

San Diego Community Power

Board of Directors Meeting
May 28, 2020





Board Agenda

* Presentation from SDG&E

1. CONSENT - Approval of minutes from April 23
2. Operations and Administration Report
3. Ad Hoc Subcommittee Update on Chief Executive Officer Recruitment
4. Update on River City Bank Financing and Promissory Note with B Quest Foundation
5. Approval of Tenaska Power Services Co. for SDCP Schedule Coordination Services
6. Presentation on Types and Categories of Power Procurements, Procurement/Board Approval Timeline, RPS and GHG-free Targets, and Preview of Risk Management Policy with Delegation of Authority
7. Approve Participation in SDG&E's Renewables and Resource Adequacy Request for Proposals
8. Approval of the La Mesa Cooperation and Administrative Services Agreement
9. Approval of Community Advisory Committee Nominees for the City of Chula Vista and Amendment of Term End Date for all CAC Members

Closed Session

13. Public Employment
14. Conference with Labor Negotiators



Presentation

Update from San Diego Gas & Electric.



Item 1: Approval of Minutes

Recommendation:

Approval of minutes for the Board of Directors of San Diego Community Power Regular Meeting held Thursday, April 23, 2020.



Item 2: Operations and Administration Report

Receive update on various operational and administrative activities and file this report. Report includes:

- Financial Update
- Vendor RFPs
- Committee Meeting(s) Update
- Discussions with SDG&E and Other Compliance Matters
- Regulatory Update



Item 3:

Ad Hoc Subcommittee
Update on Chief
Executive Officer
Recruitment

Recommendation:

Receive report and provide direction
as needed.



Item 4:

Update on River City Bank Financing and Promissory Note with B Quest Foundation

Recommendation:

1. Update on operational funding from River City Bank and the addition of B Quest as a lender to share the \$5 million cash collateral funding obligation approved by the Board with Emerald Blue.
2. Ratification of the promissory note with B Quest in the same form as signed with Emerald Blue.



Item 5:

Approval of Tenaska
Power Services Co. for
SDCP Schedule
Coordination Services

Recommendation:

1. Approve Agreement with Tenaska Power Services Co. for SDCP Power schedule coordination services ending on December 31, 2022 with annual contract renewals at the discretion of SDCP management.
2. Authorize the Interim Executive Officer to execute the Agreement in a form approved by the Board of Directors and reviewed and approved as to form by General Counsel.



Item 6:

Presentation on Types and Categories of Power Procurements, Procurement/Board Approval Timeline, RPS and GHG-free Targets, and Preview of Risk Management Policy with Delegation of Authority

Recommendation:

1. Receive update on types and categories of power procurements.
2. Receive update on 2020/2021 timeline for procurement and Board approvals.
3. Receive update on 2021 RPS/GHG-free targets.
4. Receive preview on Energy Risk Management Policy and Delegation of Authority.

Resources SDCP Will Need to Procure

System Energy

- Energy from the California Independent System Operator (CAISO) (CAISO serves as the central clearinghouse for all energy delivered into its balancing authority).

Renewable Energy

- Energy produced by solar, wind, biomass, geothermal, small hydro, and other biofuels.

Other GHG-Free Energy

- Energy that is produced from non-carbon emitting resources such as nuclear and large hydro facilities (over 30 MW).

Resource Adequacy (RA) Capacity

- Generating capacity that is procured to ensure system reliability.
- RA products are categorized in consideration of resource locations and operating characteristics: System, Local, and Flex RA.

Renewable Energy Compliance (REC) Categories

Portfolio Content Category (PCC) 1

- Bundled electric energy and RECs contemporaneously delivered to a California Balancing Authority without substituting electricity from another source.
- Highest cost
- Can be zero or very low GHG emissions, depending on technology

Portfolio Content Category 2

- Bundled renewable energy generated outside of California with incremental electric import requirements
- GHG emissions are based on source of imported power

Portfolio Content Category 3*

- Unbundled renewable/environmental attributes
- Lowest cost
- Limited compliance value

* SDCP's Joint Powers Agreement states that they shall avoid the procurement of energy from Category 2 or 3 eligible renewable resources (unbundled Renewable Energy Credits or RECs) to the extent feasible.

