AGENDA

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

June 25, 2020

5:00 p.m.

Encinitas Council Chambers
505 S. Vulcan Ave. Encinitas, CA 92024

Some or all members of the SDCP Board of Directors may participate in this meeting from the Encinitas Council Chambers, but due to the public health orders and guidelines in California and in accordance with the Governor's Executive Orders N-25-20 and N-29-20, 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 or on a matter not appearing on the agenda, but within the jurisdiction of the Board. **Written public comments or requests to speak during the meeting must be submitted at least one (1) hour before the start of the meeting by using this (web form).** Please indicate whether your comment is on a specific agenda item or a non-agenda item when submitting your comment or requesting to speak. 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. Written Comments. All written comments received at least one (1) hour before 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 received after the one (1) hour limit will be collected, sent to the Board members in writing, and be part of the public record.

2. Requests to Speak. Members of the public who have requested to speak at least one (1) hour before the meeting will be recognized at the appropriate time during the meeting. To allow the Chair to call on you, please provide the following minimum information with your request to speak: your name (if attending by videoconference) or telephone number (if attending by phone).

Comments shall be limited to either 400 words, or 3 minutes when speaking. If you have anything that you wish to be distributed to the Board, please provide it via info@sdcommunitypower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar

https://encinitas.zoom.us/j/91161108669?pwd=ZitROWZoVjZWejRObzNiWnp5MXRvdz09

Telephone (Audio Only)

(669) 900-9128 or (346) 248-7799 | Webinar ID: 911 6110 8669

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.

REGULAR AGENDA
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.

1. Election the Chair and Vice-Chair and Appoint the Interim Secretary for Fiscal Year 2020-2021

Recommendation:
1. Elect the Board Chair and Vice Chair for Fiscal Year 2020-2021.
2. Appoint Megan Wiegelman, Board Clerk from the City of La Mesa, to serve as interim Board Secretary until a permanent Secretary is identified.

2. Operations and Administration Report from the Interim Executive Officer

Recommendation: Receive update on various operational and administrative activities and file this report. Report includes:
- COVID 19 Update
- Requests for Proposals and Other Solicitations
- Committee Meetings
- Discussions with SDG&E and/or Other Regulatory Updates

3. Adopt the Energy Risk Management Policy

Recommendation: Approve proposed Energy Risk Management Policy, including referenced delegations of authority for energy product contract approvals.

4. Approval of 2020 Request for Proposals for Long-Term Renewable Energy and Provide Direction on Joint Procurement

Recommendation:
1. Approve the 2020 Request for Proposals (RFP) for Long-Term Renewable Energy.
2. Provide direction to staff on joint procurement.

5. Approval of Fiscal Year 2020-2021 Budget

Recommendation: Discuss and consider approval of Fiscal Year 2020-2021 Budget.

6. Approval of Marketing and Communications Agreement

Recommendation: Approve marketing and communications agreement for marketing and communications strategy, public engagement, digital and graphic design and authorize the Interim Executive Officer to execute an agreement.

7. Approval of the Encinitas Cooperation and Administrative Services Agreement

Recommendation: Authorize the Interim Executive Officer to execute the Cooperation and Administrative Services Agreement with the City of Encinitas, providing certain services to San Diego Community Power (SDCP) by the City and reimbursement to the City for these services.

8. Approval of SDCP Bylaws

Recommendation: Approve proposed SDCP Bylaws.

9. Appointment to Community Advisory Committee – Vacant City of La Mesa Seat

Recommendation: Consider nomination to fill vacant City of La Mesa seat on Community Advisory Committee.

10. Review and Provide Input on Community Advisory Committee Draft Standard Operating Procedures

Recommendation: Review and provide input on draft procedures for Community Advisory Committee.

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 (858) 492-6005 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 www.sdcommunitypower.org/board-meetings. 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. Until SDCP obtains offices, those public records are 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, that is now suspended and can instead be made available electronically at info@sdcommunitypower.org. The documents may also be posted at the above website. Late-arriving documents received during the meeting are available for review by making an electronic request to the Board Secretary via info@sdcommunitypower.org.

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 1

To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Elect the Chair and Vice-Chair and Appoint the Interim Secretary for Fiscal Year 2020 2021

Date: June 25, 2020

Recommendation

1. Elect the Board Chair and Vice Chair for Fiscal Year 2020-2021.
2. Appoint Megan Wiegelman, Board Clerk from the City of La Mesa, to serve as interim Board Secretary until a permanent Secretary is identified.

Background

Section 5.1 of the SDCP Joint Powers Authority (JPA) Agreement states that “(f)or each fiscal year, the Board shall elect a Chair and Vice Chair from among the Directors. The term of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms held by either the Chair or Vice Chair.”

Section 7.1 of the JPA Agreement further states that “The Authority’s fiscal year shall be 1 2months commencing Jul 1 and ending June 30.”

Analysis and Discussion

Consistent with the JPA agreement, the Board shall elect among its Directors for these two positions to be effective starting on July 1.

The Chair shall be the presiding officer of all Board meetings, and the Vice Chair shall serve in the absence of the Chair.

Fiscal Impact

There is no cost anticipated with this item.

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 2

To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Operations and Administration Report from the Interim Executive Officer

Date: June 25, 2020

Recommendation

Receive update on various operational and administration activities and file this report.

Analysis and Discussion

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

A) COVID-19 Impact

Staff are monitoring the safe reopening guidance provided by the State and County to determine when in-person meetings will resume. Until then, operations and meetings have continued productively via remote connectivity. Staff and our consultants are collectively monitoring potential impacts to startup activities in light of the economic impacts of this global pandemic and will keep the Board apprised if any concerns arise. We have revised the public comment portion of our public meetings to allow commenters to state their comments themselves, if they choose to do so.

B) Request for Proposals (RFPs) and other Soliciations

Our outstanding professional services RFP is for marketing and communication services, released April 30th and closing May 29, 2020. This is a broad scope of services that covers tasks from branding to community outreach and media relations. Due to a high response and the time needed for evaluation and interviews, this item will be brought to the Board at their July board meeting.

Two additional support services are being solicited for SDCP. The first is a technical consultant that will conduct analysis of SDG&E's Energy Resource Recovery Account (ERRA) Forecast, where the PCIA and major components of SDG&E's rate structure are set for next year. Due to the highly technical nature of the proceeding and materials, SDCP plans to engage a consultant to assist with SDCP's participation in that proceeding.

The second support service is an accounting firm. Now that SDCP has startup capital, management of the banking services, account reconcilitation, establishing vendors, and payment of invoices requires a substantial amount of effort to complete and also comply with proper financial controls. Currently, approximately 12 City of San Diego staff are performing these functions. For improved efficiency as well as increased expertise, an accounting firm with Community Choice Aggregation (CCA) experience will be retained.

SDCP is completing its 2021-2023 Local Resource Adequacy (RA) solicitation with final negotiations with several providers. We have also submitted responses to SDG&E's Renewable Energy solicitation on June 22nd and expect them to issue a solicitation for RA soon. Additional information on procurement will be provided by Pacific Energy Advisors later in this meeting agenda.

C) Committee Meetings

a. Finance and Risk Management – This committee met on June 18th and established regular, monthly meetings for the remainder of 2020.
b. Community Advisory Committee – This committee met on June 17th. The new committee members from Chula Vista were sworn in, and collectively elected a Chair, Vice Chair, and Secretary and discussed various foundation items. The officers are: Eddie Price representing San Diego, Chair; Tara Hammond representing Encinitas, Vice Chair; and, Anna Webb representing Imperial Beach, Secretary.

D) Discussions with San Diego Gas & Electric (SDG&E) and Other Regulatory Items

Staff and SDCP consultants, including Pacific Energy Advisors, continue to offer an open dialogue with SDG&E staff to discuss coordination needs and opportunities for collaboration. SDG&E has requested an updated load forecast by July 1st and we will be submitting that to them by their deadline. This is a forecast that was also submitted to the California Public Utilities Commission (CPUC) in April, with an update submitted in May.

SDCP staff held a kickoff meeting with Calpine in the past month to discuss general orientation, upcoming tasks and timeline, and their coordination with SDG&E on their customer billing software upgrade, Envision.

The CPUC has broad regulatory authority over the energy sector in California, including partial jurisdiction over CCA programs. SDCP and other CCA program customers are regularly affected by CPUC decisions regarding power resources, rates, financial obligations and data retention among other things.

SCDP filed for an extension with the CPUC through May 31, 2020 to submit materials related to the CCA registration packet required by Resolution E-4907. These materials include a $100,000 bond payment, a draft customer notice, and an executed CCA Service Agreement with SDG&E. Registration materials have all been submitted, with $100,000 bond payment being submitted this week. This completes our CCA registration process with the CPUC.

SDCP continues to engage in regulatory matters in order to establish a position on matters or provide input based on our position on various decisions or actions being considered. The regulatory update (attached) includes CPUC proceedings that are currently active and will have an impact on SDCP. This is not an exhaustive list. Staff and Tosdal, APC will continue to monitor or engage in these proceedings, and other regulatory activities, as needed to ensure SDCP's interests are represented. Staff from Tosdal, APC will be available at the Board meeting to provide additional details. Below are an example of recent actions.

- CPUC issued a final decision in the Resource Adequacy (RA) proceeding, designating Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) as central buyers for local RA in their respective territories. SDG&E's territory was exempted from central procurement because SDG&E's transmission area is unique in that local RA requirements typically meet or exceed the system requirements. CCA programs in SDG&E territory, including SDCP, will be responsible for procuring a pro rata share of local RA (as well as other types of RA) based on the size of their load. CPUC will monitor local RA in SDG&E territory and may impose central procurement in the future.
- Counsel for SDCP participated in a meet-and-confer with SDG&E and a prehearing conference regarding SDG&E's Energy Resource Recovery Account (ERRA) Forecast Proceeding, where the PCIA and major components of SDG&E's rate structure are set for next year. Due to the highly technical nature of the proceeding, SDCP plans to engage a consultant to assist with SDCP's participation in that proceeding as described above.
- SDCP filed comments in the Integrated Resource Plan (IRP) proceeding, urging the CPUC to take up the issue of IOU Bundled Procurement Plan (BPP) authority. The primary concerns with BPP authority are that it permits SDG&E to expand its portfolio, even though it will have less customers, and it further contributes to PCIA costs for future CCA program customers.
- SDCP intends to file its RPS Plan on June 29, 2020.

Attachments:
Attachment A: June Regulatory Update

ENERGY REGULATORY UPDATE

To: Cody Hooven, Executive Officer, San Diego Community Power

From: Ty Tosdal, Regulatory Counsel, Tosdal APC

Re: Energy Regulatory Update

Date: June 19, 2020

The energy regulatory update summarizes important decisions, orders, notices and other developments that have occurred at the California Public Utilities Commission ("Commission") and that may affect San Diego Community Power ("SDCP"). The summary presented here describes high priority developments and is not an exhaustive list of the regulatory proceedings that are currently being monitored or the subject of active engagement by SDCP. In addition to the proceedings discussed below, Tosdal APC monitors a number of other regulatory proceedings as well as related activity by San Diego Gas & Electric ("SDG&E") and other Investor-Owned Utilities ("IOUs").

1. **Resource Adequacy (R. 17-09-020)**

The Commission issued a final decision on June 11, 2020, in one of the operative Resource Adequacy ("RA") proceedings, R. 17-09-020, adopting a central procurement model in Pacific Gas & Electric ("PG&E") and Southern California Edison ("SCE") territories, and designating the IOUs as central buyers responsible for the purchase of local RA, one of three types of RA (other types are system an flexible). CCA programs in those territories will no longer be responsible for procuring local RA and their customers will be charged for the resources procured on their behalf by the central buyers, i.e., PG&E and SCE. The CCA programs in those utility territories will be responsible for procuring system and flexible RA, as they traditionally have.

SDG&E was exempted from central procurement because SDG&E's transmission area is unique in that local RA requirements typically meet or exceed the system requirements. A central buyer that procures all local capacity in the San Diego local areas would leave no system or flexible capacity for CCA programs or other Load Serving Entities ("LSEs") to purchase. For the time being, CCA programs in SDG&E territory, including SDCP, will be responsible for procuring a pro rata share of local RA (as well as other types of RA) based on the size of their load. The Commission will monitor local RA in SDG&E territory and has explicitly left the door open to adopting central procurement in the future.

The decision rejected a settlement proposal advanced by the California Community Choice Association ("CalCCA") and SDG&E to adopt a "residual" central procurement model for local RA. The settlement proposal would have permitted utilities and CCA programs to continue buying their own local RA and rely upon a central buyer for any unmet or residual need. The final decision finds that the settlement proposal is not reasonable in light of the whole record, not supported by several affected parties, not a fair compromise, and does not identify a central buyer.

2. SDG&E ERRA Forecast Proceeding (A. 20-04-014)

There has been progress in SDG&E's ERRA Forecast Proceeding, where the PCIA and major components of SDG&E's rate structure are set for next year. Counsel for SDCP participated in a meet-and-confer process with SDG&E and a prehearing conference before the Commission held on June 17, 2020, to address the schedule and related matters in the proceeding. These efforts resulted in improvements in the proposed schedule that will assist SDCP's advocacy efforts. The next step in the process is the release of a scoping memorandum and schedule, which are anticipated before the end of the month.

There has also been progress on the retention of a technical consultant to further analyze SDG&E's ERRA proposal. A consultant can provide critical information to the SDCP Board about SDG&E's rates and the PCIA rate, informing ratesetting, resource planning and financial decision-making, as well as assisting with SDCP's advocacy in the regulatory proceeding.

3. Integrated Resource Plan (R.20-05-003)

SDCP filed comments in the Integrated Resource Plan ("IRP") proceeding, urging the Commission to take up the issue of IOU Bundled Procurement Plan ("BPP") authority. See Attachment A. Under the BPP, which was approved in 2015, SDG&E may enter into contracts but is not required to obtain Commission approval as long as the contract duration is less than 5 years, the delivery period ends within a 10-year time period, and other applicable rules are followed. The primary concerns with an extension of BPP authority are that it permits SDG&E to expand its portfolio, even though it is losing customers, and it further contributes to PCIA costs for future CCA program customers, potentially dissuading communities from joining or forming CCA programs.

Previously, SDG&E had submitted Advice Letter 3524-E, seeking to extend its BPP authority for another 5 years beyond 2024. SDCP filed a protest with the Commission, recommending that SDG&E address the issues related to extending the time horizon for contracts under the BPP in the IRP proceeding, where departing load can be considered, rather than the advice letter process, which does not permit parties to engage in discovery or examine witnesses. SDCP's comments in the IRP proceeding build on the protest that was previously submitted.

4. Renewable Portfolio Standard (R. 18-07-003)

Draft RPS Plans are due from IOUS, CCA programs and DA providers on June 29, 2020. As previously reported, a Commission ruling on May 6, 2020, expands the content and information that is required to be submitted. RPS Plan requirements are geared toward energy providers with a complete portfolio and are not well suited for new CCA programs. Preparation of SDCP's Draft RPS Plan is underway.

There is also an opportunity to comment on potential revisions to the current RPS citation program. Currently, retail sellers are penalized for non-compliance with mandatory filing deadlines and reporting requirements. The proposal to be developed would most likely expand the current citation program to include late Draft RPS Plans and late deficient Final RPS Plans. The deadline for comments has been postponed to July 17, 2020.

Attachment A

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003 (Filed May 7, 2020)

COMMENTS OF SAN DIEGO COMMUNITY POWER
ON THE ORDER INSTITUTING RULEMAKING

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June 15, 2020

Attorney for San Diego Community Power

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003 (Filed May 7, 2020)

COMMENTS OF SAN DIEGO COMMUNITY POWER
ON THE ORDER INSTITUTING RULEMAKING

I. INTRODUCTION

Pursuant to Ordering Paragraph 5 of the *Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes* issued on May 14, 2020 ("OIR") in this proceeding, [1] and Rule 6.2 of the Rules of Practice of Procedure of the California Public Utilities Commission ("Commission"), San Diego Community Power ("SDCP") respectfully files these comments on the prioritization of topics that should be addressed in this proceeding.

