



AGENDA

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

June 20, 2024
3:00 p.m.

City of Chula Vista
Council Chambers, 276 Fourth Avenue, Chula Vista, CA

The meeting will be held in person at the above date, time and location. Finance and Risk Management Committee (FRMC) Members and members of the public may attend in person. Under certain circumstances, FRMC Members may also attend and participate in the meeting virtually pursuant to the Brown Act (Gov. Code § 54953). As a convenience to the public, SDCP provides a call-in option and internet-based option for members of the public to virtually observe and provide public comments at its meetings. Additional details on in-person and virtual public participation are below. Please note that, in the event of a technical issue causing a disruption in the call-in option or internet-based option, the meeting will continue unless otherwise required by law, such as when an FRMC Member is attending the meeting virtually pursuant to certain provisions of the Brown Act.

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

1. **Providing Oral Comments During Meeting.** Anyone attending in person desiring to address the FRMC is asked to fill out a speaker's slip and present it to the Clerk of the Board or the Secretary. To provide remote comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video conference by computer or mobile phone, use the "Raise Hand" feature. This will notify the moderator that you wish to speak during a specific item on the agenda or during non-agenda Public Comment. Members of the public will not be shown on video but will be able to speak when called upon. If joining the meeting using the Zoom dial-in number, you can raise your hand by pressing *9. Comments will be limited to three (3) minutes.
2. **Written Comments.** Written public comments must be submitted prior to the start of the meeting by using this ([Web Comment Form](#)). Please indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the FRMC members in writing. In the discretion of the Chair, the first ten (10) submitted comments shall be stated into the record of the meeting. Comments read at the meeting will be limited to the first 400 words. Comments received after the start of the meeting will be collected, sent to the FRMC members in writing, and be part of the public record.

If you have anything that you wish to be distributed to the FRMC, please provide it via info@sdcommunitypower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar <https://zoom.us/j/93476863568> Telephone (Audio Only)

(669) 900-6833 or (253) 215-8782 | Webinar ID: 934 7686 3568

WELCOME

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

Opportunity for members of the public to address the Board on any items not on the agenda but within the jurisdiction of the Board. Members of the public may provide a comment in either manner described above.

CONSENT CALENDAR

1. Approve May 16, 2024, Meeting Minutes

Recommendation: Approve May 16, 2024, Meeting Minutes.

MEETING AGENDA

2. Review of Treasurer’s Report for Period Ending April 30, 2024

Recommendation: Receive and File Treasurer’s Report for Period Ending April 30, 2024.

3. Approval of Second Revision of Reserves Policy Revision

Recommendation: Recommend Board Approval of Reserve Policy Revision.

4. Approval of Investment Policy Revision

Recommendation: Recommend Board Approval of Resolution No. 2024-04, adopting the first revision of the SDCP Investment Policy.

5. Approval of the FY 2024-25 Operating Budget, the FY 2024-25 Capital Budget, and the FY 2025-29 Capital Investment Plan

Recommendation: Recommend Board Approval of Resolution No. 2024-03, adopting the FY 2024-2025 Operating Budget, the FY 2024-2025 Capital Budget, and the FY 2025-2029 Capital Investment Plan.

Committee Member Announcements

Committee Members may briefly provide information to other members and the public. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

ADJOURNMENT

The Finance and Risk Management Committee will adjourn to the next regular meeting scheduled on July 18, 2024.

Compliance with the Americans with Disabilities Act

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

Availability of Committee Documents

Copies of the agenda and agenda packet are available at <https://sdcommunitypower.org/resources/meeting-notes/>. Late-arriving documents related to a Board meeting item which are distributed to a majority of the Members prior to or during the Board meeting are available for public review as required by law. Public records, including agenda-related documents, can be requested electronically at info@sdcommunitypower.org or by mail to SDCP, PO BOX 12716, San Diego, CA 92112. The documents may also be posted at the above website. Such public records are also available for inspection, by appointment, at San Diego Community Power, 2305 Historic Decatur Road, Suite 200, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



**FINANCE AND RISK MANAGEMENT COMMITTEE
SAN DIEGO COMMUNITY POWER (SDCP)**

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

Meeting Minutes
May 16, 2024

The Committee minutes are prepared and ordered to correspond to the Committee Agenda. Agenda Items can be taken out of order during the meeting.

The Agenda Items were considered in the order presented.

WELCOME

CALL TO ORDER

Chair McCann (City of Chula Vista) called the Finance and Risk Management Committee meeting to order at 3:01 p.m.

ROLL CALL

PRESENT: Chair McCann (City of Chula Vista), Director Yamane (City of National City), and Director Aguirre (City of Imperial Beach)

ABSENT: None

Also Present: Chief Financial Officer (CFO)/Treasurer Washington, General Counsel Tyagi, Assistant Clerk of the Board Vences

PLEDGE OF ALLEGIANCE

Director Aguirre led the Pledge of Allegiance.

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

There were no items to be added, withdrawn, or reordered on the agenda.

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

There were no public comments.

CONSENT CALENDAR

1. Approve April 11, 2024, Meeting Minutes

Motioned by Director Aguirre (City of Imperial Beach) and seconded by Director Yamane (City of National City) to approve the minutes of the Finance and Risk Management Committee meeting held Thursday, April 11, 2024. The motion carried unanimously by the following vote:

AYES: Chair McCann (City of Chula Vista), Director Aguirre (City of Imperial Beach), and Director Yamane (City of National City)
NOES: None
ABSTAINED: None
ABSENT: None

MEETING AGENDA

2. Review of Treasurer’s Report for Period Ending March 31, 2024

CFO/Treasurer Washington presented the Treasurer’s Report for the period ending March 31, 2024.

There were no Committee questions or comments, and no action was taken.

3. Presentation and Discussion of the FY 2024-25 Operating Budget

CFO/Treasurer Washington presented the budget highlights, development, principles, draft budget summary for FY 2024-25 operating budget.

Following Committee questions and comments, no action was taken.

4. Recommend Board Approval of Power100 Green-e Certified Service

Senior Director of Data Analytics and Customer Operations Lucas Utouh and Managing Director Power Services, Byron Vosburg, provided an overview of Power100 Green-e Certified Service, including PowerOn and Power100, customer feedback and needs, service offering details, and proposed Board approval of Power100 Green-e Certified Service.

Following Committee questions and comments, the following action was taken:

Motioned by Chair McCann (City of Chula Vista) and seconded by Director Aguirre (City of Imperial Beach) to recommend Board approval of Power100 Green-e Certified Service. The motion carried unanimously by the following vote:

AYES: Chair McCann (City of Chula Vista), Director Aguirre (City of Imperial Beach), and Director Yamane (City of National City)
NOES: None
ABSTAINED: None
ABSENT: None

Committee Member Announcements

Director Aguirre (City of Imperial Beach) suggested exploring the possibility of moving the FRMC meetings to the South Bay.

ADJOURNMENT

Chair McCann (City Chula Vista) adjourned the meeting at 3:34 p.m. to the next Finance and Risk Management Committee meeting scheduled on Thursday, June 20, 2024.

Sandra Vences, Assistant Clerk of the Board



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: San Diego Community Power Finance and Risk Management Committee
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Review of Treasurer’s Report for Period Ending April 30, 2024
Date: June 20, 2024

RECOMMENDATION

Receive and File Treasurer’s Report for Period Ending 4/30/24.

BACKGROUND

San Diego Community Power (SDCP) maintains its accounting records on a full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental enterprise funds.

SDCP has prepared its year-to-date financial statements for the period ended April 30, 2024, along with budgetary comparisons.

SDCP additionally reports monthly metrics during its Board meetings as part of its Update on Back-Office Operations. As part of the Treasurer’s Report, certain key metrics related to risk are to be presented during Financial and Risk Management Committee (FRMC) meetings.

On February 22, 2024, the SDCP Board of Directors (Board) approved a mid-year budget amendment for Fiscal Year 2023-24 that included net operating revenues of \$1,304,274,067, total expenses of \$1,071,601,284, and a resulting net position of \$232,672,783. Given that the Board approval occurred on February 22, 2024, the review of the Treasurer’s Report for period ending April 30, 2024, and reports for the remaining fiscal year will include a comparison against the mid-year budget amendment adopted by the Board.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 4/30/24: \$1.05 billion in net operating revenues were reported compared to \$1.12 billion budgeted for the period. \$881.06 million in total expenses were reported (including \$859.09 million in energy costs)

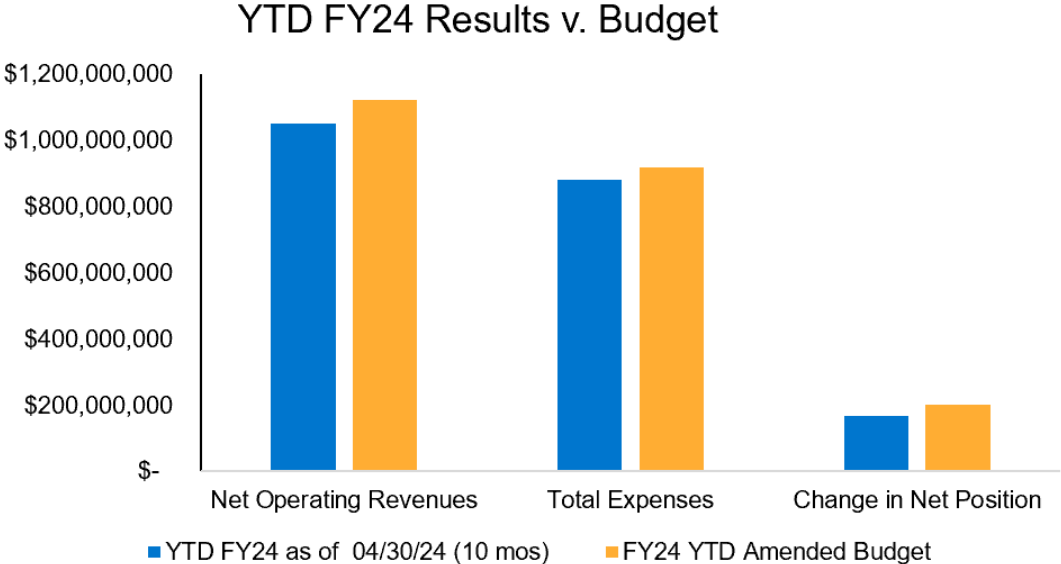
compared to \$918.53 million budgeted for the period (including \$875.91 million budgeted for energy costs). After expenses, SDCP’s change in net position of \$167.16 million was reported for Fiscal Year 2023-24. The following is a summary of the actual results compared to the Fiscal Year 2023-24 Amended Budget.

Table 1: Budget Comparison Versus Actual Result

Budget Comparison				
	YTD FY24 as of 04/30/24 (10 mos)	FY24 YTD Amended Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$ 1,048,220,173	\$ 1,119,783,840	\$ (71,563,667)	94%
Total Expenses	\$ 881,056,581	\$ 918,534,474	\$ (37,477,893)	96%
Change in Net Position	\$ 167,163,592	\$ 201,249,366	\$ (34,085,774)	-17%

- Net operating revenues finished \$71.56 million (or 6.0 percentage points) under the budget primarily due to lower-than-expected customer load demand correlated with cooler weather in the summer months of 2023.
- Operating expenses finished \$37.48 million (or 4.0 percentage points) lower than what was budgeted similarly due to lower-than-expected load demand attributed to cooler weather in the summer months of 2023.

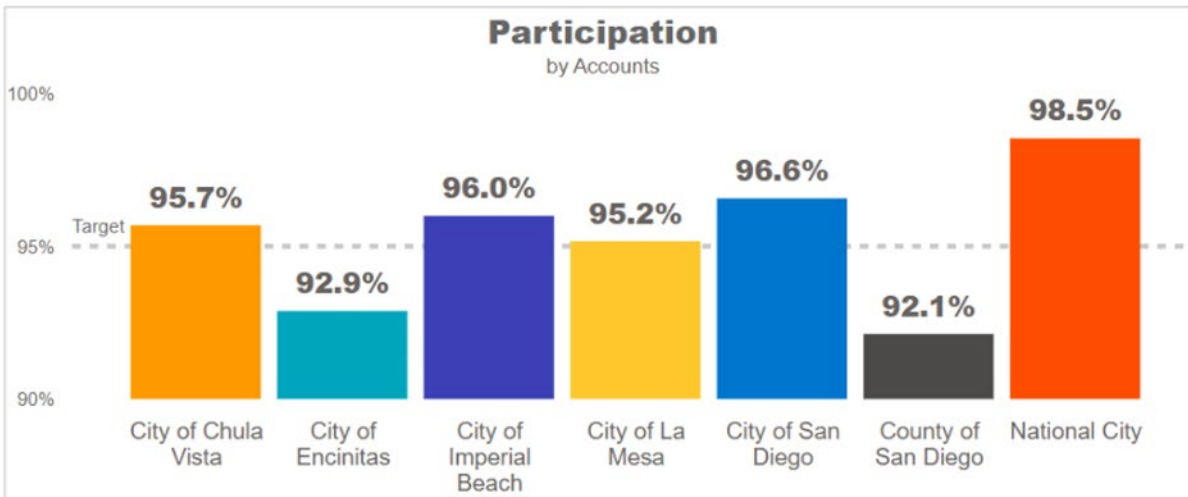
Figure 1: Proforma versus Actual Results



For the period ending 4/30/24, SDCP cumulative net position was \$167,163,592 compared to the \$201,249,366 reflected in the Fiscal Year 2023-24 amended budget. Total SDCP reserves at the end of the period were \$361,722,614 based on unrestricted cash and cash equivalents and total available liquidity (including lines of credit availability) was \$474,222,614. SDCP has a total Fiscal Year 2023-24 year-end reserve target of

\$524,984,866, which is equivalent to 180-days of total operating expenses as set in SDCP's Strategic Goals.

Figure 2: Participation Rates as of 6/1/2024



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	94,079	98,323	4,244	95.7%
City of Encinitas	26,532	28,566	2,034	92.9%
City of Imperial Beach	10,519	10,958	439	96.0%
City of La Mesa	28,049	29,476	1,427	95.2%
City of San Diego	601,983	623,408	21,425	96.6%
County of San Diego	174,925	189,906	14,953	92.1%
National City	19,236	19,528	287	98.5%
Total	955,323	1,000,165	44,809	95.5%

Phase 4 mass enrollment process in National City and Unincorporated County of San Diego for Non-Net Energy Metering (NEM) customers was officially completed as of May 2023. The participation rate for SDCP reflects full enrollment of current member agencies. We are reporting on the opt outs and eligible accounts associated with the phase based on those accounts that we have noticed for enrollment on a rolling basis as of the reporting month.

Staff are also presenting the state of SDCP Arrearages related to financial risk for FRMC consideration and for regular review. Additional metrics can be added by request. The below arrearage data includes SDCP's Receivables aged 120+ Days as of 6/1/2024.

Figure 3: State of SDCP Arrearages as of 6/01/2024

Balances over 120 days

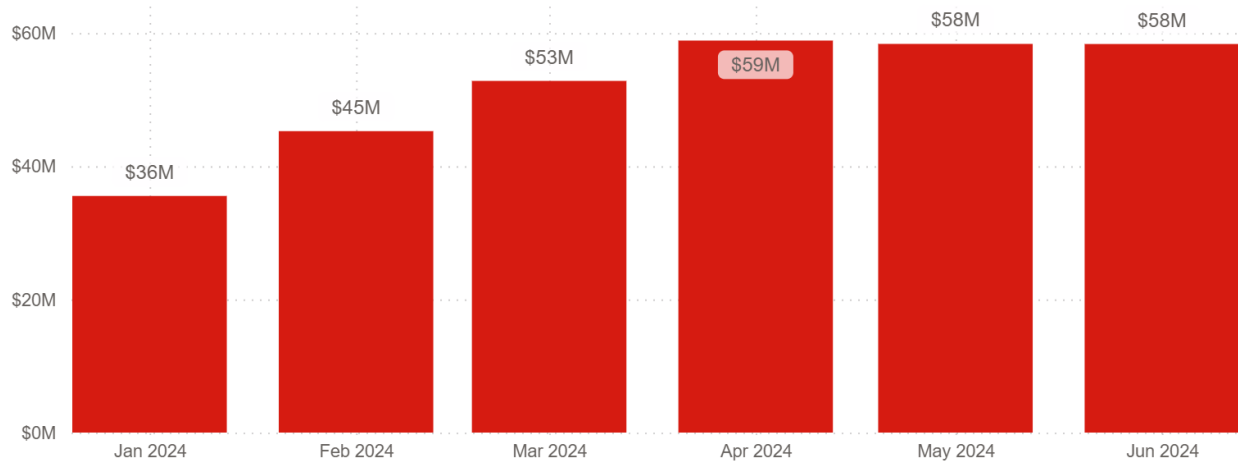
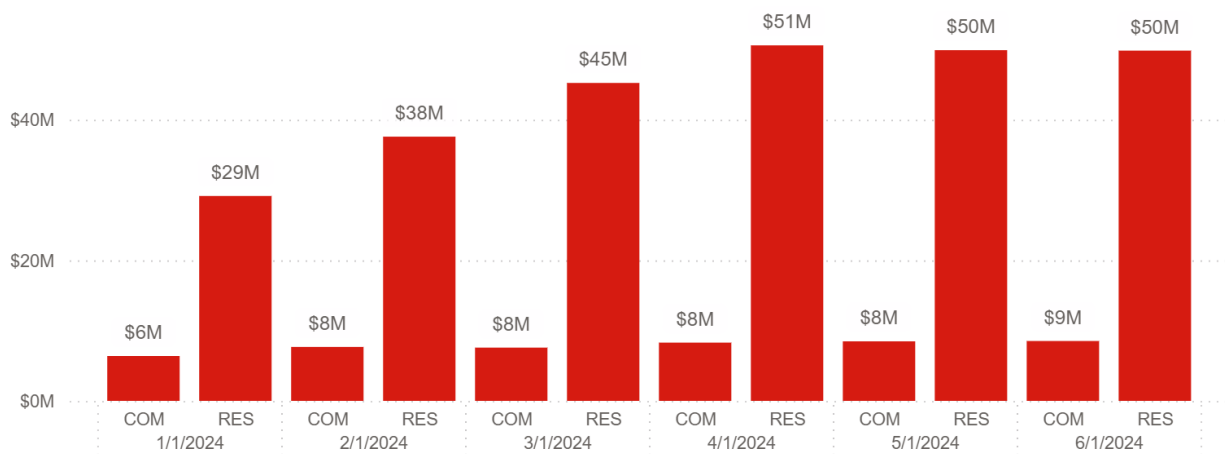


Figure 4: State of SDCP Arrearages Residential vs Commercial as of 6/01/2024

Balances over 120 days - RES vs COM



FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2024 Year-to-Date Period Ended April 30, 24 Financial Statements





ACCOUNTANTS' COMPILATION REPORT

Management
San Diego Community Power

Management is responsible for the accompanying financial statements of San Diego Community Power (a California Joint Powers Authority) which comprise the statement of net position as of April 30, 2024, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. San Diego Community Power's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
May 29, 2024

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of April 30, 2024

ASSETS

Current assets	
Cash and cash equivalents - unrestricted	\$ 361,722,614
Cash and cash equivalents - restricted	500,000
Accounts receivable, net of allowance	54,568,558
Accrued revenue	33,005,097
Prepaid expenses	11,808,784
Other receivables	812,500
Deposits	<u>2,263,984</u>
Total current assets	464,681,537
Noncurrent assets	
Cash and cash equivalents - restricted	1,147,000
Lease asset, net of amortization	1,276,939
Capital assets, net of depreciation	<u>129,667</u>
Total noncurrent assets	<u>2,553,606</u>
Total assets	<u><u>467,235,143</u></u>

LIABILITIES

Current liabilities	
Accrued cost of electricity	103,856,846
Accounts payable	569,482
Other accrued liabilities	2,510,111
State surcharges payable	181,952
Deposits - energy suppliers	4,932,500
Interest and finance costs payable	93,125
Lease liability	<u>954,824</u>
Total current liabilities	<u>113,098,840</u>
Noncurrent liabilities	
Supplier security deposits	624,000
Lease liability	<u>490,730</u>
Total noncurrent liabilities	<u>1,114,730</u>
Total liabilities	<u><u>114,213,570</u></u>

NET POSITION

Restricted for collateral	1,647,000
Unrestricted	<u>351,374,573</u>
Total net position	<u><u>\$ 353,021,573</u></u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Ten Months Ended April 30, 2024**

OPERATING REVENUES

Electricity sales, net	\$ 1,046,963,238
Grant revenue	983,500
Other income	323,135
Total operating revenues	<u>1,048,269,873</u>

OPERATING EXPENSES

Cost of electricity	859,088,133
Contract services	15,651,235
Staff compensation	9,258,338
Other operating expenses	2,716,922
Depreciation and amortization	579,804
Total operating expenses	<u>887,294,432</u>
Operating income	<u>160,975,441</u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	7,523,548
Interest and financing expense	(1,489,747)
Nonoperating revenues (expenses), net	<u>6,033,801</u>

CHANGE IN NET POSITION

	167,009,242
Net position at beginning of year	186,012,331
Net position at end of year	<u>\$ 353,021,573</u>

**SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Ten Months Ended April 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,150,698,730
Receipts of supplier security deposits	37,126,179
Receipts from wholesale sales	17,303,232
Other operating receipts	1,306,635
Payments to suppliers for electricity	(842,658,390)
Payments for goods and services	(20,545,523)
Payments of staff compensation and benefits	(8,899,126)
Payments for deposits and collateral	(5,684,693)
Payments of state surcharges	(2,321,269)
Net cash provided by operating activities	326,325,775

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Principal payments - bank note	(35,730,000)
Interest and related expense payments	(1,909,624)
Net cash provided (used) by non-capital financing activities	(37,639,624)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments of lease liability	(435,086)
Payments to acquire capital assets	(71,550)
Net cash (used) by capital and related financing activities	(506,636)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	7,359,219
Net change in cash and cash equivalents	295,538,734
Cash and cash equivalents at beginning of year	67,830,880
Cash and cash equivalents at end of year	\$ 363,369,614

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	\$ 361,722,614
Restricted cash - current	500,000
Restricted cash - noncurrent	1,147,000
Cash and cash equivalents	\$ 363,369,614

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Ten Months Ended April 30, 2024

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 160,975,441
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	579,804
(Increase) decrease in:	
Accounts receivable, net	55,945,173
Accrued revenue	45,787,687
Prepaid expenses	18,718,714
Other receivables	(414,456)
Deposits	15,392,366
Increase (decrease) in:	
Accrued cost of electricity	26,511,504
Accounts payable	130,215
Other accrued liabilities	(1,284,536)
State surcharges payable	(318,637)
Supplier security deposits	4,302,500
Net cash provided by operating activities	<u>\$ 326,325,775</u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose operating fund budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended April 30, 2024, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SDCP.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. SDCP's annual audited financial statements will include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to SDCP because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
May 29, 2024

**SAN DIEGO COMMUNITY POWER
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
Ten Months Ended April 30, 2024**

	2023/24 YTD Amended Budget	2023/24 YTD Actual	2023/24 YTD Amended Budget Variance (Under) Over	2023/24 YTD Actual/ Amended Budget %	2023/24 Annual Amended Budget	2023/24 Amended Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	1,172,548,524	\$ 1,090,586,706	(81,961,818)	93%	\$ 1,365,732,007	\$ 275,145,301
Less: Uncollectible Customer Accounts	(52,764,684)	(43,623,468)	9,141,216	83%	(61,457,940)	(17,834,472)
Grant Revenue	-	983,500	983,500		-	(983,500)
Other Income		273,435	273,435		-	(273,435)
Total Revenues and Other Sources	<u>1,119,783,840</u>	<u>1,048,220,173</u>	<u>(71,563,667)</u>		<u>1,304,274,067</u>	<u>256,053,894</u>
OPERATING EXPENSES						
Cost of Energy	875,908,709	859,038,433	(16,870,276)	98%	1,020,844,552	161,806,119
Professional Services and Consultants	18,717,255	14,965,614	(3,751,641)	80%	22,250,657	7,285,043
Personnel Costs	9,740,686	9,258,338	(482,348)	95%	11,603,394	2,345,056
Marketing and Outreach	2,461,475	1,591,688	(869,787)	65%	2,925,978	1,334,290
General and Administration	5,735,316	1,982,788	(3,752,528)	35%	6,812,564	4,829,776
Programs	97,167	259,518	162,351	267%	115,500	(144,018)
Total Operating Expenses	<u>912,660,608</u>	<u>887,096,379</u>	<u>(25,564,229)</u>		<u>1,064,552,645</u>	<u>177,456,266</u>
Operating Income (Loss)	<u>207,123,232</u>	<u>161,123,794</u>	<u>(45,999,438)</u>		<u>239,721,422</u>	<u>78,597,628</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment Income	-	7,523,548	7,523,548		-	(7,523,548)
Interest and Related Expenses	(1,994,699)	(1,483,750)	510,949	74%	(2,393,639)	(909,889)
Transfer to Capital Investment Program	(3,879,167)	-	3,879,167	0%	(4,655,000)	(4,655,000)
Total Non-Operating Revenues (Expenses)	<u>(5,873,866)</u>	<u>6,039,798</u>	<u>11,913,664</u>		<u>(7,048,639)</u>	<u>(13,088,437)</u>
NET INCREASE (DECREASE)	<u>\$ 201,249,366</u>	<u>\$ 167,163,592</u>	<u>\$ (34,085,774)</u>		<u>\$ 232,672,783</u>	<u>\$ 65,509,191</u>

See accountants' compilation report.



SAN DIEGO COMMUNITY POWER Staff Report – Item 3

To: San Diego Community Power Finance and Risk Management Committee
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Second Revision to Financial Reserves Policy
Date: June 20, 2024

RECOMMENDATION

Recommend Board of Directors Approval of the Second Revision to the Financial Reserves Policy.

BACKGROUND

On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP. Additionally, section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Even further, section 5.10.2.c of the JPA states that the one of the primary purposes of the Finance and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties.

On June 24, 2021, the Board originally reviewed and approved SDCP's Financial Reserves Policy. Subsequently, on February 24, 2022, the Board Approved a revision to the Financial Reserves Policy.

The Financial Reserves Policy states that staff will complete an annual review of the Financial Reserve Policy to ensure that the policy meets the needs of the organization.

Given the growth in operating expenses and that the agency has exceeded the reserve target set in its Financial Reserves Policy, staff recommend a second revision to the Financial Reserves Policy to account for the growth in expenses.

ANALYSIS AND DISCUSSION

In FY 2022-23, when the Financial Reserve Policy was revised, SDCP had operating expenses of \$329.0 million. Since then, the agency has grown substantially. In particular, in FY 2024-25, SDCP is projected to have operating expenses of \$1,113.2 million as presented to the Board on May 23, 2024.

Additionally, the Financial Reserves Policy states that SDCP will allocate up to 15% of gross revenue annually toward building an Operating/Working Capital Reserve equivalent to 90-days of total operating expenses (including power supply expenses) to be held as unrestricted cash.

On September 14, 2023, staff reported to the FRMC that the agency achieved its goal of 90-days of total operating expenses to be held as unrestricted cash. More currently, on May 23, 2024, SDCP reported to the Board that the agency currently has 133-days of total cash on hand and has therefore surpassed the goal set in the Financial Reserves Policy.

However, on June 23, 2022, the Board also approved SDCP's Mission, Vision, Core Values and Goals for 2023-2027 which included a plan to increase reserves to 90-days cash on hand by October 2023 and to **180-days cash on hand by October 2025**.

Staff are therefore recommending a second revision to the Financial Reserves Policy that will update the financial reserve goal from 90-days of cash on hand to 180-days cash on hand to align with the goals set by the Board and to align with SDCP's growth in days cash on hand.

Upon review and benchmarking of similar community choice aggregators, SDCP's peer agencies have similar cash-on hand targets:

- **Marin Clean Energy:** 240 days
- **Central Coast Community Energy:** 180 days
- **Peninsula Clean Energy:** 180 days
- **Clean Power Alliance:** 120 days

The policy revision also includes definitions for the measurement of 'days cash on hand' and 'reserves' to provide clear, consistent, and transparent metrics for measurement.

- **Days cash on hand:** unrestricted cash and cash equivalents x 365 / (operating expenses for the current fiscal year)
- **Reserves:** Net position

Finally, the policy revision includes updates for reserve distribution should the agency exceed its 180-days cash on hand target. In particular, in addition to strategic uses, staff propose adding a stabilization reserve and a programmatic reserve to the proposed reserve distribution section.

The stabilization reserve mitigates financial and cost of energy risk due cyclical cost of energy fluctuations and rate shocks and may maintain compliance with financial covenants. The purpose of this reserve would be to provide budgetary stabilization and not to serve as an alternative funding source for new programs.

The programmatic reserve could fund unforeseen and unexpected needs such as cost overruns, local leveraging or matching for external funds, or other programmatic needs as required.

FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: Draft of Second Revision to the Financial Reserves Policy

Attachment B: Draft Redline Version of Second Revision to the Financial Reserves Policy



Policy Number: F21_001

Original Adoption Date: June 24, 2021
Revision Date: TBD

Subject: Financial Reserves Policy

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

- Meet SDCP's strategic objectives
- Secure, maintain, and/or improve a standalone investment grade credit rating
- Secure favorable terms with vendors, including power producers
- Satisfy working capital requirements
- Adhere to contractual covenants
- Provide funds to cover unanticipated expenditures
- Support rate stability

Policy Guidelines:

SDCP's financial reserve goal is to secure 180-days of cash on hand.

The contribution to Reserves is determined through SDCP's annual budget process as defined in the agency's Budget Policy and/or SDCP's rate setting process as defined in the agency's Rate Development Policy. To the extent SDCP is able to meet operational expenses and maintain competitive rates, SDCP will establish rates and adopt budgets with the goal of building and maintaining Reserves at or above the 180-days of cash on hand target level.

Definitions

- **Days cash on hand:** $\text{unrestricted cash and cash equivalents} \times 365 / (\text{operating expenses for the current fiscal year})$
- **Reserves:** Net position
- **Use of Reserves:** A projected or estimated reduction in the amount of reserves by the end of a fiscal year below the sum of the balance of the reserves at the commencement of the fiscal year plus the projected addition to the Reserves in the budget for the current fiscal year.

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

Reserve Distribution: If reserves exceed the 180-days of cash on hand target level established in this policy, the Board may authorize reserve distributions as follows.

- **Strategic Uses:** Use excess funds for capital projects, financing programs, paying down existing debt, rate reductions, or other strategic purposes.
- **Stabilization Reserve:** Use excess funds to fund a Rate Stabilization Reserve. A Stability Reserve mitigates financial and cost of energy risk due cyclical cost of energy fluctuations and rate shocks and may maintain compliance with financial covenants. The purpose of this reserve would be to provide budgetary stabilization and not to serve as an alternative funding source for new programs.
- **Programmatic Reserve:** Use excess funds to establish a contingency for programs and projects. Specifically, this Reserve could fund unforeseen and unexpected needs such as cost overruns, local leveraging or matching for external funds, or other programmatic needs as required.

Conditions for Use of Reserves

- Temporary reductions in Reserves for cash flow purposes to even out the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves. Transfers to and from Reserves to account for such temporary cash flow fluctuations is within the discretion of the CFO.
- The CEO will have the discretion to authorize the use of reserves during the fiscal year up to the lesser of 10% of the year's total budgeted costs, or \$100 million, for the following purposes:
 1. Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 2. Provide necessary funds to make up for unanticipated revenue shortfalls;
 3. Meet any margin or collateral posting requirements under energy supply contracts; and
 4. Provide resources to meet emergency expenditures.
- Any further use of reserves as necessary or desirable, must be recommended by CEO to the Board for approval of such use.

