate life protection and life-saving equipment and procedures; (B) instructions in accident prevention for all employees and subcontractors, such as safe walkways, scaffolds, fall protection ladders, bridges, gang planks, confined space procedures, trenching and shoring, equipment and other safety devices, equipment and wearing apparel as are necessary or lawfully required to prevent accidents or injuries; and (C) adequate facilities for the proper inspection and maintenance of all safety measures.

3. **Fees and Payments.**

3.1 Compensation. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit C, attached hereto. The total compensation shall not exceed **$21,000**for the initial term and any optional one-year extended term (for a total not-to-exceed amount of **$63,000**) without written approval of SDCP's **CEO** or **Interim Executive Officer.**

3.2 Payment of Compensation. Consultant shall submit to SDCP a monthly itemized statement which indicates work completed and hours of Services rendered by Consultant. The statement shall describe the amount of Services and supplies provided since the initial commencement date, or since the start of the subsequent billing periods, as appropriate, through the date of the statement. SDCP shall, within 45 days of receiving such statement, review the statement and pay all approved charges thereon.

3.3 Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized in writing by SDCP.

4. **Accounting Records.** Consultant shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a representative of SDCP during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

5. **General Provisions.**

5.1 Termination of Agreement.

5.1.1 Grounds for Termination. SDCP may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to SDCP, and Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause.

5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, SDCP may require Consultant to provide all finished or unfinished Documents and Data and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such documents and other information within fifteen (15) days of the request.

5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, SDCP may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

5.2 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective Parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

Consultant: Pisenti & Brinker LLP
Attn: Brett Bradford, Partner
3562 Round Barn Blvd.
Suite 300
Santa Rosa, CA 95404

SDCP: San Diego Community Power
Attn: Interim Chief Executive Officer
c/o City of San Diego Sustainability Department
1200 Third Avenue, Suite 1800
San Diego, CA 92101

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

5.3 Ownership of Materials and Confidentiality.

5.3.1 Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for SDCP to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("**Documents & Data**"). Consultant shall require all subcontractors to agree in writing that SDCP is granted a non-exclusive and perpetual license for any Documents & Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents & Data. Consultant makes no such representation and warranty in regard to Documents & Data which were prepared by design professionals other than Consultant or provided to Consultant by SDCP. SDCP shall not be limited in any way in its use of the Documents & Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at SDCP's sole risk.

5.3.2 Intellectual Property. In addition, SDCP shall have and retain all right, title and interest (including copyright, patent, trade secret and other proprietary rights) in all plans, specifications, studies, drawings, estimates, materials, data, computer programs or software and source code, enhancements, documents, and any and all works of authorship fixed in any tangible medium or expression, including but not limited to, physical drawings or other data magnetically or otherwise recorded on computer media ("**Intellectual Property**") prepared or developed by or on behalf of Consultant under this Agreement as well as any other such Intellectual Property prepared or developed by or on behalf of Consultant under this Agreement.

SDCP shall have and retain all right, title and interest in Intellectual Property developed or modified under this Agreement whether or not paid for wholly or in part by SDCP, whether or not developed in conjunction with Consultant, and whether or not developed by Consultant. Consultant will execute separate written assignments of any and all rights to the above referenced Intellectual Property upon request of SDCP.

Consultant shall also be responsible to obtain in writing separate written assignments from any subcontractors or agents of Consultant of any and all right to the above referenced Intellectual Property. Should Consultant, either during or following termination of this Agreement, desire to use any of the above-referenced Intellectual Property, it shall first obtain the written approval of the SDCP.

All materials and documents which were developed or prepared by the Consultant for general use prior to the execution of this Agreement and which are not the copyright of any other party or publicly available and any other computer applications, shall continue to be the property of the Consultant. However, unless otherwise identified and stated prior to execution of this Agreement, Consultant represents and warrants that it has the right to grant the exclusive and perpetual license for all such Intellectual Property as provided herein.

SDCP further is granted by Consultant a non-exclusive and perpetual license to copy, use, modify or sub-license any and all Intellectual Property otherwise owned by Consultant which is the basis or foundation for any derivative, collective, insurrectional, or supplemental work created under this Agreement.

5.3.3 Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents and Data either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant. Such materials shall not, without the prior written consent of SDCP, be used by Consultant for any purposes other than the performance of the Services. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use SDCP's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of SDCP.