Preliminary Procurement and Board Approval Timeline

	Board Approvals	Procurement Milestones
MAY	Preliminary approval of 2021 renewable and GHG-free targets Approval to bid on SDG&E Renewables RFP and RA RFP	SDCP issues Resource Adequacy (RA) RFO SDG&E issues Renewables RFO
JUN	Approval to sign RA contracts Approve Risk Management Policy (including Delegation of Authority)*	SDCP executes RA contracts SDG&E issues RA RFO SDCP submits offer to SDG&E for long-term renewables SDCP issues long-term renewables RFO
JUL	Approval to sign long-term renewable contract with SDG&E if awarded	SDCP submits offer to SDG&E for RA
AUG	Approve Integrated Resource Plan Approval to sign RA contract with SDG&E if awarded	SDCP executes long-term renewables contract with SDG&E if awarded
SEP		SDCP executes RA contract with SDG&E if awarded
OCT		October 31: RA 2021-2023 multi-year RA compliance filing to CPUC SDCP issues RFO for California System Power SDCP issues RFO for short-term renewables and executes contracts** SDCP issues RFO for GHG-free resources and executes contracts**
NOV		
DEC	Approval to sign California System Power contracts	

* The Delegation of Authority from the Board for contracts under certain pre-established criteria helps facilitate timely response for energy procurement required in SDCP's ordinary course of business.

**Assumes appropriate Delegation of Authority to CEO provided by Board approval of Risk Policy in June

Preliminary 2021 Portfolio Recommendation

- Default Service Offering*
 - 50% RPS-eligible renewable energy
 - 5% additional GHG-free energy
 - 45% system energy
 - Default Service Offerings can vary by City
- Optional
 - 100% renewable energy and 100% GHG-free

* Renewable energy supply to be comprised of 82% PCC 1 and 18% PCC 2 per RPS program limits. Default resource mix to be finalized by end of 2020.

SDCP Renewable and GHG-Free Targets

- Proposed targets are *preliminary*, reflective of current market conditions
- Figures do not include SDCP's proposed voluntary 100% RPS/GHG-free product option
- SDCP would be at least 60% GHG-free (inclusive of RPS) by 2024

Year	CA RPS	SDG&E Renewable*	SDCP Renewable**	SDCP Overall GHG- Free
2021	36%	46%	50%	55%
2022	39%	47%	52%	57%
2023	41%	48%	52%	54%
2024	44%	46%	56%	60%

* 2021-2022 data extrapolated from SDG&E 2019 RPS Procurement Plan (Plan); 2023-2024 from Plan.

** SDCP's JPA states a goal to achieve a 100% renewable portfolio by no later than 2035.

Purpose of a Risk Management Policy

- During its normal course of business, SDCP will be managing risks associated with its participation in California's wholesale energy markets.
- A key component of effectively managing procurement and portfolio risks is being able to identify, measure, and control market and credit risks.
- The Energy Risk Management Policy provides the framework around which SDCP manages various market and credit risks and outlines the roles and responsibilities for those responsible for managing risks.

Key Energy Market Risks

Market Price
Risk

Counterparty
Credit Risk

Load and
Generation
Volumetric Risk

Operational
Risk

Liquidity Risk

Regulatory and
Legislative Risk

Elements of Risk Management Policy

1. Define Risk Management Goals and Principles

- SDCP manages its energy portfolio with the purpose of reducing energy-related greenhouse gas emissions, promoting electrical rate price stability, and fostering local benefits while minimizing risks at the same time.

2. Internal Control Principles

- Internal control principles consists of business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations and information pertinent to management, and facilitate attainment of business objectives. Key principles include the segregation of duties between front, middle and back office functions, and delegation of authority for procurement.

3. Risk Management Business Practices

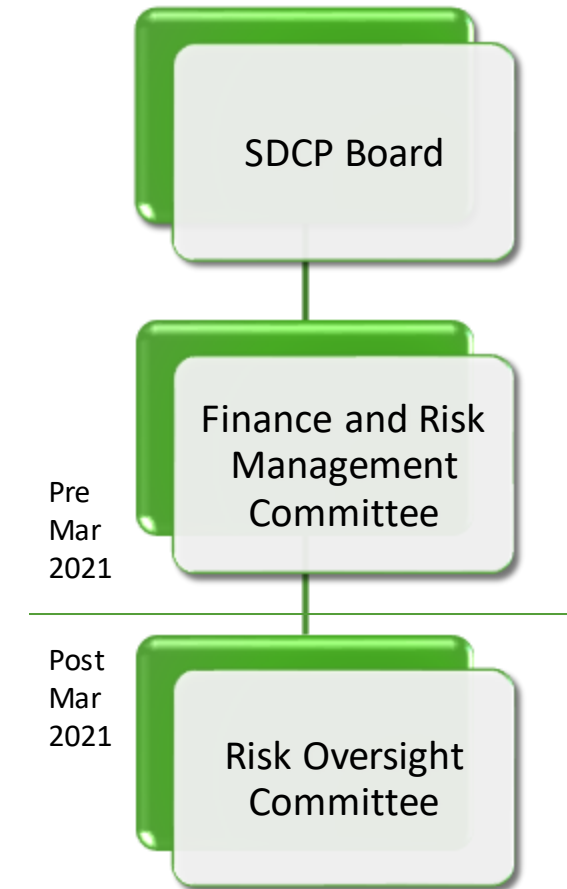
- A key component of the Risk Management Policy is the requirement to report risk metrics such as open positions, value-at-risk, and credit exposure on a routine basis.