- Any use of the reserves under the CEO's authority shall be reported to the Board at the next regularly scheduled meeting.

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



Policy Number: F21_001

Original Adoption Date: June 24, 2021
Revision Date: ~~February 24, 2022~~XXX

Subject: Financial Reserves Policy

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

- Meet SDCP's strategic objectives
- Secure, maintain, and/or improve a standalone investment grade credit rating
- Secure favorable terms with vendors, including power producers
- Satisfy working capital requirements
- Adhere to contractual covenants
- ~~Secure a standalone investment grade credit rating~~
- Provide funds to cover unanticipated expenditures
- Support rate stability

Policy Guidelines:

SDCP's financial reserve goal is to secure 180-days of cash on hand.

The contribution to Reserves is determined through SDCP's annual budget process as defined in the agency's Budget Policy and/or SDCP's rate setting process as defined in the agency's Rate Development Policy. SDCP will allocate up to 15% of gross revenue annually toward building an Operating/Working Capital Reserve equivalent to 90 days of total operating expenses (including power supply expenses) to be held as unrestricted cash. To the extent SDCP is able to meet operational expenses and maintain competitive rates, Unrestricted cash is defined as total cash less restricted cash held in accounts that are restricted from use due to collateral requirements or by covenant requirements. SDCP will establish rates and adopt budgets that with the goal of building and maintaining Reserves at or above the 180-days of cash on hand target level, subject to SDCP's ability to meet operational expenses and maintain competitive rates, provide for a growing Operation/Working Capital Reserve that meets the above target funding levels.

Definitions

- Days cash on hand: unrestricted cash and cash equivalents x 365 / (operating expenses for the current fiscal year)
- Reserves: Net position

- **Use of Reserves:** For purposes of this policy, the “use of reserves” is defined as a projected or estimated reduction in the amount of ~~the reserves~~ Operating/Working Capital Reserve by the end of a fiscal year below the sum of the balance of ~~the Operating/Working Capital Reserve~~ the reserves at the commencement of the fiscal year plus the projected addition to the ~~Operating/Working Capital Reserve~~ Reserves in the budget for the current fiscal year.

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

Exceeding Target Fund Balance Reserve Distribution: If reserves ~~funds~~ exceed ~~target~~ the 180-days of cash on hand target level established in this policy, the Board may authorize reserve distributions as follows.

- **Strategic Uses:** ~~Use~~ Use excess funds for capital projects, financing programs, paying down existing debt, rate reductions, or other strategic purposes.
- **Stabilization Reserve:** ~~The Board may also authorize the use of excess funds to fund additional Reserves such as a Rate Stabilization Reserve. A Stability Reserve mitigates financial and cost of energy risk due cyclical cost of energy fluctuations and rate shocks and may maintain compliance with financial covenants. The purpose of this reserve would be to provide budgetary stabilization and not to serve as an alternative funding source for new programs.~~
- **Programmatic Reserve:** ~~This Reserve would use excess funds to establish a contingency for programs and projects. Specifically, this Reserve could fund unforeseen and unexpected needs such as cost overruns, local leveraging or matching for external funds, or other programmatic needs as required.~~

Conditions for Use of Reserves

- ~~For purposes of this policy, the “use of reserves” is defined as a projected or estimated reduction in the amount of the Operating/Working Capital Reserve by the end of a fiscal year below the sum of the balance of the Operating/Working Capital Reserve at the commencement of the fiscal year plus the projected addition to the Operating/Working Capital Reserve in the budget for the current fiscal year.~~
- Temporary reductions in ~~the Operating/Working Capital Reserve~~ Reserves for cash flow purposes to even out the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal

year, and do not constitute a use of reserves. Transfers to and from ~~the Operating/Working Capital Reserve~~ Reserves to account for such temporary cash flow fluctuations is within the discretion of the CFO.

- The CEO will have the discretion to authorize the use of reserves during the fiscal year up to the lesser of 10% of the year's total budgeted costs, or ~~\$40~~ \$100 million, for the following purposes:
 1. Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 2. Provide necessary funds to make up for unanticipated revenue shortfalls;
 3. Meet any margin or collateral posting requirements under energy supply contracts; and
 4. Provide resources to meet emergency expenditures.
- ~~If Any~~ further use of reserves as necessary or desirable, must be recommended by CEO to the Board for approval of ~~are necessary or desirable to manage the operations of SDCP, the CEO must present recommendations to the Board and the Board must authorize~~ such use.
- Any use of the reserves under the CEO's authority shall be reported to the Board at the next regularly scheduled meeting.

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



SAN DIEGO COMMUNITY POWER Staff Report – Item 4

To: San Diego Community Finance and Risk Management Committee
From: Eric W. Washington, Chief Financial Officer
Via: Karin Burns, Chief Executive Officer
Subject: Recommend Board Approval of Resolution No. 2024-04 Adopting the First Revision to the SDCP Investment Policy
Date: June 20, 2024

RECOMMENDATION

Recommend Board Approval of Resolution No. 2024-03 Adopting the First Revision to the SDCP Investment Policy

BACKGROUND

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

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Further, Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA finally states one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Investment Policy herein. Further, this section states the FRMC may have such other responsibilities as may be approved by the Board, including but not limited to advising the Chief Executive Officer on fiscal and risk management policies and procedures, rules and regulations governing investment of surplus funds, audits to achieve best practices in corporate governance and selection and designation of financial institutions for deposit of SDCP funds, and credit/depository matters.



On May 25, 2023, Board Approved the SDCP Investment Policy. The policy requires an annual review. In addition, the policy allowed SDCP to engage the services from an investment adviser, who are registered under the Investment Advisers Act of 1940, to assist in the management of SDCP's investment portfolio in a manner consistent with the SDCP's objectives.

On February 15, 2024, the SDCP Board approved a professional services agreement with Chandler Asset Management. Subsequently, SDCP initiated a transition process that involved a review of SDCP's Investment Policy by Chandler Asset Management, which identified possible revisions.

ANALYSIS AND DISCUSSION

Chandler Asset Management made recommendations for the following revisions to the SDCP Investment Policy to update language to better serve SDCP's investment objectives.

Changes to Acceptable Investment Types has been expanded to include , Medium Term Notes, Pass-Thru Securities, Municipal Securities, and Supranationals. Additionally, the policy includes updated issuer limitations for existing options like Agency securities, Negotiable CDs, Money Market Funds, and Commercial Paper. To manage exposure to callable bonds, has been reduced to not exceed 20% of the total portfolio.

In accordance with the recent passing of SB 1489, the policy now prohibits purchasing securities with a settlement date exceeding 45 days. The report section has been updated to include language on selecting a market benchmark for performance evaluation.

SDCP would rename the relevant section to "Risk Management and Diversification" to better reflect its content. This section now includes Supranationals on the list of securities exempt from the 5% issuer limitation. Additionally, language has been added regarding managing the portfolio's duration within a 20% band of the chosen market benchmark to mitigate portfolio interest rate risk.

The glossary has been updated to ensure all terms are clearly defined. We encourage you to reach out with any questions or if you'd like to discuss these changes further. We're happy to provide additional information or clarification on any aspect of the revised Investment Policy.

All changes or updates to the SDCP Investment Policy will require Board approval.



FISCAL IMPACT

There are no fiscal impacts to recommend Board approval of the Investment Policy Revision.

ATTACHMENTS

Resolution No. 2024-04 Adopting the First Revision to the SDCP Investment Policy

Attachment A: SDCP Investment Policy First Revision

Attachment B: Redline Version of SDCP Investment Policy First Revision



RESOLUTION NO. 2024-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
SAN DIEGO COMMUNITY POWER ADOPTING THE FIRST REVISION TO THE
SDCP INVESTMENT POLICY**

A. San Diego Community Power (“SDCP”) is a joint powers authority 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, and amended on December 16, 2021, (“JPA Agreement”).

B. The JPA Agreement provides that the SDCP Board of Directors (“Board”) may at its discretion adopt rules, regulations, policies, bylaws, and procedures governing the operation of SDCP.

C. The Board has determined that an Investment Policy that comports with the requirements of California Government Code Sections 53600-53608 is in the best interests of SDCP to ensure assets are protected.

D. The purpose of the Investment Policy is to identify (1) the objectives and priorities for SDCP investments; (2) the types of investments that are permitted and prohibited; and (3) the controls SDCP will implement to ensure assets are protected.

E. The SDCP Board proposes to adopt the First Revision to the SDCP Investment Policy, attached hereto as Attachment A.

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

Section 1. The Board of Directors hereby adopts the First Revision to the SDCP Investment Policy.

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 _____.

Joe LaCava Chair
Board of Directors
San Diego Community Power

ATTEST:

APPROVED AS TO FORM:

Maricela Hernandez, MMC, CPMC
Secretary, Board of Directors
San Diego Community Power

Veera Tyagi, General Counsel
San Diego Community Power



Policy Number: 2023-07

Original Adoption Date: May 25, 2023

Revision Date: TBD

Subject: Investment Policy

Purpose: The San Diego Community Power (“SDCP”) Investment Policy (“Policy”) establishes investment guidelines for protecting SDCP’s cash reserves, deposits, and investments (“Funds”) while producing a reasonable rate of return on investments.

The Policy articulates: (1) the objectives and priorities for SDCP investments; (2) the types of investments that are permitted and prohibited; and (3) the controls SDCP will implement to ensure assets are protected.

This Policy is adopted pursuant to California Government Code Section (“Section”) 53600-53608 and must be adopted or amended by resolution. The SDCP Board of Directors (“Board”) is not required to adopt a formal Investment Policy by statute, however, it is in the best practice to ensure agency assets are protected.

Background

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

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Further, Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA finally states one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Investment Policy herein. Further, this section states the FRMC may have such other responsibilities as may be approved by the Board, including but not limited to advising the Chief Executive Officer on fiscal and risk management policies and procedures, rules and regulations governing investment of surplus funds, audits to achieve best practices in corporate governance and selection and designation of financial institutions for deposit of SDCP funds, and credit/depository matters.

Investment Objectives

To the extent possible, investments will align with SDCP's mission, vision, value, and goals. When managing Funds, SDCP's primary objectives shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of SDCP, (3) achieve a return on funds invested, and (4) exercise a high standard of care on Funds within SDCP's control.

- 1) **Safety:** Safety of principal is the foremost objective of cash and investment management activities. The investment of Funds shall be undertaken in a manner that seeks to ensure the preservation of principal.
- 2) **Liquidity:** The Funds of SDCP shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of Funds in deposits or instruments that are available on demand is recommended.
- 3) **Return on Investments:** SDCP's deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering investment risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described in Investment Objectives, Section A and Investment Objectives, Section B, above.
- 4) **Standard of Care:** SDCP will manage Funds in accordance with the "Prudent Investor Standard" pursuant to California Government Code Section 53600.3¹ as follows:

"All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

¹ All further statutory references are to the California Government Code unless otherwise stated.

Delegation of Authority

Pursuant to Section 53607, the Board has the authority to delegate the responsibility to manage SDCP's funds to the Treasurer. The Treasurer has authority to appoint Deputy Treasurer(s) as the Treasurer deems necessary to carry the duties in accordance with the Investment Policy.

SDCP may engage the services from one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of SDCP's investment portfolio in a manner consistent with the SDCP's Policy. External investment advisers may be granted discretion to purchase and sell investment securities in accordance investment objective set forth in this Policy.

Scope

This Investment Policy applies to all funds and investment under the direct authority of SDCP. This Policy does not apply to the investment of bond proceeds, which would be governed by any applicable bond documents and any other funds specifically exempted by SDCP's Board of Directors.

Acceptable Investment Types: To the extent possible, investments will align with SDCP's mission, vision, value, and goals.

- 1. Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet SDCP's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest-bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five (5) years. Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than 'satisfactory' in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code." As per Section 53652, banks must collateralize the deposits of public agencies in an amount equal to no less than 110% of as currently stated in the value of the deposits. The Treasurer will monitor the credit quality of eligible banks holding SDCP deposits that exceed FDIC insurance limits to ensure the safety of SDCP deposits.
- 2. Local Agency Investment Fund (LAIF):** Funds may be invested in the Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies. LAIF's investments in instruments prohibited by or not specified in SDCP's policy do not exclude the investment in LAIF itself from SDCP list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

- 3. US Treasury Obligations:** Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
- 4. Federal Agency Securities:** Funds may be invested in Federal Agency Securities or Government-Sponsored Enterprise (GSE) obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. No more than 20% of the total portfolio may be invested in callable agency securities and no more than 30% of the total portfolio may be invested in any single Agency/ GSE issuer.
- 5. Bankers' Acceptances:** Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO (Nationally Recognized Statistical Rating Organization). Not more than 40% of the portfolio may be invested in Bankers' Acceptances, and no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.
- 6. Negotiable Certificates of Deposit:** Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:
 - A.** Issued by an entity as defined in Section 53601(i); and
 - B.** No more than 30% of the total portfolio shall be invested in certificates of deposit, no more than 5% of the total portfolio may be invested in any single issuer, and the maximum maturity does not exceed 5 years.
- 7. Placement Service Deposits:** Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to the deposits placed pursuant to this section shall be limited by Section 53601.8.
- 8. Money Market Funds:** Funds may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4). No more than 20% of the portfolio may be invested in the shares of any one Money Market Fund. No more than 20% of the total portfolio may be invested in these securities.
- 9. Commercial Paper:** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B:

A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.

B. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

- No more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of SDCP’s investment assets under management may be invested in Commercial Paper. Under a provision sunsetting on January 1, 2026, no more than 40% of the total portfolio may be invested in Commercial Paper if SDCP’s investment assets under management are greater than \$100,000,000.
- No more than 5% of the total portfolio may be invested in any single issuer. The maximum maturity does not exceed 270 days.

10. Medium Term Notes (MTN): The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. (Section 53601 et seq). The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. No more than 30% of the total portfolio may be invested in MTNs, no more than 5% of the total portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.

11. Pass Thru Securities: Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (Section 53601 et seq) from issuers not defined in sections 3 and 4 of the Acceptable Investment Types section of this policy, provided that: The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO, no more than 20% of the total portfolio may be invested in these securities, no more than 5% of the total portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer and the maximum maturity does not exceed five (5) years.

12. Municipal Securities: include obligations of SDCP, the State of California and any local agency within the State of California,(Section 53601) provided that: The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”)., no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

13. Municipal Securities; (Registered treasury notes or bonds) of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California (Section 53601). The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO, no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

14. Supranationals: Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. (Section 53601). The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO, no more than 30% of the total portfolio may be invested in these securities, no more than 10% of the total portfolio may be invested in any single issue and the maximum maturity does not exceed five (5) years.

Prohibited Investment Types

Pursuant to Section 53601.6, SDCP shall not invest Funds in any security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to, inverse floaters, range notes, or mortgage-derived interest-only strips. The purchase of foreign currency denominated securities is prohibited. The purchase of Crypto Asset Securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. SDCP is prohibited from investing in any company or organization whose business do not align with SDCP’s mission, vision, value, and goals.

Investment Portfolio Management

The term to maturity of any Funds invested shall not exceed five (5) years pursuant to Section 53601. The Treasurer will allocate Funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

Collateralization

Certificates of Deposit (CDs). SDCP shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the

CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Bank Deposits. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. SDCP shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Risk Management and Diversification

SDCP's investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific security types, maturity segment, or in individual financial institutions. No more than 5% of the investment portfolio shall be in securities of any one issuer except for U.S. Treasuries, U.S. Government Agency issues, Supranationals and investment pools such as LAIF, and money market funds.

- A. Credit Risk:** Credit risk, defined as the risk of loss due to failure of the insurer of a security, shall be mitigated by investing in those securities with an "A" or above rating and approved in the Investment Policy and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm SDCP's cash flow.
- B. Market Risk:** Market risk or interest rate risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by implementing a short term and long-term investment strategies. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return.

The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by SDCP based on SDCP's investment objectives, constraints and risk tolerances. **Credit Rating**

This Investment Policy sets forth minimum credit ratings for each type of security. These credit ratings apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.

Minimum credit ratings:

- A.** For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one nationally recognized statistical rating organization (the "NRSRO").
- B.** For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

The monitoring of credit ratings consists of the following procedures:

1. When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, SDCP's Finance Department or external investment adviser will analyze and evaluate the credit rating to determine whether to hold or sell the investment.
2. In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit rating requirement, SDCP's Treasurer will report the rating change to the Finance and Risk Management Committee in the monthly public report. In the same manner, the Finance and Risk Management Committee will be informed on the decision to hold or sell a downgraded security.
3. The Investment Officials or authorized employees involved in the investment process and external investment advisers shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

Brokers

The Treasurer shall endeavor to complete investment transactions in accordance with Section 53601.5, institutions eligible to transact investment business with SDCP include:

- A. Institutions licensed by the state as a broker-dealer.
- B. Institutions that are members of a federally regulated securities exchange.
- C. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- D. Nationally or state-chartered banks.
- E. The Federal Reserve Bank.
- F. Direct issuers of securities eligible for purchase.

Broker/dealers shall be approved by the Chief Executive Officer upon recommendation by the Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Treasurer shall require any selected broker, brokerage firm, dealer, or securities firm to affirm that it has not, within any 48-consecutive month period, made a political contribution to any member of the SDCP Board, or any candidate who may join the SDCP Board in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, the Political Reform Act, including section 84308, or any applicable SDCP Policy, as amended from time to time. The selected broker or dealers shall be provided with and acknowledge receipt of this Policy.

Losses

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of SDCP or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third-party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608.

The Treasurer shall review all transaction confirmations for conformity with the original transaction and monitor for excessive trading.

Ethics and Conflict of Interest

The Investment Officials or authorized employees involved in the investment process, shall act as custodians of the public trust and will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Investment Officials and any external investment advisers acknowledge that all direct SDCP investments are subject to public review and evaluation.

SDCP Investment Officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

SDCP Investment Officials shall disclose to General Counsel or designee i) any material interests in financial institutions with which they conduct business, and ii) disclose any personal investments with a direct, indirect or beneficial interest totaling \$2,000 or more. Investment Officials shall refrain from undertaking any personal investment transactions with the same individual from the external investment adviser with whom business is conducted on behalf of SDCP.

Investment Officials, pursuant with all applicable laws, shall not accept honoraria, gifts, and gratuities from advisers, brokers, dealers, bankers, or other entity with whom SDCP conducts business.

Any external investment adviser contracted by SDCP will comply with Municipal Securities Rulemaking Board Rule G-37 and shall follow the Investment Adviser Fiduciary Standard established by the U.S. Securities and Exchange Commission.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Accordingly, the Treasurer shall establish and maintain internal controls that shall address the following points:

- A. Control of Collusion:** Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.
- B. Clear Delegation of Authority to Subordinate Staff Members:** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- C. Delivery-Versus-Payment (DVP):** All investment transactions shall be conducted on a delivery-versus-payment basis.
- D. Safekeeping and Custody:** Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not insured by the FDIC, shall be placed with an independent third party for custodial safekeeping. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in SDCP's portfolio shall be held in safekeeping in SDCP's name by a third-party custodian, acting as agent for SDCP under the terms of a custody agreement executed by the bank and SDCP. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by SDCP from the custodian listing all securities held in safekeeping with current market data and other information. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (1) local government investment pools; (2) time certificates of deposit, (3) Local Agency Investment Fund, and (4) mutual funds and money market mutual funds, since these securities are not deliverable.
- E. Avoidance of Physical Delivered Bearer Securities:** Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.

F. Written Confirmation of Telephone Wire Transfers: Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party.

G. Audits: SDCP's Funds shall be subject to a process of independent review by its external auditors. SDCP's external auditors shall review the investment portfolio in connection with SDCP's annual audit for compliance with the Policy pursuant to Section 27134. The results of the audit shall be reported to the Treasurer.

Reports

A. Monthly: The Treasurer will perform a monthly review of the investment function. Following the commencement of investment transactions, the Treasurer shall submit a monthly report of all investment transactions to the Finance and Risk Management Committee. Investment transactions are defined as the purchase, sale or exchange of securities.

B. Annually: The Treasurer will submit an annual report to the Finance and Risk Management Committee within 60 days of the end of a fiscal year providing the following:

- A list of individual securities by investment type, issuer, credit risk rating, CUSIP number, settlement date of purchase, date of maturity, par value and dollar amount invested on all securities, the market value and source of the market value information;
- A statement that the portfolio is in compliance with this Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
- A statement of SDCP's ability to meet anticipated cash requirements for the upcoming 12 months.
- The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's annual report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

C. Annual Review: This Policy will be reviewed annually by the Treasurer. The Board is authorized to approve changes to this Policy following the review of proposed changes by the Finance Risk Management Committee.

Glossary of Investment Terms

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKERS' ACCEPTANCES. A short-term, negotiable, unconditional, and time draft drawn on and accepted by a bank. It is typically used in trade to finance the purchase and sale of goods.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CRYPTO ASSET. Digital assets that use public ledgers over the internet to prove ownership. They use cryptography, peer-to-peer networks and a distributed ledger technology (DLT) – such as blockchain – to create, verify and secure transactions.

CUSIP. Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and Canadian companies, commercial paper, and U.S. government and municipal bonds.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DELIVERY vs PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

ISSUER. The entity identified as the counterparty or obligator related to a security trade.

INVERSE FLOATER. A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate.

INVESTMENT OFFICIALS. This includes any applicable SDCP staff participating in the investment process; SDCP Treasurer; SDCP Deputy Treasurer(s); and SDCP Board of Directors.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUID. Term for securities that can be converted to cash quickly.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE BACK SECURITY. Debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

MORTGAGE-DERIVED INTEREST-ONLY STRIPS. A financial product created by separating the interest and principal payments of a mortgage-backed security.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market

instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

RANGE NOTES. A structured investment where the coupon is linked to the performance of a reference index

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.



Policy Number: 2023-07

Original Adoption Date: May 25, 2023

Subject: Investment Policy

Purpose: The San Diego Community Power (“SDCP”) Investment Policy (“Policy”) establishes investment guidelines for protecting SDCP’s cash reserves, deposits, and investments (“Funds”) while producing a reasonable rate of return on investments.

The Policy articulates: (1) the objectives and priorities for SDCP investments; (2) the types of investments that are permitted and prohibited; and (3) the controls SDCP will implement to ensure assets are protected.

This Policy is adopted pursuant to California Government Code Section (“Section”) 53600-53608 and must be adopted or amended by resolution. The SDCP Board of Directors (“Board”) is not required to adopt a formal Investment Policy by statute, however, it is in the best practice to ensure agency assets are protected.

Background

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

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Further, Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA finally states one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Investment Policy herein. Further, this section states the FRMC may have such other responsibilities as may be approved by the Board, including but not limited to advising the Chief Executive Officer on fiscal and risk management policies and procedures, rules and regulations governing investment of surplus funds, audits to achieve best practices in corporate governance and selection and designation of financial institutions for deposit of SDCP funds, and credit/depository matters.

Investment Objectives

To the extent possible, investments will align with SDCP's mission, vision, value, and goals. When managing Funds, SDCP's primary objectives shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of SDCP, (3) achieve a return on funds invested, and (4) exercise a high standard of care on Funds within SDCP's control.

- 1) **Safety:** Safety of principal is the foremost objective of cash and investment management activities. The investment of Funds shall be undertaken in a manner that seeks to ensure the preservation of principal.
- 2) **Liquidity:** The Funds of SDCP shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of Funds in deposits or instruments that are available on demand is recommended.
- 3) **Return on Investments:** SDCP's deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering investment risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described in Investment Objectives, Section A and Investment Objectives, Section B, above.
- 4) **Standard of Care:** SDCP will manage Funds in accordance with the "Prudent Investor Standard" pursuant to California Government Code Section 53600.3¹ as follows:

"All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

¹ All further statutory references are to the California Government Code unless otherwise stated.

Delegation of Authority

Pursuant to Section 53607, the Board has the authority to delegate the responsibility to manage SDCP's funds to the Treasurer. The Treasurer has authority to appoint Deputy Treasurer(s) as the Treasurer deems necessary to carry the duties in accordance with the Investment Policy.

SDCP may engage the services from one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of SDCP's investment portfolio in a manner consistent with the SDCP's Policy. External investment advisers may be granted discretion to purchase and sell investment securities in accordance investment objective set forth in this Policy.

Scope

This Investment Policy applies to all funds and investment under the direct authority of SDCP. This Policy does not apply to the investment of bond proceeds, which would be governed by any applicable bond documents and any other funds specifically exempted by SDCP's Board of Directors.

Acceptable Investment Types: To the extent possible, investments will align with SDCP's mission, vision, value, and goals.

- 1. Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet SDCP's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest-bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five (5) years. Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than 'satisfactory' in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code." As per Section 53652, banks must collateralize the deposits of public agencies in an amount equal to no less than 110% of as currently stated in the value of the deposits. The Treasurer will monitor the credit quality of eligible banks holding SDCP deposits that exceed FDIC insurance limits to ensure the safety of SDCP deposits.

- 2. Local Agency Investment Fund (LAIF):** Funds may be invested in the Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies. LAIF's investments in instruments prohibited by or not specified in SDCP's policy do not exclude the investment in LAIF itself from SDCP list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

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Commented [CM1]: CAM recommends adding risk management language permitting investing in LAIF if there is a discrepancy between SDCP policy and LAIF investments

Commented [CD2R1]: This will allow investments in LAIF even if they hold SDCP prohibited items. Protection from indirectly investing in prohibited items. This should be fine since we won't be able to control the LAIF holdings.

3. US Treasury Obligations: Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.

4. Federal Agency Securities: Funds may be invested in Federal Agency Securities or Government-Sponsored Enterprise (GSE) obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. No more than 20% of the total portfolio may be invested in callable agency securities and no more than 30% of the total portfolio may be invested in any single Agency/ GSE issuer.

Commented [CM3]: CAM recommends adding a 20% limitation to callables and 30% max total portfolio

Commented [CD4R3]: Setting percentage limitations seems fine and reasonable. @Eric Washington

5. Bankers' Acceptances: Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent of better by at least one NRSRO (Nationally Recognized Statistical Rating Organization). Not more than ~~40%~~ 40% of the portfolio may be invested in Bankers' Acceptances, and no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.

6. Negotiable Certificates of Deposit: Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:

A. Issued by an entity as defined in Section 53601(i); and

B. No more than 30% of the total portfolio shall be invested in certificates of deposit, no more than 5% of the total portfolio may be invested in any single issuer, and the maximum maturity does not exceed 5 years.

Commented [CM5]: CAM recommends adding risk management language to NCDs

Commented [CD6R5]: @Eric Washington Do we want the limit of 5% of total investments in a single issuer of a CD?

7. Placement Service Deposits: Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to the deposits placed pursuant to this section shall be limited by Section 53601.8.

8. Money Market Funds: Funds may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4). No more than 20% of the portfolio may be invested in the shares of any one Money Market Fund. No more than 20% of the total portfolio may be invested in these securities.

Commented [CM7]: Not sure what to adjust here

Commented [DD8R7]: 20% limit per fund and overall

Commented [CD9R7]: @Eric Washington Do we want the limit of 20% of total investments in a single money market fund? This is risk management strategy by forcing diversification.

9. Commercial Paper: of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B:

- A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.
- B. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

- No more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of SDCP's investment assets under management may be invested in Commercial Paper. Under a provision sunseting on January 1, 2026, no more than 40% of the total portfolio may be invested in Commercial Paper if SDCP's investment assets under management are greater than \$100,000,000.
- No more than 5% of the total portfolio may be invested in any single issuer,
- The maximum maturity does not exceed 270 days.

10. Medium Term Notes (MTN): The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. (Section 53601 et seq). The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than 30% of the total portfolio may be invested in MTNs, no more than 5% of the total portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.

11. Pass Thru Securities: Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (Section 53601 et seq) from issuers not defined in sections 3 and 4 of the Acceptable Investment Types section of this policy, provided that: The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO, no more than 20% of the total portfolio may be invested in these securities, no more than 5% of the total portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer and the maximum maturity does not exceed five (5) years.

12. Municipal Securities: include obligations of SDCP, the State of California and any local agency within the State of California.(Section 53601) provided that: The securities are rated in a rating category of "A" or its equivalent or better by at least one nationally recognized statistical rating organization ("NRSRO")., no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

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Commented [CM10]: CAM recommends adding MTN to permitted investments

Commented [CD11R10]: @Eric Washington Using MTN with good ratings as defined by our policy should provide us with safe investments.

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Commented [CM12]: CAM recommends adding Pass Thru securities to Acceptable Investment Types

Commented [CD13R12]: @Eric Washington This could lead to higher yield compared to traditional fixed-income investments due to prepayment risks from borrowers paying their loan off early.

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13. Municipal Securities; (Registered treasury notes or bonds) of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California (Section 53601). The securities are rated in a rating category of "A" or its equivalent or better by at least one NRSRO, no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

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14. Supranationals: Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. (Section 53601). The securities are rated in a rating category of "AA" or its equivalent or better by a NRSRO, no more than 30% of the total portfolio may be invested in these securities, no more than 10% of the total portfolio may be invested in any single issue and the maximum maturity does not exceed five (5) years.

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Prohibited Investment Types

Pursuant to Section 53601.6, SDCP shall not invest Funds in any security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to, inverse floaters, range notes, or mortgage-derived interest-only strips. The purchase of foreign currency denominated securities is prohibited. The purchase of Crypto Asset Securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. SDCP is prohibited from investing in any company or organization whose business do not align with SDCP's mission, vision, value, and goals.

Commented [CM15]: CAM recommends adding Supra's
Commented [CD16R15]: @Eric Washington We have to decide if we're okay with our funds being used in another country. I notice that MCE approves the use of Supra's in their investment policy.
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Investment Portfolio Management

The term to maturity of any Funds invested shall not exceed five (5) years pursuant to Section 53601. The Treasurer will allocate Funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

Commented [CM17]: Cam recommends adding language from SB 1489 limiting the purchase of a security with a settlement date greater than 45

Collateralization

Certificates of Deposit (CDs). SDCP shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit.

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The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Commented [CM18]: CAM recommends adding Collateralization language to policy

Bank Deposits. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. SDCP shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

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Risk Management and Diversification

SDCP's investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific security types, maturity segment, or in individual financial institutions. No more than 5% of the investment portfolio shall be in securities of any one issuer except for U.S. Treasuries, U.S. Government Agency issues, **Supranationals** and investment pools such as LAIF, and money market funds.

Commented [CM19]: CAM recommends adding Supra's to the list of securities permitted with more than 5% issuer limitation

- A. Credit Risk:** Credit risk, defined as the risk of loss due to failure of the insurer of a security, shall be mitigated by investing in those securities with an "A" or above rating and approved in the Investment Policy and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm SDCP's cash flow.
- B. Market Risk:** Market risk or interest rate risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by implementing a short term and long-term investment strategies. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return.

The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by SDCP based on SDCP's investment objectives, constraints and risk tolerances.

Credit Rating

This Investment Policy sets forth minimum credit ratings for each type of security. These credit ratings apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.

Minimum credit ratings:

- A.** For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as “+” or “- “) by at least one nationally recognized statistical rating organization (the “NRSRO”).
- B.** For securities with maturities greater than 13 months, the rating must be “A” or higher by at least one NRSRO.