5.3.4 Infringement Indemnification. Consultant shall defend, indemnify and hold SDCP, its directors, officials, officers, employees, volunteers and agents free and harmless, pursuant to the indemnification provisions of this Agreement, for any alleged infringement of any patent, copyright, trade secret, trade name, trademark, or any other proprietary right of any person or entity in consequence of the use on the Project by SDCP of the Documents & Data, including any method, process, product, or concept specified or depicted.

5.4 Cooperation; Further Acts. The Parties shall fully cooperate with one another and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

5.5 Attorney's Fees. If either Party commences an action against the other Party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

5.6 Indemnification.

5.6.1 To the fullest extent permitted by law, Consultant shall defend (with counsel of SDCP's choosing), indemnify and hold the SDCP, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses; except to the extent caused by or arising out of the active negligence or willful misconduct of SDCP. Consultant shall defend, at Consultant's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against SDCP, its directors, officials, officers, employees, agents or volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against SDCP or its directors, officials, officers, employees, agents or volunteers, in any such suit, action or other legal proceeding. Consultant shall reimburse SDCP and its directors, officials, officers, consultants, employees, agents and/or volunteers, for any and all legal expenses and costs, including reasonable attorneys' fees, incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the SDCP, its officials, officers, employees, agents, or volunteers. This section shall survive any expiration or termination of this Agreement.

5.6.2 If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code § 2782.8), then, and only to the extent required by Civil Code § 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

5.7 Entire Agreement. This Agreement contains the entire Agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both Parties.

5.8 Governing Law. This Agreement shall be governed by the laws of the State of California. Venue shall be in San Diego County.

5.9 Time of Essence. Time is of the essence for each and every provision of this Agreement.

5.10 SDCP's Right to Employ Other Consultants. SDCP reserves right to employ other consultants in connection with this Project.

5.11 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the Parties.

5.12 Assignment or Transfer. Consultant shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of SDCP. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

5.13 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subcontractors of Consultant, except as otherwise specified in this Agreement. All references to SDCP include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

5.14 Amendment; Modification. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

5.15 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

5.16 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

5.17 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

5.18 Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, SDCP shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of SDCP, during the term of his or her service with SDCP, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

5.19 Equal Opportunity Employment and Subcontracting. Consultant represents that it is an equal opportunity employer and it shall not discriminate on the basis of race, gender, gender expression, gender identity, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of applicants, employees, subcontractors, vendors, or suppliers. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination. Further, Consultant shall provide equal opportunity for subcontractors to participate in subcontracting opportunities.

5.20 Labor Certification. By its signature hereunder, Consultant certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for Workers' Compensation, or to undertake self- insurance in accordance with the provisions of that Code, and agrees to comply with such provisions before commencing the performance of the Services.

5.21 Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

5.22 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

5.23 Subcontracting**.** Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of SDCP. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE TO
SAN DIEGO COMMUNITY POWER
PROFESSIONAL SERVICES AGREEMENT

IN WITNESS WHEREOF, the Parties have made and executed this Agreement as of the date first written above.

SAN DIEGO COMMUNITY POWER	**Pisenti & Brinker LLP**
By : ________________________________	By : _____________
Name: ______________________________	Name: Brett Bradford______________
Title: _______________________________	Title: Partner_____________________

ATTEST:

____
Secretary, SDCP Board of Directors

APPROVED AS TO FORM:

____
SDCP General Counsel

**A corporation requires the signatures of two corporate officers.*

One signature shall be that of the Chairman of Board, the President or any Vice President, and the second signature (on the attest line) shall be that of the Secretary, any Assistant Secretary, the Chief Financial Officer or any Assistant Treasurer of such corporation.

If the above persons are not the intended signators, evidence of signature authority shall be provided to SDCP.

EXHIBIT A

SCOPE OF SERVICES

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of San Diego Community Power ("SDCP") for the year ended June 30, 2021, with an option to extend the audit services for two additional one (1) year terms. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

Other than as discussed below, our services shall be subject to the terms and conditions of the PROFESSIONAL SERVICES AGREEMENT dated July 1, 2021 between Pisenti & Brinker LLP and SDCP.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to SDCP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of SDCP's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audits of the financial statements that we have identified during the audits.

We will also communicate to the Board of Directors (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audits, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audits (unless they are clearly inconsequential).