As a respondent to this proceeding,[2] SDCP files these timely comments concerning the schedule for the procurement track of this proceeding. Specifically, SDCP requests that the Commission revise the schedule to include early consideration of the Investor-Owned Utilities' ("IOUs") Bundled Procurement Plans ("BPPs"). While the Commission included BPP review within the OIR's preliminary scope, it did not specifically identify this matter as a proceeding

[1] *Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes* ("OIR"), Rulemaking ("R.") 20-05-003, filed May 7, 2020.

[2] OIR, Attachment A at A3.

milestone in the preliminary schedule.[3] For the reasons set forth below, the schedule should be revised, and this issue should be addressed early in the proceeding to allow for proper consideration of IOU BPPs.

The Commission last conducted a formal BPP review in 2015.[4] Since then, facts and circumstances related to departing load have changed considerably. Cities like San Diego and fellow members of SDCP, among others, have formed new Community Choice Aggregation ("CCA") programs that will result in substantial load departure. Furthermore, the Commission has also increased the Direct Access ("DA") program's allowance cap and is currently considering further changes to the DA program.[5] As IOU customers increasingly shift away from bundled service, it is important that IOUs properly incorporate these load departures into their resource planning efforts. An updated BPP review will ensure that IOU procurement activity aligns with updated load forecasts and thus prevent the IOUs from entering procurement contracts that result in excess procurement and avoid unnecessary liability for departing CCA and DA customers.

II. BACKGROUND

SDCP is a newly formed CCA program that will serve customers in the City of San Diego, City of Encinitas, City of La Mesa, City of Chula Vista, and the City of Imperial Beach beginning next year. SDCP was formed when the five member cities formed a Joint Powers Authority effective October 1, 2019.[6] The Commission certified SDCP's Implementation Plan

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[3] *See Id.* at 10, 12-13.

[4] *See Decision Approving 2014 Bundled Procurement Plans,* Decision ("D.") 15-10-031, filed October 23, 2015.

[5] *See Decision Regarding Increased Limits for Direct Access Transactions*, D.19-05-043, filed June 3, 2019; *see also Amended Scoping Memo and Ruling of Assigned Commissioner*, R.19-03-009, filed December 19, 2019.

[6] *See Joint Powers Agreement*, San Diego Regional Community Choice Energy Authority, October 1, 2019, available at https://www.sandiego.gov/sites/default/files/sdrccea_jpa_agreement_signed_0.pdf.

and Statement of Intent ("Implementation Plan") on March 9, 2020.[7] SDCP intends to begin serving customer load in March 2021.[8]

Reducing greenhouse gas ("GHG") emissions generated by residents and businesses was a key driving factor in the formation of SDCP. The City of San Diego adopted its Climate Action Plan ("CAP") in December 2015 which sets a goal for 100% renewable energy city-wide by 2035.[9] The City of Encinitas adopted its CAP in January 2018 which sets a goal to reduce emissions by 45,456 metric tons of carbon dioxide equivalent ("MTCO2e") by 2030 through the deployment of renewable energy.[10] Similarly, the City of La Mesa adopted its CAP in March 2018 which set a goal to reduce emissions by 68,450 MTCO2e by 2035.[11] The City of Chula Vista adopted its CAP in September 2017 that established a goal for up to 100% clean energy through the formation of a CCA program.[12] The City of Imperial Beach adopted a CAP in July 2019 which set a goal for 75% renewable energy by 2030.[13] The member cities intend to

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[7] *See Letter Certifying San Diego Community Power's Implementation Plan and Statement of Intent*, California Public Utilities Commission, March 9, 2020.

[8] *See* San Diego Community Power Community Choice Aggregation Implementation Plan and Statement of Intent, December 9, 2019, at 1.

[9] *See Climate Action Plan*, City of San Diego, December 2015, at 35, available at https://www.sandiego.gov/sites/default/files/final_july_2016_cap.pdf.

[10] *See Climate Action Plan,* City of Encinitas, January 2018, at 3-2, available at https://encinitasca.gov/Portals/0/City%20Documents/Documents/City%20Manager/Climate%20Action/Encinitas_Climate%20Action%20Plan_Final_01-17-18.pdf?ver=2018-01-24-114612-100.

[11] *See Climate Action Plan,* City of La Mesa, March 13, 2018, at 45, available at https://www.cityoflamesa.us/DocumentCenter/View/11008/LMCAP_CC03132018?bidId=.

[12] *See Climate Action Plan*, City of Chula Vista, September 2017, at 20, available at https://www.chulavistaca.gov/home/showdocument?id=15586.

[13] *See Local Coastal Program Resilient Imperial Beach Climate Action Plan*, City of Imperial Beach, July 17, 2019, at 31, available at https://www.imperialbeachca.gov/vertical/Sites/%7B6283CA4C-E2BD-4DFA-A7F7-8D4ECD543E0F%7D/uploads/Approved_CAP_071719_MF_1234_Climate_Action_Plan_Reso_2019-8054.pdf.

achieve these goals collaboratively by forming and operating SDCP to provide energy to its residents, businesses and government agencies.

III. DISCUSSION

As with the previous Integrated Resource Planning ("IRP") proceedings,[14] the OIR establishes the procurement track of this IRP proceeding as the venue for consideration of the IOUs' BPPs.[15] Review of these plans by the Commission involves examination of the IOUs' projected need and action plan for meeting that need over a ten-year horizon.[16] Pursuant to Assembly Bill ("AB") 57,[17] BPP review is meant to provide IOUs with "up-front standards" for utility procurement activities and cost recovery; thus obviating the need for after-the-fact reasonableness review of procurement decisions that are consistent with approved plans.[18] As such, the Commission closely scrutinizes BPPs to ensure that they are reasonable, consistent with statutes, appropriately protect ratepayers, and are in the public interest.[19]

Although the OIR in the IRP proceeding includes BPP consideration within the preliminary scope of the proceeding, the preliminary schedule does not specify a point at which BPP consideration will take place. Since the Commission has not reviewed the IOU BPPs in a proceeding since 2015,[20] SDCP believes that the early stages of the proceeding track should be used to update and review individual IOU BPPs consistent with Section 454.5. Updated review will protect bundled and departing ratepayers by ensuring that IOU procurement activities align

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[14] *See Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements*, R. 16-02-007, filed February 11, 2016 at 3

[15] OIR at 10.

[16] *See* D. 15-10-031 at 4.

[17] Public Utilities Code section 454.4.

[18] *See* D.15-10-031 at 4.

[19] *Id*. at 6.

[20] *See generally* D.15-10-031.

with future demand. As one of the two newly formed Community Choice Aggregation ("CCA") programs beginning service in the SDG&E service territory in 2021, SDCP is concerned primarily with the need to review San Diego Gas & Electric's ("SDG&E") BPP. Early BPP review will ensure that SDG&E's procurement activities properly align with departing load forecasts thus minimizing the risk of excess procurement. This will protect customers from facing unnecessarily high Power Charge Indifference Adjustment ("PCIA") charges as they depart from SDG&E's bundled service. Such protection is especially necessary as SDCP expands in the near future to serve customers in additional member cities in the region.

A. Facts and Circumstances Have Significantly Changed Since the Commission Last Approved SDG&E's Bundled Procurement Plan

The Commission approved SDG&E's currently effective BPP on October 23, 2015.[21] This approval granted SDG&E with procurement authority through a 10-year planning period ending on December 31, 2024.[22] Since then, two new CCA programs, SDCP and Clean Energy Alliance ("CEA"), have formed and are currently scheduled to begin serving load in the SDG&E service territory in 2021.[23] Further, in accordance with Senate Bill ("SB") 237, the Commission issued its decision in Phase 1 of R.19-03-009, authorizing an additional 4,000 Gigawatt Hour ("GWh") expansion to the statewide Direct Access ("DA") Program allowance cap, with 379 GWh apportioned to nonresidential customers in SDG&E's service territory effective January 1, 2020.[24] In Phase 2 of that same proceeding, currently in progress, the Commission will decide on a recommendation to the legislature regarding further expansion of the DA program.[25]

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[21] *See* D.15-10-031.

[22] *Id*.

[23] *See* Clean Energy Alliance Community Choice Aggregation Implementation Plan and Statement of Intent, December 2019; San Diego Community Power Community Choice Aggregation Implementation Plan and Statement of Intent, December 2019.

[24] *See* D.19-05-043, as modified by D.19-08-004.

[25] *See Amended Scoping Memo and Ruling of Assigned Commissioner*, R.19-03-009, December 19, 2019.

The emergence of two new CCA Programs and the expansion of the DA Program will significantly reduce SDG&E's total bundled load over the next several years. The finalized load forecast issued in the previous IRP proceeding reflects that approximately 61.60% of SDG&E's 2020 bundled service load will shift to new CCA or DA programs in the SDG&E Planning Area by 2022.[26] The forecast further reflects that a majority of that load departure is attributable to SDCP, which plans to begin serving customers in 2021.[27] This shift could further increase if additional member cities join SDCP or CEA, and/or if there is any additional expansion of the DA Program. Given the extent of impending load departures, SDCP believes the Commission should take SDG&E's BPP under consideration and decide on any necessary revisions to the current procurement authorization. Commission review undertaken early in this proceeding will provide necessary oversight of SDG&E's currently projected need and its action plan for meeting that need over a ten-year horizon.

B. Updated Bundled Procurement Plan Review Will Minimize Costs Related to Misaligned Procurement

Existing forecasts reflect, and trends suggest, that a high percentage of SDG&E's bundled customers will depart for CCA and DA service in the coming years.[28] The Commission should undertake BPP review to make sure that SDG&E's procurement authorization properly incorporates these reasonably anticipated departures. Since procurement decisions in accordance with approved plans are not subject to an after-the-fact reasonableness review,[29] this review will

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[26] *See Administrative Law Judge's Ruling Correcting April 15, 2020 Ruling Finalizing Load Forecasts and Greenhouse Gas Benchmarks for Individual 2020 Integrated Resource Plan Filings,* R. 16-02-007, dated May 20, 2020, Attachment A at 2. (The load forecast table shows that SDG&E's estimated load will fall from 13,959-Gigawatt Hours ("GWh") in 2020 to 5,359 GWh in 2022).

[27] *See Id.* (By 2022, SDCP will serve 7,407 GWh, CEA will serve 929 GWh, and DA programs will serve 3, 940 GWh).

[28] *See Id.*

[29] *See* D. 15-10-031 at 4.

help protect departing customers from unreasonably high PCIA charges resulting from procurement that may be undertaken by the IOUs.

Through the PCIA, IOUs are able to recover the uneconomic net costs of energy commitments incurred on behalf of departing customers.[30] However, the Commission has long recognized that IOUs should not sign contracts that might create new liabilities for CCA customers where available information suggests the power might not be needed for their own customers.[31] To minimize these liabilities, the Commission requires procurement plans to incorporate reasonably anticipated CCA departing load and include estimates of potential CCA departing load.[32] An updated BPP review in this proceeding in conjunction with the IRP process will ensure that the BPPs accurately incorporate departing load that the IOUs may not have foreseen in 2015 and thus prevent IOUs from unnecessarily procuring energy and imposing the resultant uneconomic costs on departing CCA and DA customers.

Early BPP review in this IRP proceeding will help further the Commission's portfolio optimization goals. In the current PCIA proceeding[33], the Commission is exploring how portfolio optimization rules can reduce excess resources to help minimize the accumulation of uneconomic costs imposed on departing customers.[34] Procurement under the current approved BPPs may not contribute to portfolio optimization since they contain outdated or inaccurate load departure assumptions. By requiring IOU BPPs to incorporate updated load departure forecasts early in this proceeding, the Commission will limit the amount of energy that IOUs procure on

[30] D. 18-10-019 at 58 (quoting the Commission's approval of the IOUs' Long-Term Procurement Plans ("LTPP") in D. 04-12-048 at 18.)

[31] D. 04-12-046 at 30.

[32] D. 18-10-019 at 58.

[33] R. 17-06-026.

[34] *Phase 2 Scoping Memo and Ruling of Assigned Commissioner*, R. 17-06-026, February 1, 2019 at 5.

behalf of departing customers and thus minimize the accumulation of uneconomic costs collected through the PCIA.[35]

C. SDG&E's Recent Advice Letter Magnifies the Need for BPP Consideration

On March 27, 2020, SDG&E submitted an Advice Letter ("AL") seeking to extend its BPP procurement authority beyond 2024 so that it may continue to enter short-term and medium-term procurement contracts without filing a separate application.[36] SDG&E argues that this extension request was properly submitted through an advice letter, rather than in a formal proceeding, because "[t]he Commission has not conducted a formal proceeding to review investor-owned utilities' BPPs since 2015."[37] SDCP subsequently filed protest in which we emphasized, among other issues, that such extension should be reviewed in the IRP proceeding to allow for sufficient oversight.[38] By scheduling review early in this proceeding, the Commission will provide SDG&E with an appropriate venue to submit a revised BPP and ultimately obtain extended procurement authority beyond 2024. Such an extension will grant SDG&E with its requested relief while maintaining proper Commission oversight to protect departing customers.

IV. CONCLUSION

[35] SDCP recognizes that the Final Report of Working Group 3 in the PCIA proceeding recommends certain BPP updates through Advice Letter filings beginning in 2021. SDCP agrees that BPP updates must ultimately be aligned with a decision on portfolio optimization, but since no decision had been adopted yet, and load departure in SDG&E territory will occur soon, SDCP urges the Commission to address that particular issue in this proceeding in the short term.

[36] *See* AL 3524-E, *Request to Extend Procurement Authority Pursuant to San Diego Gas & Electric Company's Assembly Bill 57 Bundled Procurement Plan*.

[37] *Id*. at 1.

[38] *See San Diego Community Power's Protest of San Diego Gas & Electric Company Advice Letter 3524-E Requesting to Extend Procurement Authority Pursuant to Assembly Bill 57*, April 16, 2020.

For the above reasons, SDCP respectfully requests that the Commission consider the recommendation for a schedule in this proceeding that addresses BPP authority as described in these comments.

Respectfully submitted,

/s/ Ty Tosdal

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June 15, 2020

Attorney for San Diego Community Power

SAN DIEGO **COMMUNITY POWER**

Staff Report – Item 3

To: San Diego Community Power Board of Directors

From: John Dalessi and Kirby Dusel, Pacific Energy Advisors

CC: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Adoption of the Energy Risk Management Policy

Date: June 25, 2020

Recommendation

Approve SDCP's Energy Risk Management Policy, including referenced delegations of authority for energy product contract approvals.

Background

During its normal course of business, SDCP will be required to manage risks associated with its participation in California's wholesale energy markets – as a retail seller of electricity, SDCP will maintain an ongoing obligation to procure sufficient quantities of various energy products to fulfill customer needs and pertinent compliance obligations, negotiate related contracts, validate supplier invoices, issue payments for delivered products, pursue dispute resolution (as necessary) and manage credit concerns associated with its various supplier relationships. A key component of effectively managing procurement and portfolio risk is being able to identify, measure and control the potentially adverse consequences of inevitable market volatility and credit exposure. The Energy Risk Management Policy (Policy) provides a framework and related guidance, which are intended to facilitate SDCP's administration of the tasks and responsibilities related to risk management, including identification of necessary roles and responsibilities assigned to those individuals and groups who will be involved in risk management activities.

In terms of anticipated energy market risks, the Policy is intended to assist SDCP in addressing the following concerns, each of which is further defined in the Policy:

- Market Price Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk

- Regulatory/Legislative Risk

Management of such risks is achieved through diligent, ongoing application of the structure, practices and principles outlined in SDCP's Policy, which are predicated on the following internal control principles: (1) segregation of duties; (2) imposition of checks and balances between functional areas of the organization; (3) delegation of authority commensurate with responsibility, experience and capability; and (4) limitation of market-related activities to defined products and transactions that are necessary to support the successful operation of SDCP.

While energy market risk can never be eliminated, administration of the Policy is intended to achieve the following goals:

- Assist in achieving the business objectives of retail rate stability and competitiveness;
- Avoid losses and excessive costs, which would materially impact the financial condition of SDCP;
- Establish the parameters for energy procurement and sales activity to minimize costs while ensuring compliance with approved risk limits and policy objectives;
- Assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders; and
- Encourage the development and maintenance of a corporate culture at SDCP in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor come together to achieve SDCP objectives.