The monitoring of credit ratings consists of the following procedures:

- 1.** When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, SDCP’s Finance Department or external investment adviser will analyze and evaluate the credit rating to determine whether to hold or sell the investment.
- 2.** In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit rating requirement, SDCP’s Treasurer will report the rating change to the Finance and Risk Management Committee in the monthly public report. In the same manner, the Finance and Risk Management Committee will be informed on the decision to hold or sell a downgraded security.
- 3.** The Investment Officials or authorized employees involved in the investment process and external investment advisers shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

Brokers

The Treasurer shall endeavor to complete investment transactions in accordance with Section 53601.5, institutions eligible to transact investment business with SDCP include:

- A. Institutions licensed by the state as a broker-dealer.
- B. Institutions that are members of a federally regulated securities exchange.
- C. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- D. Nationally or state-chartered banks.
- E. The Federal Reserve Bank.
- F. Direct issuers of securities eligible for purchase.

Broker/dealers shall be approved by the Chief Executive Officer upon recommendation by the Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Treasurer shall require any selected broker, brokerage firm, dealer, or securities firm to affirm that it has not, within any 48-consecutive month period, made a political contribution to any member of the SDCP Board, or any candidate who may join the SDCP Board in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, the Political Reform Act, including section 84308, or any applicable SDCP Policy, as amended from time to time. The selected broker or dealers shall be provided with and acknowledge receipt of this Policy.

Losses

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of SDCP or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third-party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608.

The Treasurer shall review all transaction confirmations for conformity with the original transaction and monitor for excessive trading.

Ethics and Conflict of Interest

The Investment Officials or authorized employees involved in the investment process, shall act as custodians of the public trust and will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Investment Officials and any external investment advisers acknowledge that all direct SDCP investments are subject to public review and evaluation.

SDCP Investment Officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

SDCP Investment Officials shall disclose to General Counsel or designee i) any material interests in financial institutions with which they conduct business, and ii) disclose any personal investments with a direct, indirect or beneficial interest totaling \$2,000 or more. Investment Officials shall refrain from undertaking any personal investment transactions with the same individual from the external investment adviser with whom business is conducted on behalf of SDCP.

Investment Officials, pursuant with all applicable laws, shall not accept honoraria, gifts, and gratuities from advisers, brokers, dealers, bankers, or other entity with whom SDCP conducts business.

Any external investment adviser contracted by SDCP will comply with Municipal Securities Rulemaking Board Rule G-37 and shall follow the Investment Adviser Fiduciary Standard established by the U.S. Securities and Exchange Commission.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Accordingly, the Treasurer shall establish and maintain internal controls that shall address the following points:

A. Control of Collusion: Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.

B. Clear Delegation of Authority to Subordinate Staff Members: Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid

improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

- C. Delivery-Versus-Payment (DVP):** All investment transactions shall be conducted on a delivery-versus-payment basis.
- D. Safekeeping and Custody:** Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not insured by the FDIC, shall be placed with an independent third party for custodial safekeeping. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in SDCP's portfolio shall be held in safekeeping in SDCP's name by a third-party custodian, acting as agent for SDCP under the terms of a custody agreement executed by the bank and SDCP. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by SDCP from the custodian listing all securities held in safekeeping with current market data and other information. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (1) local government investment pools; (2) time certificates of deposit, (3) Local Agency Investment Fund, and (4) mutual funds and money market mutual funds, since these securities are not deliverable.
- E. Avoidance of Physical Delivered Bearer Securities:** Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.
- F. Written Confirmation of Telephone Wire Transfers:** Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party.
- G. Audits:** SDCP's Funds shall be subject to a process of independent review by its external auditors. SDCP's external auditors shall review the investment portfolio in connection with SDCP's annual audit for compliance with the Policy pursuant to Section 27134. The results of the audit shall be reported to the Treasurer.

Reports

- A. Monthly:** The Treasurer will perform a monthly review of the investment function. Following the commencement of investment transactions, the Treasurer shall submit a monthly report of all investment transactions to the Finance and Risk Management Committee. Investment transactions are defined as the purchase, sale or exchange of securities.

B. Annually: The Treasurer will submit an annual report to the Finance and Risk Management Committee within 60 days of the end of a fiscal year providing the following:

- A list of individual securities by investment type, issuer, credit risk rating, CUSIP number, settlement date of purchase, date of maturity, par value and dollar amount invested on all securities, the market value and source of the market value information;
- A statement that the portfolio is in compliance with this Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
- A statement of SDCP's ability to meet anticipated cash requirements for the upcoming 12 months.
- The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's annual report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.

C. Annual Review: This Policy will be reviewed annually by the Treasurer. The Board is authorized to approve changes to this Policy following the review of proposed changes by the Finance Risk Management Committee.

Commented [CM20]: CAM recommends adding a market benchmark for performance evaluation

Glossary of Investment Terms

Commented [DD21]: Add new permitted investments

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKERS' ACCEPTANCES. A short-term, negotiable, unconditional, and time draft drawn on and accepted by a bank. It is typically used in trade to finance the purchase and sale of goods.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CRYPTO ASSET. Digital assets that use public ledgers over the internet to prove ownership. They use cryptography, peer-to-peer networks and a distributed ledger technology (DLT) – such as blockchain – to create, verify and secure transactions.

CUSIP. Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and Canadian companies, commercial paper, and U.S. government and municipal bonds.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DELIVERY vs PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

ISSUER. The entity identified as the counterparty or obligator related to a security trade.

INVERSE FLOATER. A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate.

INVESTMENT OFFICIALS. This includes any applicable SDCP staff participating in the investment process; SDCP Treasurer; SDCP Deputy Treasurer(s); and SDCP Board of Directors.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUID. Term for securities that can be converted to cash quickly.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE BACK SECURITY. Debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

MORTGAGE-DERIVED INTEREST-ONLY STRIPS. A financial product created by separating the interest and principal payments of a mortgage-backed security.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market

instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

RANGE NOTES. A structured investment where the coupon is linked to the performance of a reference index

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.



SAN DIEGO COMMUNITY POWER Staff Report – Item 5

To: San Diego Community Power Finance and Risk Management Committee

From: Eric Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Recommend Board Approval of Resolution No. 2024-03, Adopting the FY 2024-2025 Operating Budget, FY 2024-2025 Capital Budget, and FY 2025-2029 Capital Investment Plan

Date: June 20, 2024

RECOMMENDATION

Recommend Board Approval of Resolution No. 2024-04, adopting the FY 2024-2025 Operating Budget, the FY 2024-2025 Capital Budget, and the FY 2025-2029 Capital Investment Plan.

BACKGROUND


On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

Section 7.3.1 of the JPA specifies that that all subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval.

On July 28, 2022, the Board adopted a budget development schedule as part of the SDCP Budget Policy. This development schedule includes an annual budget review in May by the Financial and Risk Management Committee (FRMC), which occurs prior to the SDCP Board of Directors (Board) previewing the budget in May and prior to the Board potentially adopting the budget in June.



Table 1. Current Budget Development Schedule

February	March-April	May	June	
Develop Operating Revenue Estimate Develop Operating Expense Estimate Develop financial plan for credit rating in 3-years	Strategic planning sessions with SDCP Board (if applicable) Staff develop operating budgets Baseline budget is developed	Financial and Risk Management Committee Review SDCP Board Preview (Information Item)	Financial and Risk Management Committee Review SDCP Board Approval	July 1 st Budget Implemented Mid-year budget review (February) Budget amendments as necessary

Given the timeline in the Board adopted budget policy, the FRMC received a staff presentation on the preliminary proposed FY 2024-25 Operating Budget on May 16, 2024. On May 23, 2024, the Board similarly received and filed a presentation of the draft FY 2024-25 Budget. Finally, SDCP’s Community Advisory Committee received an additional presentation on the preliminary proposed FY 2024-25 budget.

Table 2 illustrates the proposed FY 2024-25 budget in comparison to SDCP’s budgets from prior years. Note that the CIP is included in Total Expenses.

Table 2. SDCP Budget History

Operating Budget	Net Revenues	Total Expenses	Net Position
FY 2021 Amendment	\$ 26,286,909	\$ 34,135,000	\$ (7,848,091)
FY 2022 Amendment	\$ 378,053,506	\$ 342,177,063	\$ 35,876,443
FY 2023 Amendment	\$ 929,791,929	\$ 772,078,709	\$ 157,713,220
FY 2024 Amendment	\$ 1,304,274,067	\$ 1,070,891,284	\$ 233,382,783
FY 2025 Proposed	\$ 1,177,925,889	\$ 1,143,919,262	\$ 34,006,627

ANALYSIS AND DISCUSSION

The proposed FY 2024-25 operating budget includes net operating revenue of \$1,177,925,889 and total expenses of \$1,143,919,262, resulting in net position of \$34,006,627.

The proposed FY 2024-25 capital budget includes revenue and expenses of \$16,434,280 to fund 16 projects in FY 2024-25 totaling 23 active projects during the fiscal year.

The proposed FY 2025-29 capital investment plan includes 23 projects that will receive funding in the five-year period, totaling \$28.1 million in investments. The first year of the FY 2025-29 CIP comprises the FY 2024-25 capital budget. Additionally, \$3.9 million in unspent continuing funds were appropriated by the Board in prior fiscal years and is represented as carryforward revenue.

The proposed budget includes the key assumptions outlined below. A more detailed breakdown and explanation of revenues and expenses are presented in Attachment A.



Operating Revenue

SDCP's net operating revenue consists primarily of revenues from sales of electricity. Assumptions for net operating revenue include:

- Enrollment of customers is substantially complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- A 4.5% uncollectible rate which remains the same from previous fiscal year.
- Rates were set and approved by the Board on January 18, 2024.
- Accounts for revenue adjustments from the May 30, 2024 Board meeting which added two new rate products: PowerBase and Power100 Green-e Certified Product.

Cost of Energy includes all the various services purchased from the power market through our counterparties to supply energy to SDCP's customers.

Operating Expenses

SDCP's operating expenses fall into five categories: "personnel costs", "professional services and consultants", "marketing and outreach", "general and administration", and "Programs". Expense assumptions include the following:

- **Personnel** include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately 10 new staff members (with 7.2 new staff members expected to be reimbursed by external funding) during the FY 2024-25 budget cycle growing the agency to 80 total staff.
- **Professional Services and Consultants** include SDGE fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services.
- **Marketing and Outreach** includes expenses for mandatory notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP.
- **General and Administration** budget covers the cost of office space, equipment, membership dues, and other general operational costs.
- **Programs** includes funding for general and administrative support for all program areas. This budget level 2 category is incorporated in General and Administration starting in the FY 2024-25 operating budget given the nominal amount.

Non-Operating Expenses

SDCP's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs are comprised of associated interest costs as well as potential renewal fees on debt or letters of credit.



Capital Investment Program (CIP)

In FY 2024-25 SDCP is continuing its Capital Investment Program (CIP) which contains all the individual capital projects, equipment purchases, and major programs for the agency that are intended to span multiple years. The FY 2024-25 operating budget proposes a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year. Additionally, the first year of the CIP is the proposed FY 2024-25 capital budget.

Net Income

The proposed FY 2024-25 budget results in a net position of \$34,006,627.

The following table illustrates SDCP's proposed FY 2024-25 operating budget compared to the amended budget for FY 2023-24.

Table 3. FY 2024-25 Proposed Budget compared to FY 2023-24 Amended Budget

Operating Revenues	FY 2024 Amendment	FY 2025 Proposed
Gross Ratepayer Revenues	\$1,365,732,007	\$1,233,430,250
Uncollectibles	(\$61,457,940)	\$55,504,361
Net Operating Revenues	\$1,304,274,067	\$1,177,925,889
Cost of Energy	\$1,020,844,552	\$1,073,648,137
Non-Energy Costs	\$43,708,093	\$53,820,095
Subtotal Operating	\$1,064,552,645	\$1,127,468,231
Interest and Related Expenses	\$2,393,639	\$1,276,000
Capital Investment Plan	\$3,945,000	\$15,175,030
Total Expenses	\$1,070,891,284	\$1,143,919,262
Net Position	\$233,382,783	\$34,006,627
Cumulative Net Position	\$419,334,646	\$453,341,273

Community Choice Aggregator (CCA) Comparison

By the end of FY 2024-25, SDCP is expected to have similar operating budgets and staffing levels compared to its peer CCAs of similar customer and load size.

Additionally, and similarly, by the end of FY 2024-25, SDCP's reserves, and total liquidity are expected to be comparable to its CCA counterparts who have investment-grade credit ratings.

FISCAL IMPACT

The proposed FY 2024-25 budget is expected to result in a net position of \$34,006,627. By the end of FY 2024-25, SDCP is projected to have total cash reserves of \$466,879,410, or 149-days cash on hand.

ATTACHMENTS

Resolution No. 2024-03 "Adopting the Fiscal Year 2024-2025 Operating Budget, the Fiscal Year 2024-2025 Capital Budget, and the Fiscal Year 2025-2029 Capital Investment Plan"

Attachment A: FY2024-25 Proposed Operating Budget and the FY 2024-25 Proposed Capital Budget

Attachment B: FY2025-29 Proposed Capital Investment Plan



RESOLUTION NO. 2024-03

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
SAN DIEGO COMMUNITY POWER ADOPTING THE FISCAL YEAR 2024-2025 OPERATING
BUDGET, THE FISCAL YEAR 2024-2025 CAPITAL BUDGET, AND THE FISCAL YEAR 2025-
2029 CAPITAL INVESTMENT PLAN**

A. San Diego Community Power (“SDCP”) is a joint powers authority 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, and amended on December 16, 2021, (“JPA Agreement”).

B. The JPA Agreement provides that SDCP’s fiscal year (“FY”) 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.

D. The SDCP Board proposes to adopt the FY 2024-2025 Operating Budget, attached hereto as Attachment A.

E. The SDCP Board further proposes to adopt the FY 2025-2029 Capital Investment Plan that provides comprehensive five-year plan for SDCP’s capital investment expenditures, attached hereto as Attachment B.

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

Section 1. The Board of Directors hereby adopts the FY 2024-2025 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2025-2029 Capital Investment Plan.

Section 3. 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 _____.

Joe LaCava Chair
Board of Directors
San Diego Community Power

ATTEST:

APPROVED AS TO FORM:

Maricela Hernandez, MMC, CPMC
Secretary, Board of Directors
San Diego Community Power

Veera Tyagi, General Counsel
San Diego Community Power



SAN DIEGO
**COMMUNITY
POWER**



SAN DIEGO COMMUNITY POWER

Proposed Budget

Fiscal Year 2024-25

Proposed Draft

June 27, 2024

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How to Use This Book

San Diego Community Power's (SDCP's) proposed Fiscal Year (FY) 2024-25 operating budget contains Agency budgetary and fiscal policy information as well as detailed operating budgets for Agency Divisions. The proposed operating budget is organized into the following sections:

EXECUTIVE SUMMARY includes the Chief Executive Officer's Letter and the Executive Summary of the proposed operating budget, and provides a high-level overview of the Agency's budget, the changes from the prior year, and other high-level details on specific highlights and changes in the proposed operating budget.

SDCP: An OVERVIEW provides a high-level overview of SDCP's governance, structure, and Agency values and priorities.

BUDGET PROCESS describes the various financial planning and budgeting processes and reports that inform the budget process.

BUDGET OVERVIEW describes the budget-in brief, financial data summarizing the SDCP's proposed budget, the Capital Investment Plan, and the agency's five-year financial plan.

BUDGET INFORMATION AND SUMMARY TABLES provides technical information on the structure, policies, and processes that govern the SDCP's budget development and implementation as well as high-level financial data summarizing the SDCP's proposed budget. The tables detail changes over a two-year period: FY24 Amended Budget, and the proposed FY25 Operational Budget. The variance column measures the dollar and position differences between fiscal years.

OPERATIONAL BUDGETS provides budgetary information and operational priorities for each of the SDCP's Departments. Department information is organized alphabetically by division name and includes the following information:

- Mission and Services
- Department Highlights
- Professional Services Agreement
- Objective Key Results
- Department Positions
- Organizational Chart depicts the department's organizational structure.
- Budget Data Summary; shows a summary of total expenditures and funded positions.

ADDITIONAL RESOURCES provides additional information related to the Community Choice Aggregator (CCA) industry as well as a glossary of commonly used terms.



A Letter from the Chief Executive Officer

I am very proud and excited to present San Diego Community Power's (SDCP's) operating budget for Fiscal Year (FY) 2024-25. I could not be more excited to partner with such a smart, capable, and mission driven SDCCP team, Board, and Community Advisory Committee to further our region's clean energy goals.

San Diego Community Power (SDCP) is a Community Choice Aggregator (CCA) committed to providing municipalities, businesses, and residents in the six-member cities and unincorporated San Diego County with clean, renewable energy at competitive rates and investing in innovative programs that benefit the environment and the economy in our communities.

Statistics show that the power sector produces more CO2 emissions than any other industry in the world. That is why the process and integration of renewable energy is so vital to our efforts for the environment. Renewables are projected to account for more than one-third of the world's electricity by 2025.

SDCP is very well positioned to have a significant impact in delivering 100% clean energy and community investment to a large set of commercial and residential customers. As the second largest CCA in California, there is much we can learn from our predecessor CCAs and much we can offer to further our collective goals.

The problems we face are complex, multi-faceted and require collaboration across government entities, utilities, the private sector, NGOs, and all our citizens. It takes a village, and so to be successful we are going to need to do a few key things out of the gate:

1. Listen closely to and collaborate with our current and future industry partners, city officials, constituents, customers, communities and regulatory bodies.
2. Ensure our investment dollars flow with high impact into our communities after deeply understanding their needs, aspirations, and challenges.



3. Hire the best and brightest who share our vision of a 100% clean energy future ([Career Opportunities - San Diego Community Power](#)).
4. Delight our customers with affordable clean energy, equitable opportunities, and tailored programs that encourage everyone to contribute to and be part of the clean energy transition ([Compare Service Plans - San Diego Community Power](#)).

As SDCCP continues to grow, this budget will:

1. Develop a budget that will ultimately prioritize people, transparency, and our communities.
2. Invest in strategic marketing to ensure the community is informed about SDCCP and that we continue to build professional-level name recognition, trust, and education.
3. Includes the addition of a Capital Investment Plan to inform the community of all future projects and programs.

Please join us at www.sdcommunitypower.org as we embark on an exciting, impactful, and globally important mission to deliver 100% clean energy to customers by 2035 while investing back into our local communities for a brighter, healthier future!

Sincerely,
Karin Burns
Chief Executive Officer

Overview of San Diego Community Power



Overview of San Diego Community Power

Who We Are

San Diego Community Power is a coalition of people who live and work in our communities, focused on moving towards a healthier and sustainable, clean energy future. We're friends and neighbors, teachers and students, employees, and bosses. We're of every color and ethnicity, every political stripe and religious belief. All of us have some important things in common: our goal is to manage our electricity supply, taking advantage of the affordable, common-sense options available for cleaner power, today and for future generations. We also prioritize people over profits, to create better health for everyone.

About Community Choice

SDCP is a Community Choice Aggregate (CCA) program — one of dozens that have formed throughout California over the past 20 years. CCAs are not-for-profit public agencies that partner with local investor-owned utilities (San Diego Gas and Electric (SDG&E) in our case) to deliver cleaner electricity to their communities. CCAs introduce healthy competition into the energy marketplace and eliminate shareholders who profit on your electricity use. Power is cleaner, just as affordable, and just as reliable. It's a simple model that's focused on the future, and really works.

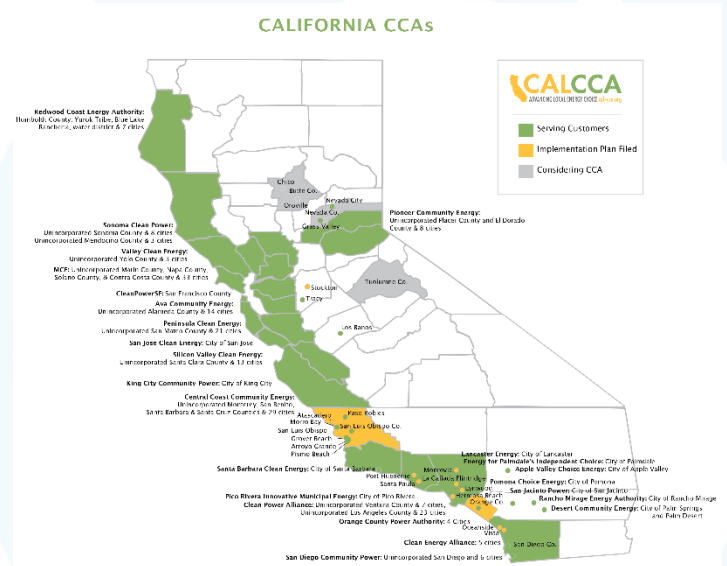
This not-for-profit model goes even further, eliminating for-profit shareholders who make a profit on your electricity use.

At SDCP, our only shareholder is you.

Community Choice Energy might be new to San Diego, but programs just like this one have been springing up throughout California for over 20 years. SDCP is one of 25 programs. Our members are successfully and reliably serving upwards of 14 million customers in more than 200 cities and counties in California. Why is Community Choice growing so fast? That's easy—it's a simple model that works for people of every age, ethnicity and

income group. The public gets choices that make real sense. Choices that are sensible, affordable, and focused on the future.

FIGURE 1: CCAs IN CALIFORNIA



Serviced Communities

San Diego Community Power

SERVICE AREA MAP

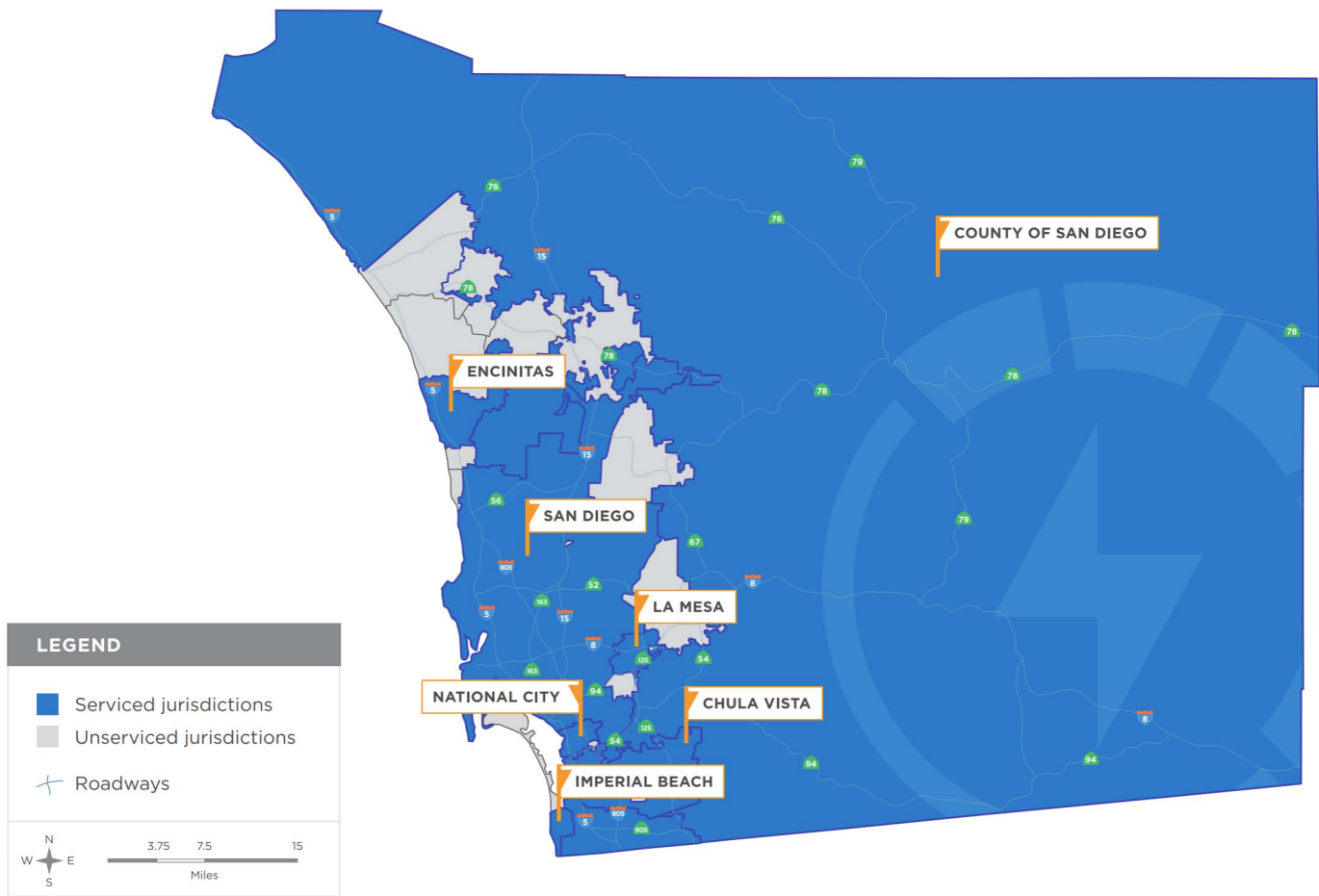


FIGURE 2: SERVICE MAP IN CALIFORNIA

County Population

San Diego County, situated as the southernmost major metropolitan area in the State of California, boasts a diverse and vibrant population. According to the State of California Department of Finance, as of May 2022, the county's estimated population on January 1, 2022, stood at 3.29 million. This figure represents a decline of 0.85 percent (approximately 28,000 individuals) from the January 1, 2021, estimate reported in May 2021. San Diego County ranks as the second-largest county by population in California and the fifth-largest in the entire nation. These rankings are based on data from the U.S. Census Bureau, which relies on the 2021 population estimate.



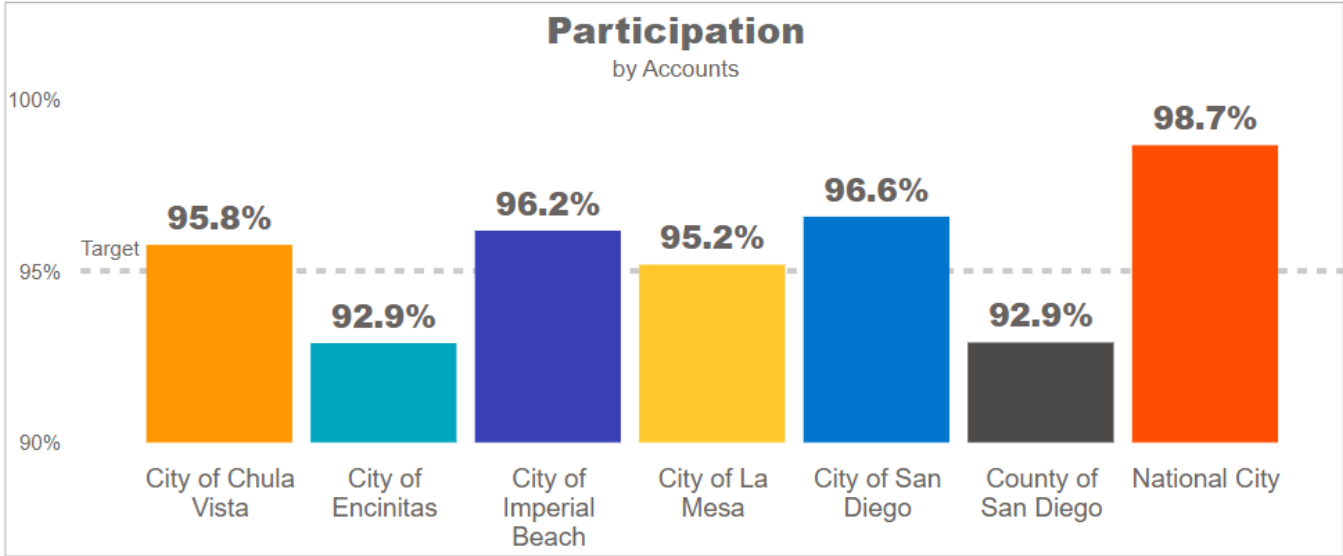
Looking ahead, population estimates from the San Diego Association of Governments (SANDAG) project significant growth. By the year 2035, the San Diego regional population is expected to reach approximately 3.62 million, reflecting a substantial 28.7 percent increase compared to the year 2000 and a 10.1 percent increase relative to 2022.

San Diego County Population					
COUNTY/CITY	4/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
San Diego County					
Carlsbad	115,029	115,373	115,033	115,045	114,319
Chula Vista	275,127	275,498	275,427	276,813	278,247
Coronado	23,504	22,415	22,082	22,272	21,589
Del Mar	3,951	3,927	3,909	3,918	3,919
El Cajon	106,321	106,112	105,171	104,804	104,180
Encinitas	61,506	61,593	61,283	61,254	61,028
Escondido	151,289	151,371	150,419	150,571	150,002
Imperial Beach	26,577	26,336	26,163	26,109	26,096
La Mesa	60,637	60,620	60,412	60,753	60,620
Lemon Grove	27,386	27,333	27,109	27,517	27,568
National City	58,643	58,524	58,545	58,374	58,555
Oceanside	173,283	173,354	172,463	172,186	171,483
Poway	48,781	48,637	48,515	48,620	49,273
San Diego	1,383,020	1,377,960	1,375,687	1,383,623	1,385,379
San Marcos	94,287	93,456	93,851	94,823	95,998
Santee	59,654	59,140	58,886	59,574	59,195
Solana Beach	12,931	12,890	12,792	12,831	12,887
Vista	98,690	99,320	99,997	100,113	99,723
Balance Of County	518,018	513,021	510,986	511,223	511,040
Incorporated	2,780,616	2,773,859	2,767,744	2,779,200	2,780,061
County Total	3,298,634	3,286,880	3,278,730	3,290,423	3,291,101

FIGURE 3: SAN DIEGO COUNTY POPULATION

Source: U.S. Census - 2010 data, California Department of Finance 2021 estimate as of May 2, 2021 and California Department of Finance 2022 estimate as of May 2, 2024 estimate.



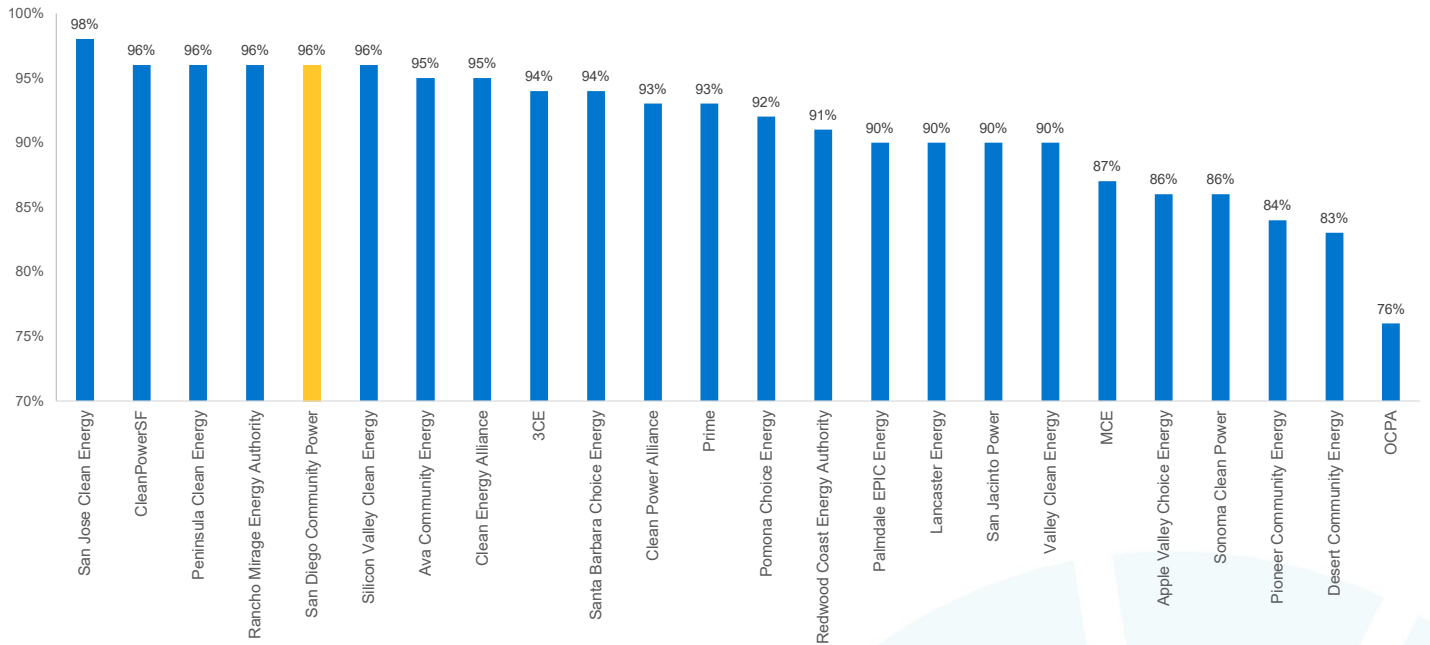


Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,419	97,556	4,137	95.8%
City of Encinitas	26,429	28,450	2,021	92.9%
City of Imperial Beach	10,529	10,948	419	96.2%
City of La Mesa	28,005	29,422	1,417	95.2%
City of San Diego	599,220	620,435	21,215	96.6%
County of San Diego	153,881	180,516	12,791	92.9%
National City	18,546	19,213	257	98.7%
Total	930,029	986,540	42,257	95.7%

FIGURE 4: PARTICIPATION BY JURISDICTION



Participation Rates Across CCAS



Source: <https://cal-cca.org/>. Current as of December 2023.