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility:

a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;

b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;

c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;

d. For *(a)* making us aware of significant vendor relationships where the vendor is responsible for program compliance, *(b)* following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and *(c)* report distribution including submitting the reporting package(s); and

e. To provide us with:

   (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;

   (2) Additional information that we may request from management for the purpose of the audits;

   (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

   (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and

   (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

a. That management has fulfilled its responsibilities as set out in the terms of this letter; and

b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that SDCP comply with the laws and regulations applicable to their activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the required supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the required supplementary information with the audited financial statements or, if the required supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the required supplementary information and the auditor's report thereon.

The Board of Directors is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

SDCP agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, SDCP agrees to contact us before it include our reports or otherwise make reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements will be necessary. SDCP agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the SDCP seek such consent, we will be under no obligation to grant such consent or approval.

We agree that our association with any proposed offering is not necessary, providing the SDCP agree to clearly indicate that we are not associated with the contents of any such official statement or memorandum. SDCP agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

> Pisenti & Brinker LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Pisenti & Brinker LLP also has not performed any procedures relating to this official statement or memorandum.

SDCP's Records and Assistance

If circumstances arise relating to the condition of SDCP's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in SDCP's books and records. SDCP will determine that all such data, if necessary, will be so reflected. Accordingly, SDCP will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by SDCP's personnel, including the preparation of schedules and analyses of accounts, will be coordinated with you. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

The two overarching principles of the independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of any non-audit services that SDCP may request of Pisenti & Brinker LLP. Accordingly, SDCP agrees to the following should any non-audit services be required:

- Don Eckert will be accountable and responsible for overseeing the non-audit services;
- will establish and monitor the performance of the non-audit services to ensure that they meet management's objectives;
- will make any decisions that involve management functions related to the non-audit services and accept full responsibility for such decisions;
- will evaluate the adequacy of services performed and any findings that result.

Fees, Costs, and Access to Workpapers

Our fee estimate for audit services is $21,000. This fee estimate assumes no unexpected changes in the scope of the engagement, that assistance which SDCP has agreed to furnish is provided in a timely fashion, and no other unexpected conditions are encountered. Should any of these conditions not be met we will discuss the situation with Management before proceeding.

In the event we are requested or authorized by SDCP or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for SDCP, SDCP will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests. This provision will survive completion or termination of this agreement for services.

The documentation for this engagement is the property of Pisenti & Brinker LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least seven years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Pisenti & Brinker LLP audit personnel and at a location designated by our Firm.

Reporting

We will issue a written report upon completion of our audit of the Organization's financial statements. Our report will be addressed to the Board of Directors of the Organization. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

<u>EXHIBIT B</u>

SCHEDULE OF SERVICES

We anticipate that our work will begin in July 2021 and be completed during October 2021.

<u>EXHIBIT C</u>

COMPENSATION BILLING RATES

Subject to the not-to-exceed amounts set forth in Section 3.1 of the Agreement, Consultant shall be compensated as follows:

$21,000 for the initial term and any optional one-year extended term (for a total not-to-exceed amount of **$63,000**).

PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

3562 Round Barn Circle, Suite 300
Santa Rosa, CA 95403
(707) 542-3343 Office
(707) 527-5608 Fax
pbllp.com

June __, 2021

San Diego Community Power
1200 Third Avenue, Suite 1800
San Diego, CA 53068

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of San Diego Community Power ("SDCP") for the year ended June 30, 2021, with an option to extend the audit services for two additional one (1) year terms. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

Other than as discussed below, our services shall be subject to the terms and conditions of the PROFESSIONAL SERVICES AGREEMENT dated July 1, 2021 between Pisenti & Brinker LLP and SDCP.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to SDCP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audits of the financial statements that we have identified during the audits.

We will also communicate to the Board of Directors *(a)* any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audits, and *(b)* any instances of noncompliance with laws and regulations that we become aware of during the audits (unless they are clearly inconsequential).

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility:

a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;

b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;

c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;

d. For *(a)* making us aware of significant vendor relationships where the vendor is responsible for program compliance, *(b)* following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and *(c)* report distribution including submitting the reporting package(s); and

e. To provide us with:

   (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;

   (2) Additional information that we may request from management for the purpose of the audits;

   (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

   (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and

   (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

a. That management has fulfilled its responsibilities as set out in the terms of this letter; and

b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that SDCP comply with the laws and regulations applicable to their activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the required supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the required supplementary information with the audited financial statements or, if the required supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the required supplementary information and the auditor's report thereon.

The Board of Directors is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

SDCP agree that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, SDCP agrees to contact us before it include our reports or otherwise make reference to us, in any public or private securities offering.