The Finance and Risk Management Committee (FRMC) will administer the Policy and periodically recommend updates to the Board. In addition, a Risk Oversight Committee (ROC) will be established and appointed by the Chief Executive Officer. The ROC will meet quarterly and receive updates regarding key informational items as set forth in the Policy. The FRMC will oversee the ROC and will receive updates, as necessary, regarding key areas of interest/concern, including instances involving non-conformance with the Policy. It is anticipated that the ROC would be formed in early 2021, prior to SDCP's commencement of retail service to customers. Additional information regarding the FRMC, ROC, and other responsibilities is provided in the Policy.

The Policy also addresses certain delegations of authority, which are intended to streamline the completion of shorter-term procurement activities that are determined to be consistent with SDCP's planning objectives – your Board may be aware that many prospective transactions within the electric utility industry are very time-sensitive (markets are dynamic, with prices changing from moment to moment), so best practice suggests that the establishment of pre-determined delegations of authority is critically important to accommodate the short turnaround time that may be required. More specifically, certain wholesale energy transactions will provide the prospective buyer with a limited window of time, often 1-2 hours, to confirm the proposed transaction before pricing must be refreshed/revised. To the extent that SDCP has not predetermined certain delegations of authority for such transactions, it would be virtually impossible to secure necessary components of its anticipated supply portfolio. The delegations of authority reflected in the Policy are intended to strike an appropriate balance between efficiency and control, requiring Board approval for longer term and higher cost transactions while delegating authority to the Chief Executive Officer for more routine, time sensitive transactions that have lower notional values. The delegation of Authority has been modified to note where the ROC would participate once formed.

Analysis and Discussion

As SDCP begins the process of contracting for requisite energy products, establishment of the Policy is important in managing inevitable risks while facilitating transaction completion. A number of upcoming transactions, including reserve capacity (or Resource Adequacy) purchases, short-term renewable energy purchases and short-term system energy purchases may all require time-sensitive decision making by SDCP, and the Policy establishes parameters under which such procurement opportunities could be executed by the Chief Executive Officer or, alternatively, when such opportunities would require Board approval. Long-term renewable energy commitments, for example, would require Board approval due to the lasting planning and financial implications of such transactions. Shorter-term supply commitments, however, wouldn't necessarily require Board approval, unless the overall cost of such transactions would exceed specified thresholds identified under SDCP's delegation of authorities or if such purchases were not deemed consistent with agreed upon portfolio planning principles of the organization. In all cases, the Board would be kept informed of SDCP procurement activities, even for transactions not requiring Board approval. Information regarding all procurement activities would be provided during regularly scheduled Board meetings.

Approving the Policy at this time will complement SDCP's upcoming procurement efforts by providing necessary guidance to staff during the administration of such activities and general risk mitigation for the organization.

Until the ROC is formed in early 2021, the Chief Executive Officer will consult with an ad hoc Board committee (or, if none, with the Chair of the Board and Chair of the FRMC), as well as Pacific Energy Advisors staff, on an as-needed basis regarding specific contracts under the CEO's delegated authority. This group will provide additional oversight and input into specific power contracts negotiations, award, and related issues until a ROC is formed.

Committee Review

This item was presented to the Finance and Risk Management Committee on June 18, 2020. The committee supported the staff recommendations with minor modifications addressed by staff and PEA.

Attachments

Draft Energy Risk Management Policy

San Diego Community Power

Energy Risk Management Policy

Version: 1.0
Approval Date: June 25, 2020

Energy Risk Management Policy
Table of Contents

Energy Risk Management Policy

1.0 General Provisions

1.1 Background and Purpose of Policy

San Diego Community Power (SDCP) participates in energy markets for purposes of fulfilling its role as a Community Choice Aggregator serving retail electricity customers located within the San Diego region. This Energy Risk Management Policy (Policy) has been developed to facilitate the achievement of SDCP's organizational objectives while adhering to policies established by SDCP's Board of Directors (Board), power supply and related contract commitments, good utility practice, and applicable laws and regulations.

This Policy defines SDCP's general energy risk management framework and provides management with the authority to establish processes for monitoring, measuring, reporting, and controlling market and credit risks to which SDCP is exposed in its normal course of business.

1.2 Scope of Business and Related Market Risks

SDCP provides electric energy to retail customers within its service territory, which requires completion of the following business activities: bilateral purchases and sales of electricity under short-, medium- and long- term contracts; scheduling of load and generation of electricity into California Independent System Operator (CAISO) markets; retail marketing of electricity to consumers within its service territory; compliance with voluntary objectives and regulatory requirements that relate to carbon-free and Renewables Portfolio Standard (RPS) compliance; participation in the CAISO-administered Congestion Revenue Rights ("CRRs") market; management of the balance between load and generation over the short-, medium- and long-term planning horizons; and compliance with California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements. Participation in such activities expose SDCP to certain risks, which include, but are not limited to, the following:

- Market Price Risk
- Counterparty Credit and Performance Risk
- Load and Generation Volumetric Risk
- Operational Risk
- Liquidity Risk
- Regulatory/Legislative Risk

To mitigate SDCP's exposure to such risks, this Policy has been drafted to focus on the following areas of concern:

- Risk Management Goals and Principles
- Definitions of Risks
- Internal Control Principles
- Risk Management Business Practices
- Risk Management Governance

This Policy does not address the following types of general business risk, which should be treated separately in other policies, ordinances and regulations pertaining to SDCP: fire, accident and casualty;

health, safety, and workers' compensation; general liability; and other such typically insurable perils. The term "risk management," as used herein, is therefore understood to refer solely to market risks as defined herein, and not those other categories of risk.

1.3 Policy Administration

This version of the Energy Risk Management Policy was adopted by the SDCP Board of Directors on June 25, 2020. This Policy may be amended as needed by SDCP's Board. SDCP's Finance and Risk Management Committee (FRMC) may periodically recommend policy updates to the Board.

1.4 Policy Distribution and Acknowledgment

This Policy shall be distributed to all SDCP employees and third-party contractors who are engaged in the planning, procurement, sale and scheduling of electricity on SDCP's behalf and/or in other SDCP departments providing oversight and support for these activities. All such employees and contractors are required to confirm in writing on an annual basis that they have:

- Read SDCP's Risk Management Policy
- Understand the terms and agreements of said Policy
- Will comply with said Policy
- Understand that any violation of said Policy shall be subject to employee discipline up to and including termination of employment.

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1.5 Policy Interpretation

Questions about the interpretation of any matters of the Policy should be referred to the Risk Management Committee. All legal matters stemming from this Policy will be referred to General Counsel.

2.0 Risk Management Goals

The goals of SDCP's energy risk management practices are to:

[1] assist in achieving the business objectives of retail rate stability and competitiveness;

[2] avoid losses and excessive costs, which would materially impact the financial condition of SDCP;

[3] establish the parameters for energy procurement and sales activity to minimize costs while ensuring compliance with approved risk limits and policy objectives;

[4] assist in assuring that market activities and transactions are undertaken in compliance with established procurement authorities, applicable laws, regulations and orders; and

[5] encourage the development and maintenance of a corporate culture at SDCP in which the proper balance is struck between control and facilitation and in which professionalism, discipline, technical skills, and analytical rigor come together to achieve SDCP objectives.

3.0 Risk Management Principles

3.1 General Risk Management Principles

SDCP manages its energy resources and transactions with the objectives of reducing greenhouse gas emissions, supporting local economic development and providing customers with stable, competitive electric rates while contemporaneously minimizing risks. SDCP's risk management principles include the identification of relevant risks, systematic risk measurement and reporting, and strict adherence to established risk policies. SDCP will not engage in transactions without proper authorization or if such transactions are determined to be inconsistent with this Policy.

It is the policy of SDCP that all personnel, including the Board, management, and agents, adhere to standards of integrity, ethics, conflicts of interest, compliance with statutory law and regulations and other applicable SDCP standards of personal conduct while employed by or affiliated with SDCP.

3.2 Conflicts of Interest

All SDCP Directors, management, employees, consultants, and agents participating in any transaction or activity within the coverage of this Policy are obligated to give notice in writing to SDCP of any interest such person has in any counterparty that seeks to do business with SDCP, and to identify any real or potential conflict of interest such person has or may have with regard to any existing or potential contract or transaction with SDCP. Further, all persons are prohibited from personally participating in any transaction or similar activity that is within the coverage of this Policy, or prohibited by California Government Code § 1090, and that is directly or indirectly related to the trading of electricity and/or environmental attributes as a commodity.

If there is any doubt as to whether a prohibited condition exists, then it is the employee's responsibility to discuss the possible prohibited condition with her/his manager or supervisor.

3.3 Adherence to Statutory Requirements

Compliance is required with rules promulgated by the state of California, California Public Utilities Commission, California Energy Commission, Federal Energy Regulatory Commission(FERC), Commodity Futures Trading Commission(CFTC),and other regulatory agencies.

Congress, FERC and CFTC have enacted laws, regulations, and rules that prohibit, among other things, any action or course of conduct that actually or potentially operates as a fraud or deceit upon any person in connection with the purchase or sale of electric energy or transmission services. These laws also prohibit any person or entity from making any untrue statement of fact or omitting to state a material fact where the omission would make a statement misleading. Violation of these laws can lead to both civil and criminal actions against the individual involved, as well as SDCP. This Policy is intended to comply with these laws, regulations and rules and to avoid improper conduct on the part of anyone employed by SDCP. These procedures may be modified from time to time by legal requirements, auditor recommendations, FRMC and ROC requests, and other considerations.

In the event of an investigation or inquiry by a regulatory agency, SDCP will provide legal counsel to employees. However, SDCP will not appoint legal counsel to an employee if SDCP's General Counsel and Chief Executive Officer determine that the employee was not acting in good faith within the scope of employment. SDCP employees are prohibited from working for another power supplier, CCA or utility in a related position while they are simultaneously employed by SDCP unless an exception is authorized by the Board. For clarity, this prohibition is not intended to prevent SDCP staff from performing non-CCA activities on behalf of SDCP in the normal course of its business.

3.4 System of Records

SDCP will maintain a set of records for all transactions executed in association with SDCP's procurement activities. The records will be maintained in US dollars and transactions will be separately recorded and categorized by type of transaction. This system of record shall be auditable.

4.0 Definitions of Market Risks

The term "market risks," as used herein, refers specifically to those categories of risk which relate to SDCP's participation in wholesale and retail markets as a Load Serving Entity (LSE) as well as SDCP's interests in certain long-term contracting opportunities. Market risks include market price risk, counterparty credit and performance risk, load and generation volumetric risk, operational risk and liquidity risk, as well as regulatory and legislative risk. These categories are defined and explained as follows.

4.1 Market Price Risk

Market price risk is defined as exposure to changes in wholesale energy prices. Market price risk is a function of price volatility and the volume of energy that is contracted at fixed prices over a defined period of time. Prices in electricity markets exhibit high volatility, and appropriate forward procurement and hedging approaches are necessary to manage exposure to pricing volatility within the CAISO or bilateral energy markets.

Market price risk is also impacted by market liquidity, which may be an issue for certain energy or capacity products that SDCP procures. Illiquid markets are characterized by relatively few buyers or sellers, making it more difficult to buy or sell a commodity and often resulting in higher premiums on purchases or deeper discounts on sales.

Another dimension of market price risk is congestion or "basis" risk. Congestion risks arise from the locational differences in prices between the point of delivery of SDCP's load (meaning, power consumed by customers) and its contracted supply.

For SDCP, market price risk manifests in two types of exposure. The first type of market price risk exposure is the potential for variations in power costs that are related to SDCP's "open positions", meaning the volume of energy that will ultimately be required for delivery to SDCP customers but that has not yet been purchased. Increases in market prices will increase SDCP's costs when those open positions are eventually filled at the higher prices. Incurrence of higher than anticipated power costs can reduce funds available for financial reserves or other planned uses and can lead to the need for rate increases. Market price risk exposure related to open positions are monitored through net open position valuations and value at risk metrics as described in Section 6.1 of this Policy.

The second type of market price risk exposure is the potential for wholesale trading positions, long-term supply contracts and generation resources to move "out of the money," that is, become less valuable when compared to similar positions, contracts or resources obtainable at present prices. These same positions can also be "in the money" if such positions become more valuable when compared to similar positions, contracts or resources obtainable at present market prices. This valuation methodology is commonly referred to as "Mark to Market." Transaction valuation and reporting of positions shall be based on objective, market observed prices. If SDCP is "out of the money" on a substantial portion of its contracts, it may have to charge higher retail rates relative to competitors. Such a situation could erode SDCP's competitive position and market share if other market participants (e.g., Direct Access providers or SDG&E) are able to procure power at a lower cost and offer lower retail electric rates.

4.2 Counterparty Credit and Performance Risk

Performance and credit risk refer to the inability or unwillingness of a counterparty to perform according to its contractual obligations. Failure to perform may arise if an energy supplier fails to deliver energy as agreed. There are four general performance and credit risk scenarios:

[1] counterparties and wholesale suppliers may fail to deliver energy or environmental attributes, requiring SDCP to purchase replacement products elsewhere, possibly at higher costs;

[2] counterparties may fail to take delivery of energy or environmental attributes sold to them, necessitating a quick resale of the product elsewhere, possibly at a lower price;

[3] counterparties may fail to pay for delivered energy or environmental attributes; and

[4] counterparties and suppliers may refuse to extend credit to SDCP, possibly resulting in higher collateral posting costs, which could impact SDCP's cash position and/or bank lines of credit.

An important subcategory of credit risk is concentration risk. When a portfolio of positions and resources is concentrated with one or a very small number of counterparties, generating resources, or geographic locations, it becomes more likely that major losses will be sustained in the event of non-performance by a counterparty/supplier or as a result of unexpected price fluctuations at one location.

4.3 Load and Generation Volumetric Risk

Energy deliveries must be planned in consideration of forecasted load. SDCP forecasts load over the long and short term and enters into long- and short-term fixed price energy contracts to hedge its load consistent with the provisions of its Integrated Resource Plan (IRP).

Load forecasting risk arises from inaccurate load forecasts and may result in the over- or under-procurement of energy and/or customer rate revenues that deviate from approved budgets. Energy delivery risk occurs if a generator fails to deliver expected or forecasted energy volumes. Variations in wind speed and cloud cover, for example, can also impact the respective amount of electricity generated by wind and solar resources. Furthermore, the occasional oversupply of power on California's electric grid can lead to curtailment of energy deliveries or reduced revenue resulting from low or negative prices at certain energy delivery points. In general, weather is an important variable that can result in higher or lower electricity usage due to its impact of customer electricity usage (heating and cooling needs, for example) as well as energy production (by generators that are commonly impacted by ambient weather conditions).

In the CAISO markets this situation can result from both the oversupply and undersupply of electricity relative to SDCP's load as well as the over- or under-scheduling of generation or load into the day ahead market (relative to actual energy consumed or delivered in the real-time market). Load and generation volumetric risk may result in unanticipated open positions and imbalance energy costs, which are assessed when actual and scheduled loads do not align. More specifically, imbalance energy costs result from temporal pricing differences that often exist in the day-ahead and real-time energy markets during discrete scheduling intervals. For example, if SDCP's actual load is higher than scheduled in the day-ahead market, and real-time prices are comparatively high during such instances, then SDCP bears the risk of higher-than-anticipated energy costs due to such variation. .

4.4 Operational Risk

Operational risk consists of the potential for failure to execute and control business activities relative to plan. Operational risk includes the potential for:

[1] organizational structure that proves to be ineffective in addressing risk, i.e., the lack of sufficient authority to make and execute decisions, inadequate supervision, ineffective internal checks and balances, incomplete, inaccurate and untimely forecasts or reporting, failure to separate incompatible functions, etc.;

[2] absence, shortage or loss of key personnel or lack of cross-functional training;

[3] lack or failure of facilities, equipment, systems and tools, such as computers, software, communications links and data services;

[4] exposure to litigation or sanctions resulting from violating laws and regulations, not meeting contractual obligations, failure to address legal issues and/or receive competent legal advice, not drafting and analyzing contracts effectively, etc.; and

[5] errors or omissions in the conduct of business, including failure to execute transactions, violation of guidelines and directives, etc.