FIGURE 5: PARTICIPATION RATES ACROSS CCAS

Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, La Mesa, and Imperial Beach adopted an ordinance and resolution to form San Diego Community Power, a California joint powers agency. In 2021, the County of San Diego and National City voted to join SDCP.

SDCP’s Board is comprised of elected representatives from each member jurisdiction. The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings, where they establish policy, set rates, determine power options and maintain fiscal oversight.

As a public agency, SDCP is designed to be fully transparent with all official meetings and information open to the public.

FIGURE 6: SDCP MEMBER CITIES



Organization Structure

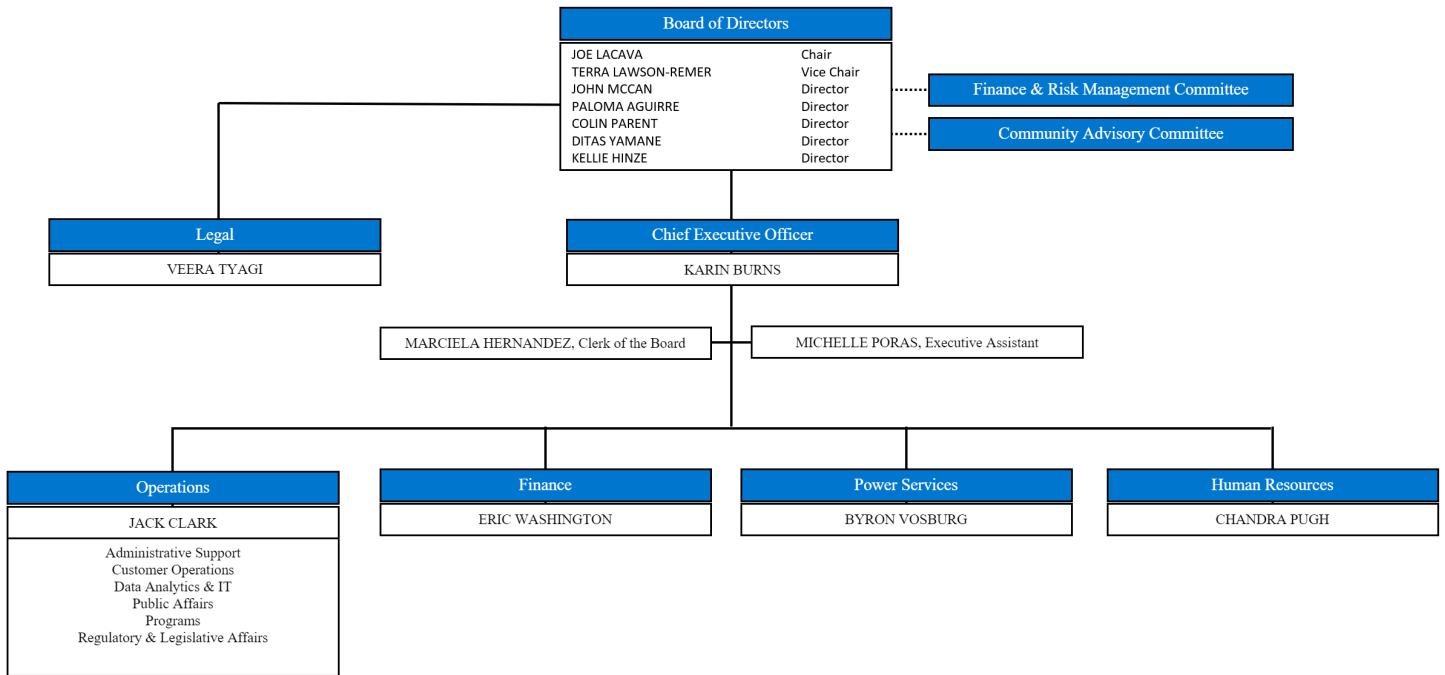


FIGURE 7: ORGANIZATIONAL STRUCTURE



Executive Team



Karin Burns

Chief Executive Officer



Eric Washington

Chief Financial Officer and
Deputy Chief Executive
Officer/Treasurer



Jack Clark

Chief Operating Officer



Byron Vosburg

Chief Commercial Officer *



Veera Tyagi

General Counsel

FIGURE 8: EXECUTIVE TEAM



Budget Process



Budget Process

Annual Budget Cycle

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors shall adopt an annual budget with a fiscal year that runs from July 1 to June 30. Section 7.3.1 of the JPA additionally specifies that the board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses.

The SDCP Board of Directors adopted the [SDCP Budget Policy](#) on July 28, 2022, that formally outlined the agency’s budget preparation steps and timeline.

The Chief Financial Officer (CFO) begins the annual budget process in February of any given year. The Finance department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, SDCP staff develop and refine budget proposals to develop an initial budget baseline for the Agency for the upcoming budget year. The budget is further refined through strategic planning sessions and through the SDCP Finance and Risk Management Committee (FRMC).

The CFO will then be required to prepare and submit to the SDCP Board of Directors (Board) a draft proposed budget for the next following fiscal year in May, or no later than the second month immediately preceding the start of the respective fiscal year. The budget shall be in alignment with established goals and shall reflect all activities including operating programs, revenues, and expenditures. The budget shall be approved by the Board at a public meeting in June, or no later than the month immediately preceding the start of the respective fiscal year.

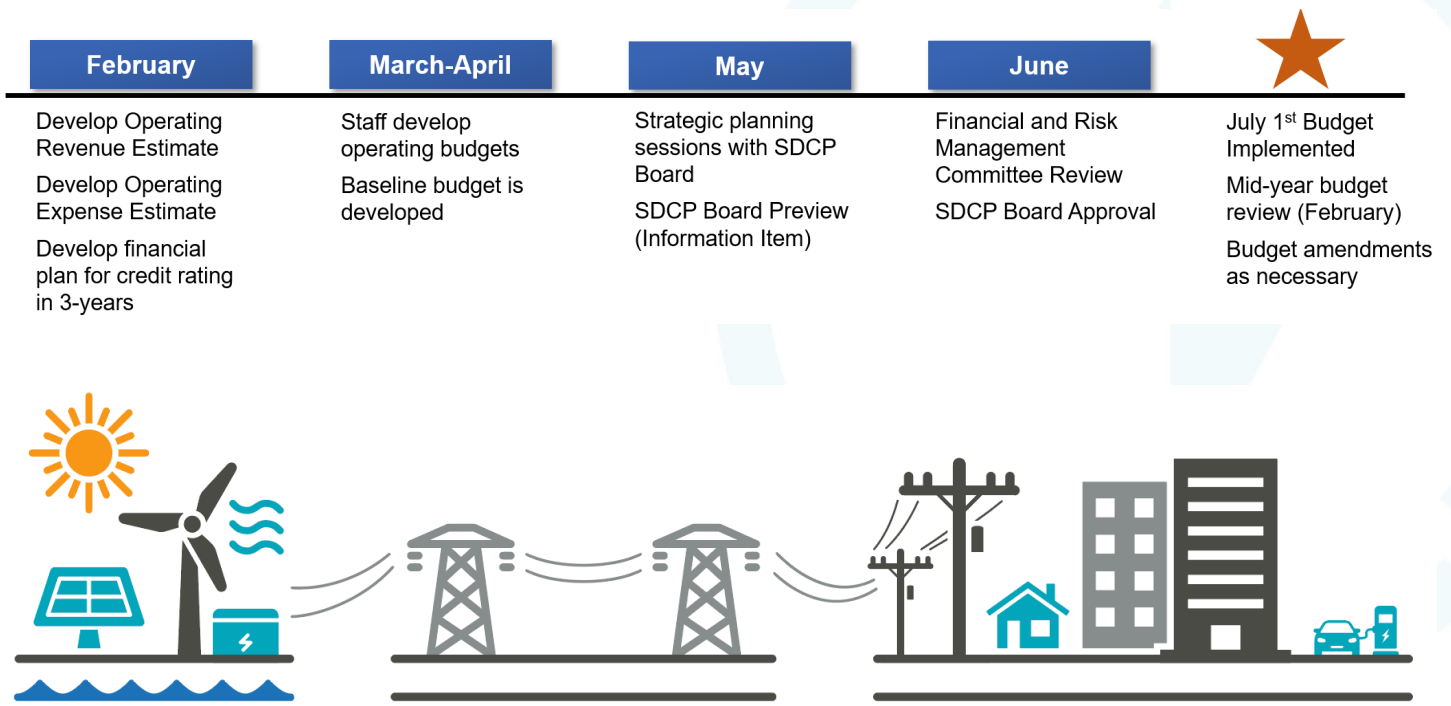


FIGURE 9: TYPICAL ANNUAL BUDGET PROCESS

Budget Calendar

Date	Milestone
January 2024	Finance department prepares for February launch of the annual budget cycle.
February 2024	Budget process begins. Initial revenue and expense estimates are developed.
March to April 2024	Departments propose unconstrained expense requests for review.
April 2024	Staff set initial budget baseline.
May 16, 2024	Financial Management and Risk Committee reviews the FY 2024-25 budget and provides feedback.
May 23, 2024	FY 2024-25 budget is reviewed by the Board of Directors as an information item.
June 13, 2024	Citizens Advisory Committee reviews the FY 2024-25 budget and provides feedback.
June 20, 2024	Financial Management and Risk Committee reviews the FY 2024-25 budget and provides final feedback.
June 27, 2024	FY 2024-25 budget is potentially adopted by the Board of Directors as an action item.
July 1, 2024	FY 2024-25 budget is implemented.

FIGURE 10: BUDGET CALENDAR



Strategic Planning

SDCP's budgeting process is built around the objectives outlined in its Strategic Plan. The Plan's framework assists staff in weighing the community's priorities against the limited resources available to achieve its strategic goals.

The Strategic Plan is an important management tool to guide operations, assessing the current environment and envisioning the future, to increase effectiveness, organizational commitment, and consensus of SDCP's strategies and objectives.

The Strategic Plan provides a comprehensive framework that ensures priorities set by the SDCP Board are clear to all staff and that SDCP is accountable to meeting community needs by setting objectives to meet identified goals.

On June 23, 2022, the SDCP Board adopted its mission, vision, core values and goals for 2023-2027 as part of its 2023-2027 Strategic Plan. Subsequently, on April 21, 2023, the SDCP Board updated its Strategic Plan.

SDCP then incorporated its Strategic Planning updates into the FY 2024-25 operating budget as part of its annual budget cycle adopted through its Budget Policy.

Mission Statement

Through the Strategic Planning process, SDCP defined its overall Mission Statement. Our Mission summarizes at the highest level why we are here. Everything we do contributes to our ability to achieve the mission.

Vision Statement

SDCP additionally defined its overall Vision Statement to guide the agency. Our Vision describes what we aspire to be as an organization. This is where we are going. Our vision is our commitment to making bold progress in this direction.



FIGURE 11: SDCP'S MISSION STATEMENT

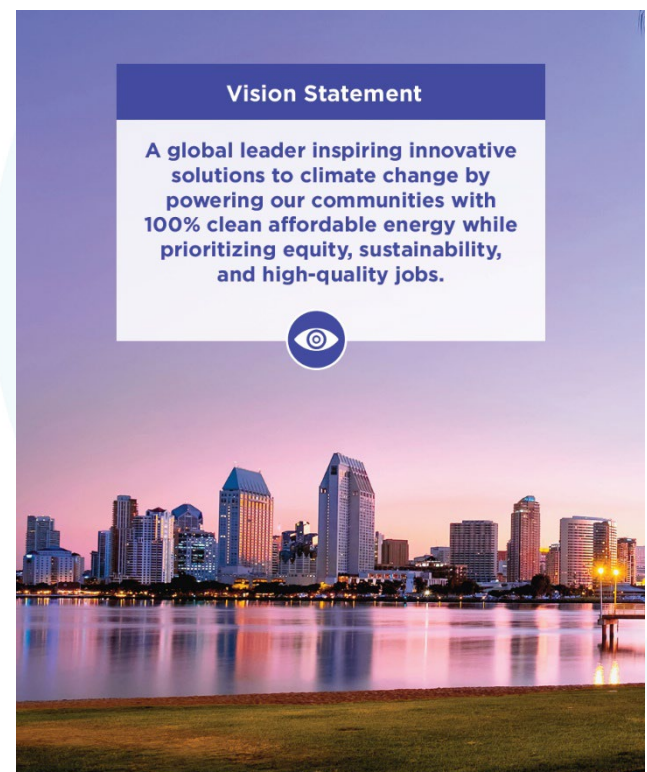


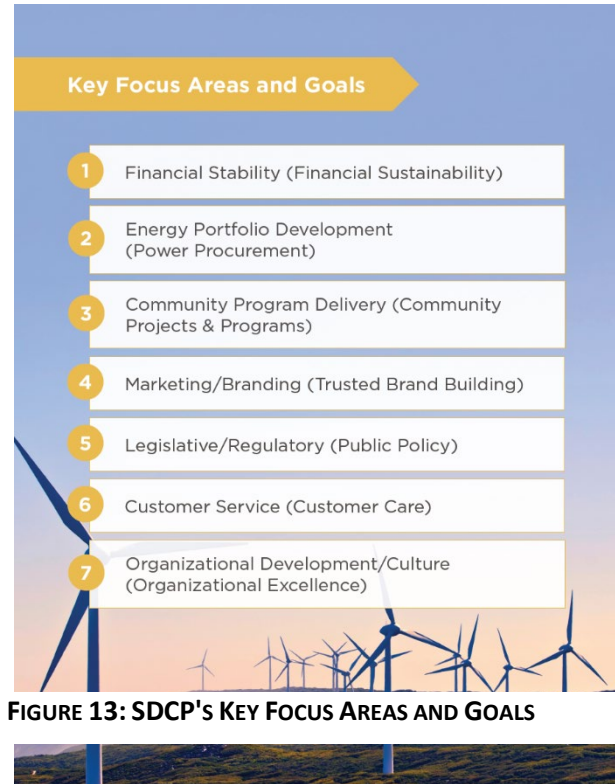
FIGURE 12: SDCP'S VISION STATEMENT

Strategic Goals

To achieve our Mission and Vision, we work to balance our performance across seven Strategic Goals. These are high level, long-term goals that guide our work.

SDCP's Strategic Goals can be further defined and expanded as follows with specific actions to achieving these goals.

1. **Financial Stability – Practice fiscal strategies to promote long-term organizational sustainability.**
 - Adopt financial controls and policies to meet or exceed best practices and manage risk.
 - Obtain an investment-grade credit rating by November 2025.
 - Adopt plan to increase reserves to \$175 million by October 2023 (90-days cash on hand) and \$360 million by October 2025 (180-days cash on hand).
 - Develop Rate Stabilization Reserve of \$70 million to mitigate power cost fluctuations and economic downturns.



2. **Energy Portfolio Development - Provide sufficient, reasonably priced, clean electricity to our customers.**
 - Manage portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing, and staff training.
 - Develop secure Clean Energy Portfolio with goals of: 50% RE (2022), renewable energy 5% (2027), 85% (2030), and 100% (2035).
 - 15% of our energy coming from new, distributed infill storage/solar+ storage resources within Member Agencies by 2035.
 - Support development of innovative energy sources to improve resiliency through pilot programs, grant programs, and partnerships.
 - Create high quality local jobs in renewable energy that support healthy families and vibrant communities.
3. **Community Program Delivery - Implement energy projects and programs that reduce greenhouse gas emissions, align energy supply and demand, and provide benefits to community stakeholder groups.**
 - Implement Community Power Plan (CPP) recommended programs through continuous community engagement and assessment of community benefits while considering technology/ market changes and changing community needs.
 - Invest in programs that target communities of concern (underserved communities) and are distributed throughout our Member Agencies.
 - Invest in programs that promote residential and commercial solar, infill solar and/ or distributed battery storage.
 - Develop local support for deep decarbonization through building and transportation electrification.
 - Develop workforce opportunities in the local clean energy economy (green careers).
 - Support local government and state initiatives to advance decarbonization in alignment with Member Agency Climate Action Plans.
 - Provide all customers with actionable clean energy education.
 - Maintain appropriate and sufficient data sources to support smart program design, implementation and evaluation.

4. **Brand Building** – Develop trusted brand reputation to help drive participation in programs and ensure support customer service and retention.
 - Identify and address gaps between perception and desired brand identity.
 - Translate policy issues into consumer-friendly information and communication.
 - Become known as leadership experts on the CCA model and the industry.
 - Foster relationships with city planning offices, CBOs, NGOs, and Trade Associations.
 - Develop relationships with industry media and influencers.
 - Engage community through participation in local events.

5. **Public Policy** – Advocate for public policies that advance SDCP organizational priorities.
 - Proactively educate and engage policymakers to develop policies that support SDCP’s organizational priorities, including advocacy around Power Charge Indifference Adjustment (PCIA) reductions.
 - Sponsor and support legislation and regulation that is consistent with SDCP’s mission, vision, and goals.
 - Develop annual legislative plan to advance and support SDCP objectives and share plan with local Senate and Assembly members and staff.
 - Develop plan to meet more proactively with and educate key decisionmakers (e.g. CEC, CPUC commissioners).
 - Coordination with Member Agency government affairs’ teams to align on legislative positions.
 - Continue to be an active participant in CalCCA and develop partnerships and coalitions to advance SDCP’s policy and legislative agenda through CalCCA efforts.

6. **Customer Service** – Ensure high customer retention and satisfaction.
 - Ensure customer satisfaction through key relationships including back-office support and key stakeholders.
 - Continually strive to offer competitive rates.
 - Maintain and grow high levels of customer participation and satisfaction.
 - Achieve 10% of our load at the Power 100 service level by 2027.
 - Build a robust data ecosystem for effective procurement as well as program design, management and evaluation.

7. **Organizational Excellence** – Ensure excellence by adopting sustainable business practices and fostering a workplace culture of innovation, diversity, transparency and integrity.
 - Create an organizational culture of inclusion, mutual respect, trust, innovation, and collaboration that upholds organizational core values.
 - Develop an annual staffing plan that identifies and addresses resource needs and gaps.
 - Provide training and professional development opportunities that build new skills and abilities.
 - Foster culture of innovation to yield solutions that accelerate our mission and drive toward SDCP’s vision.
 - Design and implement an internship program that attracts workforce from our member cities and creates opportunities for candidates new to CCAs and the industry.
 - Build institutional capacity of CAC to support the mission and core goals of SDCP.



Community Outreach Strategy

SDCP in general is in regular communication with regional media in the spirit of transparency and openness with the goal of providing factual, timely information to the public at large. SDCP’s goal is to develop trusted brand reputation to help drive participation in programs and support customer service and retention.

SDCP and its marketing and communications contractor, have worked together to develop a high-impact campaign targeted at its recent Phase 4 enrollment but included additional education and outreach about SDCP that included the following:

- Multiple mailers sent directly to customer.
- Targeted marketing in local publications.
- Advertising on billboards in high-traffic areas.
- Created opportunities to meet with over 500k people at in-person events.

Radio, online and billboard advertisement campaigns began in March 2023. As of May 2024, there have been more than 3.5 million impressions from paid media campaigns related to enrollment for this year alone.

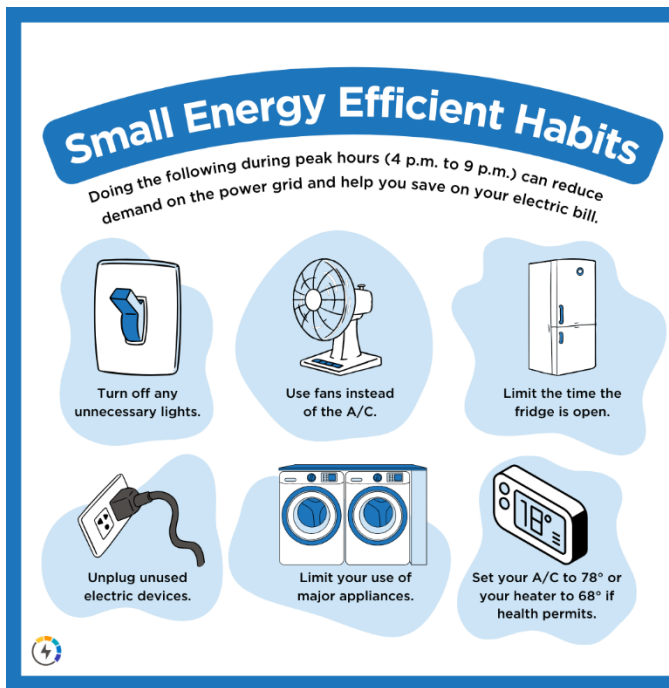


FIGURE 14, 15 & 16: SOCIAL MEDIA OUTREACH

The SDCP Community Power Plan (CPP), adopted by the SDCP Board on May 25, 2023, is a key planning document that guided SDCP’s Capital Investment Plan investments. The CPP provides strategic direction for developing customer energy programs over the next five years. As a not-for-profit public agency, SDCP is committed to developing a suite of customer energy programs that respond to community needs, with a focus on Communities of Concern.

The community engagement process for the CPP provided SDCP a key opportunity to hear directly from community members and to build relationships with community partners. SDCP is invested in developing and maintaining relationships with community partners so that community input can continue to inform future program design and implementation. The community engagement process conducted as part of this Plan should therefore be viewed as a key step in establishing an on-going relationship with the community, rather than as a one-time process.

The community needs assessment was a fundamental piece of the CPP and included extensive community outreach. Between May and November 2022, SDCP heard from more than 3,450 community members through listening sessions, workshops, pop-up events in harder-to-reach communities, and a customer-wide survey. This helped SDCP understand the challenges, needs, goals, and priorities that could be addressed through customer energy programs. Throughout the community engagement process, SDCP prioritized equity and Communities of Concern. Additionally, SDCP sought to develop foundational partnerships with community-based organizations.

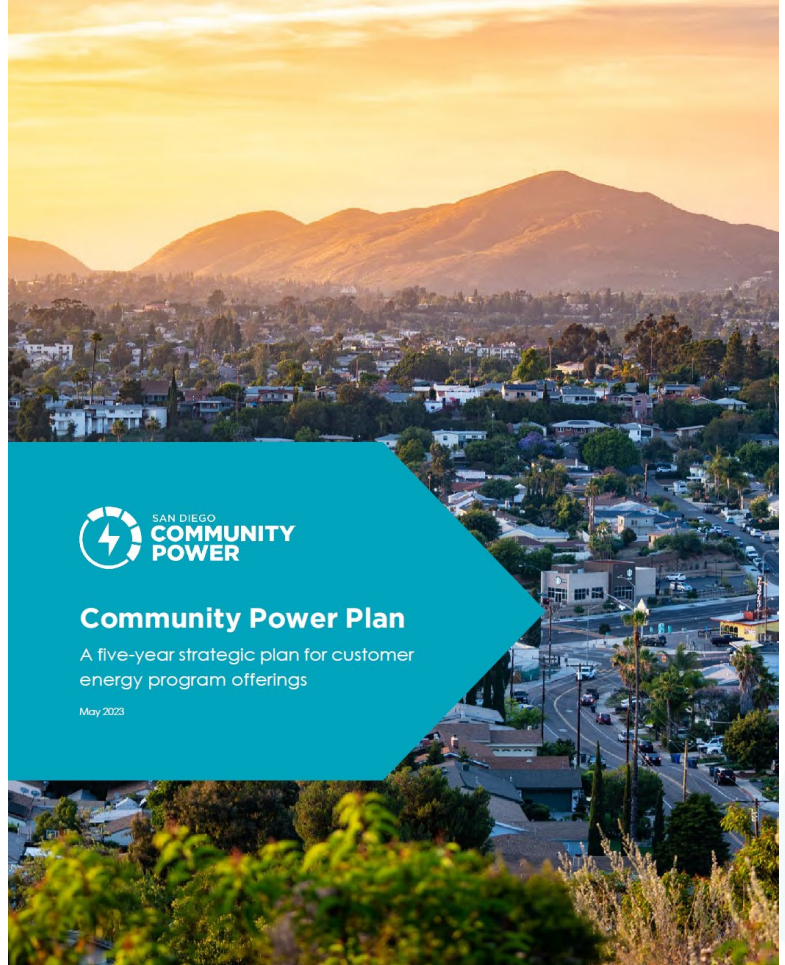


FIGURE 17: SDCP COMMUNITY POWER PLAN

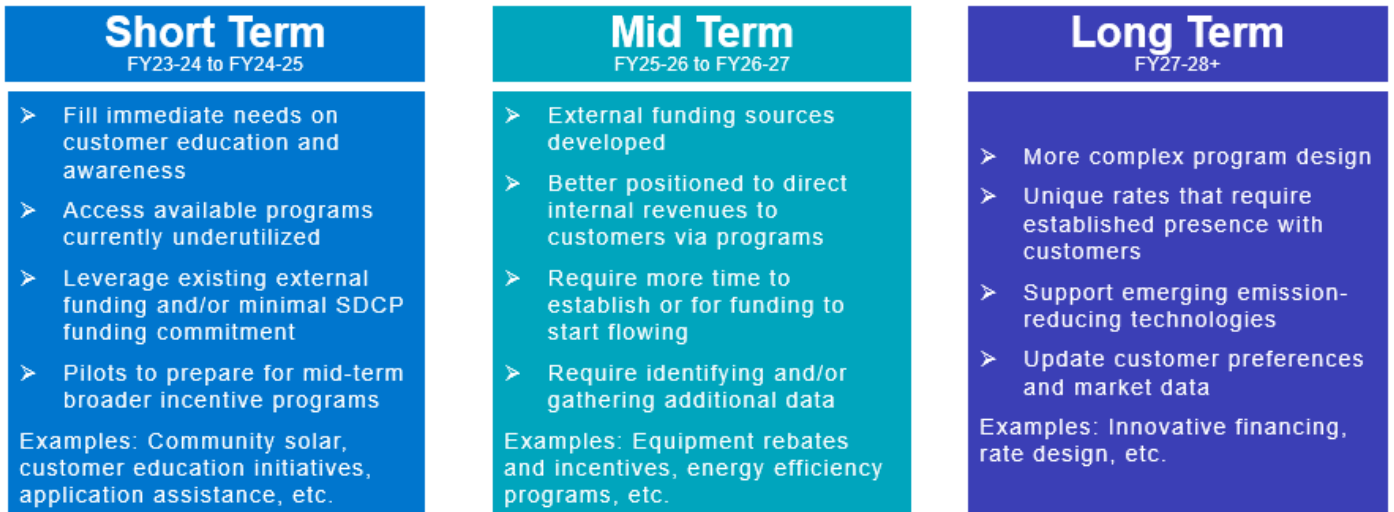


FIGURE 18: COMMUNITY POWER PLAN TIMELINE

TABLE 1: COMMUNITY NEEDS ASSESSMENT

Engagement Method	Estimated Number Engaged
Community-Based Organization Co-Hosted Listening Sessions (2 Rounds)	325
Business, Key Stakeholders, and Public Listening Workshops	45
Unincorporated San Diego County Pop-Up Events	100
Community Needs Survey	2,980
Total	3,450



FIGURE 19: ANNUAL (DOING) BUSINESS FOR GOOD SUMMIT AT BREAD & SALT



FIGURE 20: CBS 8 SDCP TV FEATURE



FIGURE 21: GROSSMONT OUTREACH

During the community needs assessment, SDCP’s leadership—the Board of Directors, Community Advisory Committee, and staff—was also engaged to further explore the opportunities for SDCP to meet community needs through its program offerings. All the input received throughout the community and organizational engagement was used to identify key priorities that were later incorporated into a program prioritization framework tool. The program prioritization tool and community and organizational priorities helped in the evaluation of potential programs recommended in this Plan and served as important context for SDCP for future program design.



Budget Guidelines

Joint Powers Agreement

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. There are several sections of the JPA that guide the development and management of the budget.

Section 4.6 Specific Responsibilities of the Board. The specific responsibilities of the Board shall be as follows:

4.6.2 Formulate and adopt an annual budget prior to the commencement of the fiscal year;

Section 7.2 Depository

7.2.3 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.

Section 7.3 Budget and Recovery Costs

7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

On July 28, 2022, the SDCP Board adopted the [SDCP Budget Policy](#) which outlined the timeline for annual budget preparation and for discretionary budget adjustments. This Policy was adopted pursuant to Government Code Section 6508 et seq.

Budget Policy

Discretionary Budget Adjustments. The CEO or CFO will have the discretion to authorize expense transfers from line items between and within SDCP's budget level 2 categories as established and approved in the annual budget process by the SDCP Board, provided that net transfers total \$150,000 or less from the budget category.

The CEO under his or her discretion may still require approval of the Board for any budget changes that may fall under the discretion of the Policy. Amendments to the annual budget as approved by the Board will reset the original appropriation (revenue or expense) for the fiscal year for the purposes of the Policy.

A budget amendment is expected to occur in February of each calendar year to adjust the original appropriation as necessary and in alignment with SDCP's rate-setting policy in which SDCP's rates are expected to be adjusted in January, the month prior.

Balanced Budget. A balanced budget shall exist when the total projected revenues are greater than or equal to total projected expenses. Total revenues shall include all revenues from retail and wholesale sales of electricity. Total expenses shall include all operating expenses, program expenses, and contributions to reserve funds. Any year-end surplus will be used to maintain reserve levels. Any decrease in revenues and or increase in expenditures that causes the budget to become imbalanced will require an amended budget. The CFO shall prepare a proposed amended budget and submit to the Board for approval.



The Agency also maintains several policies posted to its [Key Documents](#) page on its website that provides further fiscal guidance.

