



Board of Directors

Regular Meeting

March 25, 2021



Regular Meeting Agenda

Welcome

Call to Order

Pledge of Allegiance

Roll Call

Items to be Added, Withdrawn, or Reordered on the Agenda

Public Comment for Items Not on the Agenda

1. (Consent) Approval of the minutes of the Regular Meeting of the Board of Directors of San Diego Community Power held on February 25, 2021.
2. (Consent) Treasurer's Report – Presentation of Financial Results for 2020/21 Period ended 1/31/21
3. Operations and Administration Report from the Interim Chief Executive Officer
4. Committee Reports
5. Market Update and Direction to Staff Regarding 2021 Rates
6. Approval of Support for Senate Bill 612

Director Comments

Reports by Management and General Counsel

Adjournment



Consent Agenda

- 1. Approval of the minutes of the Regular Meeting of the Board of Directors of San Diego Community Power held on February 25, 2021**
- 2. Treasurer's Report – Presentation of Financial Results for 2020/21 Period ended 1/31/21**

Item 3

Operations and Administration Report from the Interim Chief Executive Officer

Recommendation:

1. Receive and file update on various operational and administration activities.
2. Receive and file update on Regulatory Affairs.

San Diego Community Power Board Update

March 19, 2021



Ty Tosdal
Tosdal APC



Overview

- Emergency Reliability ([R. 20-11-003](#))
- SDG&E Elimination of Seasonal Rates ([A. 19-09-014](#))
- SDG&E's GRC Phase II ([A. 19-03-002](#))
- Net Energy Metering 3.0 ([R. 20-08-020](#))
- Disadvantaged Communities Green Tariff (DAC-GT)
- [Utility Costs and Rate Affordability Report](#)



Emergency Reliability

- IOUs ordered to procure additional resources to meet peak demand periods for Summer 2021 and 2022.
- IOUs instructed to permanently increase Planning Reserve Margin (PRM) from 15% to 17.5% beginning summer 2021.
- IOUs required to make changes to Critical Peak Pricing (CPP) programs and hold workshop on April 7, 2021.
- SDG&E ordered to make modifications to its CPP program by summer 2022 rather than 2021 due to billing system freeze.

Emergency Reliability

	PG&E	SCE	SDG&E	<u>TOTAL</u>
Minimum Target	450 MW	450 MW	100 MW	<i>1,000 MW</i>
Recommended Target	675 MW	675 MW	150 MW	<i>1,500 MW</i>

Source: Proposed Decision, R. 20-11-003, March 5, 2021.



SDG&E Elimination of Seasonal Rates

- Final Decision issued adjusting High Usage Chare (HUC) and modifying SDG&E's Opt-In Residential TOU Rates.
- Decision adopts uncontested settlement to modify seasonal price differentials in SDG&E's opt-in residential TOU rates – TOU-DR2, DR-SES, DR-TOU, TOU-DR, TOU-DR-P, EV-TOU2 and EV-TOU-5.
- Average summer bills would decrease 4-5% and average winter bills would increase 4-5%.
- Eliminates HUC at the completion of each IOU's migration of residential customers to TOU. SDG&E as soon as possible.



SDG&E's General Rate Case Phase II

- Relates to development of SDG&E sales forecast used in future ERRA Forecast proceedings to set SDG&E rates.
- Settling Parties Motion for Admission of Addendum to the Settlement Agreement –
 - SDG&E will not use outdated forecast to set commodity rates.
 - SDG&E will use the same 2022 sales forecast in its upcoming standalone application and its 2022 ERRA Forecast application.



Net Energy Metering 3.0

- IOUs and Commission studies argue that the existing NEM program creates a growing cost shift to non-participants.
- Proposals for NEM 3.0 include:
 - Switch to “Net Billing” – export rates based on TOU.
 - Transitional bill credits to reduce shock of longer solar payback periods.
 - Provide incentives to storage technologies.
 - SDG&E proposes a multi-part tariff with mandatory TOU, others propose separate “market” and “low-income” tariffs.
- Workshop on NEM proposals March 23-24, 2021.