4.5 Liquidity Risk

Liquidity Risk is the risk that SDCP will be unable to meet its financial obligations. This can be caused by unexpected financial events and/or inaccurate pro forma calculations, rate analyses, and debt analyses. Some unexpected financial events impacting liquidity could include:

[1] breach of SDCP credit covenants or thresholds – SDCP has credit covenants included in its banking agreements and may, eventually, have similar covenants within its energy contracts. Breach of credit covenants or thresholds could result in the withdrawal of SDCP's line of credit or may trigger the requirement to post collateral;

[2] contractual requirements to post collateral (with counterparties) due to a decline in market prices below the contract price; and

[3] from time to time SDCP may be the subject of legal or other claims arising from the normal course of business. Payment of a claim by SDCP could reduce SDCP's liquidity if the cause of loss is not covered by SDCP's insurance policies.

4.6 Regulatory/Legislative Risk

Regulatory risk encompasses market structure and operational risks associated with shifting state and federal regulatory policies, rules, and requirements that could negatively impact SDCP. An example is the potential increase in exit fees for customers served by Community Choice Aggregators that could result in higher overall electricity costs for SDCP customers (relative to SDG&E or DA service options).

Legislative risk is associated with actions by federal and state legislative bodies, which may impose adverse changes or requirements that could infringe upon SDCP's autonomy, increase its costs, or otherwise negatively impact SDCP's ability to fulfill its goals and objectives.

5.0 Internal Control Principles

Internal controls are based on proven principles that meet or exceed the requirements of financial institutions and credit rating agencies while also being considerate of good utility practice. The required controls shall include all customary and usual business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of results of operations as well as information pertinent to management, and facilitate attainment of business objectives. These controls shall remain fully integrated in all activities of the business and shall be consistent with stated objectives. There shall be active participation by senior management in risk management processes.

The required controls include the following:

[1] Segregation of duties and functions between front, middle, and back office activities. In general terms, the designation of responsibilities shall be organized as follows:

- Front office is responsible for planning (e.g. preparation of the IRP and other planning activities) and procurement (e.g. solicitation management, contract negotiation, structuring and pricing as well as contract execution), contract management, compliance and oversight of scheduling coordinator functions with the CAISO;

- Middle office is responsible for controls and reporting (e.g., risk monitoring, risk measurement, risk reporting, procurement compliance, counterparty credit review, approval and monitoring); and

- Back office is responsible for settlements and processing (e.g., verification, validation, reconciliation and analysis of transactions, tracking, processing and settlement of transactions).

[2] Delegation of authority as defined in section 6.5 (below) that is commensurate with responsibility and capability, and relevant training to ensure adequate knowledge to operate in and comply with rules associated with the markets in which such personnel may transact (e.g., CAISO). Contract origination, commercial approval, legal review, invoice validation, and transaction auditing shall be performed by separate staff or contractors for each transaction. No individual staff member shall perform all of these functions on a single transaction.

[3] Defining authorized products and transactions. In general terms, authorized and prohibited transactions are defined as follows:

- Authorized transactions are those transactions directly related to the procurement and/or administration of electric energy, reserve capacity, transmission and distribution service, ancillary services, congestion revenue rights, renewable energy, renewable energy credits, scheduling activities, tolling agreements, and bilateral purchases of energy products. All transactions must be consistent with this Policy and the Board approved IRP.

- It is the expressed intent of this Policy to prohibit the acquisition of risk beyond that encountered in the efficient optimization of SDCP's generation portfolio and execution of procurement strategies. Prohibited transactions are those transactions that are not related to serving retail electric load and/or reducing financial exposure. Speculative buying and selling of energy products or maintenance of open positions that do not conform with agreed upon thresholds is prohibited. Speculation is defined as buying energy in excess of forecasted load plus reasonable planning reserves, intentionally under procuring energy relative to minimum load hedging targets or selling energy or environmental attributes that are not yet owned by SDCP. In no event shall speculative transactions be permitted. Any financial derivatives transaction including, but not limited to futures, swaps, options, and swap options are also prohibited. If any questions arise as to whether a proposed transaction(s) constitutes speculation, SDCP shall conduct an analysis of the transaction and the Board shall review the transaction(s) to determine whether the transaction(s) would constitute speculation and document its finding in the meeting minutes.

[4] Defining proper process for executing power supply contracts. SDCP will ensure power supply contracts are approved by pertinent technical personnel. Legal review will be required of various forms of agreement used by SDCP.

[5] Accurately capturing transactions and other data, with standardization of electronic and hard copy documentation.

[6] Summarizing and reporting of transactions and other activity at regular intervals.

[7] Measuring risk and performance in a timely manner and at regular intervals.

[8] Regularly reviewing compliance to ensure that this Policy and related risk management guidelines are adhered to, with specific guidelines for resolving instances of noncompliance.

[9] Ensuring active participation by senior management in risk management processes.

6.0 Risk Management Business Practices

6.1 Risk Measurement Metrics and Reporting

A vital element of this Policy is the regular identification, measurement and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with SDCP's procurement-related business activities and performance relative to stated goals.

SDCP measures and updates its risks using a variety of tools that model programmatic financial projections, market exposure and risk metrics, as well as through short-term budget updates. The following items are measured, monitored and reported:

[1] Mark-to-Market Valuation – marking to market is the process of determining the current value of contracted supply. A mark-to-market valuation shall be performed at least once per quarter.

[2] Exposure Reporting – calculates the notional dollar risk exposure and value at risk of open portfolio positions at current market prices. The exposure risk calculations shall be performed at least once per quarter.

[3] Open Position Monitoring – on a monthly basis, SDCP shall calculate/monitor its open positions for all energy and capacity products. If energy open positions for the month following the then current month (prompt month) exceed 10% of load, SDCP will solicit market energy to close open positions and make a commercial decision to close the position. Open positions for terms beyond the prompt month will be monitored monthly and addressed in accordance with SDCP's planning models and related policies.

[4] Counterparty Credit Exposure – calculates the notional and mark-to-market exposure to each SDCP counterparty by deal and in aggregate. Counterparty credit exposure shall be reported on a quarterly basis. Counterparty exposure reporting includes contingent collateral posting risks arising from changes in market prices and other factors.

[5] Reserve Requirement Targets – no less than once per year, SDCP staff will monitor SDCP's reserves to ensure that they meet the targeted thresholds.

Consistent with the above, the Middle Office will develop reports and provide feedback to the Risk Oversight Committee. If a limit or control established by this Policy is violated, the Middle Office will send notification to the responsible party and the Risk Oversight Committee. The Risk Oversight Committee will discuss the cause and potential remediation of any violation to determine next steps for curing the violation.

Risk measurement methodologies shall be re-evaluated on a periodic basis to ensure SDCP adjusts its methods to reflect the evolving competitive landscape.

6.2 Market Price Risk

SDCP manages market price risk using its planning models which define forecasted load, energy under contract and SDCP's open positions across various energy product types including renewable energy (Portfolio Content Category I, II and III), carbon-free energy and system power relative to SDCP's procurement targets.

SDCP determines the quantity of energy it intends to place under contract each year through the use of its planning models and in consideration of stated procurement targets. The planning models include an outline of the delivery term and quantity of each energy product that SDCP intends to fill in the upcoming year. The planning models inform SDCP's solicitation planning, including solicitation timing and strategy as well as the person/team responsible for related solicitations.

In general, SDCP will seek to purchase some long-term renewable energy each year for purposes of diversifying market exposure while also avoiding potential "planning cliffs", which can occur when a significant portion of long-term contracts expire at or near the same point in time.

For products generally purchased through short- and medium-term contracts, SDCP follows a similar temporal diversification strategy, with multiple procurement cycles occurring throughout the year.

Congestion risk is managed through the contracting process with a preference for day-ahead energy delivery at the SP 15 trading hub. Once energy is procured, SDCP manages congestion risks through the application of CRRs consistent with its Congestion Revenue Rights Risk Management Guidelines. CRRs are financial instruments used to hedge against transmission congestion costs encountered in the CAISO day-ahead market. SDCP uses a third-party scheduling coordinator to manage its CRR portfolio. SDCP primarily uses CRRs to reduce its exposure to congestion charges.

6.3 Counterparty Credit and Performance Risk

SDCP shall evaluate and monitor the financial strength of its suppliers in consideration of adopted Credit Guidelines. Generally, SDCP manages its exposure to energy suppliers by exhibiting a preference for counterparties with Investment Grade Credit ratings as determined by Moody's or Standard and Poor's and through the use of security requirements in the form of cash and letters of credit. SDCP measures its mark-to-market counterparty credit exposure consistent with industry best practices.

6.4 Load and Generation Volumetric Risk

SDCP manages energy delivery risks by ensuring that contracts include appropriate contractual penalties for non-delivery, acquiring energy from a geographically and technologically diverse portfolio of generating assets (with a range of generation profiles that are generally complementary to the manner in which SDCP's customers use electric power). Due to known production variability and supply uncertainty related to renewable and other carbon-free energy products, SDCP includes planning margins in its procurement of such products to ensure that related targets/mandates are achieved.

SDCP manages load forecasting and related weather risks by contracting with qualified data management and scheduling coordinators, which independently or jointly provide the systems and data necessary to forecast and schedule load using good utility practice. Load variability is also considered in establishing appropriate planning margins for renewable and other carbon free energy sources.

SDCP's load scheduling strategy, as executed by its scheduling coordinator, shall be in accordance with adopted Load Bidding/Scheduling Guidelines. This strategy shall ensure that price risk in the day-ahead and real-time CAISO markets is managed effectively and is consistent with good utility practice.

6.5 Operational Risk

Operational risks are managed through:

- Adherence to this Policy, and oversight of procurement activity including delegation of authority;
- Conformance with applicable human resources policies and guidelines;
- Staff resources, expertise and/or training reinforcing a culture of compliance;
- Use of qualified, highly experienced contractors on an as-needed basis in the event that necessary expertise does not exist within SDCP's own organization;
- Ongoing and timely internal and external audits; and
- Cross-training amongst staff

In order to ensure proper controls for executing energy transactions and to facilitate the efficient operation of SDCP in its ordinary course of business, the Board delegates transactional authority that is commensurate with responsibility and capability. Accordingly, by approving this Policy, the Board delegates the following energy procurement authority by product type, tenor, volume, and notional value to its Chief Executive Officer:

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
Risk Oversight Committee*				
SDCP Board	All Products	Any	Unlimited	Unlimited

* Limits delegated to the Risk Oversight Committee will be adopted following its formation.

Any changes to the delegation of authority will require Board approval.

6.6 Liquidity Risk

SDCP manages liquidity risk through adherence to its loan and power purchase agreement credit covenants; limiting commitments to provide security consistent with adopted Credit Guidelines; ensuring it has adequate loan facilities, prudent cash and investment management; and adherence to any applicable reserve policies. SDCP monitors its liquidity (defined as unrestricted cash, investments, and unused bank lines of credit) no less than weekly. SDCP utilizes scenario and sensitivity analyses while preparing budget, rate, and pro forma analyses to identify potential financial outcomes and ensure sufficient liquidity under adverse conditions.

6.7 Regulatory/Legislative Risk

SDCP manages its regulatory and legislative risk through active participation in working groups and advocacy coalitions such as the California Community Choice Association. SDCP regularly participates in regulatory rulemaking proceedings and legislative affairs to protect SDCP's interests.

7.0 Risk Management Policy Governance

7.1 SDCP Board of Directors

The SDCP Board is responsible for adopting this Policy. The Board also approves SDCP's annual budget, contracting authorities and delegated responsibilities for the management of SDCP's operations to its Chief Executive Officer and staff.

7.2 Finance and Risk Management Committee

The FRMC is responsible for reviewing and recommending approval of substantive changes to this Policy, as needed, and for initiating and overseeing a review of the implementation of this Policy as it deems necessary. The Chief Executive Officer and Risk Oversight Committee may make reports and seek approval for any substantive changes to this Policy from the FRMC, which will recommend changes to the Board.

7.3 Risk Oversight Committee (ROC)

To ensure with implementation and compliance with this Policy, the Chief Executive Officer will establish a Risk Oversight Committee prior to the commencement of retail electric service by SDCP. The members of the ROC will be selected by the Chief Executive Officer. The ROC will have authority to:

- Meet once per quarter, or as otherwise called to order by the Chair of the ROC.
- No less than once per quarter, provide a report to the FRMC regarding its meetings, deliberations and any other areas of concern.
- From time to time, adopt and/or adapt risk management guidelines defining internal controls, strategies and processes for managing market risks incurred through or attendant upon wholesale trading, retail marketing, long-term contracting, CRR trading and load and generation scheduling.
- Specify the categories of permitted transactions and set risk limits for wholesale trading. The ROC will receive and review information and reports regarding risk management, wholesale trading transactions, and the administration of supply contracts.
- Have direct responsibility for enforcing compliance with this Policy. Any gross violations to this Policy, as determined by the Chair of the ROC, shall be reported to the FRMC for appropriate action.

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 4

To: San Diego Community Power Board of Directors

From: John Dalessi and Kirby Dusel, Pacific Energy Advisors

CC: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Approve the 2020 Request for Proposals for Long-Term Renewable Energy and Provide Direction on Joint Procurement

Date: June 25, 2020

Recommendation

1. Approve the 2020 Request for Proposals (RFP) for Long-Term Renewable Energy.
2. Provide direction to staff on joint procurement.

Background

For SDCP to successfully meet California's RPS procurement mandate, as well as internally adopted renewable energy targets which exceed such mandates, SDCP will be required to purchase a significant quantity of renewable energy through regular solicitations that will be administered prior to service commencement and during ongoing operations. As specified in California's RPS Program, 65% of all mandated renewable energy purchases must be sourced from long-term supply contracts with delivery terms of no less than ten years. The following table quantifies general RPS procurement requirements as well as long-term purchase obligations (on a proportionate basis) during the initial ten years of SDCP operations:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
RPS Procurement Requirement (% of Total Retail Sales)	36%	39%	41%	44%	47%	49%	52%	55%	57%	60%
Long-Term RPS Contracting Requirement (% of RPS Req)	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Effective Long-Term RPS Requirement (% of Total Retail Sales)	23%	25%	27%	29%	30%	32%	34%	36%	37%	39%

While SDCP's voluntary (above-RPS) renewable energy purchases are not subject to the aforementioned long-term contracting requirement, there will still be a great deal of planning and procurement activity required to meet and sustain applicable long-term contracting obligations on an ongoing basis. Failure to meet the noted RPS procurement requirements, including long-term contracting mandates, would result in the imposition of financial penalties on SDCP by the California Public Utilities Commission.

By commencing ongoing renewable energy procurement efforts as soon as practical, SDCP reduces the prospect of delivery shortfalls during initial operations by allowing sufficient time for solicitation administration, contract negotiation and project development/construction activities (for new-build renewable energy projects) so that contracted renewable energy facilities will commence operations/deliveries during the first few years following SDCP's launch.

Executive leadership of the Community Choice Aggregation (CCA) programs serving the San Diego region, SDCP and the Clean Energy Alliance (CEA)[1], have engaged in discussions regarding the possibility of a coordinated solicitation process that would be administered to meet the long-term renewable energy needs of each organization. Such a process could provide administrative efficiencies and would likely streamline future joint-procurement efforts (by refining the coordinative process and interagency communications throughout the upcoming schedule of activities). Should either/both organizations determine that interagency coordination related to this upcoming solicitation effort is not desirable at this point in time, SDCP would proceed with an independently administered RFP for Long-Term RPS-Eligible Renewable Energy Supply. Discussions regarding future opportunities for interagency coordination would be deferred until deemed appropriate by both organizations. Based on the aforementioned discussions between the executive leadership of SDCP and CEA as well as the prospective efficiencies related to a jointly administered solicitation process, the proposed RFP document and related offer form reflect the participation of both organizations.

Analysis and Discussion

There are two general approaches that can be pursued by SDCP for purposes of meeting applicable renewable energy targets: 1) independently/jointly administer solicitations for renewable energy proposals (with SDCP as the prospective buyer); and 2) participate in renewable energy solicitations administered by others (through which renewable energy products are being offered for sale to SDCP and other market participants). Your Board recently approved (at its May 2020 meeting) SDCP's participation in SDG&E's current solicitation for renewable energy (through which SDG&E is offering surplus RPS-eligible supply to interested buyers). On June 22, 2020, SDCP staff submitted offers under SDG&E's solicitation process; if placed on SDG&E's short-list, SDCP expects to receive feedback regarding such offers on July 20, 2020, according to SDG&E's RFP schedule. Separate and distinct from SDG&E's solicitation process, staff have developed a joint solicitation (in cooperation with CEA) for long-term renewable energy offers, which is intended to complement participation in SDG&E's solicitation by addressing certain open positions that aren't successfully filled via purchases from SDG&E. Regardless of the outcome of such processes, SDCP intends to independently create meaningful, ongoing opportunities for local renewable project developers, particularly smaller-scale renewable energy projects, to serve as wholesale energy suppliers to SDCP. The creation of such opportunities may include a locally focused Feed-In Tariff or other programs intended to promote the development of locally situated clean-energy infrastructure. As additional program details become available, SDCP staff intends to bring related proposals to your Board for consideration and approval.