- Budget Policy
- Financial Reserves Policy
- Procurement Policy
- Debt Policy
- Investment Policy
- Rate Development Policy

Other related policies that may directly affect SDCP's finances include:

- Energy Risk Management Policy
- Delegated Contract Authority
- Total Compensation Policy
- Board and Committee Compensation Reimbursement Policy
- NEM Program Policy
- Sponsorship Policy
- Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) Tariff Terms and Conditions of Service+
- Net Billing Tariff (NBT)
- Collections and Delinquent Accounts Policy
- Member Agency Grant Program Policy

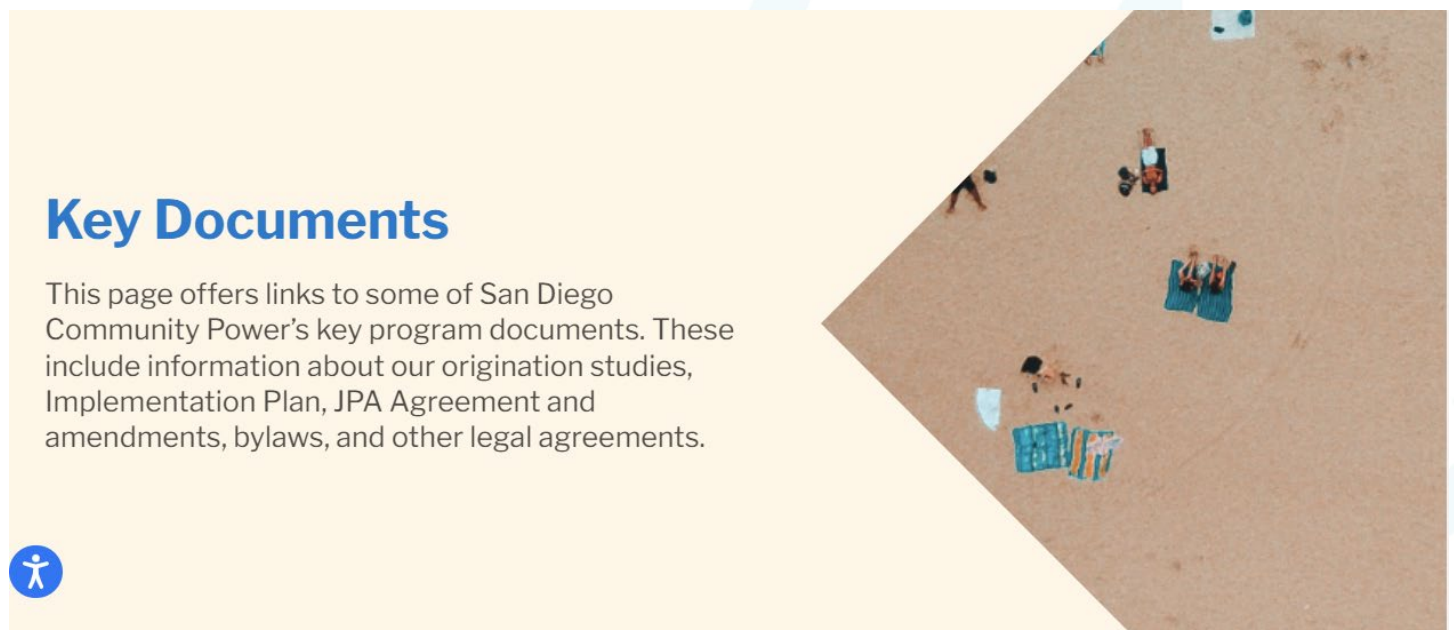


FIGURE 22: KEY DOCUMENTS PAGE ON WEBSITE

Budget Structure

SDCP’s basis of budgeting is through the accrual method. This method means planning that includes revenues and expenses in the budget of the year in which the underlying economic events are expected to occur, not necessarily in the year in which the related cash is expected to be received or paid.

SDCP’s basis of accounting, similarly, in its financial statements are as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Department Hierarchy

SDCP’s budget is developed as a line-item budget and is organized by department to indicate the Agency’s organizational responsibility.



FIGURE 23: BUDGET STRUCTURE - DEPARTMENT HIERARCHY

Budget Level Hierarchy

Additionally and separately, the budget is also organized by budget levels to organize expenses into relevant, related categories.

- 1. Operating Revenues**

For the first time since conception Operating revenues allow for revenues from sales of electricity to customers complete . Assumptions include an overall 5% opt-out rate.



2. **Operating Expenses**

SDCP's operating expenses fall into five categories: cost of energy, personnel costs, professional services and consultants, marketing and outreach, and general and administration.

- I. **Cost of Energy** – Includes all the various services purchased from the power market through our suppliers to supply energy to SDCP's customers.
 - II. **Personnel** – Include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately 24 new staff members and two interns during the FY 2024-25 budget cycle.
 - III. **Professional services and consultants** – Include SDG&E billing service fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services. Funding is also included for a program consultant to guide future program investments in the community. Professional services and consultants are further broken down into the below Budget Level 3 categories.
 - a. Data Management
 - b. SDG&E Fees
 - c. Technical Support
 - d. Legal/Regulatory
 - e. Other Services
 - f. Programs Consultant
 - IV. **Marketing and Outreach** – Includes expenses for mandatory enrollment notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP. Marketing and outreach are further broken down into the below Budget Level 3 categories.
 - a. Printing
 - b. Sponsorships and Local Memberships
 - c. Communications Consultants
 - V. **General and Administration** – Costs include leasing office space, industry fees or memberships (e.g., bank fees, CalCCA dues), equipment and software, as well as other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, logo gear, and team building.
 - VI. **Programs** – Includes funding to support initial pilot programs, grants to community organizations, investments that generate equitable energy-related benefits, education campaigns, opportunities for increased collaboration with member agencies and funding for a potential new CPUC energy-efficiency program.
3. **Non-Operating Revenues** – SDCP's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs are comprised of repayment of loan principle, associated interest costs as well as potential renewal fees on debt or letters of credit.
4. **Capital Investment Plan (CIP)** – SDCP's budget also includes non-operating expenses related to a Capital Investment Plan. These expenses could be paid with internal or external fund sources and are considered one-time projects or programs.

Budget Level 1	Budget Level 2	Budget Level 3
Operating Revenue	Revenue	Gross Ratepayer Revenues
Operating Revenue	Revenue	(Less 4.5% Uncollectible Customer Accounts)
Operating Expense	Programs	Administration
Operating Expense	Professional Services and Consultants	Data Management
Operating Expense	Professional Services and Consultants	SDG&E Fees
Operating Expense	Professional Services and Consultants	Other Services
Operating Expense	Professional Services and Consultants	Legal/Regulatory
Operating Expense	Professional Services and Consultants	Technical Support
Operating Expense	Personnel Costs	Salaries
Operating Expense	Personnel Costs	Accrued PTO
Operating Expense	Personnel Costs	Benefits (retirement/health)
Operating Expense	Personnel Costs	Payroll Taxes
Operating Expense	Marketing and Outreach	Printing
Operating Expense	Marketing and Outreach	Partnerships/Sponsorships/Memberships
Operating Expense	Marketing and Outreach	Marketing and Communications
Operating Expense	General and Administration	Other G & A
Operating Expense	General and Administration	Rent
Operating Expense	General and Administration	Cal CCA Dues
Operating Expense	General and Administration	Insurance
Operating Expense	Cost of Energy	Cost of Energy
Non-Operating Expense	Debt Service	Interest and Related Expenses
CIP	CIP	CIP

Figure 24: Budget Structure - Budget Level Hierarchy



Fund Structure

A fund is defined as a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources together with related liabilities. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. SDCP has two types of funds:

1. **Operating Fund** – Accounts for activities which are supported by ratepayer funds. All of SDCP’s general operating activities are included in the Operating Fund which functions very similarly to the general fund of a city or county. The Operating Fund is the primary fund of SDCP and is considered an annual fund in which all unused funds at the end of a fiscal year revert to the agency’s fund balance.

The only source for the Operating Fund is from ratepayer funding. SDCP believes strongly in maintaining a structurally balanced budget in which all ongoing operating activities are supported only by stable, ongoing revenue such as ratepayer funding.

SDCP offers four service levels to its customers which, taken together, ultimately comprise the source of ratepayer funds for the agency.

- **PowerOn**, our standard service offering which provides a minimum of 50% renewable power and is competitively priced to San Diego Gas & Electric (SDGE)
 - **Power100**, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a \$0.01/kWh adder to the PowerOn service.
 - **Power100 Green+**, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, only available to commercial and industrial customers, and is currently priced at a \$0.02/kWh adder to the Power On service.
 - **PowerBase**, our economical service whose renewable content is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 2.5% discount compared to SDG&E’s rates currently in effect as of March 1, 2024, for the period from July through December 2024.
2. **Continuing Fund** – Accounts for one-time activities in SDCP’s Capital Investment Plan and which are supported by one-time funds. The Continuing Fund is considered a continuing fund in which all unused funds at the end of the fiscal year continue to the next fiscal year. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets or other one-time efforts.

SDCP’s Continuing Fund is composed of the following revenue sources:

- **SDCP Operating Transfers:** Through the annual budget process, the SDCP Board may approve an appropriation of funds to be transferred out of the operating budget and transferred into the CIP. These funds will remain in an SDCP continuing fund to be used across multiple fiscal years given that CIP projects generally last longer than one year.
- **CPUC DAC-GT/CSGT,** The Disadvantaged Communities - Green-Tariff (DAC-GT) program enables income-qualified, residential customers in DACs who may be unable to install solar on their roof to benefit from utility scale clean energy and receive a 20% bill discount. The Community Solar Green Tariff (CSGT) program enables residential customers in DACs who may be unable to install solar on their roof to benefit from a local solar project and receive a 20% bill discount. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.

- **CPUC Regional Energy Network:** Public Purpose Program Surcharge funds available for RENs. The San Diego region is one of the last highly populated areas in the State not included in one. REN programs fill gaps in existing energy efficiency programs by serving “harder-to-reach” customers. They are also not held to the same cost-effectiveness thresholds, allowing for more flexibility in developing programs that serve Communities of Concern. These funds are contingent on CPUC approval of a Business Plan currently under review as of June 2024.
- **CDFA Healthy Refrigeration Grant:** The California Department of Food and Agriculture (CDFA) notified SDCP that it was awarded partial funding in the amount of \$710,000 to support SDCP in providing technical assistance and refrigeration units to stock healthy foods at stores throughout SDCP’s service territory.

Fund Structure
Operating Fund Continuing Fund

FIGURE 25 : SDCP FUND STRUCTURE

Fund Structure	Budget Level 1
Operating Fund	Operating Revenue
Operating Fund	Operating Expenses
Operating Fund	Non-Operating Expenses
Continuing Fund	CIP Revenue
Continuing Fund	CIP Expenses

FIGURE 26: SDCP FUND AND BUDGET LEVEL HIERARCHY RELATIONSHIP



FY 2024-25 Budget Principles



Fiscal Responsibility

Maintain a **fiscally responsible budget** in accordance with SDCP Budget Policy.



Understandable and Transparent

Provide an **understandable** and **transparent** operating budget for internal and external users.



Sufficient Funding

Ensure **sufficient funding** to meet procurement needs, sustain operational needs, and support sustained growth while delivering clean energy to the communities we serve.



People and Community

Develop a budget that will ultimately **prioritize people** and our **communities**.



Build SDCP Reserves

Build SDCP reserves and develop policies that **consider future economic conditions**.



Informed

Keep the SDCP Board of Directors and staff **informed** of SDCP's fiscal condition.

FIGURE 27: BUDGET PRINCIPLES



Budget Overview





Budget Overview

Budget-in Brief

The proposed FY 2024-25 Operating Budget is the first full fiscal year of full enrollment from Phases 1, 2, 3 and 4 for all potential ratepayers, inclusive of net-energy metering customers, from SDCP’s member jurisdictions within the San Diego region. This budget therefore provides the first representation in the agency’s history of what full revenues and expenses are expected to be moving forward.

As SDCP has scaled to full enrollment, the agency is additionally, thoughtfully scaling the agency by adding 24 staff to grow to 80 total staff. By the end of FY 2024-25, SDCP is expected to have similar a operating budget and staffing levels compared to its peer CCAs of similar customer and load size. Additionally, and similarly, by the end of FY 2024-25, SDCP’s reserves and total liquidity are expected to be comparable to its CCA counterparts who have investment-grade credit ratings.

The proposed FY 2024-25 Operating Budget furthermore includes continued outreach through community events, sponsorships and advertising to inform customers about SDCP.

Lastly, this budget continues to include a Capital Investment Plan (CIP) that shifts one-time revenue and one-time expenses from programs and projects over multi-year periods from the operating budget to the CIP.

By the end of FY 2024-25, SDCP will be on track to nearly hitting its 180-days cash on hand Strategic Plan Goal reserve target.

Proposed Operating Budget

The SDCP FY 2024-25 Proposed Operating Budget is presented in further detail in the following pages. The table below summarizes the revenue and expense budgets proposed for FY25 in comparison to the FY24 Amended Budget.

TABLE 2: OPERATING BUDGET OVERVIEW

	FY24 Amended	FY25 Proposed
Gross Revenue	1,365.7	1,233.4
Less Uncollectible Accounts	(61.4)	(55.5)
Net Operating Revenues	1,304.3	1,177.9
Cost of Energy	1,020.8	1,073.6
Non-Energy Costs	43.8	53.8
Subtotal Operating Expense	1,064.6	1,127.5
Debt Service	2.4	1.3
Capital Investment Program (Transfer Out)	3.9	15.2
Total Expenses	1,071.0	1,143.9
Net Position	233.3	34.0



Operating Revenue

SDCP's sole source of operating revenue is from the retail sale of electricity to its customers. Revenue budgeted for FY 2024-25 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base and retail sales to our residential customer base.

SDCP's retail sales of electricity is comprised of four rate products.

NEW Power100 Green+	Power100	PowerOn	NEW PowerBase
PowerOn + \$0.02 per kWh	PowerOn + \$0.01 per kWh	\$0.19 per kWh**	\$0.17 per kWh**
100% renewable, carbon-free, Green-e certified for businesses looking to meet LEED standards	100% renewable and carbon-free for residents and businesses who want to minimize their carbon footprint and support a clean energy future	55% renewable content at a competitive price compared to SDG&E's service that is the default rate for most Community Power customers	45% renewable and 2.5% less expensive than SDG&E's default service

FIGURE 28: SDCP'S RATE PRODUCTS

*Prices valid July 1, 2024 through October 31, 2024.

**Average rate across all SDCP rate schedules.

The following table summarizes the revenues for FY24 Amended Budget, and the FY25 Proposed Operating Budget.

TABLE 3: OPERATING REVENUE BY BUDGET LEVEL 2

	FY24 Amended	FY25 Proposed
Gross Ratepayer Revenues	1,365.7	1,233.4
(Less 4.5% Uncollectible Customer Accounts)	(61.4)	(55.5)
Net Operating Revenues	1,304.3	1,177.9

Amounts displayed in millions, \$

Operating Expenses

Expenses in the SDCP Operating Budget fall into five budget level 2 categories: cost of energy, personnel costs, professional services and consultants, marketing and outreach, and general and administration. The Programs budget level 2 category was eliminated in FY25.

The table below summarizes the expenses for the FY24 Amended Budget and the FY25 Proposed Operating Budget.



TABLE 4: OPERATING EXPENSES BY BUDGET LEVEL 2

	FY24 Amended	FY25 Proposed
Cost of Energy	1,020.8	1,073.7
Professional Services and Consultants	22.3	24.8
Personnel Costs	11.7	18.6
Marketing and Outreach	2.9	3.0
General and Administration	6.8	7.4
Programs	0.1	0.0
Subtotal Operating Expenses	1,064.7	1,127.5
Interest and Related Expenses	2.4	1.3
Capital Investment Program (Transfer Out)	3.9	15.2
Total Expenses	1,071.0	1,143.9

Amounts displayed in millions, \$

Operating Expenses by Department

The table below summarizes the FY25 Proposed Operating Budget expenses by department. Several new departments were established as part of the development of the FY25 Proposed Operating Budget and therefore a comparison is not shown from the prior year.

TABLE 5: OPERATING EXPENSES BY DEPARTMENT

	FY25 Proposed
Power Services	1,075.50
Operations	22.5
Customer Operations	19.3
Finance	3.5
Public Affairs	1.9
Data Analytics and IT	1.3
Regulatory and Legislative Affairs	0.6
Human Resources	0.6
Programs	0.03
Executive Team	0.1
Total Operating Expenses	1,127.5

Amounts displayed in millions, \$



Personnel by Department

The table below summarizes the actual personnel at the end of FY24 and the full-time equivalent (FTE) personnel in the FY25 Proposed Operating Budget. While personnel may be authorized, they must be filled. Detailed information showing filled and proposed FTE transfers by department is included in the following Section. All Personnel budget is included within the Operations department.

TABLE 6: PERSONNEL BY DEPARTMENT

	FY24	FY25 Proposed
Operating Funding		
Power Services	16.0	16.0
Public Affairs	11.0	11.0
Programs	7.0	7.2
Finance	7.0	7.0
Customer Operations	6.0	7.0
Operations	7.0	7.0
Data Analytics and IT	6.0	8.0
Regulatory and Legislative Affairs	5.0	4.5
Human Resources	3.0	4.0
Legal	1.0	2.0
Subtotal Operating FTEs	69.0	73.8
External Funding (CIP)		
Programs	1.0	3.8
Regulatory Affairs	-	0.5
Finance	-	1.0
Public Affairs	-	1.0
Subtotal External Funding FTEs	1.0	6.2
Total FTEs	70.0	80.0



**Executive
Team**

Operations

**Human
Resources**

Finance

**Power
Services**

Programs

**Regulatory
and
Legislative**

**Public
Affairs**

Legal

**Data
Analytics
and IT**

**Customer
Operations**





Proposed Capital Budget

Continuing in FY 2024-25 is the SDCP Capital Investment Plan (CIP) for FY 2025-29 which will contain all the individual capital projects, major equipment purchases, and major programs for the agency that are intended to span multiple years and that are considered one-time projects rather than recurring projects.

The first year of the FY2025-29 CIP represents the proposed FY 2024-25 capital budget.

The FY 2024-25 budget proposes a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year.

The proposed FY 2024-25 capital budget totals \$16.4 million and the FY 2025-29 CIP totals \$28.1 million. Additionally, \$3.9 million in unspent continuing funds were appropriated by the Board in prior fiscal years and is represented as Carryforward revenue. The FY2024-25 proposed capital budget includes funding for 23 projects in all program areas in various geographic areas of San Diego.

TABLE 7: FY 2024-25 CAPITAL BUDGET OVERVIEW

	Carryforward	FY25 Proposed
Operating Transfer Out	-	15.2
Operating Transfer In	3.2	15.2
DAC-GT CSGT	-	0.5
Regional Energy Network	-	0.7
CFDA Healthy Refrigeration Grant Program	0.7	-
CIP Revenue	3.9	16.4

Amounts displayed in millions, \$

Program	Carryforward	FY25 Proposed
Energy Awareness and Education	0.4	0.0
Application Assistance	-	0.3
Disadvantaged Communities Green Tariff and Community Solar Green Tariff	-	0.5
Pilot Programs	2.0	1.0
Grant Programs	0.8	0.2
Distributed Energy Resources: Energy Storage Systems	-	10.6
Energy Efficiency	0.7	0.7
Flexible Load	-	0.5
Information Technology: Upgrades	-	2.6
CIP Expenses	3.9	16.4

Amounts displayed in millions, \$



Capital Investment Plan (CIP)

About the CIP

The SDCP Fiscal Year 2025 - 2029 Capital Improvement Plan (CIP) includes 23 projects that will receive funding in the five-year period, totaling \$28.1 million in investments across SDCP member jurisdictions. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows SDCP to thoughtfully plan and design its projects and programs based on community and agency needs to deliver programs and projects that provide maximum public impact and that can potentially leverage other local, state and federal funds.

This plan continues SDCP's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects are a list that provides SDCP with the confidence to target a core set of program types focused on community needs. It also gives SDCP the flexibility to co-design programs with community partners and to be responsive to external funding opportunities as they emerge.

This plan is not a final or absolute list of funded projects and projects may not have funding identified. Each funded and partially funded project shows a potential source of funding but does not necessarily indicate actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or may drop out entirely.

Likewise, this list is not all-inclusive. Often, unexpected requirements cause unforeseen projects to be inserted into the design and execution process. Further, funding sources identified in the CIP are potential funding sources which may not materialize. Projects, programs, and funding are additionally subject to Board approval consistent with the JPA and the internal policies and programs of the agency.

CIP Development Process

SDCP will update the CIP annually during its budget-development process.

Programs and projects are included in the CIP based on alignment with SDCP's strategic goals and based on community engagement.

The proposed capital budget and CIP undergoes a public outreach process comprising a wide range of stakeholder groups. The CIP additionally is a dynamic document that is intended to be updated regularly as needs shift or as fund availability changes. All subsequent updates to the CIP will be brought to the SDCP Board for approval.

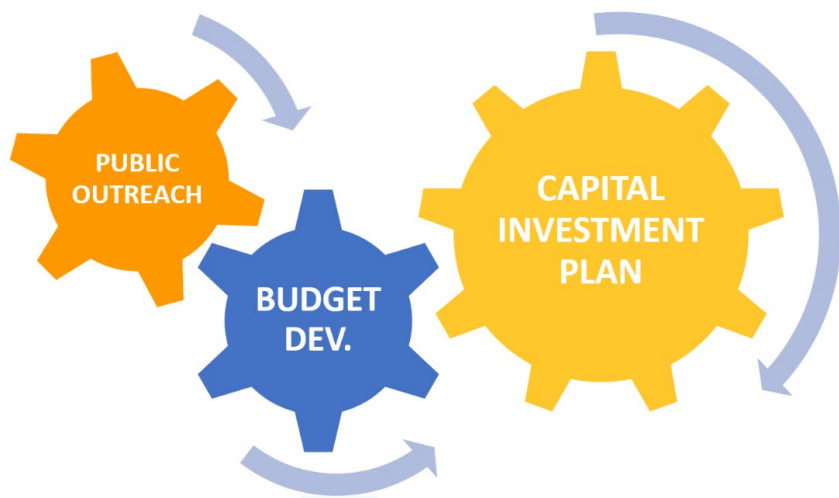


FIGURE 29: CIP Development Process

Five-Year Financial Plan

Given the recent volatility in the energy markets and the rate environment within the San Diego Region, SDCP is not publishing its five-year financial projection. SDCP is still on track to meet its 180-day cash on hand reserve target in its Strategic Plan Goals by October 2025.

The SDCP Board reassesses its projections, five-year financial plan and reserve targets annually during its rate-setting process in January and during its budget development process ending in June.

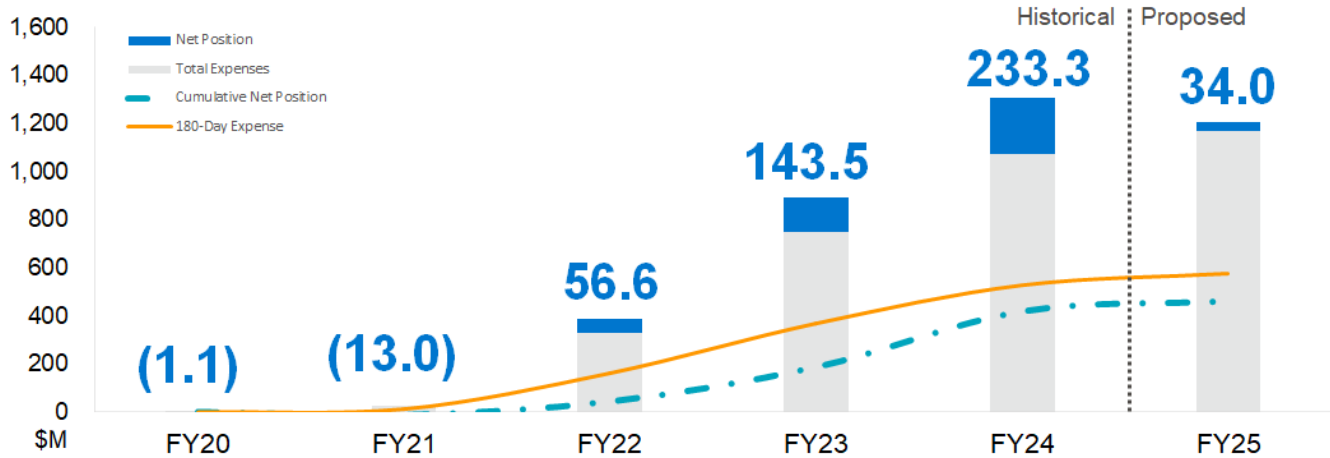


FIGURE 30: SDCP RESERVES

Key assumptions in SDCP’s projections and five-year financial plan include:

- Full enrollment of customers is complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- A 4.5% uncollectible rate which maintains the same uncollectible rate from the fiscal year 2024-25 amended budget approved by the board February 22, 2024.
- Trifurcation of rates continues to ensure a fair, equitable, and balanced rate structure across customers with differing vintage years.
- Rates remain at the levels adopted by the Board on January 18, 2024, and on May 30, 2024. Further rate changes are subject to Board approval.



Budget By Department



Budget by Department

Executive

Mission and Services

The Executive team's mission is to provide organization-wide leadership while effectively managing and leading all departments. SDCP is committed to fostering an inclusive, collaborative team and culture that aligns with our core values and emphasizes accountability. To elevate the profile of SDCP, while actively engage in external speaking engagements and participate in local and regional events. Furthermore, SDCP strives to build thought leadership within CalCCA, establish strong relationships with local elected officials, and collaborate with legislative and regulatory teams in California.

Department Highlights

- Leadership and strategy, spearheading organization-wide initiatives and setting strategic direction. Each executive serves in extra capacities in support of community activities.
- Technology and innovation, promoting a culture of continuous learning and adaptation with Nash Leadership training.
- Develop policy & procedures for internal processes to provide clarity & streamline activities across the organization.
- Lead the agency to achieving its strategic plan goals:
 - Financial Stability – Practice fiscal strategies to promote long-term organizational sustainability.
 - Energy Portfolio Development - Provide sufficient, reasonably priced, clean electricity to our customers.
 - Community Program Delivery - Implement energy projects and programs that reduce greenhouse gas emissions, align energy supply and demand, and provide benefits to community stakeholder groups.
 - Brand Building – Develop trusted brand reputation to help drive participation in programs and ensure support customer service and retention.
 - Public Policy – Advocate for public policies that advance SDCP organizational priorities.
 - Customer Service – Ensure high customer retention and satisfaction.
 - Organizational Excellence – Ensure excellence by adopting sustainable business practices and fostering a workplace culture of innovation, diversity, transparency and integrity.
 - Create an organizational culture of inclusion, mutual respect, trust, innovation, and collaboration that upholds organizational core values.
 - Develop an annual staffing plan that identifies and addresses resource needs and gaps.
 - Provide training and professional development opportunities that build new skills and abilities.
 - Foster culture of innovation to yield solutions that accelerate our mission and drive toward SDCP's vision.
 - Design and implement an internship program that attracts workforce from our member cities and creates opportunities for candidates new to CCAs and the industry.

Objective Key Results (OKRs)

SDCP Executives have established a comprehensive set of OKRs to achieve its strategic goals across various areas. Financially, the focus is on building strong reserves, with one key result targeting 130 days of cash on hand and 180 days of total liquidity. Additionally, keeping electric rates competitive with the local Investor-Owned Utility (IOU) is a key objective to minimize customer opt-outs. Operationally, the OKRs aim to strike a balance between innovation and compliance by developing clear legal and operational procedures throughout the organization. Advocacy efforts will continue with active participation in legislative and regulatory proceedings, building credibility with the industry, CalCCA, and policymakers locally and in the State. SDCP remains committed to its communities, and its OKRs will measure

investments in programs that strengthen customer connections. To maintain a strong workforce, attracting, engaging, and retaining top talent will be a priority, achieved through competitive benefits and a positive work environment. Finally, the OKRs acknowledge the importance of supporting JEDI (Justice, Equity, Diversity, and Inclusion Council) within the agency.

Department Organizational Structure

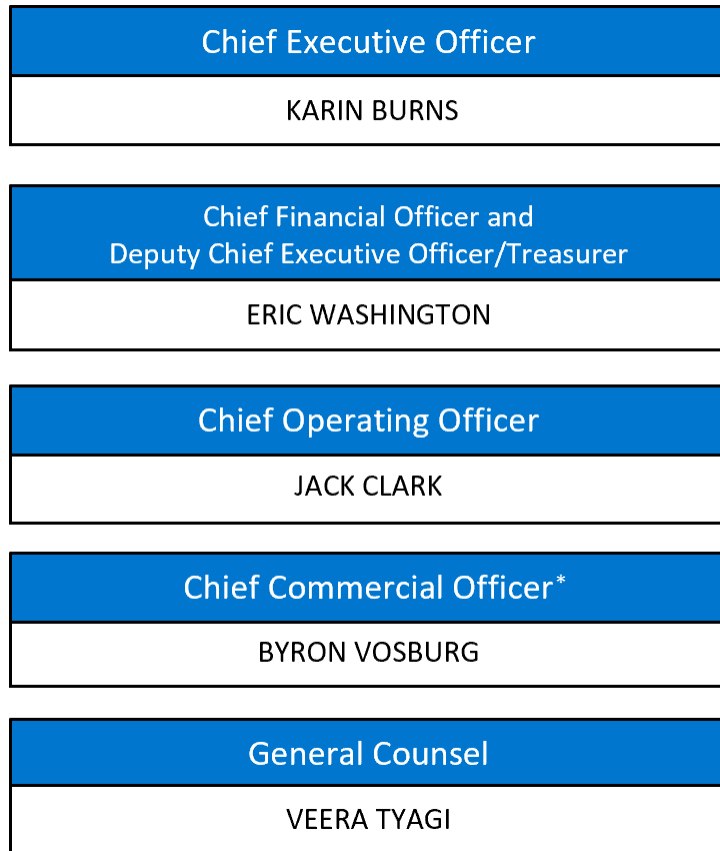


FIGURE 31: EXECUTIVE ORGANIZATIONAL STRUCTURE

Operations

Mission and Services

Under the guidance of the SDCP Board of Directors, the Operations department leads SDCP in having a significant impact to delivering clean energy and community investment to a large set of commercial and residential customers. The Operations department includes the Chief Executive Officer (CEO), Chief Operating Officer (COO), and administrative support. The Operations department ensures all departments work effectively with our partners and community stakeholders to serve our community by providing clean energy.

This mission statement outlines the core purpose of the COO role within San Diego Community Power. It emphasizes building a foundation for efficient and impactful operations. This will be achieved by leading and collaborating with various teams (Customer Operations, Data & IT, Legislative and Regulatory Affairs, Public Affairs, Programs), establishing clear processes through policies and standard operating procedures, and prioritizing safety through collaboration of teams. Additionally, the role focuses on strategic execution by overseeing the implementation of the current Strategic Plan while fostering strong community engagement through the Community Advisory Committee and Board participation.

Department Highlights

- General and administrative budget increased by 8% to support additional staff.
- SDCP budget allows up to 80 FTEs in FY25.

Based on the Finance department's review, San Diego Community Power is expanding its workforce with the strategic addition of 24 new full-time employees. This brings the total headcount to 80, placing SDCP in line with the staffing size of comparable Community Choice Aggregators (CCAs). While this growth will result in an increase in general and administrative (G&A) costs, the investment is necessary to support SDCP's mission and effectively serve its growing membership base.

Objective Key Results (OKRs)

The Operations Department, led by the COO, plays a vital role in establishing efficient internal processes, fostering collaboration, and optimizing resource utilization. These efforts directly contribute to the agency's overall success. However, attributing all departmental achievements solely to Operations OKRs might not fully capture the contributions from other departments. Instead, we could consider a balanced approach that acknowledges Operations' impact while also recognizing achievements in other departments through their own aligned OKRs.