Disadvantaged Communities Green Tariff (DAC-GT)

- Purpose is to provide low-income customers with renewable energy.
- Program provides 20% discount on customer bills funded through GhG allowance funding from cap-and-trade program, or Public Purpose Program (PPP) charge.
- Limited allocation based on proportion of Disadvantaged Community members in service territory.
- Companion program, Community Solar Green Tariff (CS-GT), is also under review.



Utility Cost and Affordability Report

- Annual Study with new long-term approach.
- Major findings –
 - Rate base is steadily increasing 5-8% annually across IOUs, despite flat load growth
 - Wildfire hardening and transmission are significant drivers of increasing costs.
 - Transportation electrification costs are expected to grow in the future.

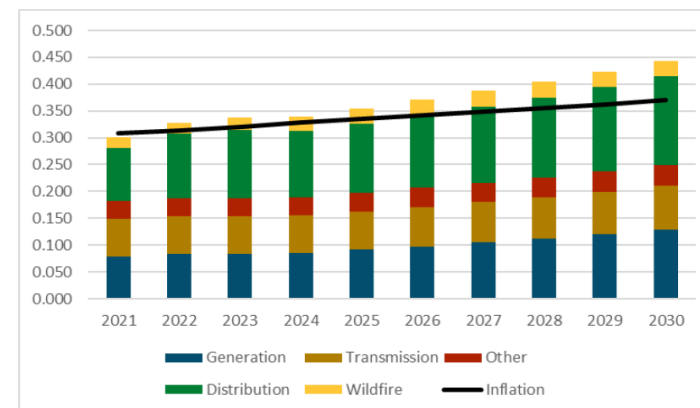


Utility Cost and Affordability Report

- SDG&E has increased rates 48% since 2013 (37% for PG&E, 6% for SCE).
- Since 2016, rate base has been increasing on average by about 7% per year for SDG&E despite relatively flat load growth.
- SDG&E's bundled rates are projected to rise from \$0.302 to \$0.443, or about an annual average increase of 4.7% over 2020-2030.

Utility Cost and Affordability Report

Figure ES-3: SDG&E Forecasted Bundled Residential Rates (\$ nominal/kWh), Wildfire Rate Relative to All-Other (Non-Wildfire) Rate



Source: Utility Costs and Affordability of the Grid of the Future, February 2021



Questions?

Item 4

Committee Reports

Recommendation:

Receive and file update from the Community Advisory Committee.

Item 5

Market Update and Direction to Staff Regarding 2021 Rates

Recommendation:

1. Receive market update and direct staff to present revised 2021 rates to the Board for adoption on April 22, 2021 to be effective with SDCP's Phase 2 enrollment on June 1, 2021.
2. Direct staff to target generation rates that result in at least a 1% discount to corresponding service from SDG&E and a planned reserve margin contribution of at least 5%.



Market Update and Request for Direction Regarding 2021 Rates

Bill Carnahan, Interim CEO

March 25, 2021

Agenda

Purpose: Market Update to Board and Request for Direction Regarding 2021 Rates

- Timeline
- Market Conditions
- Financial Model
- Rate-setting Options
- Recommendation
- Next Steps

Timeline

April 17, 2020: SDCP FRMC considered product and rate options (targeted 1-2% generation rate discount)

January 15: SDCP approved rates for 2021

- Based upon cost of SDCP operations as estimated in Pro Forma financial model and market prices at the time
- Provided comparison to estimated SDG&E rates, which were preliminary
- **Committed to update Board once costs and SDG&E rates were clarified**