Our association with an official statement is a matter for which separate arrangements will be necessary. SDCP agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the SDCP seek such consent, we will be under no obligation to grant such consent or approval.

We agree that our association with any proposed offering is not necessary, providing the SDCP agree to clearly indicate that we are not associated with the contents of any such official statement or memorandum. SDCP agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

> Pisenti & Brinker LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Pisenti & Brinker LLP also has not performed any procedures relating to this official statement or memorandum.

SDCP's Records and Assistance

If circumstances arise relating to the condition of SDCP's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in SDCP's books and records. SDCP will determine that all such data, if necessary, will be so reflected. Accordingly, SDCP will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by SDCP's personnel, including the preparation of schedules and analyses of accounts, will be coordinated with you. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

The two overarching principles of the independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of any non-audit services that SDCP may request of Pisenti & Brinker LLP. Accordingly, SDCP agrees to the following should any non-audit services be required:

- Don Eckert will be accountable and responsible for overseeing the non-audit services;
- will establish and monitor the performance of the non-audit services to ensure that they meet management's objectives;
- will make any decisions that involve management functions related to the non-audit services and accept full responsibility for such decisions;
- will evaluate the adequacy of services performed and any findings that result.

Fees, Costs, and Access to Workpapers

Our fee estimate for audit services is $21,000. This fee estimate assumes no unexpected changes in the scope of the engagement, that assistance which SDCP has agreed to furnish is provided in a timely fashion, and no other unexpected conditions are encountered. Should any of these conditions not be met we will discuss the situation with Management before proceeding.

In the event we are requested or authorized by SDCP or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for SDCP, SDCP will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests. This provision will survive completion or termination of this agreement for services.

The documentation for this engagement is the property of Pisenti & Brinker LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least seven years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Pisenti & Brinker LLP audit personnel and at a location designated by our Firm.

Reporting

We will issue a written report upon completion of our audit of SDCP's financial statements. Our report will be addressed to the Board of Directors of SDCP. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

PISENTI & BRINKER LLP

Brett Bradford
Partner

CONFIRMED ON BEHALF OF San Diego Community Power:

_______________________________________ _________________________________

SAN DIEGO COMMUNITY POWER

SAN DIEGO COMMUNITY POWER
Staff Report – Item 8

To: San Diego Community Power Board of Directors

From: Eric Washington, Chief Financial Officer

Via: Bill Carnahan, Interim Chief Executive Officer

Subject: Review and Approve FY22 Budget

Date: June 24, 2021

RECOMMENDATION
Approve the FY22 budget.

BACKGROUND
Sections 4.6.2 and 7.1 of San Diego Community Power (SDCP's) JPA Agreement specify that SDCP shall adopt an annual budget with a fiscal year that runs July 1-June 30th, unless otherwise amended by the Board via resolution. During the May 2021 Board meeting, a preview of the FY22 Budget was presented and feedback was provided. After format revision were completed, the FY22 budget was presented to the Finance and Risk Management Committee (FRMC). A recommendation was approved for the presentation of the FY22 budget to the Board for final approval.

Since then, SDCP has grown in staffing and consultant resources and has refined the budget format to provide a structure that is more consistent with a public agency expense budget format. The overarching categories are operating revenues, expenses, non-operating revenues and expenses, changes in net position, and other miscellaneous items (e.g., working capital, collateral postings).

Staff worked with Maher Accountancy to build and update a detailed bottom-up budget workbook. This includes the latest power resources pro forma. As SDCP proceeds through its startup phase with evolving costs and reliance on projections about customer rate scenarios and market price forecasts are incorporated in the FY22 budget being presented.