Department Positions

	FY24 Actual	FY25 Proposed
Operations	7.0	7.0

TABLE 8: OPERATIONS POSITIONS

Department Organizational Structure

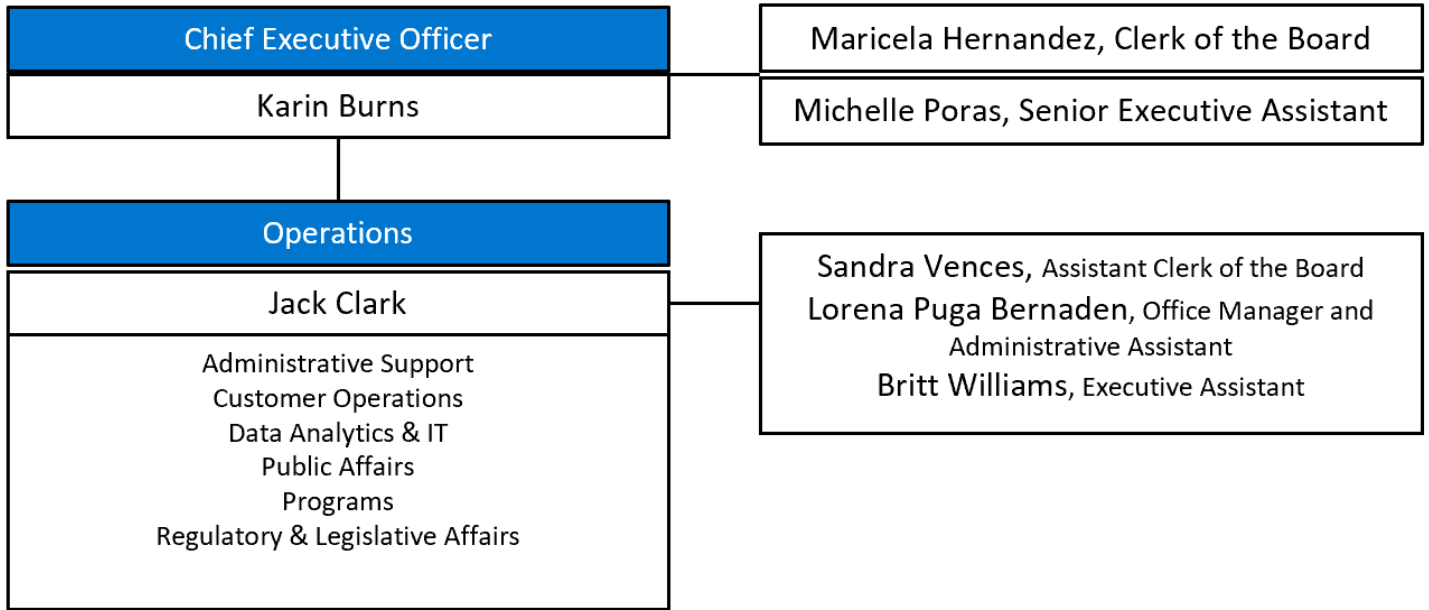


FIGURE 32: OPERATIONS ORGANIZATIONAL STRUCTURE



Power Services

Mission and Services

The Power Services Team is charged with overseeing the San Diego Community Power (SDCP) energy portfolio including, but not limited to, bilateral purchases and sales of electricity under short-, medium- and long- term contracts; development of wholesale energy generation and battery storage facilities to achieve SDCP's ambitious environmental and local development goals; administering requests for proposals and requests for offers for short-, medium- and long-term projects; scheduling of load and generation of electricity into California Independent System Operator (CAISO) markets; 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.

Per SB 100 there is an RPS requirement for SDCP to have 60% of its portfolio be renewable by 2030. SDCP is already at 50% renewables in its portfolio and has set more aggressive internal goals of 75% by 2027 and 85% by 2030. Further, pursuant to Public Utilities Code section 399.13(b), from 2021 onwards, 65% of mandated renewable energy purchases must be sourced from long-term contracts of 10 years or more, commonly referred to as Power Purchase Agreements (PPA).

SDCP has been conscientiously pursuing contracting opportunities to meet these requirements. This contracting is done via competitive solicitations processes (RFPs or RFOs) that are public in nature. Staff administers the RFPs and then does an initial analysis of submitted projects to put together short-list recommendations. These recommendations are reviewed by a working group of the board that reviews the submitted projects to decide on the projects to shortlisted for long-term PPA negotiations based upon SDCP's energy procurement evaluation criteria. Upon successful negotiations, staff then prepares a package for the board to review the PPA. All PPA's must be reviewed and approved at the board level prior to execution.

In addition to long-term procurement and planning, the Power Services team oversees several short-term procurement and hedging activities ranging from resource adequacy ("RA") to RPS to Congestion Revenue Rights ("CRR") to CAISO and Inter-SC Trade ("IST") trading. These activities aim to both reduce risk and meet any open positions between the long-term procurement activities and the load forecast.

Once contracts are finalized, the Power Services team also handles settlement and payment to each counterparty. This process ensures the product(s) contracted are delivered at the quantity and price contracted.

Importantly, the Power Services team is also responsible for preparing several risk management reports regarding the various portfolios under management. These reports inform the load forecasting model as well as long and short-term procurement activities.

Department Highlights

- Responsible for SDCP's largest expense (Cost of Energy), the Power Services department is expected to grow their staff to 16 in the proposed FY25 Budget.
- Continued energy hedging for FY25 and for future fiscal years.
- An up to \$500K request for an Energy Trading Risk Management system implementation will be added into CIP as one time cost, consistent with the request for proposals that closed on March 8, 2024.
- Use of procurement counsel is proposed to increase from \$500K to \$800K in anticipation of increased transactions.

Objective Key Results (OKRs)

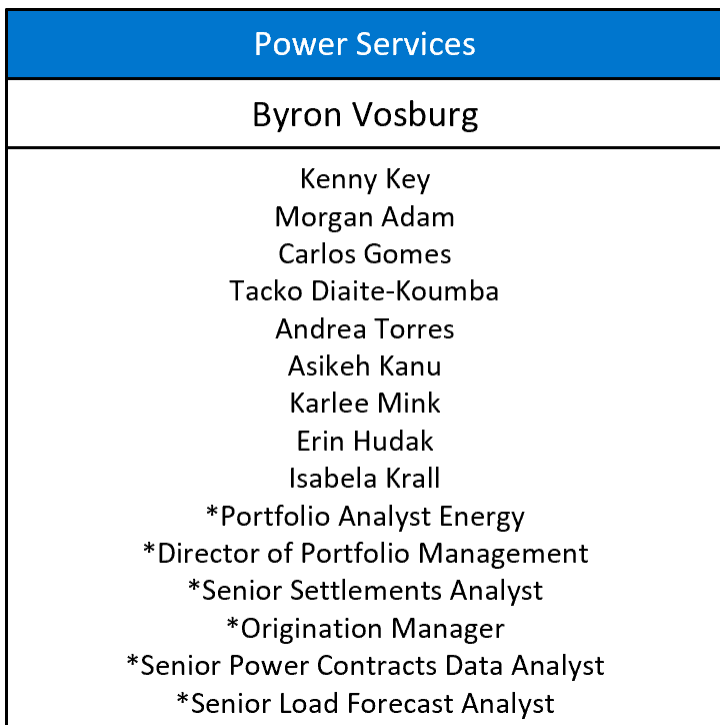
San Diego Community Power's Power Services department is setting ambitious OKRs to navigate the evolving energy landscape. The first objective focuses on regulatory compliance, ensuring adherence to Reliability Assurance (RA) standards and preparing for Slice of Day RA in 2025. The department will also refine SDCP's "Path to 100% Renewable" strategy to adapt to a dynamic market. Balancing short-term energy procurement involves meeting both mandatory RPS targets and SDCP's voluntary goals, while supporting the launch of two new product offerings. Risk management remains a priority, with continued use of hedging, Cost of Renewable Resources (CRRs), scenario analysis, and support for the Energy Resource Management Plan (ERMP) revision. Optimizing procurement pathways aims to secure contracts for 35 MW of wholesale Distributed Energy Resources (DERs). Technology adoption is another focus, with the selection and integration of an Energy Trading Risk Management (ETRM) system planned. Maintaining compliance with a variety of regulations in the energy market is crucial. Internally, streamlining processes by clarifying, improving, and documenting procedures is a key objective. Strengthening collaboration with the Finance department will ensure timely tracking of budget impacts due to power supply and market activity. Finally, the department seeks to improve the accuracy of SDCP's Load Forecast.

Department Positions

	FY24 Actual	FY25 Proposed
Power Services	16.0	16.0

TABLE 9: POWER SERVICES POSITIONS

Department Organizational Structure



*Positions authorized in FY24.

FIGURE 33: POWER SERVICES ORGANIZATIONAL STRUCTURE





Finance

Mission and Services

Under the guidance of the Chief Financial Officer, the Finance Department is responsible for fiscally positioning San Diego Community Power for the delivery of competitively priced cleaner energy choices and programs to the communities we serve. It provides financial resource management that supports SDCP contributions to a cleaner greener equitable energy future and supports SDCP's effort for the reduction of greenhouse gas emissions through sound fiscal management.

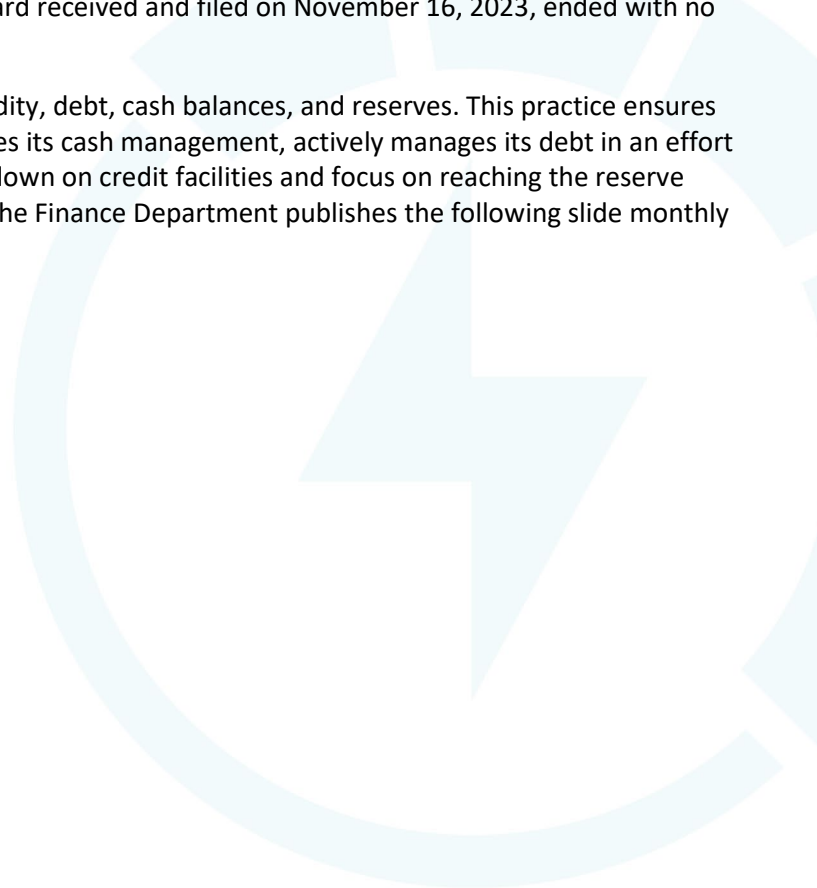
The Finance Department operates under six guiding principles: fiscal responsibility, ensuring sufficient funding, building SDCP reserves, providing an understandable and transparent budget, building a budget that prioritizes people, transparency and our communities, and keeping the Board and staff informed on SDCP's fiscal condition.

Fiscal Monitoring

The Finance Department designs, implements, operates, and evaluates internal controls to provide reasonable assurance that SDCP is achieving its financial, operational, reporting, and compliance objectives.

The Finance Department leads SDCP's annual financial audit. The audit reviews SDCP's financial accounting procedures, risks of material misstatement in the Financial Statements, internal controls relevant to the Financial Statements, performing tests of year-end balances based on risk assessment, and evaluates the adequacy of disclosures. The FY 2023 Fiscal Year-End Audited Financial Statement, which the Board received and filed on November 16, 2023, ended with no findings or issues to report.

The Finance Department also closely manages SDCP's liquidity, debt, cash balances, and reserves. This practice ensures SDCP maintains sufficient liquidity for operations, maximizes its cash management, actively manages its debt in an effort to control the cost of funds through periodic principle paydown on credit facilities and focus on reaching the reserve goal of building 180-days cash on hand. As an illustration, the Finance Department publishes the following slide monthly at the Finance and Risk Management Committee (FRMC).



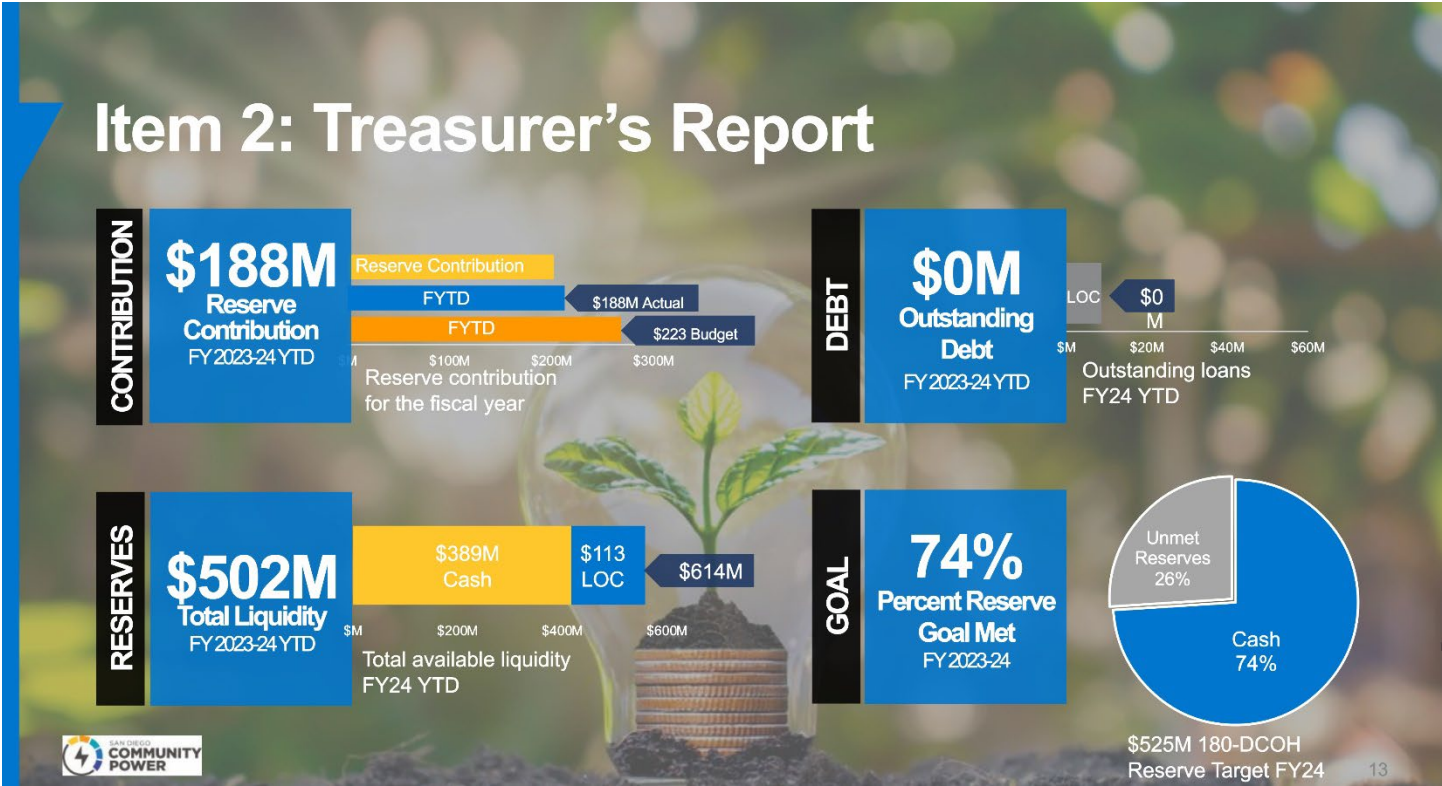


FIGURE 34: FINANCE TREASURER'S REPORT

Internally, the Finance Department additionally sets up and monitors controls to ensure that SDCP is compliance with Board-adopted policies and industry best practices including the Energy Risk Management Policy, Procurement Policy, Financial Reserves Policy, Delegated Contract Authority, Generally accepted accounting principles (GAAP), etc. This review includes reviewing invoices, reviewing contracts, etc.

Annual Budget Cycle

Section 4.6.2 of the Joint Powers Agreement (JPA) specifies that the SDCP Board of Directors shall adopt an annual budget with a fiscal year that runs from July 1 to June 30. Section 7.3.1 of the JPA additionally specifies that the board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses.

The annual budget process typically starts in February of any given year. The budget is further refined through strategic planning sessions, through the SDCP Finance and Risk Management Committee, and through the SDCP Board of Directors, for final adoption no later than July 1st.



Capital Investment Plan (CIP)

The Finance Department developed SDCP's first Capital Investment Plan (CIP) in FY24 and continues to grow its CIP moving into FY25. Projects may include energy infrastructure, one-time efforts such as programs, plans, evaluations, educational programs, sponsorships, member-agency contributions, etc.

SDCP generally will identify projects for funding and inclusion in the CIP based on:

- (1) input from public meetings and other community engagement;
- (2) input from the SDCP Board of Directors, citizen advisory committees and other member-agency bodies;
- (3) SDCP Board and other city and county-approved plans related to climate action;
- (4) the SDCP Strategic Plan; and
- (5) staff-identified needs related to in-house optimization, critical energy needs, concerns and best practices.

The CIP will aim to:

- Develop a fiscally constrained 5-year program of projects and programs
- Review and forecast capital and one-time revenue sources between FY 2025-2029
- Serve as an implementation tool for the SDCP Strategic Plan and other plans and strategies
- Minimize obstacles to project and program delivery which stem from fund availability limitations (i.e. grant requirements, regional allocation amounts, etc.)
- Foster credibility and trust with the public and external funding agencies by providing transparent and accessible information

FY 2025 Annual Priorities

On June 23, 2022, the SDCP Board adopted the SDCP mission, vision, core values and goals for 2023-2027. Among the key focus areas and organizational goals was financial stability - practice fiscal strategies to promote long-term organizational sustainability.

Under this organizational goal, the Finance Department's annual priorities include:

- Adopt financial controls and policies to meet or exceed best practices and manage risk.
- Obtain an investment grade credit rating by Nov 2025.
- Adopt plan to increase reserves to \$175M by October 2023 (90-days cash on hand) and \$360M by October 2025 (180-days cash on hand).

Objective Key Results (OKRs)

The Finance Department recommends several key metrics to monitor budget performance in the coming year. These metrics include:

Treasurer’s Reports (Budget-to-Actual Monitoring): Regular assessments of actual spending compared to the budgeted amounts. Participation Rates: Tracking the level of engagement. Regulatory Proceedings: Monitoring compliance with financial regulations and legal requirements. Forward-Energy Market Curves: Analyzing energy market trends and projections. Internal Monitoring: Ensuring responsible use of government funds within the organization. Cash Flow, Liquidity, and Reserves: Evaluating the availability of cash, liquidity, and financial reserves.

Department Highlights

- The Finance department will continue exercising financial discipline and risk management to help grow the agency’s reserves to its strategic goal of having 180-days of operating cash on hand.
- Active management of constrained finances to allocate resources to position other departments and programs to launch and to be successful such as the Programs department.
- Additional Budget for Financial Investment Advisor in anticipation of needing to invest excess cash once reserve goals have been reached.

Department Positions

	FY24 Actual	FY25 Proposed
Finance	7.0	*8.0

TABLE 10: FINANCE POSITIONS

*1 position will be supported through external funding (CIP)

Department Organizational Structure

Finance
Eric Washington
Tim Manglicmot Christopher Stephens Diana Gonzalez Christopher Do Julissa Mercedes Kevin Bateman

FIGURE 35: FINANCE ORGANIZATIONAL STRUCTURE



Customer Operations

Mission and Services

Under the guidance of the COO and under the direction of the Senior Director of Data Analytics and Customer Operations, the Customer Operations department maximizes customer experience and participation by ensuring clear, timely and accurate billing. The team utilizes customer data to foresee trends and patterns in energy usage to support potential rate adjustments and/or new rate structures. It also develops and maintains data warehouses, dashboards, and/or other data visualizations to track OKRs related to opt actions, revenues, A/R, load, cash receipts, customer engagement and costs. Finally, the Customer Operations team builds and nurtures positive relationships with customers (especially Key Accounts) to encourage continued participation in our service and opt-ups to Power100 and Power100 Green-e Certified Product while minimizing opt outs.

San Diego Community Power's (SDCP) Customer Operations Team is comprised of data professionals and account management experts who utilize proprietary data tools to best support SDCP's decision-making capabilities and provide SDCP customers with industry best customer support. The Customer Operations Team is currently tasked with a multitude of responsibilities in all facets of SDCP's retail operations, including but not limited to:

- Planning and execution of seamless customer migration from SDG&E to SDCP.
- Rate setting.
- Billing, load and revenue recognition analysis.
- Centralization of multiple streams of data feeds and inputs.
- Data analysis and utilization capturing customer opt actions, usage patterns & participation rate trends.
- Contact Center and customer engagement management.

Who are our Stakeholders?

- Ratepayers – the residents, businesses and municipalities that SDCP serves are our most critical stakeholders. The balance between providing cleaner power while also realizing the economic realities of living in one of the most expensive areas of California requires nuanced and purposeful implementation of our organization's short and long-term strategies.
- Board of Directors – The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings to establish policy, set rates, determine power options and maintain fiscal oversight. As a public agency, SDCP is designed to be fully transparent with all meetings and information open to the public.
- Board Committees – The committees advise the Board on matters related to the operations of San Diego Community Power.
- SDG&E – A working partnership and collaboration between the Data Analytics & Account Services Team and SDG&E is necessary for proper operations, customer support, and enrollment. This relationship is foundational for addressing issues, resolving differences, and creating a positive customer experience.
- Calpine – As our “back-office” service provider, Calpine plays a pivotal role in ensuring successful retail operations of SDCP. As one of their biggest CCA customers, SDCP expects a high level of service from this vendor.



- Internal Teams – The Customer Operations Team works collaboratively across the organization, including Executive, Data Analytics & IT, Legislative & Regulatory, Power Services, Programs, External Affairs and Finance Teams to ensure the delivery of outstanding service and value to our customers.
- Community Choice Aggregators – our successes (or failures) will play a critical role in shaping the future of Community Choice Aggregation in California. Due to our size and influence, we have the ability (if not the responsibility) to be a leader amongst our peers – whether through advocacy or simply through implementation.

Professional Services Agreements

The following key professional services agreements are integral to the performance of the Customer Operations team:

- Calpine Energy Solutions \$14.6M
- SDG&E \$3.4M
- Neyenesch Printer \$1.1M

The increases year-over-year in the Calpine and SDG&E contracts are based on the increased number of accounts as FY25 is the agency’s first year of full customer enrollment, including NEM customers. Additionally, it is pertinent to note that no other CCA has a complete internal back-office infrastructure which this budget proposes to start building.

Objective Key Results (OKRs)

At SDCP, our Customer Operations team is laser-focused on achieving key objectives. We prioritize customer satisfaction by nurturing strong relationships with back-office support and key stakeholders. Simultaneously, we continually strive to offer competitive rates, ensuring affordability for our customers. Our commitment extends to maintaining and growing high levels of customer participation and satisfaction. By 2027, we aim to achieve 10% of our load at the Power 100 service level, guaranteeing reliability and responsiveness. To enhance our procurement strategies, we’re building a robust data ecosystem. Additionally, we’re developing two new rate products: one emphasizing sustainability and the other addressing affordability. Our goal is to minimize Opt Outs and limit Opt Downs, ensuring customer engagement. As we prepare for Real Time Pricing regulations, we remain agile and adaptable. Finally, our rates for 2025 will strike a balance between financial sustainability and customer retention. These OKRs empower us to provide reliable, sustainable, and affordable energy services to our valued customers.

Department Highlights

- Completion of customer enrollment. 955k customer accounts enrolled in SDCP service as of 5/21.
- Calpine Energy Solutions contract regarding professional services or potential in housing of services is the largest professional service contract for SDCP.
- Introducing two new service offerings to meet diverse sustainability and affordability needs of our customers.

Department Positions

	FY24 Actual	FY25 Proposed
Customer Operations	6.0	7.0

TABLE 11: CUSTOMER OPERATIONS POSITIONS



Department Organizational Structure

Customer Operations
Lucas Utouh
Carly Newman Elaine Mezta Aaron (Yichen) Lu Brynn Gallahue *Data/EDI Engineer

*Positions approved for hire in FY24.

FIGURE 36: CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE



Data Analytics and IT

Mission and Services

Under the strategic leadership of the COO and the operational oversight of the Director of Data Analytics and IT, our organization is committed to creating a world-class IT and data ecosystem. Our mission is to harness the power of data to drive sustainable energy solutions that benefit local communities while making a global impact. By ensuring the integrity, accessibility, and security of our data, we empower decision-makers with actionable insights. Our team leverages advanced analytics to identify trends and patterns, enabling strategic investments in IT infrastructure. We construct and manage robust data repositories, interactive dashboards, and comprehensive visualizations to monitor objective key results (OKRs). Through collaboration and innovation, we foster a culture of data-driven excellence, supporting clean energy initiatives and reducing our environmental footprint.

SDCP receives a vast amount of data from its vendors and partners including SDG&E and Calpine (our back-office provider). To best utilize this data to effectively run our operations, make data-driven decisions, and optimize the customer experience, the Data Analytics & IT Team has developed and is expanding a data analytics platform that consists of a set of analytical tools built on a cloud-based platform that helps with customer management, load forecasting, rate design, program marketing, and accounting.

- Maximize customer experience and participation by ensuring clear, timely and accurate billing.
- Utilize customer data to foresee trends and patterns in energy usage and demand to support potential programs, products and/or new rate structures.
- Build and nurture positive relationships with all customers, particularly the Key Accounts, to encourage continued participation in our service and opt ups to Power100 while minimizing opt outs.
- Develop and maintain data infrastructure, dashboards, and/or other data analytics visualizations to track KPIs related to opt actions, revenues, A/R, load, cash receipts, customer engagement and costs.

Professional Services Agreements The following key professional services agreements are integral to the performance of the Data Analytics and IT team:

- IT Managed Services \$300K

Objective Key Results (OKRs)

The Data Analytics and IT Department propose the following metrics to track budget performance in the upcoming year.

The Data Analytics & IT team at SDCP is set on a path to achieve significant milestones that resonate with customer needs. The OKRs are tailored to enhance cost efficiency, empower the workforce and community through digital transformation, and modernize IT infrastructure to boost productivity. A secure, centralized data platform is in development, alongside a commitment to nurturing in-house talent and ensuring seamless integration of business applications. Embracing agile principles and prioritizing cybersecurity, the team aims to deliver a consistent and secure experience for all stakeholders, positioning SDCP as a leader in innovation and service excellence.



Department Highlights

- Creation of a world-class organization-wide dedicated Data & IT Team to drive SDCP's data analytics & IT needs.
- Drove implementation of new forecast models to address solar hours.
- Delivered enterprise-wide discovery, assessment and opportunities for enterprise transformation and effectiveness.
- Launching new IT Managed Services for FY 2025, with a more comprehensive scope aligned with our IT strategy.

Department Positions

	FY24 Actual	FY25 Proposed
Data Analytics and IT	6.0	8.0

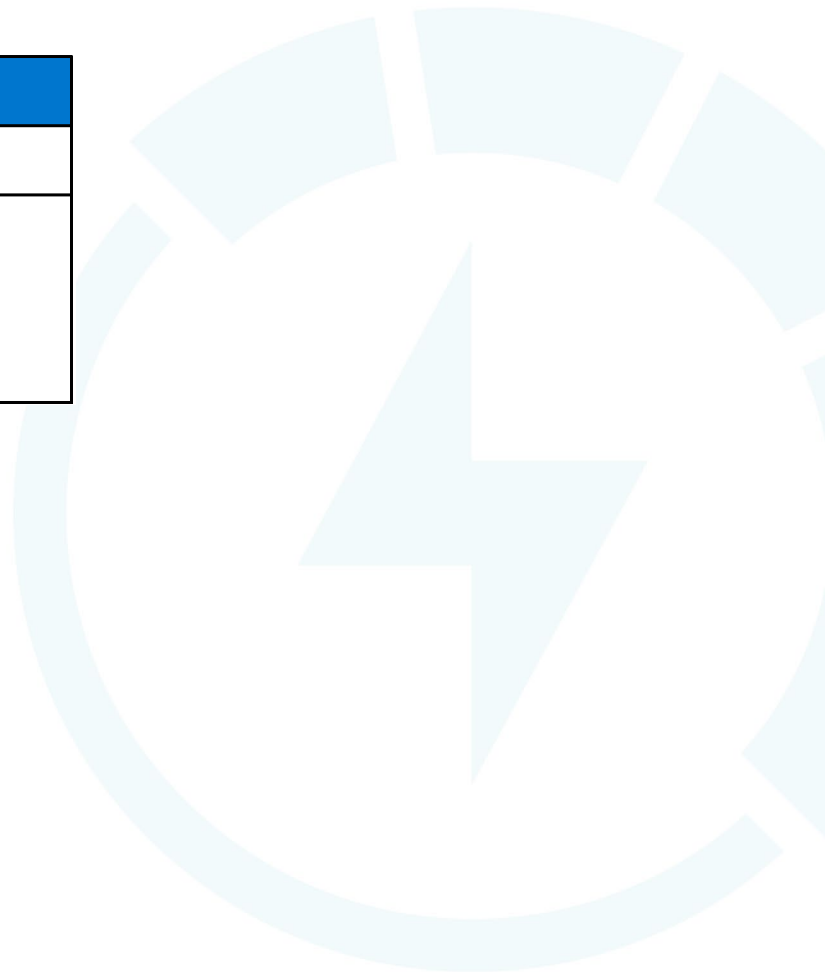
TABLE 12: DATA ANALYTICS AND IT POSITIONS

Department Organizational Structure

Data Analytics and IT
Kiran Singh
Linda Robertson Ryan Hanke *Data Scientist *Data Engineer *IT systems Engineer

*Positions authorized in FY24.

FIGURE 37: DATA ANALYTICS ORGANIZATIONAL STRUCTURE





Public Affairs

Mission and Services

Under the guidance of the COO and under the direction of the Director of Public Affairs, the Public Affairs department is a community- and customer-focused team. The Public Affairs department leads SDCP's outreach strategy and provides strategic support and visionary leadership to build SDCP's recognition and establish SDCP as a trusted and vital member of the community. The department is engaged, connected, and focused on building meaningful partnerships to lead the organization's Public Affairs strategic direction.

The Public Affairs team often acts as the public face and the voice of San Diego Community Power to our stakeholders and customers. Whether we are meeting with representatives from our member agencies, setting up information tables at community events or being interviewed by members of the media, the Public Affairs team strives to provide timely, engaging, transparent and factual information about our organization.

The team is composed of three key sections: Strategic Partnerships, Community Engagement and Marketing and Communications. Each section focuses on different audiences, but there is one common thread: all of us are working to increase awareness about the services and programs SDCP has to offer in our quest to providing affordable, 100 percent renewable energy to San Diegans while investing back into our communities.