January 14: CPUC ruled on SDG&E's 2021 rates

March 1: SDG&E released final rates for 2021

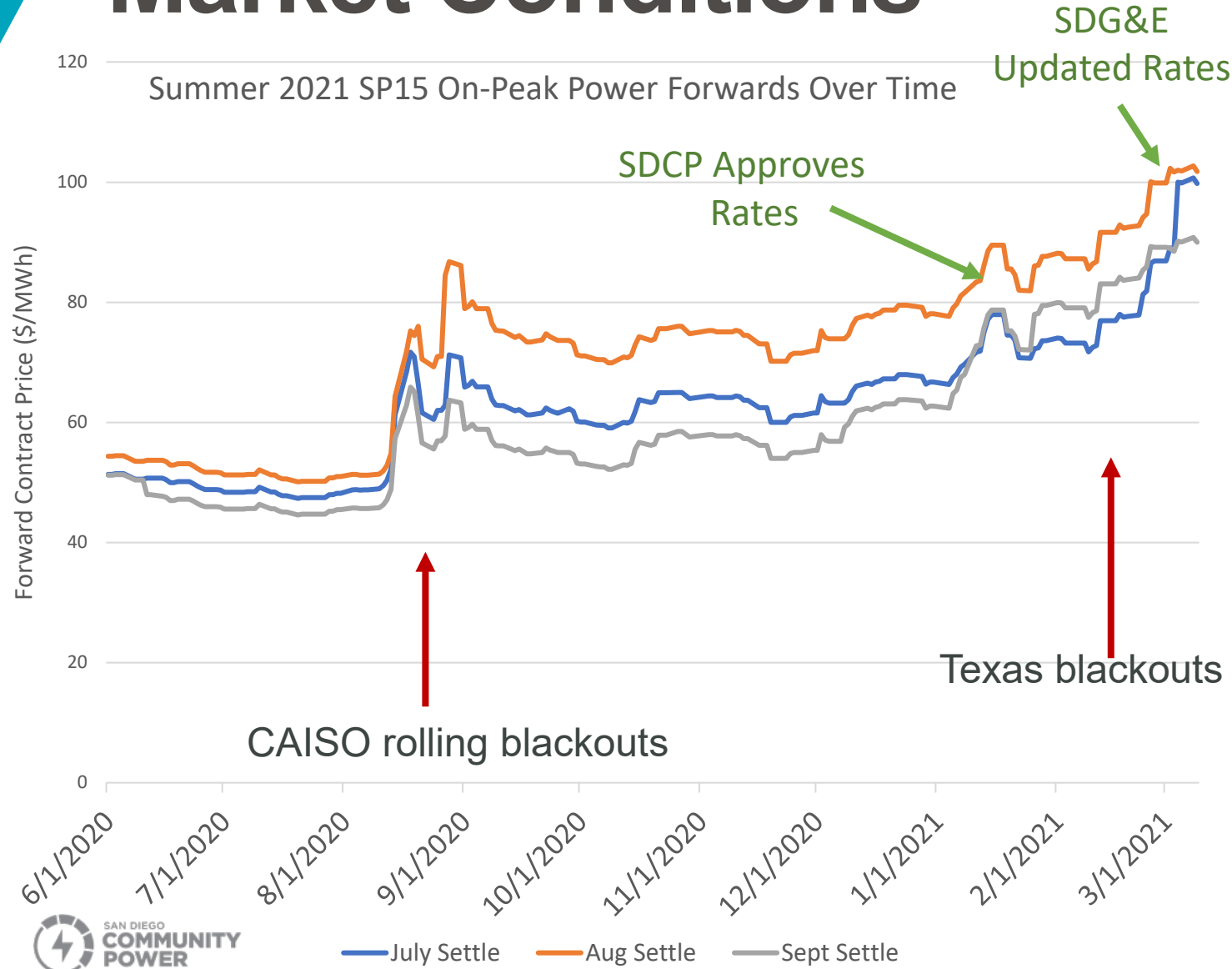
March 1: SDCP launch to Phase 1 Customers

March 25 (Board Meeting): Staff request direction regarding rates to be effective June 1

April 22 (Board Meeting): Adopt rates to be effective June 1 per direction received on March 25