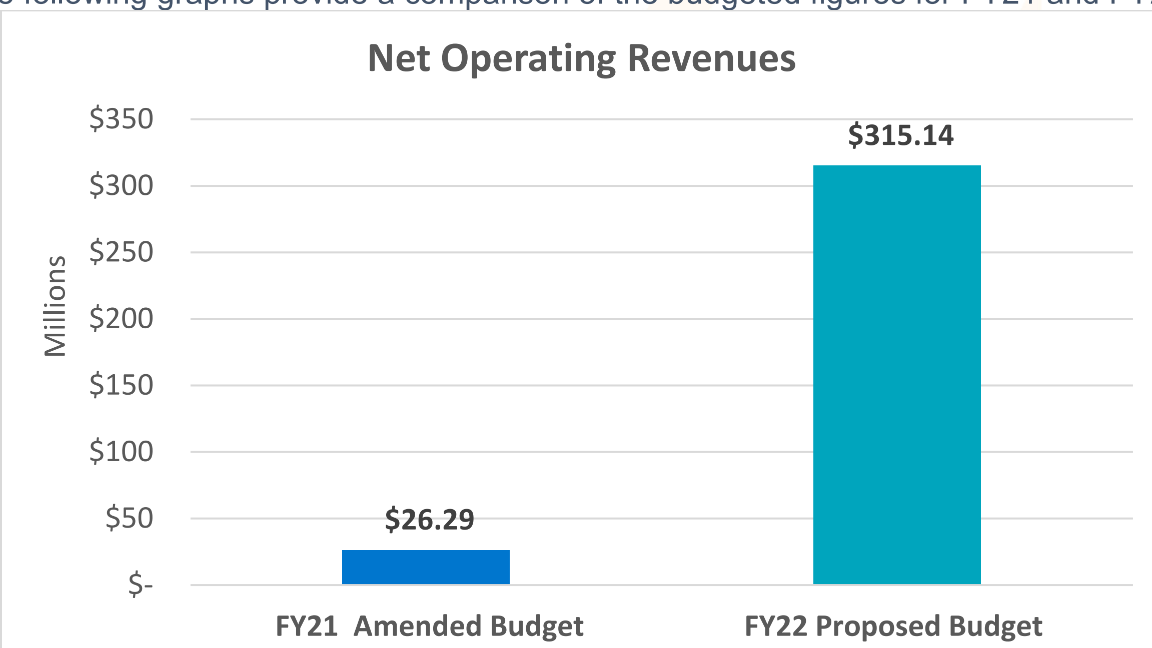
ANALYSIS AND DISCUSSION

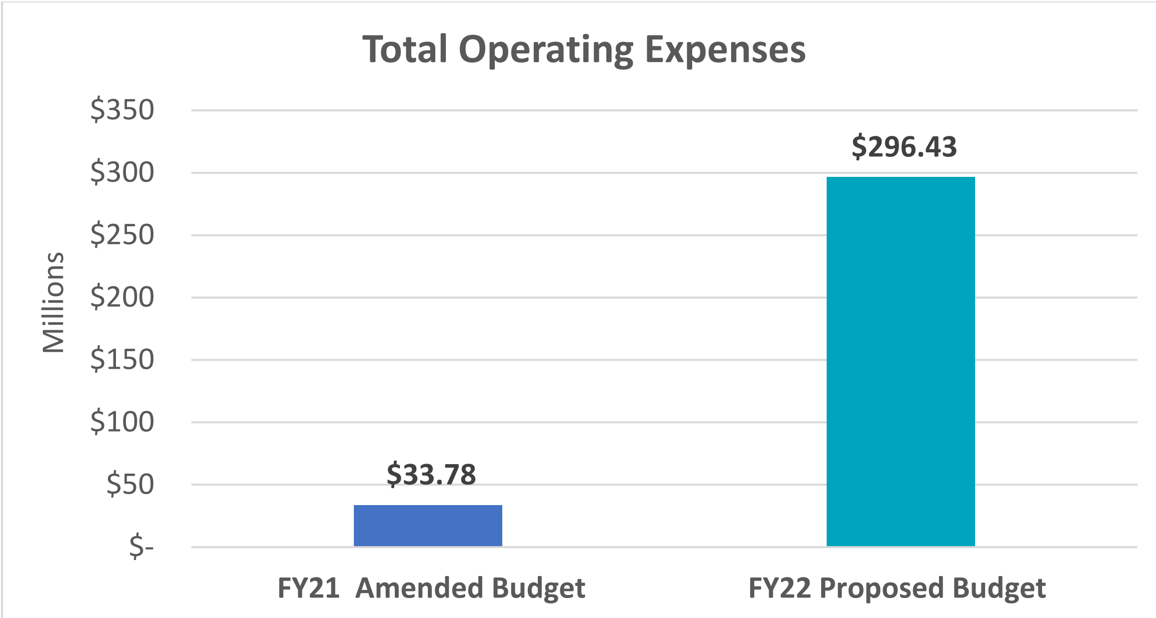
FY22 Budget
In FY22, SDCP will be nearly completely operational with residential customers enrolling in the latter half of the 2022 fiscal year. An overview of key revenues and

expenses are summarized below. A detailed breakdown and explanation of revenues and expenses are presented in Attachment A.