The Strategic Partnerships section works with local governments and large, local organizations to collaborate on initiatives that elevate and prioritize equity, sustainability and high-quality jobs. They are responsible for developing strong partnerships across the greater San Diego region and encouraging businesses to opt-up to 100 percent renewable energy as Power100 Champions. Current Power100 champions include Illumina, the San Diego County Regional Airport Authority, the San Diego Padres baseball team, the San Diego Loyal soccer team, San Diego Wave Fútbol Club and Sharp HealthCare.

Our growing Community Engagement section meets our customers wherever they may be. They bring activities for children and informational materials to events that range in size from swap meets to some of the largest civic events in the region. They are true utility players who aim to educate, answer questions and get the general public excited about the work we do at SDCP.

The Community Engagement section also provides staff support for SDCP's Community Advisory Committee (CAC), which advises the SDCP Board of Directors and comprises two volunteer representatives from each member agency.

The Marketing and Communications section is responsible for the copy writing, advertising and media relations work done on behalf of SDCP. The section manages the organization's social media accounts and seeks to provide engaging information to the public at large. This section works also closely with its marketing, communications, and website redesign and website maintenance partners.

Department Highlights

- Created opportunities to meet with over 500k people at in-person events.
- Attended 84 community events & activities since January 2024.
- Over 3,500,000 impressions through earned and paid media.
- Expanded partnerships with local community leaders such as the City of San Diego for December Nights and CBS8.
- Implemented Marketing and Communications request process for faster service updating the website and other internal needs.
- Staffed up to professionalize outreach and prepare for program launches.
- The Public Affairs department are tasked to help inform the community which has a correlation with SDCP participation rates.

Objective Key Results (OKRs)

The Public Affairs Department propose the following metrics to track budget performance in the upcoming year.

- Economic trends: The consumer price index is going up across the board. The SDCP Public Affairs team is monitoring local and national economic trends to provide helpful, easy-to-understand information to our customers who need it most.
- Local government priorities: Each of the SDCP’s seven member agencies have unique challenges and goals as they work toward implementing their Climate Action Plans. SDCP aims to tailor its support to each of the member agencies to provide top-notch service.
- Fellow community choice aggregators: SDCP is in its infancy. We can learn an enormous amount from CCAs that have paved the way before us. Some CCAs have done very well, while others have struggled. We constantly read the news about what is working and what could be improved in CCAs throughout California.
- Local and regional events: Key events in each of SDCP’s member agencies serve as points of community pride and gathering spaces for our customers. SDCP attends, sponsors and provides educational materials at major events to show our solidarity with the community and meet people where they are.

Department Positions

	FY24 Actual	FY25 Proposed
Public Affairs	11.0	*12.0

TABLE 13: PUBLIC AFFAIRS POSITIONS

*1 position will be supported through external funding (CIP)

Department Organizational Structure

Public Affairs
Jen Lebron
Lee Friedman
Jill Monroe
Xiomalys Crespo
Rachel Hommel
Ashley Rodriguez
Alyson Smith
Jushaun Jamieson
Adana Martinez
*Community Engagement Associate
*Marketing Manager

*Positions authorized in FY24.

FIGURE 38: PUBLIC AFFAIRS ORGANIZATIONAL STRUCTURE





Programs

Mission and Services

Under the guidance of the COO and under the direction of the Director of Programs, the Programs department is a community- and customer-focused team that sets the strategy in the implementation of customer energy programs. The department works internally and with outside consultants, customers and industry leaders to evaluate, design, and implement a variety of customer programs, as well as collaborate with the Community Advisory Committee to promote accessibility of SDCP services to our Communities of Concern.

FY 2025 Annual Priorities

1. Launch SD Regional Energy Network (REN) and prepare organization for REN rollout
2. Launch Residential Solar Battery Savings Program supported by industry partnerships
3. Establish regional partnerships and initiatives to support member agencies' Climate Action Plans
4. Identify and seek state and federal funding to support program goals

Current Programs and Initiatives

California Energy Commission ("CEC") Equitable Building Decarbonization Program

Since May 2023, Staff have been working with a coalition of Southern California agencies led by the Southern California Regional Energy Network (SoCalREN) to prepare for the CEC's Equitable Building Decarbonization (EBD) direct install program. On March 14, 2024, staff attended the CEC's pre-solicitation workshop to seek input on the draft Request for Proposal ("RFP") for the EBD program administrators. The CEC walked interested parties through the RFP's rules, draft scope of work, and budget. At the workshop, Staff learned that the CEC expects to release the RFP on or after April 30, 2024, with responses due 60 days later. Staff will continue to work with the coalition to prepare a strong response to the anticipated RFP for regional administrators.

U.S. Environmental Protection Agency (EPA) Climate Pollution Reduction Grant (CPRG) Program

The U.S. EPA's CPRG Program provides \$5 billion in grants to states, local governments, tribes, and territories to develop and implement ambitious plans for reducing greenhouse gas emissions and other harmful air pollution. Authorized under Section 60114 of the Inflation Reduction Act, this two-phase program provides \$250 million for noncompetitive planning grants and approximately \$4.6 billion for competitive implementation grants. During the first phase of the program (planning grants), the San Diego Association of Governments (SANDAG) was awarded a grant to conduct climate action planning in the region. SANDAG worked with local governments, community-based organizations, and other stakeholders to create a Priority Climate Action Plan (PCAP), which was published in March 2024. It identifies near-term actions and policies that can be implemented quickly to reduce air pollution. The second phase of the program (implementation grants) was open until April 1, 2024; for the general competition, EPA anticipates awarding individual grants between \$2 million and \$500 million, with funding tiers allowing comparably sized projects to compete against one another. SANDAG is leading a regional application for grant funding to implement measures included in the PCAP. SDCP, via its role as the proposed SDREN administrator, is identified as the regional program administrator for building electrification and solar + storage incentive programs. A proposed building electrification program would focus on providing upfront incentives for heat pump water heaters and space heating/cooling equipment that would nearly eliminate the incremental cost to install these technologies. A proposed solar + storage program would expand SDCP's Residential Solar and Storage Program's upfront incentive to the full San Diego County (instead of only SDCP customers), continuing to support the solar industry after Net Billing Tariff (NBT) implementation.



SDCP provided a Letter of Commitment to support the application in late March 2024. Grant awards are anticipated in October 2024.

Energy Education Website

In January 2024, promotional activities of the marketplace and SDCP's Power Your Life and Electrify Your Life webpages kicked off to help educate customers and encourage adoption of these technologies. This was mentioned in SDCP's inaugural newsletter that went out to over 1,500 subscribers and had a 56% open rate and led to 41 unique clicks on the Electrify Your Life webpage. SDCP's social media posts have generated 4,000 impressions with an average engagement rate of 6% across Instagram, Facebook, and LinkedIn.

Implementation of the marketing campaign for the marketplace is underway by SDCP's Public Affairs department. Staff will be collaborating with Electrum to expand the list of eligible local contractors in the Electrum database and promote the marketplace.

California Department of Food and Agriculture ("CDFA") Healthy Refrigeration Grant Program

At the January 2024 Board meeting, the Board adopted a Resolution that authorizes SDCP to accept, appropriate, and expend the CDFA grant funding. SDCP has also executed the grant agreement and associated scope from CDFA. Staff expect to launch the pilot program in Q2/Q3 2024. Following execution of the agreement, Staff will develop program materials, issue solicitations as necessary to contract subconsultants, and start program outreach.

FLEXmarket Pilot

On July 27, 2023, SDCP and Calpine Energy Solutions, LLC (Calpine) amended its contract allowing Calpine and its partner, Recurve Analytics (Recurve), to develop and launch a Summer Peak Load Reduction Pilot (Pilot). The intent of the Pilot was to test out new approaches for meeting summer peak load utilizing Recurve's FLEXmarket approach (measured, pay-for-performance savings) and to evaluate pilot design and scalability for future summer and year-round peak load reduction programs. The total funding to support the Pilot is \$450,000 (\$150,000 from Calpine and \$300,000 from SDCP). Additionally, Calpine and Recurve are contributing \$100,000 of in-kind support to the Pilot. Under the Pilot, SDCP provides direct funding only for actual savings realized relative to a control group of buildings. SDCP has not yet incurred direct costs to support the Pilot. Currently, the contract terms are effective through November 30, 2024, which includes a 12-month evaluation period for projects submitted through November 30, 2023. SDCP Staff intend to adjust the scope of work and extend the contract terms to accept additional projects. The adjusted scope of work includes having the eligibility requirements focus on small and medium sized commercial customers located in "hard to reach"1 communities to further inform the anticipated SDREN program of similar design.

SDCP will execute a no-cost contract amendment with Calpine for services related to the Pilot and will work with Calpine and Recurve through November 30, 2025 to implement the Pilot. The findings of this Pilot will inform future larger competitive procurement efforts expected through SDREN.

Regional Energy Network (REN) Formation

The REN Business Plan Application was submitted to the California Public Utilities Commission (CPUC) on January 5, 2024. Staff will attend relevant statewide meetings related to the REN Business Plan Application, continue coordination with SDG&E, and respond to any data requests, questions, or comments from the CPUC or stakeholders during the evaluation period (i.e., post-application submittal through when a CPUC decision is made).

Flexible Load Strategy

Staff have completed the software requirements gathering process that will guide the procurement process for a Distributed Energy Resources Management System (DERMS) software. Staff also requested existing bids from other public agencies that ran a DERMS solicitation and are using the requirements and existing bids to guide the procurement





process. If required, staff anticipate releasing a DERMS Request for Proposal for bidders in June 2024 and anticipate the DERMS software to be under contract by Q3 CY 2024.

Vehicle-Grid Integration (VGI) Strategy

Staff have been developing a VGI strategy to guide development of SDCP's V1G and V2X programs portfolio. Staff presented an overview of the strategy at the April CAC 2024 meeting and will present the same update at the April 2024 Board meeting. Staff plan on designing and launching the associated pilot(s) beginning in Q3 CY 2024.

Community Clean Energy Grant Program

The FY 2023-24 grant cycle closed on April 5, 2024, and the grant evaluation process is currently taking place throughout April and May 2024. Staff anticipate grant agreements to be executed and grant awards to be made by June 2024 and for potential work in the upcoming fiscal year.

Member Agency Grant

SDCP's FY 2023-24 Member Agency Grant Program closed on April 12, 2024. Grant applications were received from all seven of SDCP's member agencies and are currently being evaluated. Staff anticipate grant agreements to be executed and grant awards to be made by June 2024.

Net Energy Metering (NEM) and Net Billing Tariff (NBT)

In November 2023, the CPUC approved new subtariffs for virtual and aggregation Net Billing Tariff. In these new subtariffs, the current Virtual Net Energy Metering and Net Energy Metering Aggregation are closed to new customers interconnecting after February 2024. The new net billing subtariffs mirror the Net Billing Tariff adopted by the CPUC in December 2022 meaning that electricity exports will continue to be compensated at the Avoided Cost Calculator ("ACC") values, while imports (consumption) would be charged retail rates. The utilities have until March 31, 2025, to align their billing systems to support full implementation of the virtual and aggregation net billing subtariffs. The CPUC also extended the ACC "Plus" adders to these subtariffs.

Staff are evaluating the development of the subtariffs by the utilities. Staff expect to bring an updated Net Billing Tariff (approved by the Board in October 2023) to include provisions to allow for virtual and aggregation subtariffs.

Residential Solar + Storage Program

Staff have continued to obtain feedback from stakeholders on the design for a solar plus battery storage incentive program. In January 2024, staff held two virtual industry workshops to ensure maximum industry feedback was received. The 72 attendees at the workshops included installers, aggregators, providers, and battery manufacturers. Staff learned that many in the industry are unfamiliar with SDCP and therefore it is key to continue to engage with the industry to ensure the program can be successful. Overall, the industry responded positively to the program with additional feedback expected from California Solar & Storage Association (CALSSA) members. Based on feedback collected to date and research on other related existing solar and storage incentive programs, staff have developed an initial program design that includes a one-time, upfront incentive and an annual performance incentive; the performance incentive will be based on SDCP managing a daily dispatch of the participating batteries. Staff are drafting a Program Manual in addition to developing battery and installer requirements to ensure the highest quality for SDCP customers. At the February 2024 CAC meeting, Staff solicited feedback on the initial program design.

Staff anticipate bringing the final program design to the March 2024 Board meeting prior to the anticipated program launch in Q2/Q3 2024.

Disadvantaged Communities–Single-Family Affordable Solar Homes ("DACSAH") Readiness Pilot





The DAC-SASH Readiness Pilot was launched with GRID Alternatives (GRID) in April 2024 upon finalization of the pilot Guidelines. The Guidelines stipulate how GRID will implement the pilot and provide no-cost roof repairs or replacement to homes that are otherwise eligible to participate in the DAC-SASH program. By providing repairs or replacement of roofs, GRID will be able to enroll more homes in the DAC-SASH program and complete more solar system installations within SDCP's service territory. GRID is now working to identify eligible homes and homeowners and is focusing their targeting techniques on homes within the Transformative Climate Communities (TCC) project area to support the TCC grant. The identification work is expected to continue through August 2024. Roof repair/replacement work may be completed simultaneously for eligible homes and may continue into March 2025. Staff will meet with GRID monthly to keep track of the progress of the pilot and ensure success.

Solar for Our Communities

Since securing California Public Utilities Commission (CPUC) approval for SDCP's solicitation documents in August 2023, staff have proactively pursued the implementation of the Disadvantaged Communities Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) programs, with the aim of delivering renewable energy access to disadvantaged communities. Following the issuance of the Request for Offer (RFO) on August 25, 2023 to 1,555 pre-qualified vendors, staff facilitated a Q&A session on November 3, 2023 to address developer inquiries. While formal offer submissions are yet to be received, proactive engagement with potential developers suggests strong interest, particularly in DAC-GT projects. Staff have implemented a comprehensive outreach strategy to maximize program outreach. This strategy included hosting three well-attended webinars (56 participants), actively engaging in relevant conferences, and launching the dedicated "Solar for Our Communities" webpage, a centralized resource hub for developers featuring program information and essential materials.

The deadline for RFO submissions was on February 24, 2024. Staff have followed up with RFO respondents as necessary from February 26 to March 25, 2024 and have sent supplier notification for SDCP's short list selection in April. The evaluation team have begun reviewing offers in early May 2024 and anticipate completing the evaluation by June 2024 in time for FY25.

Objective Key Results (OKRs)

The Programs Department propose the following metrics to track budget performance in the upcoming year. The Programs Team will be actively leading efforts to develop a Regional Energy Network (REN) in San Diego. REN program offerings can include residential and commercial energy efficiency, workforce education and training, and public sector support, among other focus areas.

In addition to the potential funding from forming a REN, we anticipate programs to be funded through the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA); both of which we are monitoring closely and are central in our efforts to bring federal funding to San Diego.

Department Highlights

- Increases positions to eleven by the end of FY25 to position SDCP to have an increased focus on customer programs.
- Potential new pilot programs in FY25 including customer program pilot projects and community grants.
- \$35K Operating Budget allocated to Programs department for General and Administrative costs.
- \$15.2M of Total CIP fund will be allotted for FY25 including the below programs:
 - Residential Solar + Storage Incentive Programs – Incentives
 - Customer Program Pilot Projects
 - C&I Incentive Program
 - Community Grants from
 - CDFA
 - DERMS Software Platform

- Customer Education Platform
- C&I Application Assistance Program
- Building and Housing Stock Analysis (BHSA)
- Procurement Support - DAC-GT / CSGT
- Outreach & Materials - DAC-GT / CSGT
- Information Technology & Billing Operations - DAC-GT / CSGT
- PUC Energy Efficiency Program Launch Costs
- Member Agency Grants
- Regulatory Compliance - DAC-GT / CSGT

Department Positions

	FY24 Actual	FY25 Proposed
Programs	*8.0	*11.0

TABLE 14: PROGRAMS POSITIONS

*1 position was externally funded in FY24. 3.8 positions are externally funded in FY25.

Department Organizational Structure

PROGRAMS
Colin Santulli
Sheena Tran Timothy Treadwell Emily Fisher Nelson Lomeli Alyson Scurlock Tessa Tobar *Programs Operations and Proposal Manager

*Position authorized in FY24.

FIGURE 39: PROGRAMS ORGANIZATIONAL STRUCTURE





Regulatory and Legislative Affairs

Mission and Services

The Regulatory and Legislative Affairs team is responsible for advancing SDCP's policy interests before the California Legislature as well as the agencies that impact energy policy in California, including the California Public Utilities Commission (CPUC), the California Energy Commission (CEC), the California Air Resources Board (CARB) and the California Independent System Operator (CAISO). The Regulatory and Legislative Affairs team is also responsible for overseeing compliance with various orders, statutes and regulations that are implemented by these agencies. Lastly, the team tracks developments and funding opportunities coming out of the Federal government such as the Infrastructure and Investment Jobs Act (IIJA) and the Inflation Reduction Act (IRA) that will have impacts in California and the San Diego region.

On the regulatory affairs front, our team monitors over 35 regulatory proceedings at the CPUC, CEC and CARB to determine how and where to engage strategically as necessary. For some proceedings, we work with external regulatory counsel and consultants to develop policy positions and regulatory filings. On other proceedings, we work with the California Community Choice Association (CalCCA), our trade association, to ensure that their filings are reflective of our policy positions and serve the interests of SDCP. Our CEO is on the Executive Committee of the CalCCA for the 2024-2025 period, and we are a voting member within the CalCCA Regulatory Committee. We further participate in small group policy discussions, which are referred to as Tiger Teams. We also work with ad hoc groups of other CCAs across California to develop filings for issues where there may not be alignment among all CCAs or there are unique interests, such as most recently in the Net Energy Metering proceeding. For all of our regulatory engagement, our team works closely with staff across all departments to best understand the potential implications of proposed regulations on SDCP's operations in order to develop our positions and offer solutions.

On the legislative affairs front, we participate as a voting member on the CalCCA Legislative Committee, where we analyze bills and vote on policy positions for CalCCA to lobby. SDCP will generally be in alignment with positions taken by CalCCA, however, SDCP has in the past teed up legislative positions on bills that CalCCA was unwilling to confront. SDCP also has a California based lobbyist who diligently represents our interests in Sacramento. Our lobbyist also helps us develop and maintain key relationships, including with our legislative delegation as well as key decisionmakers at the CPUC, CEC and in the Governor's Office.

On the compliance front, we have a spreadsheet inventory of compliance obligations, which include comprehensive planning documents and regular data requests from various state agencies. Our team ensures that we plan for and meet all of these obligations through coordination with the relevant internal teams. Many of these obligations are handled by an external consultant, Pacific Energy Advisors, and some are handled by outside regulatory counsel, while others we develop and execute in house.





San Diego Community Power Legislative Platform

San Diego Community Power's (SDCP) Legislative Policy Platform (Platform) serves as a guide to the SDCP Board of Directors and SDCP staff in their advocacy efforts and engagement on policy matters of interest to SDCP. The Platform allows both Board members and staff to pursue actions at the local, regional, state and federal legislative levels in a consistent manner and with the understanding that they are pursuing actions in the best interest of the organization and its mission, its member agencies, and its customers. The Platform enables the organization to move swiftly to respond to issues before Legislature and Executive Branch agencies including California Public Utilities Commission (CPUC), the California Energy Commission (CEC), California Independent System Operator (CAISO), and the California Air Resources Board (CARB) so that SDCP's views can be heard on important matters in a timely fashion. This Platform is applicable to statewide referenda, grant funding opportunities, and local ballot initiatives. The Platform provides guidance to the Chief Executive Officer on support or oppose positions that should be taken on legislative matters identified by the SDCP Director of Regulatory and Legislative Affairs and the California Community Choice Association (CalCCA) Board of Directors.

The Platform outlines the legislative priorities and stances of SDCP with the intent to inform customers, representatives, and policymakers on the myriad of public policies that intersect with SDCP's priorities, programs, and services.

SDCP has three major legislative priorities:

1. Accelerating Deep Decarbonization, including electrification of buildings and the transportation sector;
2. Promoting Local Development, and
3. Stabilizing Community Choice.

SDCP support of legislation will be contingent upon that legislation adhering to these legislative priorities as well as SDCP's organizational goals and priorities. Moreover, SDCP supports any and all policies that will preserve or enhance the ability of SDCP to promote these priorities at the local level.

Any questions regarding this Platform can be directed to Laura Fernandez, Director of Regulatory and Legislative Affairs, at lfernandez@sdcommunitypower.org.

General Legislative Principles

SDCP has three general legislative principles. These priorities serve as the foundation for all actions SDCP will take, including the lobbying for policies that promote those same guiding priorities. Public policy encompasses a myriad of subject and topic areas. However, as these policies intersect at the local level, they have the ability to impact SDCP revenues, programs, and/or administrative discretion and control. SDCP will support policies that accelerate deep decarbonization, promote local development, stabilize community choice, or any combination thereof. If a given policy does not meet these criteria, SDCP will oppose, support with amendments, or in some cases take no stance on that policy or legislation. The General Legislative Principles for SDCP are:



Accelerating Deep Decarbonization

- Support the creation or expansion of federal, state, and local policies, programs and funding that enable SDCP to provide 100% renewable energy by 2035 or sooner to customers within its service territory as well as contribute to the State's efforts to reduce greenhouse gas emissions, including through building electrification and transportation electrification.
- Oppose any legislation, policies, programs, referenda, unfunded mandates and budgets that would have an adverse impact on SDCP's ability to advance decarbonization through its procurement, programs, projects, and services.

Promoting Local Development

- Support any legislation, policy, funding, referenda, and budgets that enhance community choice energy providers' ability to invest in local clean energy, distributed energy resources, grid resiliency, zero-emission transportation, all while promoting equity in the communities that it serves.
- Oppose any legislation, policy, funding, referenda, and budgets that limit or undermine SDCP's ability to invest in local clean energy, distributed energy resources, zero-emission transportation, all while promoting equity in the communities that it serves.

Stabilizing Community Choice

- Support any legislation, policies, funding, referenda, and budgets that maintain or improve the stability of community choice energy providers by ensuring regulatory structure is equitable and enables Community Choice Aggregators (CCAs) to meet their mission and goals. Maintaining local decision-making authority, including rate-setting authority and procurement of energy, is a key pillar for this stability.
- Oppose any legislation, policies, funding, referenda, and budgets that undermine or circumvent CCAs and impede the ability of SDCP to achieve its mission and goals or its value proposition.

The list of policy positions below is by no means exhaustive. In addition to the general legislative priorities, SDCP takes the following more specific public policy positions:

- I. Governance and Authority
 - a. Oppose legislation that limits the local decision-making authority for CCAs, including rate-setting authority and procurement of energy and capacity to serve their customers.
 - b. Oppose legislation that limits SDCP's ability to effectively serve its customers.
 - c. Support legislation that makes it easier for other cities and counties that are not served by a publicly owned utility to form a CCA, become members of SDCP or other CCAs, and oppose legislation that restricts that ability.



II. Deep Decarbonization

- a. Advocate for and support legislative efforts to accelerate deep decarbonization of the energy sector, transportation and the built environment.
- b. Advocate for and support legislative efforts to support and expand access to transportation and building electrification.
- c. Advocate for and support efforts to ensure flexibility in program design so that local data and local needs directly inform program offerings.
- d. Support state funding for electric vehicle infrastructure grant programs.
- e. Advocate for and support legislative efforts to provide incentives to support communities of concern achieving deep decarbonization.

III. Environmental Justice

- a. Support legislation that supports the ability of communities of concern in the SDCP service area to have affordable, reliable and clean energy.
- b. Support legislation that strengthens the resilience of vulnerable communities to the impacts of climate change.
- c. Support legislation that enables all communities, including emerging and historically marginalized communities in California, to participate in deep decarbonization efforts.
- d. Support legislation that would take into account the concept of social cost of carbon.
- e. Support legislation and initiatives that would reduce local air pollution, reduce other negative local impacts associated with energy production, and boost adoption of distributed energy resources within communities of concern.
- f. Oppose legislation and initiatives that have the potential to disproportionately and negatively impact communities of concern.

IV. Environmental Sustainability

- a. Support legislation and initiatives that increase funding for the creation of sustainable and stable energy supply infrastructure.
- b. Support legislation and initiatives that encourage the conservation of energy resources as well as the development of dynamic load-shifting capabilities.
- c. Support legislation and funding for renewable and advanced energy technology that increase efficient consumption.
- d. Support legislation and funding for pilot energy and resource efficiency programs.
- e. Support legislation and initiatives with the goal of reducing and mitigating the effects of climate change and building local resiliency.

V. Investor-Owned Utility (IOU) Charges and Exit Fees - Power Charge Indifference Adjustment (PCIA)

- a. Support efforts that seek to eliminate exit fees including the PCIA or wind down exit fees within a reasonable time frame.
- b. Support efforts to minimize the cost of the PCIA generally and minimize its impact on SDCP's rates.
- c. Support CalCCA efforts to increase the transparency of IOU electricity contracts that provide the basis for PCIA charges.
- d. Support legislation that would bring stability to the PCIA and/or provide new mechanisms for CCAs to securitize PCIA charges.
- e. Support legislation that advances ratepayer equity.
- f. Oppose legislation that would increase or expand exit fees on CCA customers.

VI. Resource Adequacy

- a. Support legislation by CalCCA to implement the recommendations from Working Group 3 via statute.
- b. Oppose legislation that would supplant CCAs' procurement authority for Resource Adequacy.
- c. Support reform of the CPUC Resource Adequacy program to allow for stability in the resource adequacy value of existing resources.
- d. Advocate for and support efforts to remove barriers to demand response, microgrids and behind the meter resources to provide Resource Adequacy.

VII. Non-by passable Charges

- a. Oppose legislation that restricts or limits SDCP's ability to procure its own energy products to meet state policy goals.
- b. Support legislation that promotes a level playing field between CCAs and other market participants.
- c. Support legislation that enhances the flexibility of CCA programs to support statewide procurement policy and develop and expand programs, local options, and rate design to support SDCP's community and customers.

VIII. Community Resilience

- a. Advocate for and support funding for programs implemented by CCAs and their member jurisdictions to increase community resilience to wildfires, public safety power shutoff (PSPS) events and other potential service disruptions.
- b. Support legislation that reduces barriers to microgrid development by CCAs.
- c. Oppose legislation that would enable IOUs to be the only developer of microgrids.
- d. Support legislation that increases development of community-level resources and distributed energy resources that increase resilience and reduce the need for new transmission and distribution infrastructure.



IX. Local Economic Development

- a. Support legislation that is consistent with SDCP's commitment to an inclusive and sustainable workforce.
- b. Support legislation that enhances opportunities for CCAs to promote local economic development through locally designed programs that meet the unique needs of their member agencies, communities, and customers.
- c. Support efforts to enhance development of local and regional sources of renewable energy.
- d. Support legislation that enables CCAs to collaborate with their member jurisdictions on local energy resources and projects to advance environmental objectives.
- e. Advocate for and support efforts to direct federal economic stimulus/recovery funding to CCAs to deliver local energy resources and projects, as appropriate.

X. California Energy Market Structure

- a. Oppose legislation that expands direct access or the ability or economic incentives for electric service providers to selectively recruit CCA or IOU customers.
- b. Support legislation that would create renewable content and environmental standards for electric service providers to match the products offered by CCAs.
- c. Support legislation that changes California's market structures towards innovative models that reduce costs of energy service and support the expansion of carbon-free resources.
- d. Support legislation that advocates for equitable and timely data access/sharing between the IOUs, CCAs and other LSEs to support accurate and timely load forecasts, which aid in overall statewide grid reliability and resiliency efforts.

XI. Finance

- a. Support legislation that enhances the financial standing of CCAs and their ability to receive a positive credit rating.
- b. Oppose legislation that reduces or removes the tax-exempt status of municipal bonds.
- c. Oppose any legislation that would divert CCA revenues to the State or other governmental entities.

XII. Educational, Neighborhood and Social Services

- a. Support legislation that aids or helps to fund SDCP to provide energy support services, education, and opportunities for reducing energy costs to people who are low-income, seniors, veterans, and/or people with disabilities.
- b. Support legislation and initiatives that increase funding for energy efficiency, demand response, solar plus storage, and transportation electrification programs, and energy literacy services.





Professional Services Agreements

The following key professional services agreements are integral to the performance of the Regulatory and Legislative team:

- Primary external counsel Keyes Fox \$420K
- Newgen Strategies \$333K
- BBSW \$120K
- Federal Lobbyist \$120K
- State Lobbyist \$132K
- Additional general consultant support \$60K

Objective Key Results (OKRs)

The Regulatory and Legislative Affairs team proposes the following metrics for budget tracking:

- Ensure the power procurement team is not unduly hindered by state mandates to buy particular resources, by lobbying against central procurement and other proposals.
- Ensure that ratemaking autonomy is not infringed upon via mandates by state agencies to offer certain types of rates to customers.
- Ensure that the programs department has flexibility in offering the types of programs it would like to offer to customers and also possibly has outside funding for these programs.

The Regulatory and Legislative Affairs team is successful when we are able to retain procurement, programs and ratemaking autonomy for SDCP. The Regulatory and Legislative Affairs team will also aim to secure federal funding for member agencies or programs, though there is no guarantee our efforts will result in funding. Legislative efforts that we are engaging on are posted on our website, including bills we send position letters on and the status of those bills.

Department Highlights

- Proactively educate and engage policymakers to develop policies that support SDCP's organizational priorities, including advocacy around PCIA reductions.
- Sponsor and support legislation and regulation that is consistent with SDCP's mission, vision, and goals.
- Develop annual legislative plan to advance and support SDCP objectives and share with local Senate and Assembly members and staff.
- Develop plan to meet more proactively with and educate key decisionmakers (e.g. CEC, CPUC commissioners).
- SDCP is currently individually supporting 7 pieces of legislation introduced in 2024 addition to the 7 bills we engaged on in the first year of the 2 year legislative cycle.
- Updated Policy Platform to include language around Regional Grid integration developments, after thoughtful engagement with labor leaders.
- One new position is recommended. For a Senior Analyst If approved, as they are onboarded, we recommend examining professional services contract spend for a proportional reduction in burn ate.