[1] CEA's member communities include the cities of Carlsbad, Del Mar and Solana Beach.

Due to the substantial amount time and cost typically required to review and evaluate proposals, identify short-listed bidders, complete contract negotiations and develop/construct generating facilities, staff recommends releasing the jointly administered long-term renewable energy RFP based on the schedule identified below. Completion of this process according to the noted schedule should provide SDCP with significant quantities of renewable energy during early-stage operations, facilitating compliance with statewide procurement mandates and voluntary, internally established targets. The recommended schedule for joint Long-Term RPS-Eligible Renewable Energy RFP administration is as follows:

RFP Activity	**Anticipated Date of Completion**
RFP Issuance	June 29th
Deadline for Electronic Question Submittal	July 10th no later than 5:00 P.M. PPT
RFP Response Deadline	July 24th no later than 5:00 P.M. PPT
Follow-up with RFP Respondents, as necessary	To occur between July 27th and August 7th
Supplier Notifications (Short-List Selection)	August 12th
Contract Negotiations	August 13th through November 30th
Joint CCAs Board to Award Contract(s)	December 2020/January 2021 – to occur at duly noticed Board Meetings of CEA and SDCP
Execution of Contract(s)	December 2020/January 2021 – to occur after CEA and SDCP Board approval of the final contract(s)

This solicitation for long-term RPS-eligible renewable energy will be the first of many SDCP-administered renewable energy solicitations, as the entirety of SDCP's projected renewable energy needs will not be fulfilled through this process. In fact, SDCP will likely administer annual solicitations for long-term renewable energy supply during its first several years of operation, so there will be many opportunities for a diverse compilation of suppliers, resource types, resource locations and project sizes. Based on the preferences of SDCP's Board, such opportunities may be administered independently or jointly (with other CCA organizations).

Joint Procurement with Clean Energy Alliance

CCA programs in California have regularly engaged in jointly administered solicitation/procurement processes to pursue requisite renewable energy, energy storage and resource adequacy obligations. If coordinated amongst similarly focused CCA organizations, jointly administered procurement efforts may create meaningful administrative efficiencies and cost savings, including reductions in procedural redundancies and related staffing burdens, reduced legal expenses, realization of benefits related to scale economies (when attempting to procure from larger projects) and other items. Coordination amongst agencies may also present some coordinative challenges, as the participating agencies must generally exhibit common perspectives (regarding key procedural elements, such as evaluative criteria, project location, technology preferences, etc.) and must also align procedural schedules to ensure that opportunities are not compromised due to delays or other scheduling conflicts. To ensure administration of an efficient process, differences in need, scale, and Board direction should be considered before moving forward. If additional coordination/discussion between SDCP and CEA is required prior to releasing a joint RFP document, and meaningful adjustments would be required to the RFP's proposed procedural schedule (reflecting more than two weeks of delays in such schedule), staff recommends moving forward on an independent basis (without CEA).

The RFP document (attached for reference) currently reflects numerous requirements to guide respondents in crafting proposals that will meet SDCP's needs. Only RPS-eligible generating resources may participate, and only Portfolio Content Category 1 and Portfolio Content Category 2 products will be considered. All initial deliveries must commence no sooner than March 1, 2021 (SDCP's expected launch date) and no later than June 30, 2023. Only proposed delivery terms between 10 and 20 years in duration are permitted. A standardized response template was also prepared, and the use of such template is required for any response – the template includes data fields for a broad scope of important information that will be useful during proposal evaluation.

When reviewing proposals, the RFP indicates that the joint CCAs will consider a diverse set of evaluative criteria, including price, resource location, creation of local economic benefits, overall quality of the response, environmental impacts of the proposed project and various others. A non-exhaustive list of anticipated evaluative criteria is listed in the RFP document, and SDCP has reserved the right to revise such list at its discretion.

During response evaluation, short-list selection and contract negotiations, staff recommends regular meetings with SDCP's Ad Hoc Contracts Committee for purposes of receiving guidance and general feedback related to this important process. One or more representatives from such Committee, along with staff, will provide updates to your Board regarding progress related to this solicitation process.

For any contract(s) resulting from this process, each participating CCA will independently execute an agreement reflecting the specific capacity/delivery quantities that will be purchased by its organization.

Should the Board choose not to issue a joint RFP, the content and schedule will remain as described here, excepting removal of references to CEA throughout the document, and the solicitation will proceed with SDCP independently administering the process reflected therein.

Committee Review

This item was presented to the Finance and Risk Management Committee on June 18, 2020. The committee supported the staff recommendations with direction not to delay release of the RFP significantly.

Attachment

Attachment A: Draft 2020 Request for Proposals for Long-Term California Renewables Portfolio Standard-Eligible Renewable Energy Supply of the Clean Energy Alliance & San Diego Community Power

2020 Request for Proposals ("RFP") for Long-Term California RPS-Eligible Renewable Energy of the Clean Energy Alliance & San Diego Community Power

<u>Introduction & Background</u>

The Clean Energy Alliance ("CEA") and San Diego Community Power ("SDCP"), together the "Joint CCAs", are requesting proposals for long-term, California Renewables Portfolio Standard ("RPS") eligible renewable energy products with initial deliveries commencing during the 2021, 2022 and/or 2023 calendar years. The Joint CCAs are represented by two new Community Choice Aggregation ("CCA") programs that will begin serving customers located within the San Diego region in 2021. CEA plans to commence retail electric service in May 2021 and will serve the cities of Carlsbad, Del Mar and Solana Beach. CEA anticipates annual retail sales approximating 960 GWh and expects to serve approximately 58,000 service accounts, following the completion of planned phase-in activities. SDCP intends to commence retail electric service in March 2021 and will serve the cities of Chula Vista, Encinitas, Imperial Beach, La Mesa and San Diego. SDCP anticipates annual retail sales approximating 7,000 GWh with nearly 740,000 service accounts enrolled following completion of pertinent phase-in activities.

Commented [A1]: Pending SDCP Board direction on June 25, 2020, this RFP can be revised to reflect SDCP only.

In consideration of upcoming long-term renewable energy contracting requirements, as imposed by SB 350, the Joint CCAs anticipate certain open positions as further described herein. In particular, this RFP is primarily intended to support future Portfolio Content Category 1 ("PCC1" or "Bucket 1") energy requirements through long-term power purchase agreements with one or more qualified counterparties. This noted, the Joint CCAs will also accept and evaluate long-term procurement opportunities for Portfolio Content Category 2 ("PCC2" or "Bucket 2") renewable energy products. Long-term offers for <u>Portfolio Content Category 3</u> ("PCC3" or "Bucket 3") renewable energy products <u>will not be considered</u> at this time. Based on the Joint CCAs' most recent analysis, future long-term renewable energy requirements have been quantified in the following tables:

Table 1: CEA's Estimated Annual Long-Term Renewable Energy Requirements (GWh)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
LT RPS GWh	152	250	269	288	307	326	346	365	385	405

Table 2: SDCP's Estimated Annual Long-Term Renewable Energy Requirements (GWh)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
LT RPS GWh	500	1,800	2,000	2,100	2,300	2,400	2,600	2,700	2,900	3,000

By participating in this RFP, each respondent acknowledges that it has read, understands, and agrees to the terms and conditions set forth in these instructions. The Joint CCAs reserve the right to reject any offer that does not comply with these requirements. Furthermore, the Joint CCAs may, in their sole discretion and without notice, modify, extend, suspend, or terminate this RFP without further obligation or liability to any respondent. This RFP does not constitute an offer to buy or create an obligation for the Joint CCAs, CEA or SDCP to enter into an agreement with any party, and the Joint CCAs, CEA and/or SDCP shall not be bound by the terms of any offer until a duly authorized agreement has been fully executed.

2020 Request for Proposals ("RFP") for Long-Term California RPS-Eligible Renewable Energy of the Clean Energy Alliance & San Diego Community Power

RFP Instructions

Standardized Response Template: All respondents must use the standardized response template provided by Joint CCAs. The Joint CCAs have posted the template on the respective websites of CEA ([insert web link]) and SDCP ([insert web link]) and will require respondents to independently access and download the template for response preparation. An unmodified version of the template must be completed in its entirety based on instructions provided in the template. The Joint CCAs may update the RFP template from time to time, so respondents are encouraged to periodically visit the respective websites of CEA and SDCP to determine if any changes have been posted. Only submittals of the currently applicable template will be reviewed.

Project Eligibility: Each respondent may propose one or more project offers conforming to the following eligibility requirements. Failure to meet all of the following project eligibility criteria shall be grounds for proposal rejection:

i. Resource Location: The point of physical interconnection for any eligible generator must be within the California Independent System Operator ("CAISO") or directly connected to and delivering into CAISO. The Joint CCAs have a strong preference for physical interconnection within the area generally termed SP15, as defined by the CAISO. Evaluative preference will be given to any resource(s) located directly within or within proximity to the respective member cities of the Joint CCAs.

ii. Product: Offers for bundled PCC1 renewable energy should include electric energy, Green Attributes/Renewable Energy Credits and Capacity Attributes. Even though this RFP is predominantly targeting PCC1 renewable energy supply, the Joint CCAs will also accept long-term PCC2 renewable energy offers. The Joint CCAs will accept offers for both new and existing renewable generating resources.

iii. Resource Eligibility: All proposed generating resources must be certified by the California Energy Commission ("CEC" or "Commission") as Eligible Renewable Energy Resources (or must receive CEC certification prior to the commencement of any energy deliveries proposed in the response template), as set forth in applicable sections of the California Public Utilities Code ("Code"), which may be amended or supplemented from time to time. Each respondent shall be responsible for certification of the proposed resource through the certification process administered by the CEC and shall be responsible for maintaining such certification throughout the contract term.

iv. Generating Capacity: Minimum ten (10) megawatts ("MW") AC.

v. Annual Delivery Specifications: Delivered energy volumes reflected in any proposal must be within the following minimum and maximum annual volumes:

2020 Request for Proposals ("RFP") for Long-Term California RPS-Eligible Renewable Energy of the Clean Energy Alliance & San Diego Community Power

Year	Min Deliveries (MWh)	Max Deliveries (MWh)
2021	75,000	250,000
2022	100,000	325,000
2023	100,000	350,000
2024	100,000	350,000
2025	100,000	400,000
2026	100,000	400,000
2027	100,000	450,000
2028	100,000	450,000
2029	100,000	500,000
2030	100,000	500,000

vi. Initial Date of Delivery: No sooner than March 1, 2021 and no later than June 30, 2023.

vii. Term of Agreement: Not less than ten (10) years, commencing on the Initial Date of Delivery; not more than twenty (20) years, commencing on the Initial Date of Delivery.

viii. Proposed Pricing: For bundled PCC1 renewable energy, each respondent must propose two distinct pricing options. First, respondents must include a single, flat price for each MWh of electric energy delivered from the proposed resource, priced at the generator node and/or at the SP 15 Trading Hub, as defined by the CAISO [TH_SP15_GEN-APND]. This energy price shall include the energy commodity, all Green Attributes/Renewable Energy Credits related thereto, and (if applicable) Capacity Attributes. If energy storage is included in the proposal, a separate capacity price ($/KW) for the storage capacity should be provided. All pricing options shall remain unchanged throughout the entire contract term and shall not be adjusted by periodic escalators or time of deliver multipliers/factors. Second, respondents must also include an index-plus pricing option in which the "plus" component reflects the price to be paid for the Renewable Energy Credit, expressed a flat/fixed price throughout the contract term. ***Alternative pricing options may be proposed so long as the aforementioned pricing requirements have been satisfied.***

ix. Point of Delivery: Per the requirements of the Proposed Pricing section, respondents must provide a proposal for the delivery of all electric energy at the generator node; however, respondents are also strongly encouraged to provide a proposal that includes pricing based on delivery of all electric energy to the SP 15 Trading Hub.

x. Scheduling Coordinator ("SC") Responsibilities: The Joint CCAs do not have a strong preference regarding the assignment of SC responsibilities and will evaluate proposals in which the Buyer or Seller provide such services.

xi. Minimum Development Progress: To the extent that a proposed generating resource is not yet commercially operational, documentation substantiating achievement of the following development milestones must be provided by the respondent for each eligible generator, including: 1) evidence of site control; and 2) evidence that respondent has submitted a generator interconnection application to the appropriate jurisdictional entity; provided, however, that if respondent has completed interconnection studies or executed an interconnection agreement, as applicable, respondent should provide copies of such materials, including applicable appendices. Such documentation must be provided to the Joint CCAs at the time of response submittal.

xii. Project Financing Plan: Respondent shall describe its intended financing plan for each proposed project in sufficient detail for the Joint CCAs to effectively evaluate the viability of such arrangements. To the extent that a respondent anticipates a joint project ownership structure, this structure shall be clearly articulated along with applicable ownership percentages attributable to each partner. Supporting documentation and discussion shall be provided by each respondent, consistent with the informational requirements specified in the RFP response template.

Transfer of Environmental Attributes/Renewable Energy Certificates

As part of the proposed transaction associated with any renewable energy product, all Environmental Attributes/Renewable Energy Certificates must be created by and transferred to CEA or SDCP, as appropriate, via the Western Renewable Energy Generation Information System ("WREGIS"), or its successor, without any additional costs or conditions to CEA or SDCP. Each respondent shall be independently responsible for registering its generating project(s) with WREGIS and for maintaining an active WREGIS account throughout the proposed term of agreement.

RFP Schedule*

This RFP will be administered in consideration of the following schedule:

RFP Activity	Anticipated Date of Completion
RFP Issuance	June 29th
Deadline for Electronic Question Submittal	July 10th no later than 5:00 P.M. PPT
RFP Response Deadline	July 24th no later than 5:00 P.M. PPT
Follow-up with RFP Respondents, as necessary	To occur between July 27th and August 7th
Supplier Notifications (Short-List Selection)	August 12th
Contract Negotiations	August 13th through November 30th
Joint CCAs Board to Award Contract(s)	December 2020/January 2021 – to occur at duly noticed Board Meetings of CEA and SDCP
Execution of Contract(s)	December 2020/January 2021 – to occur after CEA and SDCP Board approval of the final contract(s)

*The Joint CCAs reserves the right to change the schedule of these events at any time for any reason.

Respondents may submit questions to the Joint CCAs regarding this RFP process and associated materials no later than 5:00 P.M. PPT on July 10, 2020. All questions and final proposals should be submitted electronically to [insert email address] and must include the following subject line: "Questions for the Joint

CCAs' 2020 RFP for Long-Term California RPS-Eligible Renewable Energy". The Joint CCAs will post responses to all questions on its website after responses have been prepared – the Joint CCAs anticipate posting such responses by July 14, 2020. Responses to similar questions may be consolidated within the Joint CCAs' list of posted responses.

The Joint CCAs may submit clarifying questions to certain respondents or conduct interviews, as necessary, based on information provided in the response template and/or supporting materials included with each response. The Joint CCAs shall have the right, at the discretion of either CEA and/or SDCP, to request information without notifying other respondents. The Joint CCAs, CEA and/or SDCP shall establish due dates for responses at the time of each informational request and will directly notify individual respondents if additional follow-up and/or interviews are necessary during this process.

Note: only electronic submittals will be accepted; such submittals must be received by the Joint CCAs no later than 5:00 P.M. PPT on Friday, July 24, 2020. All responses should be submitted to [insert email address] and must include the following subject line: "Response to the Joint CCAs' 2020 RFP for Long-Term California RPS-Eligible Renewable Energy".