4. Risk Management Policy Governance

- After the Board's approval of the Risk Management Policy (Policy), it is envisioned that the FRMC would oversee the Policy until SDCP is operational. Once operational, the Risk Oversight Committee (ROC) would assume the oversight of the Policy.

Overview of Risk Oversight Committee

- The FRMC will oversee compliance with the Risk Management Policy until SDCP is operational (expected Mar 2021). Once operational, it is envisioned that the oversight of the Risk Management Policy (including DOA) will be delegated by the FRMC to the (to be formed) ROC.
- The ROC is a Committee that is focused on reviewing energy procurement activity and overseeing the management of the accompanying risks. It is advisory in nature and therefore not subject to the Brown Act.
- It is envisioned that the ROC membership will be comprised of Board member(s), SDCP's CEO, CFO, General Counsel, and COO/Procurement Director. Others may be invited as necessary, but technical consultants will have standing invitations.



Preview: SDCP Energy Procurement DOA

- **Purpose:** The Delegation of Authority (DOA) is a tool that allows timeliness and efficiency in energy transactions, set at an amount commensurate with expected procurement levels and inclusive of designated executive staff and leadership.
 - Allows timely authorization for products that require quick responses, some requiring a response within hours.
 - Executed transactions for the prior month will be reported at each Board meeting.
 - Executed master contracts will be listed on the consent calendar at each Board meeting.
- **DOA Parameters:** The thresholds used to set the DOA are based on the tenor, total volume, and notional value of each individual transaction by resource type.
- **Oversight:** The DOA will be overseen and managed by the FRMC as part of the Risk Management Policy. It is envisioned that the oversight of the DOA will be delegated to the ROC to be formed once SDCP is operational.
- **Request:** Provide feedback on draft DOA parameters.

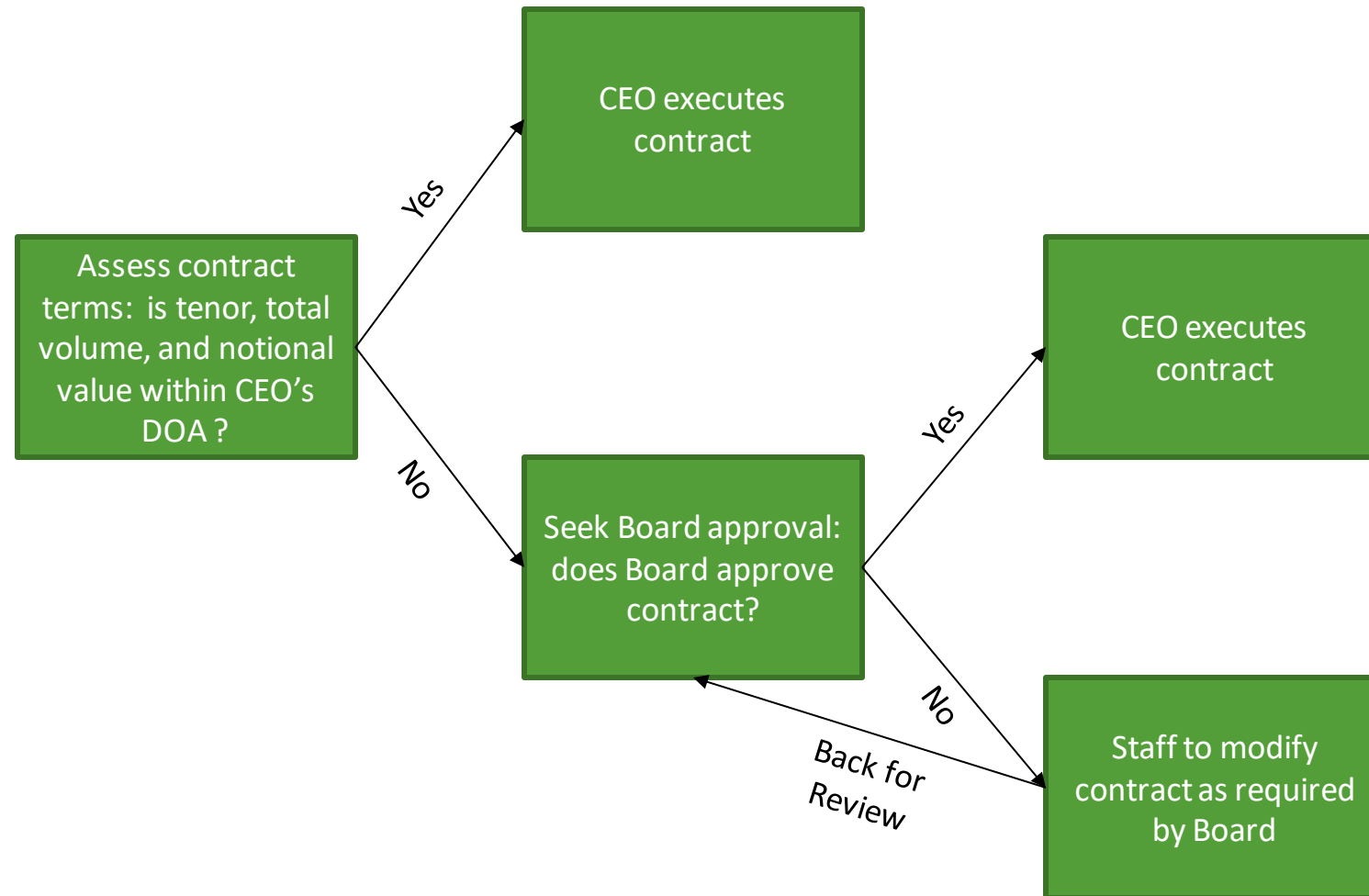
Preview: Sample Energy Procurement Transaction sizes and DOA