- Revenues - Allow for revenues from sales of electricity to customers for Phase 1, 2, and the beginning of Phase 3. Assumptions include opt outs and rates.
- Expenses
  - Cost of energy – Cost of Energy includes all the various services purchased from the power market through our suppliers.
  - Personnel
    - Include salaries, payroll taxes, benefits, and excused absence and paid time off for staff.
    - Includes the addition of approximately 12 new staff members and two interns
  - Professional services and consultants budgeted expenses are centered in SDG&E Fees, Calpine Fees (data management), technical support (for rate setting, load analysis, energy scheduling, etc.) legal/regulatory services. We have also added funding to provide member city grants that support electrification and climate action efforts.
  - Marketing and Outreach expenses are comprised of fees budgeted for communication consultants, notices, mailers, printing and sponsorship to inform the community of SDCP.
  - General and Administration budget is to cover the cost of office space, equipment, membership dues, and other general operational costs.
- Net position – approximately $17.7M.

The following graphs provide a comparison of the budgeted figures for FY21 and FY22.





COMMITTEE REVIEW

The Finance and Risk Management Committee reviewed the revised FY22 budget at their meeting on June 15, 2021 and recommended that it advance to the full Board for approval.

FISCAL IMPACT

FY22 shows a net position of $17.7M compared to the -$7.8M deficit budgeted for FY21.

ATTACHMENTS

Attachment A: FY22 Budget

FISCAL YEAR 2022 BUDGET

for the period

July 1, 2021 through June 30, 2022

San Diego Community Power
FY22 - Supplemental Details

I.	OPERATING REVENUES				
		Gross Ratepayer Revenues	$ 318,320,860		
		(Less 1% Uncollectible Customer Accounts)	$ (3,183,209)		
		Net Operating Revenues		**$**	**315,137,651**
II	OPERATING EXPENSES				
	a)	Cost of Energy	$ 284,304,000		
		Total		$	284,304,000
	b)	Personnel Costs			
		Salaries	$ 3,541,667		
		Benefits (retirement/health)	$ 872,400		
		Payroll Taxes	$ 270,938		
		Accrued PTO	$ 100,000		
		Contingency	$ 100,000		
		Total		$	4,885,005
	c)	Professional Services and Consultants			
		i) Legal Services	$ 895,000		
		ii) Technical Support	$ 947,000		
		iii) Programs Consultant	$ 350,000		
		iv) Broker Fees	$ 100,000		
		v) Other Services	$ 383,000		
		vi) SDG&E Service Fees	$ 1,429,000		
		vii) Data Management	$ 652,994		
		viii) Contingency	$ 224,000		
		Total		$	4,980,994
	d)	Marketing and Outreach			
		i) Communications Consultant	$ 600,000		
		ii) Notices and Mailers	$ 240,000		
		Printing	$ 277,000		
		Sponsorships/Local Memberships	$ 150,000		
		iii) Pilot Member City Grants	$ 150,000		
		Total		$	1,417,000
	e)	General and Administration			
		CalCCA Dues	$ 350,000		
		Insurance	$ 125,000		
		Rent	$ 120,000		
		Other G & A	$ 250,000		
		Total		$	845,000
		Total Operating Expenses	$ 296,431,999		
				$	**296,431,999**
		Operating Income (Loss)		**$**	**18,705,652**
III.	NON-OPERATING REVENUES (EXPENSES)				
		Interest and Related Expenses	$ 978,000		
		Total Non-Operating Revenues (Expenses)		$	978,000
		CHANGE IN NET POSITION		**$**	**17,727,652**

I. OPERATING REVENUES

SDCP's sole source of revenue currently is from the retail sale of electricity to its customers. Revenue budgeted for FY22 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base and a portion of retails sales to our residential customer base. Partial revenues from the residential customer base is due to the planned staggered phasing of customer launch dates.

II. OPERATING EXPENSES

a) ***Cost of Energy*** – Cost of Energy includes all the various services purchased from the power market through our suppliers. This includes purchased energy, capacity, CAISO fees and other miscellaneous power market expenses.

b) ***Personnel*** – Personnel costs include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. Two intern positions are also budgeted with the expectation of developing a pipeline opportunity to develop future community choice industry leaders and staff members. In addition, a contingency is included for items such as expanding the internship program to as well as miscellaneous personnel related costs or additional staffing needs. The recruitment strategy includes the addition of approximately 12 new staff members and two interns during the FY22 budget cycle to support the continued growth of SDCP.