Evaluation of Responses

The Joint CCAs will evaluate responses against a common set of criteria that will include various factors. A partial list of factors to be considered during the Joint CCAs' evaluative process is provided below. This list may be revised at the Joint CCAs' discretion.

a. Price
b. Overall quality of response, including general completeness and conformance with RFP instructions/requirements
c. Project location, including benefits to the local economy and workforce
d. Interconnection status, including queue position, full deliverability of Resource Adequacy capacity, and related study completion, if applicable
e. Siting, zoning and permitting status, if applicable
f. Qualifications of project team
g. Proposed financing plan and ownership structure
h. Environmental impacts and related mitigation requirements
i. Financing plan & financial stability of project owner/developer
j. Proposed security obligations
k. Development milestone schedule, if applicable
l. Supplier diversity
m. Experience developing and operating renewable energy projects in California
n. Experience selling renewable energy to CCAs

Contracting

The Joint CCAs plan to negotiate a single form of Power Purchase Agreement ("PPA") with each of the short-listed suppliers. As part of the short-list notification process, the Joint CCAs will provide each of the short-listed suppliers with a draft PPA. Contract negotiations will proceed thereafter. After finalizing the PPAs, CEA and SDCP will each have a single, independent contract form with each of the short-listed suppliers, reflecting the negotiated division of anticipated project capacity/energy volumes to be delivered to each organization. For example, Prospective Supplier One negotiates a single form PPA with the Joint CCAs; however, Prospective Supplier One will then enter into two separate contracts, one with CEA, another with SDCP, through which anticipated project capacity/energy volumes will be arranged with each CCA program. Disproportionate divisions of project capacity/energy volumes may be requested by CEA and SDCP during contract negotiation – for example, CEA may request 30% of annual energy deliveries, with SDCP receiving the remaining 70%. Additional details regarding the desired division of proposed project capacity/energy volumes will be provided to short-listed respondents and further discussed during contract negotiations.

Confidentiality

All correspondence with the Joint CCAs, including responses to this RFP, will become the exclusive property of CEA and SDCP and will become public record under the California Public Records Act (Cal. Government Code section 6250, et seq.). All documents sent by respondents to the Joint CCAs may be subject to disclosure, unless exempt under the California Public Records Act.

In order to designate information as confidential, the respondent must clearly stamp and identify any designated portion(s) of the response material with the word "Confidential" and provide a citation to the California Public Records Act supporting confidential treatment of such information. Respondents should be judicious in designating material as confidential. Over-designation would include stamping/designating entire pages, series of pages and/or entire sections as confidential when such material does not require confidential treatment.

Therefore, any proposal which contains language purporting to render all or significant portions of the proposal as "Confidential", "Trade Secret" or "Proprietary", or which fails to provide the noted exemption citation (related to the California Public Records Act) may be considered a public record in its entirety subject to the procedures described below. Do not mark your entire proposal as "Confidential".

If required by any law, statute, ordinance, a court, governmental authority or agency having jurisdiction over CEA or SDCP, including the California Public Records Act, CEA and SDCP may release confidential information, or a portion thereof, as required by applicable law, statute, ordinance, decision, order or regulation. In the event that CEA or SDCP are required to release confidential information, the respondent shall be notified of the required disclosure, such that the respondent may attempt (if it so chooses), at its sole cost, to cause the recipient of the confidential information to treat such information in a confidential manner, and to prevent such information from being disclosed or otherwise become part of the public domain.

The Joint CCAs do not intend to disclose any part of any proposal before it announces a recommendation for award, based on the understanding that there is a substantial public interest in not disclosing proposals during the evaluation or negotiation process.

Exclusivity Agreement and Bid Deposit

As part of the short-listing process, the Joint CCAs will require all short-listed bidders to execute a term sheet, enter into an exclusivity agreement (of no less than 90 days in duration), and post a bid deposit in the amount of $3,000/MW multiplied by the project's guaranteed capacity. For projects proposing fixed annual delivery quantities, a similar bid deposit amount (reflective of the overall volume being proposed to the Joint CCAs) will be calculated by the Joint CCAs and agreed upon with the respondent prior to short-listing. CEA and SDCP will accept bid deposits in the form of cash or an agreed upon form of a Letter of Credit. Letter of Credit means an irrevocable standby letter of credit, in a form reasonably acceptable to CEA and SDCP, issued either by (i) a U.S. commercial bank, or (ii) a U.S. branch of a foreign commercial bank that meets the following conditions: (A) it has sufficient assets in the U.S. as determined by the Joint CCAs, and (B) it is acceptable to the Joint CCAs in the Joint CCAs' sole discretion. The issuing bank must have a credit rating of at least A- from S&P or A3 from Moody's, with a stable outlook designation. All costs of the Letter of Credit shall be borne by the short-listed respondent.

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 5

To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Approval of Fiscal Year 2020-2021 Budget

Date: June 25, 2020

Recommendation

Discuss and consider approval of resolution adopting fiscal year 2020-2021 (FY21) budget.

Background

Sections 4.6.2 and 7.1 of 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. At its inaugural meeting on October 31, 2019, the Board adopted an administrative implementation budget which the attached FY21 budget now replaces.

Analysis and Discussion

The attached FY21 budget outlines all anticipated revenues and expenses associated with SDCP's on-going start up activities and launch of customer Phases 1 and 2 in March and June 2021 respectively. Staff also included a preliminary FY 2021-2022 (FY22) budget for the purpose of showing the significant growth in revenues and expenditures when the Phase 3 enrollment of small commercial and residential accounts occurs in January 2022. The FY22 is not presented here for approval, it is for informational purposes only.

The FY21 budget does not include repayment of member financial contributions from the Cities of San Diego, La Mesa and Encinitas, which is not expected to occur until the initial $5M in pre-revenue credit is repaid to River City Bank. It also does not contemplate funding for local programs in the first year of operations, as staff recommends completing customer enrollment which will occur in FY22, building up reserves, and then considering funding for local programs prior to approval of the FY22 budget. It also does not yet include a reserve allocation; this will be addressed as a separate Board policy decision in the future.

SDCP has committed approximately $400,000 of expenses between January and June 2020 (prior to FY21). These expenses were generated through services rendered from various providers under contract to SDCP who have agreed to defer payment until financing was secured. These include: LEAN Energy US, BB&K (general counsel and energy contracts), Tosdal

APC, Pacific Energy Advisors, Avery Associates, and a one-time California Public Utilities Bond payment of $100,000.

Committee Review

The Finance and Risk Management Committee reviewed a draft of the FY21 budget at their meeting on June 18, 2020 and recommended that it advance to the full Board for approval at its June 25, 2020 meeting. The Committee did not review the FY22 budget information.

Fiscal Impact

Operating expenditures indicated on the attached FY21 budget are $42,810,047 with a net surplus of $4,422,123 in SDCP's first fiscal year. This FY21 budget is as accurate as possible given current market pricing, planning assumptions and forecasts. These estimates could change based on several factors including if the 2021 phasing schedule changes, new information regarding the actual cost of power from various solicitations, and/or Board policies and decisions that affect operating revenues or expenditures.

Attachments

Attachment A: Resolution adopting FY 2020-2021 Budget
Attachment B: Proposed FY 2020-2021 Budget

RESOLUTION NO. ___

A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER ADOPTING THE FISCAL YEAR 2020–2021 BUDGET

A. San Diego Community Power ("SDCP") is a joint powers agency formed pursuant to the Joint Exercise of Powers Act, Cal. Gov. Code § 6500 *et seq.*, California Public Utilities Code § 366.2, and a Joint Powers Agreement effective on October 1, 2019 ("JPA Agreement").

B. The JPA Agreement provides that SDCP's fiscal year shall be 12 months commencing each year on July 1 and ending on June 30 the following year.

C. The JPA Agreement further provides that all expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies and procedures.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of San Diego Community Power as follows:

Section 1. The Board of Directors hereby approves and adopts the Fiscal Year 2020–2021 Budget attached hereto and incorporated herein as Exhibit A.

Section 2. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Board of Directors of San Diego Community Power held on June 25, 2020.

____
Chair, Board of Directors
San Diego Community Power

ATTEST:

____
Secretary, Board of Directors
San Diego Community Power

San Diego Community Power
Fiscal Year 2020-2021 Budget (FY21):
July 1, 2020-June 30, 2021
DRAFT

For Board Approval			For Board Information Only	
	FY21 (July 2020-June 2021)	FY21 Notes	DRAFT FY22 - Projected	FY22 Notes
REVENUE				
Working capital from River City Bank	$ 24,600,000	$5M startup plus $20M step up, less $400k in Jan-June 2020 expenses	$ 10,000,000	
Rate payer revenues	$ 22,688,892		$ 379,305,666	
Less Uncollectibles	$ (56,722)	Assumed 0.0025 (1/4%) of projected revenue	$ (948,264)	Assumed 0.0025 (1/4%) of projected revenue
Revenue TOTAL:	**$ 47,232,170**		**$ 388,357,402**	
EXPENSE				
Ops and Admin				
Professional Services/Consulting	$ 350,000	LEAN @$85k, accounting @$150k, HR/payroll @50k, IT@$50k, Misc Consulting @ $15k	$ 350,000	LEAN @$85k, accounting @$150k, HR/payroll @50k, IT@$50k, Misc Consulting @ $15k
Board and Committee Expenses	$ 15,000	Allows for Board and Committee compensation	$ 20,000	Allows for Board and Committee compensation
Staffing (assumes 8 staff)	$ 1,500,000	Includes 35% overhead/benefits; assumes 8 staff in FY 2021 and 20+ in FY 22	$ 4,500,000	Includes 35% overhead/benefits; assumes 20 staff in FY 22
Admin Costs (rent, insurance, equipment, IT, software, travel, etc.)	$ 350,000	Rent/impovements @$120k, Insurance@ $25k, Tech/software @$50k, Equipment@$100k, Travel $10k, Contingency	$ 400,000	Rent/impovements @$120k, Insurance@ $25k, Tech/software @$50k, Equipment@$100k, Travel $10k, Contingency
Estimated Debt Service and Bank Fees	$ 1,048,000	Estimates from PEA June proforma	$ 5,488,000	Estimates from PEA June proforma
TOTAL:	**$ 3,263,000**		**$ 10,758,000**	
CAISO/Utility Fees				
CAISO deposit (to be a CRR holder; one time payment)	$ 500,000			
Financial Security "Bond" (CPUC; one time payment)	$ 50,000	$100k already posted in May 2020; $50k held in case bond increases	$ -	$100k already posted in May 2020; $50k held in case bond increases
SDG&E billing service fees (@$0.28 per account/month)	$ 5,768	Phase 1 = 3,000; Phase 2 = 8,600 net of 5% opt-out/ Phase 3 = 925,000	$ 1,531,488	Phase 1 = 3,000; Phase 2 = 8,600 net of 5% opt-out/ Phase 3 = 925,000
TOTAL:	**$ 555,768**		**$ 1,531,488**	
Technical/Energy Services				
Power contracting, portfolio and rate design, scheduling, CRR management, et al	$ 273,000	$19,250 through Feb 2021, March 2021 – March 2022: $28,500/month, not inclusive of direct travel costs (est. $5k travel); IRP incl in fee	$ 376,000	March 2021 – March 2022: $28,500/month, not inclusive of direct travel costs (est. $5k travel); IRP incl in fee
Scheduling Fees	$ 8,000	($0.03/Mwh/ month)	$ 150,000	($0.03/Mwh/ month)
Cost of Power	$ 32,511,279	From PEA June proforma	$ 320,997,159	From PEA June proforma
Collateral/Lockbox reserves	$ 5,000,000		$ -	
TOTAL:	**$ 37,792,279**		**$ 321,523,159**	
Communications/Customer Enrollment				
Marketing strategy and branding	$ 65,000		$ 15,000	
Permanent Website + Maintenance	$ 45,000		$ 15,000	
Collateral Design/Video	$ 60,000		$ 25,000	
PR/Advertising Campaign -- print, social, paid and earned media	$ 150,000		$ 150,000	
Community Engagement	$ 125,000		$ 150,000	
Materials for tabling and events (design/print)	$ 30,000		$ 60,000	
Customer Notifications (@ $0.80 each)	$ 49,000	Phase 1 = 3,150 x 4; Phase 2 = 9,030 x 4; Phase 3 = 925,000 x 4	$ 2,960,000	Phase 1 = 3,150 x 4; Phase 2 = 9,030 x 4; Phase 3 = 925,000 x 4
Community Sponsorships, etc.	$ 25,000		$50,000	
TOTAL:	**$ 549,000**		**$ 3,425,000**	
Data Management/Call Center				
Data Management/Call Center	$ -	Fees don't commence until January 2022	$ 4,900,000	Fees don't commence until January 2022; full enrollment of 925,000 x 6 months for 2022
TOTAL:	$ -		**$ 4,900,000**	
Legal				
General Counsel Services	$ 120,000	BBK General Counsel contract	$ 150,000	BBK General Counsel contract
Legal review of power supply and other vendor contracts	$ 120,000	Legal Counsel for commercial energy contracts	$ 150,000	Legal Counsel for commercial energy contracts
TOTAL:	**$ 240,000**		**$ 300,000**	
Regulatory/Legislative				
Cal-CCA Membership	$ 50,000	TBD; placeholder	$ 350,000	TBD; placeholder
Regulatory Monitoring and Reporting	$ 200,000	Tosdal APC regultory contract	$ 225,000	Tosdal APC regultory contract
Participation in Regulatory Proceedings /Compliance Matters	$ 100,000	New Gen - ERRA; other technical consulting as needed	$ 200,000	New Gen - ERRA; other technical consulting as needed
Lobbyist	$ 60,000	Sacramento	$ 120,000	Sacramento
TOTAL:	**$ 410,000**		**$ 895,000**	
Operating Expenditures TOTAL:	**$ 42,810,047**		**$ 343,332,647**	
NET SURPLUS	**$ 4,422,123**		**$ 45,024,755**	

This budget does NOT include: 1) Reimbursable expenses for City of San Diego, La Mesa, and Encinitas, 2) Local Programs, and 3) Reserve Funds.

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 7

To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

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

Date: June 25, 2020

Recommendation

Approve the Cooperation and Administrative Services Agreement with City of Encinitas (City) providing Human Resource-related services to San Diego Community Power (SDCP) and reimbursement to the City for these services; and, authorize the Interim Executive Director to execute the Agreement.

Background

Section 7.3.2 of SDCP's JPA Agreement acknowledges that its Member Agencies, including the City of Encinitas, may provide/fund certain activities necessary for the implementation of the CCA Program, and that SDCP shall reimburse the Member Agencies for such costs pursuant to the execution of an agreement specifying the services provided and their related costs.

Analysis and Discussion

The City of Encinitas has agreed to provide SDCP staff assistance, supplies, technical services and access to other services and facilities of the City as the SDCP may request from time-to-time in carrying out its implementation functions under the JPA Agreement. Such assistance and services provided by the City shall include, but not be limited to, services related to the on-boarding SDCP's CEO and pre-launch human resources support. These services may be provided by officers, employees, or special consultants or contractors of the City. The term of this Agreement is from May 1, 2020 through December 31, 2020.

The attached Agreement, approved by the Encinitas City Council on June 17, 2020, states that SDCP agrees to reimburse the City for all costs incurred for services by the City from and to the extent that funds are available to SDCP from charges to CCA customers receiving electric services from the SDCP, seed funding received as part of its credit package, and/or from revenues from grants or other third-party sources; provided, however, that SDCP shall have the sole and exclusive right to pledge any such sources of funds to the repayment of other indebtedness incurred by the SDCP in implementing the CCA Program.

The City agrees to 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 as needed reports 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 the SDCP pursuant to this Agreement, together with documentation satisfactory to the SDCP of such costs. Such statement of costs may include the City's administrative and salary expense attributable to services of City employees rendered for the SDCP.

Staff is recommending that the Board approve the Cooperation and Administrative Services Agreement, which has been approved by the City Council of Encinitas, for final execution.

Fiscal Impact
TBD but not anticipated to exceed $50,000 for the initial term (May-December 2020) of the Agreement. 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 and related staff report from the City of Encinitas

AGENDA REPORT
City Council

MEETING DATE:	June 17, 2020		
PREPARED BY:	Tom Bokosky	**DEPT. DIRECTOR:**	Tom Bokosky
DEPARTMENT:	Human Resources	**INTERIM CITY MANAGER:**	Jennifer Campbell

SUBJECT:

Cooperation and Administrative Services Agreement between the City of Encinitas and San Diego Community Power.

RECOMMENDED ACTION:

Authorize the Interim City Manager to execute the Cooperation and Administrative Agreement by and between San Diego Community Power and the City of Encinitas for the period of May 1, 2020 through December 31, 2020 for human resources and other services.