June 1: SDCP expands service to Phase 2 customers

Market Conditions



- CA power prices have increased drastically
 - In response to recent market events, regulators are emphasizing resource sufficiency for summer 2021
 - Additional requirements compound a market that was already supply-constrained, volatile, and “fearful” after last summer
- Forward price for Q3 2021 (July/Aug/Sept) On-Peak power as of:

Date	Price (\$/MWh)
July 1, 2020	\$48.42/MWh
Jan 4, 2021	\$68.85/MWh
February 1	\$80.74/MWh
March 1	\$92.00/MWh
March 9	\$97.29/MWh
March 16	\$107.50/MWh

Financial Model

Year Type

Fiscal

Annual Pro Forma Projections
San Diego Community Power
31-Dec-20

Year Ending:	2021	2022	2023	2024	2025
I. Revenue	23,114,008	274,840,664	410,201,167	410,981,215	413,036,121
II. Operating Expenses					
Power Supply	26,965,777	243,836,448	368,945,415	354,726,299	349,478,402
Staff	1,500,000	4,500,000	4,635,000	4,754,050	4,917,272
Professional/Technical services	630,010	830,335	963,753	932,573	956,491
Legal	240,000	300,000	309,000	318,270	327,818
Communications, Mktg, Enrollment	687,998	3,301,253	1,660,276	1,677,597	1,698,317
Other General and Administrative	365,000	420,000	432,600	445,578	458,945
Regulatory and CalCCA Fees	410,000	895,000	921,850	949,306	977,991
Data Management	-	1,531,297	8,190,524	8,771,773	8,902,686
Utility Service Fees	23,664	733,527	3,046,375	3,145,725	3,256,294
Uncollectibles/Other	64,454	1,281,739	1,945,254	1,878,707	1,854,871
Subtotal Operating Expenses	30,886,903	257,629,598	390,996,046	377,620,077	372,829,087
Operating Margin	(7,772,894)	17,211,066	19,205,120	33,361,138	40,207,034
III. Financing					
Interest	375,000	857,820	715,471	545,067	370,354
Principal	-	2,752,650	6,724,411	6,894,461	7,068,812
Subtotal Financing	375,000	3,610,470	7,439,883	7,439,528	7,439,165
Operating Margin Less Financing	(8,147,894)	13,600,595	11,765,238	25,921,609	32,767,869
IV. Cash From Financing	35,000,000	-	-	-	-
V. Other Uses					
CPUC and CAISO Deposits	1,275,000	-	-	-	-
Collateral Deposits	5,000,000	-	-	-	-
Subtotal Other Uses	6,275,000	-	-	-	-
VI. Net Surplus/(Deficit)	20,577,106	13,600,595	11,765,238	25,921,609	32,767,869

FY 2021-2022

Jan 15

Mar 15

Revenue (\$ MM)

274.8

275.5

Power Supply (\$ MM)
% of Oper Expense

243.8

272.9

88.6

Net Surplus (\$ MM)

13.6

(14.8)

Recommendation

1. Receive market update and direct staff to present revised 2021 rates to the Board for adoption on April 22, 2021 to be effective with SDCP's Phase 2 enrollment on June 1, 2021.
2. Direct staff to target generation rates that result in at least a 1% discount to corresponding service from SDG&E and a planned reserve margin contribution of at least 5%.

FY 2021-2022	Current (3/1 Rates)	Recommendation
Revenue (\$MM)	275.5	315.9
Power Supply (\$MM)	272.9	272.9
Net Surplus (\$MM)	(14.8)	25.6
Net Reserve Contribution	N/A	9 %

Next Steps

Staff will:

- Modify rate sheet according to Board Direction
- Present revised rate sheet to Board for approval on April 22
- Implement approved rate changes effective June 1

Item 6

Approval of Support for Senate Bill 612

Recommendation:

Adopt a support position for Senate Bill 612 (Portantino): The Ratepayer Equity Act.



Board of Directors

Next Regular Meeting

April 22, 2021