c) ***Professional services and consultants***

i) Legal/Regulatory Services – SDCP retains legal counsel to assist with the complex aspects of the regulatory, compliance, power supply contract negotiations as well as its general legal needs. This line item will also allow for the retention of a lobbyist to support SDCP's legislative and regulatory efforts.

ii) Technical Support – SDCP engages consultants to assist with rate setting, policies, joint rate comparisons with the IOU, load analysis, and a scheduling coordinator. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing a number of other market and regulatory requirements. Staff are currently considering options for Scheduling Coordinator Service.

iii) Programs Consultant – Staff are beginning to develop plans for customer energy programs. This effort ranges from solicitation of feedback on programs preferred by residents and businesses to a detailed and complex application to the California Public Utilities Commission for funding. Budget amounts for consulting support and implementation are estimated here.

iv) Broker Fees – SDCP utilizes the services brokers to assist with energy market trades.

v) Other Services – SDCP contracts or plans to contract for IT Services, Audit (data and financial audits), Accounting services, Human Resource, and several other tasks. As SDCP matures we will monitor these services to determine whether it is more cost effective or efficient to bring this work in-house.

vi) SDG&E Service Fees – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The rollout of phase two and three during FY22 is expected to add a significant cost compared to FY21.The fees cover SDG&E's costs associated with meter reading additional data processing and bill coordination as mandated and regulated by the California Public Utilities Commission (CPUC). There are also numerous small fees associated with data requests.

vii) Data Management – Broad scope of services that includes all "back office" billing data validation, bill coordination with SDG&E, call center services and billing technical support, customer enrollment database management, move-in/move-out services, customer research for enrollment support, and many support functions related to data reporting.

viii) Contingency – As new members join the CCA the contingency will support the cost of research, data analysis and feasibility studies as well other miscellaneous professional services and consulting costs that may arise or change.

d) ***Marketing and Outreach***

i) Communications Consultants – An important focus of SDCP is ensuring the community is informed about us and that we build professional-level name recognition, trust, and education. This also covers design of all required notifications sent out to customers, informing them of their enrollment in SDCP, opt-out procedures, rate comparisons, as well as other notices or educational or marketing information.

ii) Notices, Mailers, Printing and Sponsorship – In addition to required noticing, SDCP performs outreach to educate the community of the benefits of community choice and to encourage awareness of our mission. This will come in the form of media advertising, sponsorships of community events and organizations, mailers, as well as targeted customer communications.

iii) Pilot Member City Grants – Staff have proposed this funding to develop a pilot program in support of our member city climate efforts. The criteria for dispersing of this funding is still in development but is intended to consider efforts to develop and/or implement electrification, decarbonization, and climate action plans.

e) ***General and Administration*** **–** General and Administration costs include leasing office space, industry fees or memberships (e.g., bank fees, CalCCA dues), equipment and software, as well as other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, logo gear, and team building.

III. NON-OPERATING REVENUES

SDCP is financing its operations through debt until it receives sufficient cash inflows from ratepayer revenues. This category includes interest costs as well as potential renewal fees on debt or letters of credit.

SAN DIEGO COMMUNITY POWER
Staff Report – Item 9

To: San Diego Community Power Board of Directors

From: Eric W. Washington, Chief Financial Officer

Via: Bill Carnahan, Interim Chief Executive Officer

Subject: Review and Approve Financial Reserves Policy

Date: June 24, 2021

RECOMMENDATION
Approve the Financial Reserves Policy

BACKGROUND
A best practice for ensuring the long-term viability among investment grade credit rated community choice programs is the implementation of a financial reserve policy. The development of the subject policy was based on Staff's review of financial reserves policies of investment grade credit rated community choice aggregation (CCA) programs in California.

ANALYSIS AND DISCUSSION Operating/working capital reserves provide the means to carry out strategic objectives, secure favorable terms from vendors, obtain standalone credit ratings, and cover unanticipated expenditures. Under the proposed Financial Reserves Policy San Diego Community Power (SDCP) will allocate up to 15% of gross revenue annually toward building an operation/working capital reserve equivalent to 90 days of cash on hand to be held as unrestricted cash. Refer to the Policy presented in Attachment A for details. In summary, the following will be completed on an annual basis:

- The fund balance and contributions to be reviewed by Staff and presented to the Board as part of the budget process
- The fund balance to be reviewed and reconciled as part of the audit process
- Staff to complete a review of the policy

FISCAL IMPACT
Building financial reserves will contribute to SDCP achieving its strategic objectives