DRAFT EXAMPLE Estimated average transaction sizes and terms for individual confirmations SDCP estimated annual power supply costs are \$450 - \$500 million annually					
Resource Type	Average Annual Total MWh or MW	Usual Term	Term Used for Calculation	Price (\$/MWh or \$/KW-mo)	Notional Value
System Power	400,000	1-3 years	3	\$ 36.00	\$ 43,200,000
Resource Adequacy	1,200	1-3 years	3	\$ 7.50	\$ 27,000,000
Short-term Renewables	400,000	1-3 years	3	\$ 16.00	\$ 19,200,000
GHG-free	100,000	1-3 years	3	\$ 5.00	\$ 1,500,000
Long-term Renewables (fixed price)	400,000	10 years +	15	\$ 35.00	\$ 210,000,000
Long-term Renewables (index plus)	400,000	10 years +	10	\$ 14.00	\$ 56,000,000
System Power (for launch, 2 counterparties)	5,303,592	1-3 years	3	\$ 36.00	\$ 190,929,308
System Power (for launch, 2 counterparties)	5,303,592	1-3 years	3	\$ 36.00	\$ 190,929,308

	More frequent
	Less frequent

DRAFT EXAMPLE Delegation of Authority per Transaction by Position/Title	Product Type	Tenor Limit	Volumetric Limit	Notional Value Limit
Chief Executive Officer	System Power	3 years	1,500,000 MWh	\$ 50,000,000
	Resource Adequacy	3 years	10,000 MW	\$ 50,000,000
	Renewables	3 years	2,500,000 MWh	\$ 50,000,000
	GHG-free	3 years	5,000,000 MWh	\$ 50,000,000
SDCP Board	All Products	Any	Unlimited	Unlimited

Preview: SDCP Energy Procurement DOA Process





Item 7:

Approve Participation
in SDG&E's
Renewables and
Resource Adequacy
Request for Proposals

Recommendation:

Approve SDCP's participation in SDG&E's renewable energy and Resource Adequacy (RA) Request for Proposals (RFPs) to facilitate achievement of key statewide compliance mandates during SDCP's initial operations.



Item 8:

Approval of the La Mesa
Cooperation and
Administrative Services
Agreement

Recommendation:

Authorize the execution of the Cooperation and Administrative Services Agreement with the City of La Mesa, providing certain services to San Diego Community Power (SDCP) by the City and reimbursement to the City for these services.



Item 9:

Approval of Community
Advisory Committee
Nominees for the City of
Chula Vista and
Amendment of Term End
Date for all CAC Members

Recommendation:

1. Approve nominees from the City of Chula Vista to the inaugural Community Advisory Committee.
2. Approve amendment to adjust the term end date for all CAC members to be May 2022 and May 2023.



Closed Session

Item 10: Public Employment

Title: Chief Executive Officer

Item 11: Conference with Labor Negotiators

Agency designed representatives: Shawn Marshall, LEAN Energy US, Tom Bokosky, City of Encinitas HR Department, and Ryan Baron, BB&K/Outside General Counsel.

Unrepresented employee: Chief Executive Officer

San Diego Community Power

NEXT BOARD MEETING:
June 25, 2020