STRATEGIC PLAN:

This agenda item applies to the Strategic Plan Focus Area to Promote Green Initiatives.

FISCAL CONSIDERATIONS:

There is no direct fiscal impact. Staff will provide assistance and any costs will be reimbursable to the City of Encinitas by San Diego Community Power.

BACKGROUND:

San Diego Community Power (SDCP) is a Community Choice Aggregation program established for the cities of Chula Vista, Encinitas, Imperial Beach, La Mesa and San Diego in order to source clean, carbon-free electricity for our communities. SDCP is a Joint Power Authority (JPA) which operates under a Joint Powers Agreement.

The City of Encinitas has agreed to provide SDCP staff assistance, supplies, technical services and other services and facilities of the City as the SDCP may request from time to time in carrying out its functions under the JPA Agreement. 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 be from May 1, 2020 through December 31, 2020.

ANALYSIS:

This Cooperation and Administrative Services Agreement formalizes the ongoing relationship between the City of Encinitas and SDCP, where the City will provide support for SDCP to carry out its functions under the JPA Agreement. Such assistance and services shall include human resources services.

This Cooperation and Administrative Services Agreement states that SDCP agrees to reimburse the City for all costs incurred for services by the City from, and to the extent that funds are available to SDCP from charges to customers receiving electric services from the SDCP, seed funding received as part of its credit package, and/or from revenues from grants or other third-party sources.

ENVIRONMENTAL CONSIDERATIONS:

The action being considered by the City Council is exempt from the California Environmental Quality Act (CEQA) because it is not a "project" under Section 15378(b) (5) of CEQA Guidelines. The action involves an organizational or administrative activity of government that will not result in the direct or indirect physical change in the environment.

This item is related to Climate Action Plan City Action RE-1: Establish a Community Choice Energy Program.

ATTACHMENT:

1. Cooperation and Administrative Agreement by and between San Diego Community Power and the City of Encinitas

COOPERATION AND ADMINISTRATIVE SERVICES AGREEMENT

THIS COOPERATION AND ADMINISTRATIVE SERVICES AGREEMENT ("**Agreement**") is entered into as of _________________, 2020, 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 24, 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 17, 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 the City 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 the Authority from "San Diego Regional Community Choice Energy Authority" to "San Diego Community Power" (SDCP).

D. Section 3.2.9 of the JPA Agreement authorizes the 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 the 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 the SDCP shall reimburse Founding Members for their initial costs in supporting the implementation of the SDCP pursuant to the execution of an agreement specifying the services provided and their related costs.

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

(a) To set forth activities, services and facilities that the City will render for and make available to the SDCP in furtherance of the activities and functions of the SDCP under the JPA Agreement and in furtherance of the CCE Program; and

(b) To provide that the SDCP will reimburse the City for actions undertaken and costs and expenses incurred by the City for and on behalf of the SDCP.

AGREEMENT

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

1. The City agrees to provide for the SDCP such staff assistance, supplies, technical services and other services and facilities of the City as the 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 be from May 1, 2020 through December 31, 2020.

2. The City agrees to advance necessary funds to the SDCP or expend funds on behalf of the SDCP for the implementation of the JPA Agreement and the CCE Program, including, but not limited to, the costs of preparation of an Implementation Plan, and the planning, studies and environmental assessments for the implementation of the CCE Program and the costs of retaining independent service providers and SDCP staff.

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 the SDCP's liability to the City can be made. The City shall provide a quarterly report to the 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 the SDCP pursuant to this Agreement, together with documentation satisfactory to the 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 the SDCP.

4. The 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 date of this Agreement, from and to the extent that funds are available to the SDCP from charges to CCE customers receiving electric services from the 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 the 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, costs 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 the 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 the 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. The SDCP may enter into similar Cooperation and Administrative Services Agreements with one or more Founding Members that provides for reimbursement to the Founding Member City for any costs and funds advanced to or on behalf of the SDCP by the Founding Member City, and that this Agreement would 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 the SDCP, nor shall employees of the 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. The 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. The 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 the 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 the 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. The 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 5 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 SDCP 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 the 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 8

To:	San Diego Community Power Board of Directors
From:	Ryan Baron, General Counsel Nicholaus Norvell, Assistant General Counsel
CC:	Cody Hooven, SDCP Interim Executive Officer Director/Chief Sustainability Officer, City of San Diego
Subject:	Approve Draft SDCP Bylaws
Date:	June 25, 2020

Recommendation
Approve proposed SDCP Bylaws.

Background
Under Section 3.2.12 of SDCP's Joint Powers Agreement (JPA Agreement), the Board of Directors is authorized to adopt rules, regulations, policies, bylaws, and procedures governing the operation of SDCP.

Under the JPA Agreement, final approval of bylaws or bylaw amendments requires support from two-thirds of the Board. In addition, SDCP must provide Member Agencies with at least 30 days' advance written notice of the adoption or amendment of SDCP's bylaws.

The Board commented and reviewed the initial Bylaws at the April 23rd Board of Directors meeting. Subsequently thereafter, staff provided Member Agencies with a copy of the proposed Bylaws and notified them that the Board would be considering the Bylaws for final approval at an upcoming Board meeting.

Discussion and Analysis:
As mentioned during the April 23rd Board of Directors meeting, the draft Bylaws serve to supplement the JPA Agreement and provide clear procedures for the governance of SDCP. The proposed Bylaws are attached as Attachment A.

The Bylaws contain a number of provisions that mirror the terms of JPA Agreement and also provide supplemental procedures to assist with clear and efficient governance of SDCP. In the event of any conflict between the JPA Agreement and the Bylaws, the JPA Agreement would prevail.

After initial Board review at the April 23rd Board of Directors meeting, staff updated the Bylaw provisions regarding the consent calendar based on direction from the Board. Staff then provided the Member Agencies with a copy of the proposed Bylaws as well as a 30 days' advance notice that the draft Bylaws would be considered at an upcoming Board of Directors meeting.

Fiscal Impact:
None.

Attachment:
Attachment A: Draft Bylaws for San Diego Community Power

BYLAWS OF
SAN DIEGO COMMUNITY POWER

ARTICLE I
FORMATION

San Diego Community Power ("**SDCP**") was established on October 1, 2019, pursuant to the San Diego Community Power Joint Powers Agreement,[1] as may be amended from time to time ("**JPA Agreement**"). The members of SDCP may be referred to herein individually as a "Member Agency" or collectively as the "Member Agencies."

ARTICLE II
GENERAL PROVISIONS

Section 1. Purpose of SDCP
SDCP was established to procure and/or develop electrical energy for customers in participating jurisdictions, address climate change by reducing energy-related greenhouse gas emissions, promote electrical rate price stability, and foster local economic benefits such as job creation, local energy programs and local power development, and to exercise all other powers common to its Member Agencies that are necessary or appropriate to the accomplishment of these and other purposes, as further specified in the JPA Agreement.

Section 2. Purpose of Bylaws
The JPA Agreement authorizes the Board of Directors to adopt such bylaws, rules and regulations as are necessary or desirable to accomplish the purposes of the JPA Agreement; provided, however, that nothing in the bylaws, rules or regulations shall be inconsistent with the JPA Agreement. By approving these Bylaws, the Board intends to adopt additional procedures concerning basic governance, internal organization, Board committees, and other matters addressed in these Bylaws.

Section 3. Definitions
Unless specifically defined in these Bylaws, all defined terms shall have the same meaning as ascribed to them in the JPA Agreement.

Section 4. Precedence
In the event of any conflict between these Bylaws and the JPA Agreement, the JPA Agreement shall control and these Bylaws shall be amended or clarified to eliminate such conflict.

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[1] SDCP was originally established and known as the San Diego Regional Community Choice Energy Authority. The agency's name and the title of the JPA Agreement were changed by the First Amendment to the JPA Agreement, dated November 21, 2019.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Board of Directors
Having at least five Member Agencies, SDCP is governed by a Board of Directors ("**Board**") composed of one representative of each of the Member Agencies. The Board shall have all the powers and functions set forth in Sections 3 and 4 of the JPA Agreement. The governing body of each Member Agency shall appoint and designate in writing one regular Director, who shall be authorized to act for and on behalf of such Member Agency. The regular Director shall be a member of the governing body of the appointing Member Agency.

Section 2. Alternates
The governing body of each Member Agency shall also appoint and designate in writing one alternate Director who may vote on matters when the regular Director is absent from a meeting. The alternate is not required to be a member of the governing body of the appointing Member Agency. The alternate Director shall have all the rights and responsibilities of the primary Director when serving in his or her absence; provided, however, that alternate Directors who are not members of the governing body of the appointing Member Agency shall not attend closed session meetings pursuant to Article V, Section 4 of these Bylaws and applicable law. When serving the absence of the primary Director, alternate Directors may vote on matters in committee, chair committees, and fully participate in discussion and debate during meetings.

Section 3. Resignation
A Director may resign at any time by giving written notice to the Board Secretary. The notice of resignation may specify a date on which the resignation will become effective.

Section 4. Vacancy
If at any time a vacancy occurs on the Board, for whatever reason, a replacement shall be appointed by the governing body of the subject Member Agency.

Section 5. Compensation
The Board may adopt by resolution a policy relating to compensation of its Directors.

ARTICLE IV
BOARD OFFICERS AND TERMS OF OFFICE

Section 1. Chair
For each fiscal year, the Board shall elect a Chair from among the Directors. The Chair shall be the presiding officer of all Board meetings and perform other duties as may be imposed by the Board. In the event of a vacancy, the position shall be filled at the next regular meeting of the Board held after such vacancy occurs or as soon as practicable thereafter.

Section 2. Vice Chair
For each fiscal year, the Board shall elect a Vice Chair from among the Directors. The Vice Chair shall preside in the absence of the Chair and perform other duties of the Chair in his or her absence. In the event of a vacancy, the position shall be filled at the next regular meeting of the Board held after such vacancy occurs or as soon as practicable thereafter.

Section 3. Election of Chair and Vice Chair
An annual meeting of the Board shall be held in July of each year or as soon thereafter as possible to elect the Chair and Vice Chair of SDCP.

Section 4. Terms of Office
The terms of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms.

ARTICLE V
MEETINGS

Section 1. Regular Meetings
The Board shall hold at least four regular meetings per year, but the Board may provide for the holding of regular meetings at more frequent intervals. The date, hour, and place of each regular meeting shall be fixed annually by resolution of the Board.

Section 2. Special and Emergency Meetings
Special and emergency meetings of the Board may be called in accordance with the provisions of Government Code sections 54956 and 54956.5, respectively.

Section 3. Open Meetings
All meetings of the Board shall be conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code § 54950 *et seq*.). Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law.

Section 4. Attendance of Alternates in Closed Session
Pursuant to Government Code section 54956.96(a)(2), the SDCP Board hereby authorizes an alternate Director who is also a member of the governing body of a Member Agency, and is attending a properly noticed SDCP Board meeting in the absence of the regular Director, to attend a closed session held during such meeting. Pursuant to section 54956.96(a)(2), alternate Directors who are not a member of the governing body of a Member Agency may not attend a closed session meeting of SDCP.

Section 5. Preparation of Agendas
The Chief Executive Officer or a designee shall prepare the agenda for each Board meeting. Agenda items will be generated by the need to conduct SDCP's business in a timely manner. The Chief Executive Officer shall review with the Board Chair, or the Vice-Chair in the absence of the Chair, the agenda for regular meetings of the Board.

Section 6. Addition of Agenda Items Before a Meeting
Board Members may add a "**Board Member Initiated Agenda Item**" to a future meeting agenda. Board Member Initiated Items are prepared by the requesting Board Member and require no staff time. Board Member Initiated Items must be submitted to the Chief Executive Officer at least ten (10) days prior to the next Board meeting.

In addition, items may be added to a future Board meeting agenda in the following ways:

A. The Chair provides an express oral direction to the Chief Executive Officer during a Board meeting. If a Board Member disagrees with the Chair's direction, the Board Member may make a motion regarding the addition of the item without discussion of the substance of the item.

B. For items requiring staff time, an item shall be added by motion without discussion of the substance of the item.

C. Requests from members of the audience, after being authorized to speak, may be added to a future agenda by a Board Member as a Board Member Initiated Agenda Item, as discussed above. If the item requires staff time, the item may be added only by motion without discussion of the substance of the item.

D. The Chair or a majority of the Board may refer items to a committee for further review.

Section 7. Modification of Agenda Order; Addition of Items During a Meeting
The order of items on the agenda may be modified by the Chair if there is no objection, or by a motion and majority vote of the Board. No action or discussion may be undertaken on any item not appearing on the posted agenda, except as allowed under the Brown Act.

Section 8. Consent Calendar
The consent calendar shall consist of items which appear to be routine or ministerial in nature on which no Board discussion will be required. Before adopting the consent calendar, the Chair will ask Board Members whether anyone wishes to move a matter from the consent calendar to the regular agenda. Members of the public may also request to move a matter from the consent calendar to the regular agenda. The Board will then proceed with consideration of the remaining consent calendar. The consent calendar will be acted upon in one motion without discussion. Items pulled from the consent calendar will be considered immediately following adoption of the remaining consent calendar, and staff reports will only be given if requested by the Board Member who pulled them.

Section 9. Public Comments
Agendas of regular meetings shall provide an opportunity for members of the public to address the Board on any item within the jurisdiction of SDCP which are not on the agenda. Generally, speakers shall be limited to three (3) minutes each, with 30 minutes being provided for non-agenda public comments. If the number of speakers is estimated to exceed the 30-minute period, the Chair may, in his or her discretion, reduce the time allotted to each speaker, extend

the period for non-agenda public comment, or continue the remaining comments to the end of the agenda. For public comments on agenda items, the Chair may reduce the time allotted to each speaker in his or her discretion.

Section 10. Order and Procedure at Meetings
All meetings of the Board shall be conducted in an orderly manner designed to expedite the business of the Board in accordance with applicable law, the JPA Agreement, and these Bylaws. Except as otherwise provided in these Bylaws, Robert's Rules of Order will be used as a guide to resolve questions of parliamentary procedures. The General Counsel shall serve as the Parliamentarian.

Section 11. Rules of Debate and Decorum
Debate upon all matters pending before the Board shall be under the supervision of the Chair and conducted in such a manner as to expedite the business of the Board. Every Board Member desiring to speak shall so indicate by using the "request to speak" button, if available, or otherwise address the Chair. Upon recognition by the Chair, the Board Member shall confine remarks to the item under consideration. A Board Member, once recognized, shall not be interrupted when speaking unless it is to call the Board Member to order. If a Board Member while speaking is called to order, the Board Member shall cease speaking until the question of order is determined.

ARTICLE VI
QUORUM AND VOTING

Section 1. Quorum
A simple majority of the Directors shall constitute a quorum. No actions may be taken by the Board without a quorum of the Directors present. If a Member Agency fails to be represented by a Director or alternate Director in more than one meeting in a 12-month period, the Board may take action by publicly noticing the Member Agency that they are at risk of lack of representation within SDCP.

Section 2. Equal Vote
In general, except when Special Voting is expressly required, Board action shall require votes of a majority of the total number of the Directors of the Board. All votes taken pursuant to this provision shall be referred to as an "**Equal Vote**." The consequence of a tie vote shall generally be "no action" taken. Notwithstanding the foregoing, an Equal Vote may be subject to a "**Voting Shares Vote**."

Section 3. Voting Shares Vote

A. At the same meeting at which an Equal Vote action was taken, three or more Directors shall have the right to request and have conducted a "Voting Shares Vote" to reconsider that action. Approval of a proposed action by a Voting Shares Vote to reconsider an Equal Vote action shall require the affirmative vote of Directors representing a two-thirds supermajority (66.7%) of the "Voting Shares" cast. The formula and process for allocating Voting Shares is set forth in the JPA Agreement. If a Voting Shares Vote for reconsideration fails, the legal effect is to affirm the Equal Vote with respect to which the Voting Shares Vote was taken. If the Voting Shares Vote succeeds, the legal effect is to nullify the Equal Vote with respect to which the Voting Shares Vote was taken. If the underlying Equal Vote was a tie, the Voting Shares Vote replaces that tie vote. No action may be taken solely by a Voting Shares Vote without first having taken an Equal Vote.