ATTACHMENTS
Attachment A: Financial Reserves Policy

Policy Number: Draft 1 Original Adoption Date: TBD

Subject: Financial Reserves Policy

Purpose: San Diego Community Power (SDCP) will maintain Financial Reserves as described in this policy to:

- Meet SDCP's strategic objectives
- Secure favorable terms with vendors, including power producers
- Secure a standalone investment grade credit rating
- Provide funds to cover unanticipated expenditures

Policy Guidelines: SDCP will allocate up to 15% of gross revenue annually toward building an Operating/Working Capital Reserve equivalent to 90 days of total operating expenses (including power supply expenses) to be held as unrestricted cash. Unrestricted cash is defined as total cash less restricted cash held in accounts that are restricted from use due to collateral requirements or by covenant requirements. SDCP will establish rates and adopt budgets that provide for a growing Operation/Working Capital Reserve that meets the above target funding levels.

Fund Balance Review: The fund balance and annual contributions will be reviewed on an annual basis as part of SDCP's budget process. The fund balance will also be reviewed at the completion of SDCP's annual audit to reconcile the fund balance.

Exceeding Target Fund Balance: If reserve funds exceed target levels, the Board may use excess funds for capital projects, financing programs, paying down existing debt, rate reductions, or other strategic purposes.

Spending Authorization: Authority to spend funds from the reserves must align with the Board approved budget and must be approved by the Board. Any request by staff to use the fund that shall bring the balance below the target level established under this Financial Reserve Policy shall be accompanied by a plan and timeline for replenishment.

Policy Review: SDCP staff will complete a review of this Financial Reserve Policy annually to ensure that the policy meets the needs of the organization.

SAN DIEGO COMMUNITY POWER

SAN DIEGO COMMUNITY POWER
Staff Report – Item 10

To: San Diego Community Power Board of Directors

From: Eric W. Washington, Chief Financial Officer
Laura Fernandez, Director of Regulatory and Legislative Affairs
Cody Hooven, Chief Operating Officer

Via: Bill Carnahan, Interim Chief Executive Officer

Subject: Review and Adopt a Resolution for a Retirement Plan

Date: June 24, 2021

RECOMMENDATION

A. Approve Plan Advice and Consulting Program Services Agreements with PWA Financial for 457(b) and 401(a) Plans.
B. Approve Service Agreement for Plan Administration with Benefit Resources Inc. for third-party administrator services associated with the 457(b) and 401(a) Plans.
C. Approve the agreements associated with the retirement plan with Empower Retirement for recordkeeping services associated with the 457(b) and 401(a) Plans,
D. Authorize the Interim Chief Executive Officer or his designee to execute the approved agreements and plan documents, with such changes as are approved by the Interim Chief Executive Officer and approved as to form by the General Counsel
E. Authorize the Interim Chief Executive Officer or his designee to sign and file such other documents as are necessary to establish the approved plans.

BACKGROUND

As a new organization, SDCP needs to ensure a competitive retirement plan is in place for employees. Staff have been reviewing various options for retirement plans. SDCP's current benefits package includes an employer contribution to a 401(a) plan, with a vesting schedule of five years to become 100% vested. A 457 plan will also be offered which allows for voluntary contributions from the employee.

ANALYSIS AND DISCUSSION

At the start of research into appropriate retirement plans, staff determined that a fund lineup that has options for investments which are free of fossil fuels would be aligned with staff values as well as the mission of SDCP.

There are three services needed to establish a retirement plan: a plan advisor, a third-party administrator, and a recordkeeper. Staff solicited the support of PWA Financial to provide advisory services. PWA established criteria to determine fund possibilities that balance both fossil free options along with low-cost index funds and also well performing managed funds. PWA utilized screening criteria to identify funds that prioritize what is commonly known as environmental, social, and governance (ESG) investing or sustainable investing. This fund lineup will also give each participant flexibility in their own investments.

Benefit Resources Inc. provides third-party administrator services. They will ensure all regulatory requirements are met.

Empower Retirement provides record keeping services. They will set up the accounts and provide the platform for employees to access their accounts.

Staff will continue to work with these organizations to finalize SDCP's employee retirement benefit plan. These plans, and the administrators, are flexible and able to be revised or changed if needed.

COMMITTEE REVIEW

N/A

FISCAL IMPACT

Employer contributions to employee retirement benefit was budgeted in Fiscal Year (FY) 2020-2021 and is budgeted in FY 2021-2022.

ATTACHMENTS

N/A