B. The formula for a Voting Shares Vote shall be determined pursuant to Section 4.11.3 of the JPA Agreement.

<u>Section 4</u>. Special Voting
Except as provided below, matters that require Special Voting shall require 72 hours' notice prior to any regular or special meeting.

A. A two-thirds vote of the appointed Directors (or such greater vote as required by State law) shall be required to take any of the following actions:

1. Issue bonds or other forms of debt;

2. Adding or removing Member Agencies;

3. Amending or terminating the JPA Agreement or adopting or amending these Bylaws. At least 30 days' advance notice shall be provided to each Member Agency as provided in Article X of these Bylaws. The Authority shall also provide prompt written notice to all Member Agencies of the action taken and enclose the adopted or modified document(s); and

B. A three-fourths vote shall be required to initiate any action for eminent domain.

C. Matters requiring Special Voting shall not be subject to Voting Shares Voting.

ARTICLE VII
POLICY REGARDING CONFIDENTIAL INFORMATION DISCLOSED DURING CLOSED SESSIONS

Information obtained during closed sessions of the Board shall be confidential. Notwithstanding, under certain circumstances, it may be necessary and appropriate for Directors to divulge certain confidential information obtained in closed sessions to representatives of their Member Agencies as authorized by law. Therefore, these Bylaws adopt the policy set forth in California Government Code section 54956.96, which authorizes the disclosure of confidential closed session information that has direct financial or liability implications for that Member Agency as follows:

A. A Director or alternate Director who is also a member of the governing body of a Member Agency may disclose information obtained in an SDCP closed session that has direct financial or liability implications for that Member Agency to the following individuals:

1. Legal counsel of that Member Agency for purposes of obtaining advice on whether the matter has direct financial or liability implications for that Member Agency; and

2. Other members of the governing body of the Member Agency present in a closed session of that Member Agency.

B. The governing body of the Member Agency may, upon the advice of its legal counsel, conduct a closed session in order to receive, discuss, and take action concerning information obtained in a closed session of SDCP pursuant to this Article.

ARTICLE VIII
BOARD COMMITTEES

<u>Section 1.</u> Committees
As further provided in the JPA Agreement, the Board may establish advisory commissions, boards, and committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the CCA Program, related to energy programs, and the provisions of the JPA Agreement.

The Finance and Risk Management Committee is a "Standing Committee" of the Board, and the Executive Committee, if established, shall also be a Standing Committee. Other committees composed of Board members with continuing subject matter jurisdiction, or having a meeting schedule fixed by charter, ordinance, resolution, or formal action of the Board, shall also be Standing Committees of the Board.

<u>Section 2</u>. Appointment to Standing Committees
For Standing Committees, the Chair shall nominate committee members, subject to approval by a majority vote of the Board. If the Board fails to approve the Chair's nomination(s) to a Standing Committee, the Board may entertain a motion for the appointment of committee members.

<u>Section 3</u>. Committee Voting
Action by a committee on all matters shall require an affirmative vote of a majority of the members of the committee who are present at the meeting.

<u>Section 4</u>. Alternate Directors in Standing Committees
In the event a member of a Standing Committee is unavailable to attend a duly noticed meeting of that committee, the alternate Director representing the same Member Agency as the absent Director may attend and, if applicable, vote in the committee meeting in place of the absent

Director. The alternate Director may also chair the committee and fully participate in discussion and debate during meetings. Notwithstanding the above, this section shall not apply to the Executive Committee or as provided in Article V, Section 4 of these Bylaws.

Section 5. Removal of Committee Members
The Board may remove a committee member from a committee, with or without cause, by a majority vote of the Board.

Section 6. Ad Hoc Committees
The Board may establish temporary ad hoc advisory committees that: (a) are composed of less than a quorum of the Board, (b) have no continuing subject matter jurisdiction, and (c) have no meeting schedule fixed by charter, ordinance, resolution, or formal action of the Board. The Chair shall appoint the members of such ad hoc committees.

ARTICLE IX

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer shall be responsible for the day-to-day operation and management of SDCP and the CCA Program. The Chief Executive Officer may exercise all powers of the Authority, except those powers specifically reserved to the Board under the JPA Agreement (including, but not limited to, those powers reserved in Section 4.6, Specific Responsibilities of the Board) or these Bylaws, or those powers which by law must be exercised by the Board.

ARTICLE X

PROCEDURES FOR AMENDING JPA AGREEMENT AND BYLAWS

Section 1. General Requirements
Under Section 4.12.2 of the JPA Agreement, the Board may adopt amendments to the JPA Agreement and these Bylaws by a two-thirds vote following 30 days' advance written notice to the Member Agencies. This Article provides further procedures concerning SDCP's consideration and approval of amendments to the JPA Agreement and these Bylaws.

Section 2. Initial Consideration; Notice to Member Agencies
The Board shall consider proposed amendments to the JPA Agreement or these Bylaws at an open and public meeting of the Board. Following such consideration, the Board may, by majority vote, direct the Chief Executive Officer to provide written notice of the proposed amendment(s) to the Member Agencies in any manner permitted under Section 9.4 of the JPA Agreement.

Section 3. Adoption of Amendments
At a Board meeting held at least 30 days after such notices have been provided, the Board may consider adoption of the proposed amendment(s) to the JPA Agreement or these Bylaws, which shall require a two-thirds vote of the Board. The Authority shall provide prompt written notice to all Member Agencies of the action taken and enclose the adopted or modified document(s).

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 9

To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Appointment to Community Advisory Committee – Vacant City of La Mesa Seat

Date: June 25, 2020

Recommendation

Consider nomination to fill vacant City of La Mesa seat on Community Advisory Committee.

Background

At the April 23 regular meeting of the Board of Directors, Community Advisory Committee (CAC) nominees for four of the five cities making up SDCP were approved. For the City of La Mesa, the Board approved the nominations of David Harris (term ending in May 2023) and Lacy Bird (term ending in May 2022).

Due to personal reasons, Ms. Bird resigned from her seat. Staff and Director Baber then began the process to find her replacement and have all La Mesa seats filled.

Analysis and Discussion

Director Baber is nominating Jen Derks, small business owner of Four Fin Creative in La Mesa. If approved, Ms. Derks will be filling Ms. Bird's seat, whose term will end in May 2022.

Fiscal Impact

There is no cost anticipated with this item.

SAN DIEGO **COMMUNITY POWER**
Staff Report – Item 10

To: San Diego Community Power Board of Directors

From: Cody Hooven, SDCP Interim Executive Officer
Director/Chief Sustainability Officer, City of San Diego

Subject: Review and Provide Input on Community Advisory Committee Draft Standard Operating Procedures

Date: June 25, 2020

Recommendation
Provide input on the Community Advisory Committee draft Standard Operating Procedures including the approval process.

Background
The Community Advisory Committee (CAC) was established by the Board to represent the interests of the community as well as provide an avenue for feedback and input. In establishing the CAC, the Board also adopted its Scope of Work. To further guide the work and functions of the CAC, staff is presenting a draft Standard Operating Procedures for the CAC members to follow.

Analysis and Discussion
As a committee of the Board and, thus, representatives of the organization, it is important to have operating procedures in place for Committee members. Staff developed draft Standard Operating Procedures to outline procedures to be followed by the members of the Committee using best practices from East Bay Community Energy (EBCE) and Peninsula Clean Energy (PCE).

The draft document provides guidelines on the following:
- Running CAC meetings
- Interacting with SDCP staff
- Interacting with SDCP Board of Directors
- Interacting with the Media
- Adding Agenda Items to Board of Directors Meetings
- Adding Agenda Items to CAC Meetings
- Requesting Information to Support CAC Work
- Creating Ad-Hoc or Subcommittees
- Updating the CAC Work Plan
- Conducting Outreach and Representing SDCP to the Community

- Resignation or Removal

Staff presented a prior draft of the operating procedures to the CAC members at the May 22 and June 17 meetings. The June meeting gave the Chula Vista members an opportunity to weigh in as they were not appointed in after the May 22 meeting. Following CAC review, SDCP's General Counsel provided additional language regarding CAC meetings, addition of agenda items, requests for information by the CAC, establishment of committees, representing SDCP in the community, and resignation and removal of CAC members. Moving forward, staff will share any feedback received from the Board and seek any final input from the CAC members at the July meeting. Finally, staff will bring this item back to the Board for final approval at the July regular meeting.

Fiscal Impact

Cost of this action may include staff time to update the draft operating procedures.

Attachments

Attachment A: Draft Standard Operating Procedures

Community Advisory Committee

Standard Operating Procedures

The purpose of the San Diego Community Power (SDCP) Community Advisory Committee is to advise the SDCP Board of Directors on the operation of its Community Choice Aggregation program and provide a venue for ongoing citizen support and engagement, as stated in section 5.10.3 of the SDCP Joint Powers Authority (JPA) Agreement.

This document provides policies and procedures for the Community Advisory Committee (CAC) on how the CAC operates and interacts with SDCP staff and the Board. The following procedures are included:

- Running CAC meetings
- Interacting with SDCP Staff
- Interacting with SCDP Board of Directors
- Interacting with the Media
- Adding Agenda Items to Board of Directors Meetings
- Adding Agenda Items to Community Advisory Committee Meetings
- Requesting Information to Support CAC Work
- Creating Ad-Hoc or Subcommittees
- Updating the CAC Work Plan
- Conducting Outreach and Representing SDCP to the Community
- Resignation or Removal

Running CAC Meetings

Meetings of the CAC will comply with the Ralph M. Brown Act (Government Code § 54950, *et seq.*) and the CAC will only conduct business when a quorum consisting of more than 50% of the appointed CAC members are present. Due to the stay-at-home order, meetings will be via Zoom until further notice. The CAC may act by motions approved by a majority of the quorum present at a meeting. Motions resulting in a tie vote or less than a majority will represent a failed motion.

Responsibilities:

- Chair:
  - Serve as the primary liaison and spokesperson for the CAC
  - Support SDCP Staff with setting the CAC agenda
  - Guide the CAC in developing an annual workplan consistent with the CAC scope and supported by the Board of Directors
  - Determine if meetings are required or if a meeting should be canceled

  - Run CAC meetings (ensure that all CAC members and community are heard, work to keep meetings to allotted time, as well as manage public comment submissions)
  - Determine which specific agenda items from the upcoming Board of Directors meeting will be prioritized during the CAC meeting
  - Work with staff to gain access to Zoom in hosting the CAC meetings. In the event that stay-at-home orders are lifted and an in-person meeting is necessary, the Chair will work with staff to determine a suitable meeting location
  - Represent the CAC to the Board to provide updates, submit information, or respond to Board requests
  - Represent the CAC to other organizations or at events, as appropriate
- Vice-Chair: Take over the CAC Chair responsibilities in the event the Chair is not available
- Secretary:
  - Take attendance and meeting notes
  - Work with SDCP staff to ensure meeting agendas are finalized and posted online
- Members:
  - Attend each meeting or inform SDCP staff and the CAC Chair if they will be late or absent
  - Review any information provided in advance and come to the meeting prepared
  - If requested and where feasible, participate in sub- or ad-hoc work groups that may be established to cover specific topics
  - Represent the interests of their communities at the CAC and share information about the CAC with their communities
- SDCP Staff:
  - Create a draft agenda for each meeting and finalize with CAC Chair
  - Notice CAC meeting according to Brown Act requirements
  - Support Secretary in posting the CAC meeting agenda at least 72 hours before a regular CAC meeting or 24 hours before a special meeting
  - Provide general support and respond to questions during CAC meetings as needed
  - Communicate any CAC recommendations to the Board so they have a chance to review prior to Board of Directors meetings

The CAC will seek consensus where possible. Where consensus is not reached, the Chair will seek to communicate diverging views in delivery of the recommendation to the Board.

Election of Officers

Officers may be nominated or self-nominated and elected at the first meeting of a calendar year by a simple majority vote of the CAC. The terms will be for each calendar year, with the option for officers to be re-elected for up to three terms.

Interacting with SDCP Staff

The CAC Chair is the primary liaison to SDCP staff for all matters related to the CAC.

Interacting with SDCP Board of Directors

The CAC Chair is the primary liaison to SDCP staff and the Board for all matters related to the CAC. It should also be noted that the CAC Chair may also be called upon by the Board Chair to speak on various matters.

Interacting with the Media

Any media inquiries that CAC members receive shall be redirected to SDCP Staff.

Adding Agenda Items to Board of Directors Meetings

There are two ways that the CAC may bring items to the attention of the Board at a Board meeting:

1. **Standing Board Agenda Item**: CAC Report. The CAC report may be a standing item on the Board agenda, in which the CAC Chair or CEO reports on updates related to a recent CAC meeting. Consistent with the Brown Act, items raised during the CAC report may not result in extended discussion or action by the Board unless agendized for a future meeting.

2. **Suggesting Board Agenda Items**: The CAC may suggest agenda items for a Board of Directors meeting agenda. Such agenda items would allow extended discussion or action by the Board. These must have prior approval of the SDCP Chief Executive Officer and the Chair of the Board of Directors to be added onto the agenda. If approval is provided, staff must be given at least 5 days before the date of the Board meeting to work with the CAC to draft any memos and materials necessary.

Adding Agenda Items to Community Advisory Committee Meetings

CAC members shall suggest agenda items be added to CAC meetings by sending them to the Chair and the Chief Executive Officer (or other designated staff member assisting the CAC). This will create a streamlined process where the Chair and SDCP staff can collect these requests and discuss them for final inclusion on the CAC agenda.

Requesting Information to Support CAC Work

The CAC may make formal requests for information from SDCP staff in support of the CAC's annual workplan and agenda items, and SDCP staff shall make every reasonable effort to provide requested information in a timely fashion in order to allow the CAC to make the most informed decision possible. Notwithstanding the foregoing, requests by the CAC for information and/or research will be channeled through the Chief Executive Officer, and any requests for information and/or research that entail substantial staff time or cost will be channeled through the Board for the Board's consideration and formal direction. Individual CAC members may request information, which will be provided in accordance with the California Public Records Act.

Creating Ad-Hoc or Subcommittees

The CAC may create ad-hoc committees or subcommittees to address issues more in depth outside of CAC meetings and bring findings or recommendations back to the full CAC.

Ad-Hoc committees are temporary committees appointed for a specific purpose, such as updating the work plan. The CAC may establish temporary ad hoc advisory committees that: (a) are composed of less than a quorum of the CAC, (b) have no continuing subject matter jurisdiction, and (c) have no meeting schedule fixed by motion or other formal action of the CAC. Such temporary ad-hoc committees are not subject to Brown Act noticing and meeting requirements.

Standing subcommittees are permanent subcommittees created to review long-term issues, such as rates or budget. Because meetings of such subcommittees must be publicly noticed and agendized consistent with the Brown Act (and therefore require SDCP staff time), CAC requests to establish subcommittees are subject to Board approval and direction.

The CAC Chair will seek volunteers during a CAC meeting to form an ad-hoc or subcommittee. The CAC Chair will work to ensure all CAC members have a chance to participate on various groups as formed throughout the year.

Creating and Updating the Work Plan

The CAC will adopt a Work Plan that aligns with the CAC scope provided by the Board of Directors. This shall be updated annually from the date that the first version is adopted.

Conducting Outreach and Representing SDCP to the Community

The CAC Scope of Work states that Community Advisory Committee will, under the direction of the SDCP Board of Directors and authorized SDCP staff: "plan for and engage in community events and special projects as appropriate; and, serve as an information-channel back to their communities."

The CAC Chair may speak on SDCP matters to local community organizations with prior approval of staff. This includes the approval of talking points and presentation slides (if to be used). For other CAC members, they may speak as individual members of the CAC, but may not represent themselves as speaking on behalf of the CAC as a body or on behalf of SDCP as an entity. This may differ if there is a uniform decision made by the CAC on which its members can speak on behalf of the CAC as a whole, and should be coordinated with SDCP staff.

Resignation and Removal

CAC members may resign their position by sending a written resignation letter addressed to the Board of Directors.

CAC members may be removed by a majority vote of the Board of Directors, or as indicated below.

If a CAC member is absent for three (3) consecutive meetings, unless excused for good cause by the Chair of the Board, SDCP staff will contact the Member by phone or in writing and inform them of this provision. If the member misses a fourth (4th) consecutive meeting, they may be removed through a written notification from the Chair of the Board.

If a CAC member ceases to reside within the Member Agency service area from which they were appointed, the member is deemed to have resigned their CAC membership.