Department Positions

	FY24 Actual	FY25 Proposed
Regulatory and Legislative Affairs	5.0	*5.0

*0.5 POSITIONS WILL BE EXTERNALLY FUNDED IN FY25

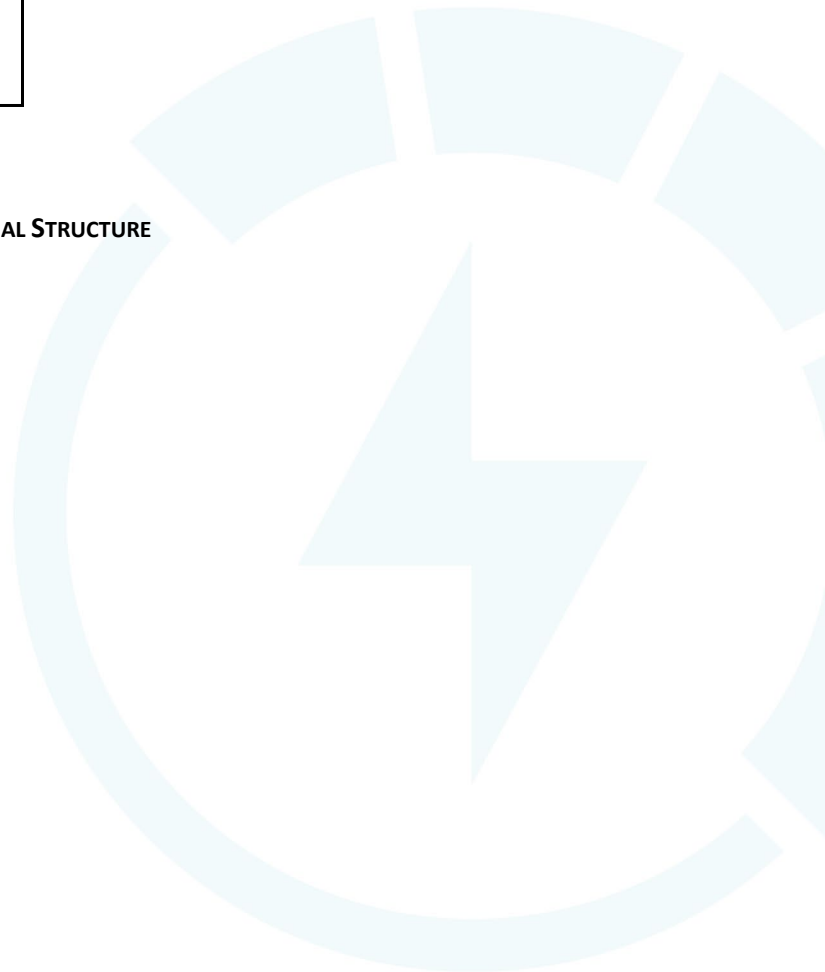
TABLE 15: REGULATORY AND LEGISLATIVE AFFAIRS POSITIONS

Department Organizational Structure

Regulatory & Legislative Affairs
Laura Fernandez
Stephen Gunther Aisha Cissna Patrick Welch *Senior Regulatory Manager

*Position approved to be hired in FY24.

FIGURE 40: REGULATORY AND LEGISLATIVE AFFAIRS ORGANIZATIONAL STRUCTURE



Human Resources

Mission and Services

The Human Resources department serves as a key business partner and peer to the management team in leading and creating initiatives, systems, and best practices to recruit, develop, and train a diverse and high-performing workforce and build an organizational culture that supports advancement of our mission and strategic plans.

The department reviews and refreshes the core human resource functions including hiring processes, onboarding, and performance management. The department works with management to ensure that benefits administration is carried out timely in coordination with our benefit partners, (e.g., Paychex Payroll services, Empower retirement plan platform, risk management.)

Lead Culture Cultivator

- Collaborates with leadership and staff to build a positive team culture environment where HR and business activities are guided by our principles: Justice, Equity, Diversity, and Inclusion (JEDI); and values: Impact, Integrity, Innovation, Servant Leadership, and Togetherness.
- Identifies JEDI training opportunities and potential outreach partnership programs with resources in the San Diego County area to generate knowledge and interest about SDCP employment opportunities and learning community resources that may be beneficial to HR and SDCP programs. As an example, this may include networking with community colleges to build internship opportunities.

General Administrator of HR Systems & Staff

- Understands, interprets, and shares relevant labor laws and public agency administration and ensure all people processes, policies, and actions comply with these laws.
- Administers all HR systems with internal support from Finance and SDCP's IT Service provider as needed.
- Reviews current HR systems and explore, and ultimately implement, new systems based on organizational needs. Review current vendor performance, services and contracts as the organization grow to support HR/HRIS reporting, onboarding, group health benefits, risk management/Workers' Compensation, training platforms or training consultants, and staffing/recruiting consultants to identify partners who work to support SDCP organizational needs and objectives.

Candidate Recruitment, Hiring, and On-Boarding

- Develops and implement targeted recruitment strategies to ensure a robust and diverse applicant pool for all openings.
- Manages the hiring process to ensure consistency across departments and appropriate communication among program, administrative, and fiscal staff.
- Provides on-boarding services and agency orientation to all new staff members and ensure department and/or program level orientations are standardized and effective. Onboarding program will be in partnership with the Hire Managers and executives to insure an effective and welcoming introduction. Onboarding is a SDCP team program.



Professional Development and Performance Management

- Trains, coaches, and supports managers to navigate evaluation, training, promotion, discipline, termination, and other HR issues.
- Collaborates with managers to update job descriptions across the agency and implement a system for regular review and revision to descriptions.
- Designs and implement an enhanced performance management tool and process for the exchange of employee feedback and evaluation.
- Develops internal staff trainings and identify relevant available external trainings such as required Respectful, Inclusive workplace and harassment prevention. Leadership development tactics are a key development program need.

Professional Services Agreements

The following key professional services agreements are integral to the performance of the Human Resources team:

- Futura Energy Group \$100K
- A-Star Staffing \$10K
- HR Professional \$20K

Objective Key Results (OKRs)

San Diego Community Power's Human Resources department has set ambitious OKRs focused on building a strong, inclusive, and innovative workplace. The first objective aims to cultivate a high-performing environment by boosting employee engagement, fostering a culture of respect and trust, and encouraging innovation. The second objective prioritizes talent management through a strategic annual workforce plan, comprehensive training programs, and high completion rates for core training. Building a robust local workforce pipeline also takes center stage, with programs targeting candidates from member cities and partnerships with educational institutions. Finally, the OKRs acknowledge the importance of the Community Advisory Committee (CAC) by focusing on training, participation, and feedback mechanisms to strengthen their contributions to SDCP's mission.



Department Highlights

- In FY25 SDCP will have an internal Human Resources team for the first time since conception.
- HR department will manage SDCP employee benefits, hiring and general administration of staff, including Board and CAC Members.
- SDCP will review Futura Energy Group contract regarding professional services or potential in housing of services. This is the largest professional service contract for HR.

Department Positions

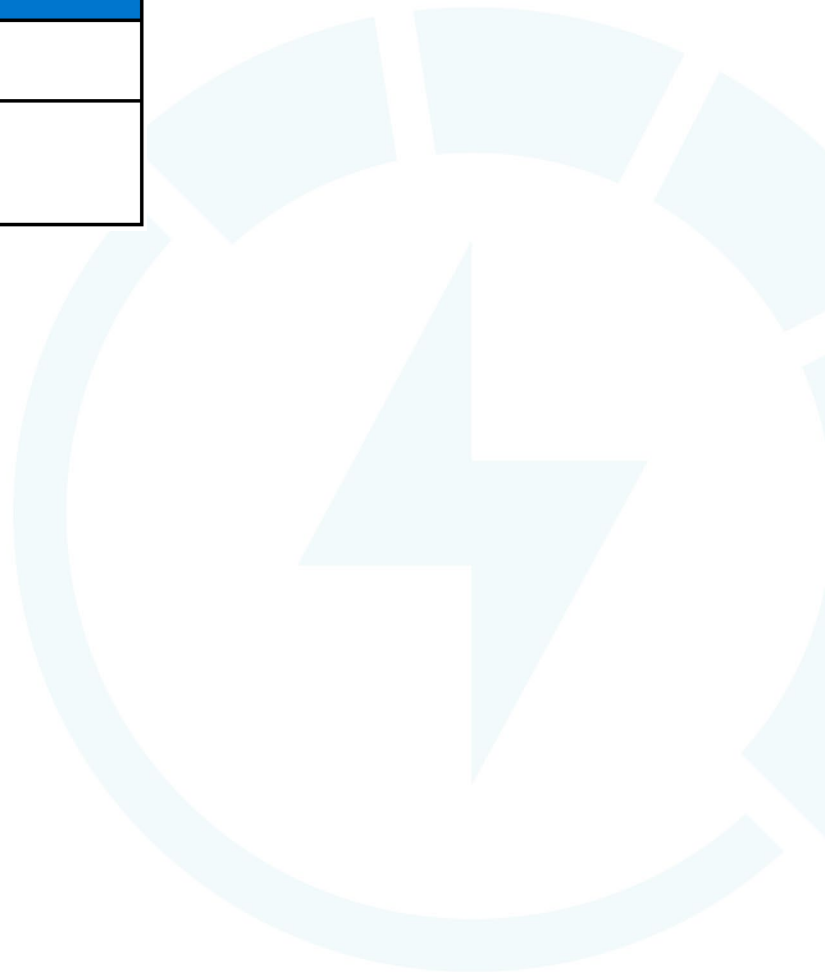
TABLE 16: HUMAN RESOURCES POSITIONS

	FY24 Actual	FY25 Proposed
Human Resources	3.0	4.0

Department Organizational Structure

Human Resources
Chandra Pugh
Charlene Hoffman Bria Betz

FIGURE 41: HUMAN RESOURCES ORGANIZATIONAL STRUCTURE



Legal

Mission and Services

The Legal Department directly reports to the Board of Directors, serving as a vital resource for staff and leadership. They consistently assess and monitor risk factors, communicating these to executive management in support of SDCP's mission and strategic plans. The department provides legal counsel and ensures compliance with local, state, and federal laws, covering contract and transactional law, municipal law, and employment law.

The Department at San Diego Community Power (SDCP) is instrumental in guiding the organization through the complexities of legal compliance, ensuring that all business decisions are in line with local, state, and federal laws. General counsel's expertise extends to employment law, managing contracts, benefits, and workplace policies to maintain a fair and lawful working environment. Through vigilant oversight and collaboration with various SDCP departments, the Legal department upholds a secure and compliant operational framework, significantly contributing to the organization's success and integrity.

Legal Duties

- Monitor and provide the requisite legal services and advice within SDCP and ensure that SDCP is fully represented in any judicial, administrative, regulatory, or similar action or proceedings.
- Assist SDCP to develop, maintain, or modify policies and procedures as to be in compliance with or in conformance with applicable law.
- Keep fully informed on all legislation and regulatory developments affecting SDCP's operations and pertinent developments in corporate and regulatory legal matters, and where needed, inform, and advise affected SDCP management of changes in law that materially affect SDCP's business or transactions.

Professional Services Agreements

The following key professional services agreements are integral to the performance of the Legal team:

- Best Best & Krieger \$200K
- Employment Counsel \$100K
- External Counsel \$50K
- Public Contracting Counsel \$50K

Objective Key Results (OKRs)

The Legal Department at SDCP has crafted a set of OKRs to enhance its operational efficiency and internal collaboration. Aiming to streamline processes, the department is focused on reducing the time required for contract approvals and legal consultations, thereby accelerating decision-making, and improving overall efficiency. In parallel, the department is dedicated to informing and collaborating with other departments, promoting a unified approach to legal and regulatory compliance. Integral to these objectives is the commitment to uphold the highest standards of legal compliance, which includes a thorough evaluation of cost-effectiveness of the Professional Service Agreements. These strategic OKRs are pivotal in driving the department's contribution to SDCP's mission and ensuring its continued success.



Department Highlights

- SDCP in-housed a General Counsel to establish and lead the Legal Department.
- General Counsel plans to hire Attorney to provide support.

Department Positions

	FY24 Actual	FY25 Proposed
Legal	1.0	2.0

TABLE 17: LEGAL POSITIONS

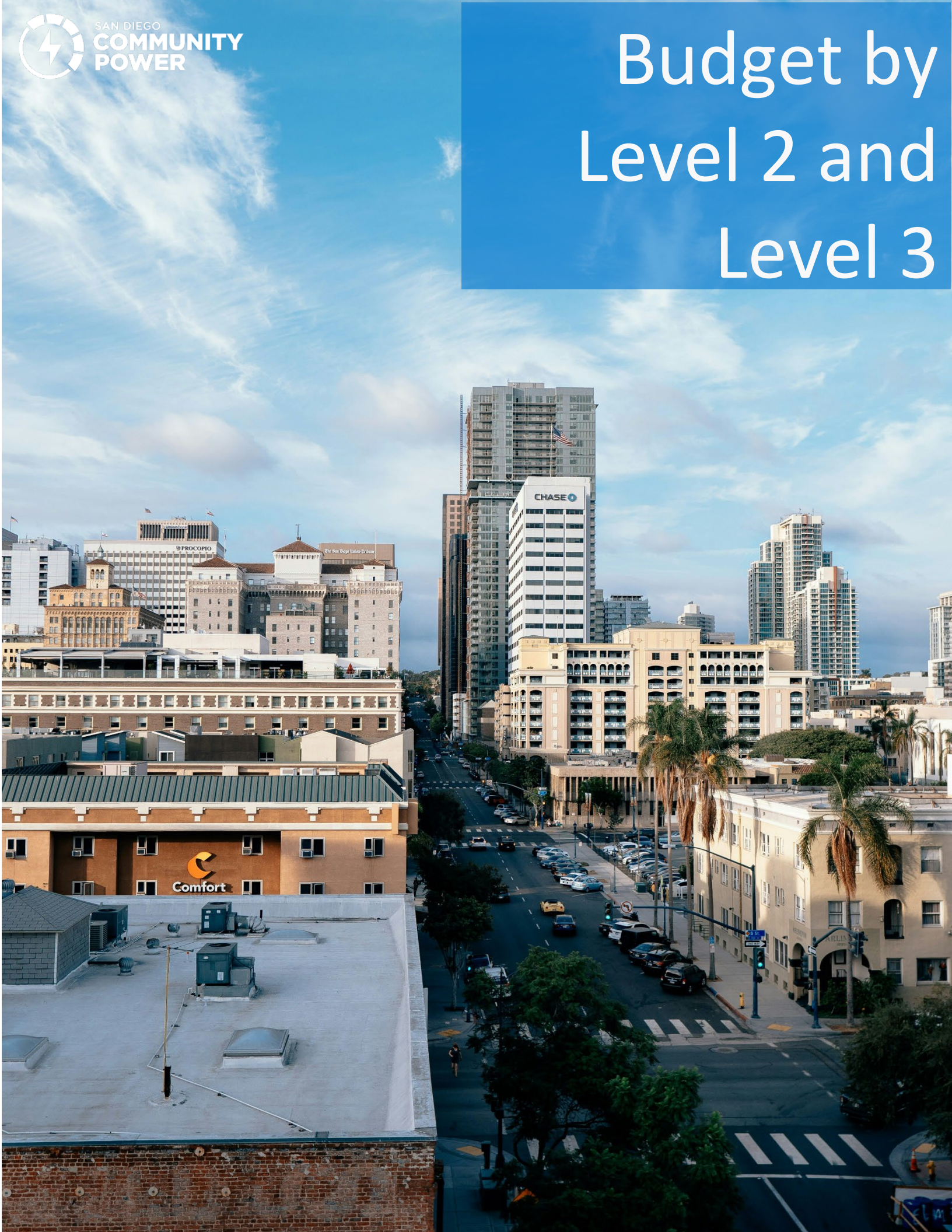
Department Organizational Structure



FIGURE 42: LEGAL ORGANIZATIONAL STRUCTURE



Budget by Level 2 and Level 3



Budget by Level 2 and Level 3

Operating Revenue

SDCP’s sole source of revenue currently is from the retail sale of electricity to its customers. Revenue budgeted for FY 2024-25 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base as well as for the majority of the residential customer base.

SDCP offers four service levels to its customers which, taken together, ultimately comprise the source of ratepayer funds for the agency.

- PowerOn, our standard service offering which provides a minimum of 50% renewable power and is competitively priced to San Diego Gas & Electric (SDGE)
- Power100, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a \$0.01/kWh adder to the PowerOn service.
- Power100 Green+, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, only available to commercial and industrial customers, and is currently priced at a \$0.02/kWh adder to the Power On service.
- PowerBase, our economical service whose renewable content is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 2.5% discount compared to SDG&E’s rates currently in effect as of March 1, 2024, for the period from July through December 2024.

Additional assumptions for net operating revenue include:

- Enrollment of customers is substantially complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- A 4.5% uncollectible rate which is an increase from the 1% uncollectible rate assumed in all other prior budgets.
- Trifurcation of rates continues to ensure a fair, equitable, and balanced rate structure across customers with differing vintage years.
- Rates remain at the levels adopted by the Board on January 23, 2023, from July 2023 through December 2023 and are reduced from January 2024 to June 2024. A rate reduction, however, is subject to Board approval.

TABLE 18: OPERATING REVENUE BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Gross Ratepayer Revenues	1,365.7	1,233.4
(Less 4.5% Uncollectible Customer Accounts)	(61.5)	(55.5)
Net Operating Revenues	1,304.3	1,177.9

Amounts displayed in millions, \$



Cost of Energy

SDCP purchases electricity that is generated from renewable sources like solar or wind. The agency purchases enough electricity to cover the needs of our customers. SDG&E delivers that electricity through their existing power lines and continues to provide meter reading, billing and line maintenance to customers.

While San Diego Community Power (SDCP) emphasizes its commitment to clean energy, there are factors that can influence the cost of this energy for SDCP, impacting the overall cost of energy for the company. The following topics are key considerations:

Market Fluctuations: Unlike traditional energy sources with more stable pricing, renewable energy sources like solar and wind are subject to fluctuations in the electricity market. This means that during periods of lower renewable energy production or higher demand, SDCP may need to purchase additional power from the market, potentially at a higher cost. These costs can then be passed on to customers.

Seasonal Variations: San Diego could experience significant heat waves in the summer months. During these periods, peak electricity demand rises due to increased usage from air conditioning. This can put a strain on renewable energy sources, forcing SDCP to supplement with power from the market, potentially at a premium, similar to market fluctuations.

Increased Load: As SDCP serves a growing customer base, the overall demand for electricity (load) increases. To maintain grid reliability, SDCP may need to secure additional power sources, potentially impacting the cost of energy.

Beyond market-driven factors, regulations play a role in SDCP's energy costs such as Resource Adequacy (RA). The California Public Utilities Commission (CPUC) mandates RA requirements. These require SDCP to procure a predetermined amount of electricity based on its projected load. This always ensures a reliable grid with sufficient energy available. Meeting these RA requirements might necessitate purchasing additional power, especially during peak demand periods, potentially at higher costs.

The potential for cost increases due to these factors is a trade-off inherent in pursuing renewable energy. While costs may fluctuate, SDCP's commitment to clean energy aligns with California's sustainability goals.

It's important to note, SDCP strives to offer competitive rates compared to traditional energy providers. They achieve this through various strategies, including long-term power purchase agreements and a diverse renewable energy portfolio to mitigate market fluctuations.

TABLE 19: COST OF ENERGY BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Cost of Energy	1,020.8	1,073.6
Cost of Energy	1,020.8	1,073.6

Amounts displayed in millions, \$



Professional Services and Consultants

Professional Services and Consultants include SDG&E fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services.

- Legal/Regulatory Services** – SDCP retains legal counsel to assist with the complex aspects of the regulatory, compliance, power supply contract negotiations as well as its general legal needs. This line item will also allow for the retention of both a state and federal lobbyist to support SDCP’s legislative and regulatory efforts.
- Technical Support** – SDCP engages consultants to assist with rate setting, policies, joint rate comparisons with the IOU, load analysis, and a scheduling coordinator. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing a number of other market and regulatory requirements. As SDCP grows its internal staff, it will look to in-house portions of this service.
- Other Services** – SDCP contracts or plans to contract for IT Services, Audit services (data and financial), Accounting services, and other services as needs. SDCP continues to examine if these services are more cost effective or efficient to bring in-house and, in particular, SDCP is growing its IT function in house and expecting a reduction in its IT Services professional services agreement.
- SDG&E Service Fees** – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The rollout of all enrollment phases add significant costs compared to FY 2024-25. The fees cover SDG&E’s costs associated with meter reading additional data processing and bill coordination as mandated and regulated by the California Public Utilities Commission (CPUC). There are also numerous small fees associated with data requests.
- Data Management** – Broad scope of services that includes all “back office” billing data validation, bill coordination with SDG&E, call center services and billing technical support, customer enrollment database management, move- in/move-out services, customer research for enrollment support, and many support functions related to data reporting. With full enrollment from all phases, the cost for Data Management will be higher compared to prior fiscal years.

TABLE 20: PROFESSIONAL SERVICES AND CONSULTANTS BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Data Management	13.5	14.6
SDG&E Fees	3.4	3.4
Legal/Regulatory	1.5	1.3
Other Services	2.1	2.7



Technical Support	1.3	2.0
Legal/Regulatory	1.5	1.3
Professional Services and Consultants	22.3	24.8

Amounts displayed in millions, \$

Personnel Costs

Personnel costs include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. In addition, costs include assumptions from the Board adopted compensation policy including potential merit and cost-of-living increase.

The recruitment strategy includes the addition of approximately 24 new staff members during the FY 2024-25 budget cycle growing the agency to 80 total staff.

TABLE 21: PERSONNEL COSTS BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Salaries	9.1	14.2
Benefits (retirement/health)	1.8	2.5
Payroll Taxes	0.6	1.0
Accrued PTO	0.1	0.9
Personnel Costs	11.7	18.6

Amounts displayed in millions, \$



Marketing and Outreach

Marketing and Outreach includes expenses for mandatory rate mailers, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP. Marketing and outreach are further broken down into the below Budget Level 3 categories:

Printing – The agency is periodically required to send mailers to its customers notifying the community about several aspects of rates including changes to rates through Joint Rate Comparisons.

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

Sponsorships/Local Memberships – In addition to required noticing, SDCP performs outreach to educate the community of the benefits of community choice and to encourage awareness of our mission. This will come in the form of media advertising, sponsorships of community events and organizations, mailers, as well as targeted customer communications.

TABLE 22: MARKETING AND OUTREACH BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Printing	2.4	1.8
Sponsorships/Local Memberships	1.2	1.0
Communications Consultants	0.6	0.1
Marketing and Outreach	4.1	3.0

Amounts displayed in millions, \$



General and Administration

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

TABLE 23: GENERAL AND ADMINISTRATION BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Other G & A	5.7	6.1
Cal CCA Dues	0.4	0.5
Rent	0.4	0.7
Insurance	0.1	0.1
General and Administration	6.6	7.4

Amounts displayed in millions, \$



Programs

Given the small size of the Budget Level 2 category for Programs, SDCP is removing this budget category in FY 2024-25.

TABLE 24: PROGRAMS BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Proposed
Programs	0.7	0.0
Programs	0.7	0.0

Amounts displayed in millions, \$



Debt Financing



Debt Financing

Credit Facility

On January 23, 2023, the SDCP Board approved a new credit to implement a new line of credit of \$150,000,000 from a JP Morgan credit facility.

The Credit Agreement with JP Morgan provides for a \$150 million multi-use revolving line of credit (LOC). This increased SDCP credit facility is up to a 5-year term from the date of renewal. The funds are available for general corporate purposes with a limit of \$50 million in funds for LOCs, and with a limit of \$100 million for collateral postings and postings for the provider of last resort collateral requirements. Should SDCP require additional credit, SDCP can reallocate the portion available for general corporate purposes to LOCs.

SDCP does not anticipate needing to use its credit facility to finance operations in FY 2024-25 but did satisfy a loan payment of \$37.53 million balance throughout FY 2024-25. Currently SDCP has zero debt.

TABLE 25: DEBT PAYMENTS

Year ended June 30, 2024	Beginnings	Additions	Payments	Ending
Bank note payable	37.5	-	37.5	-
Loans payable	-	-	-	-
Total	37.5	-	37.5	-

Amounts displayed in millions, \$

Debt Considerations

The SDCP Board has taken several important steps to potentially achieve an investment-grade credit rating which include, among many items:

1. Developing a Reserve Policy to increase liquidity;
2. Establishing and funding an Operating Reserve;
3. Adopting strategic goals that build to 180-days cash on hand, ultimately leading to an investment-grade credit rating;
4. Approving rates effective February 1, 2025, that potentially allows SDCP to achieve 180-days cash on hand in calendar year 2025.

After an investment-grade credit rating is achieved, SDCP will have an enhanced ability to issue tax-exempt or taxable bonds to finance ownership in energy generation or energy storage asset. Direct asset ownership may provide the opportunity for SDCP to control energy cost.

SDCP's ability to issue tax-exempt debt to finance an ownership interest in a generating or storage facility is a distinct advantage over investor-owned utilities and direct access providers. There are no specific asset purchases currently under consideration by staff.

The Debt Policy enables SDCP to issue bonds which will ultimately be subject to Board approval as a separate action. The Debt Policy will help SDCP take advantage of ownership opportunities that may arise especially in conjunction with state or federal funding that might be available, for example, through the federal Inflation Reduction Act of 2022. To date, SDCP has not issued debt.



The Debt Policy articulates:

1. The situations and steps necessary for the issuance of debt;
2. The types of debt that may be issued; and
3. How the debt fits into SDCP's strategic plan and potential capital investment program.

Permitted Debt Types

SDCP may legally issue both short-term and long-term debt, through either a direct loan or through the public market, using the debt instruments described below.

Long-Term Debt	Short-Term Debt	Variable Rate Debt	Refunding Debt
<ul style="list-style-type: none"> ➤ Finance capital expenditures ➤ Structured within expected useful life 	<ul style="list-style-type: none"> ➤ Interim funding pending long-term debt ➤ Maturity generally less than 7 years 	<ul style="list-style-type: none"> ➤ Long-term variable rate debt as needed 	<ul style="list-style-type: none"> ➤ Refinance bonds ➤ Achieve debt service savings ➤ Restructure debt service payments ➤ Modify covenants ➤ Reduce exposure to counterparties

FIGURE 43: SDCP'S PERMITTED DEBT TYPES

The Debt Policy also includes sections to:

1. Facilitate decision making;
2. Establish basic parameters and principles; and
3. Other aspects to guide future Boards, staff and consultants.

Debt FY 2020-2024

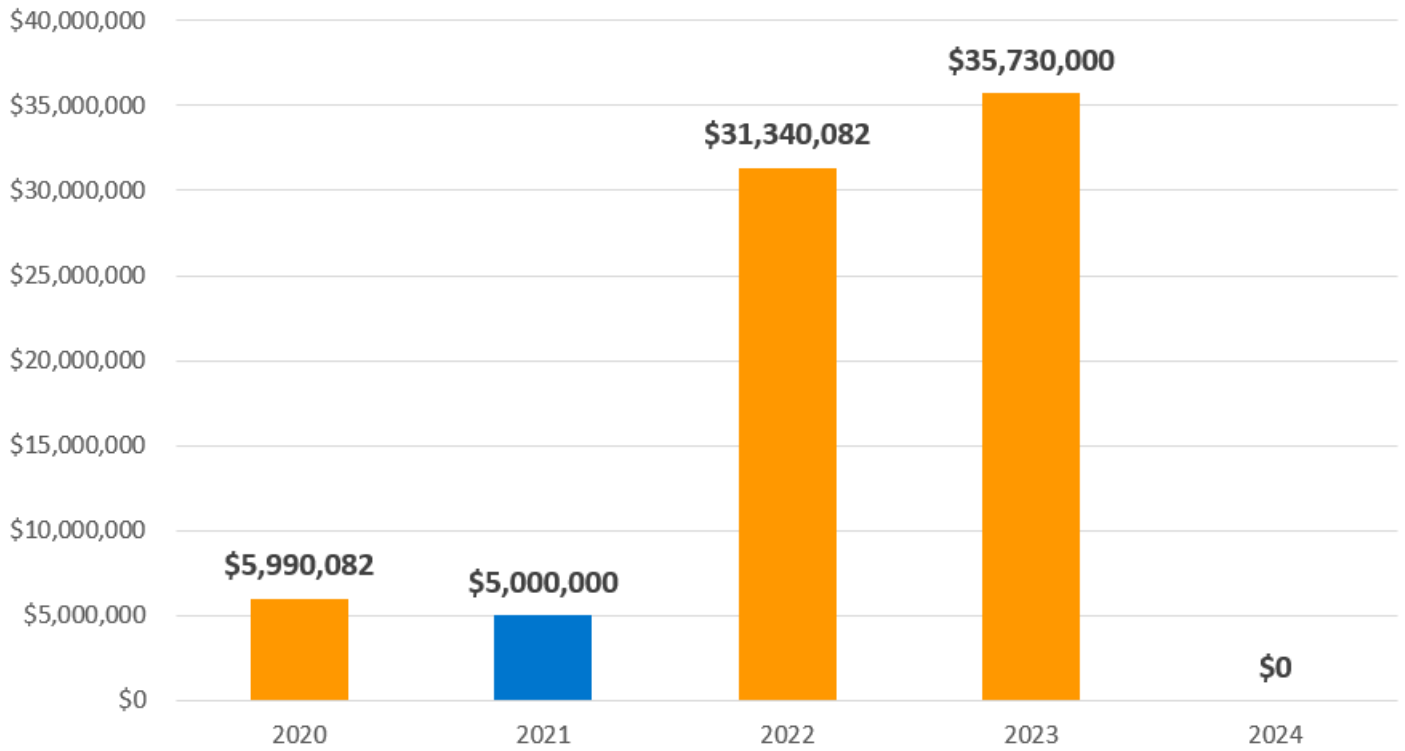


FIGURE 44: SDCP'S DEBT 2020-2024



Debt Through FY24

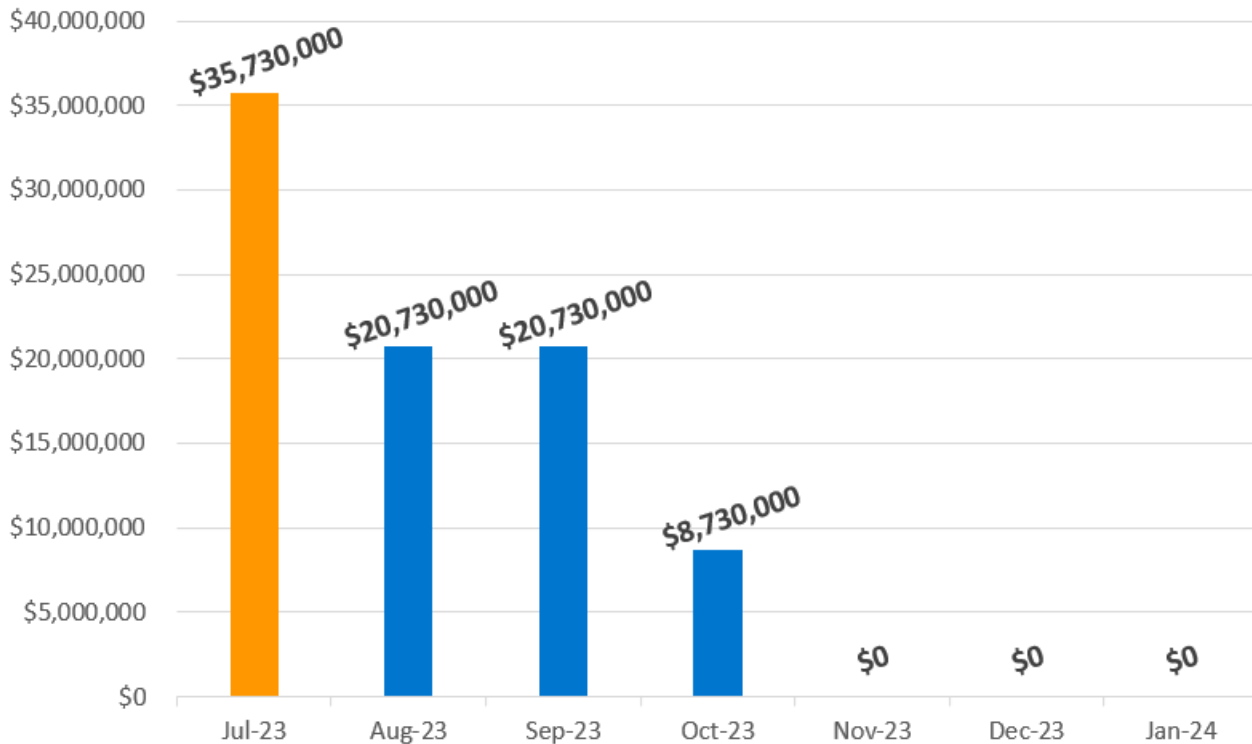
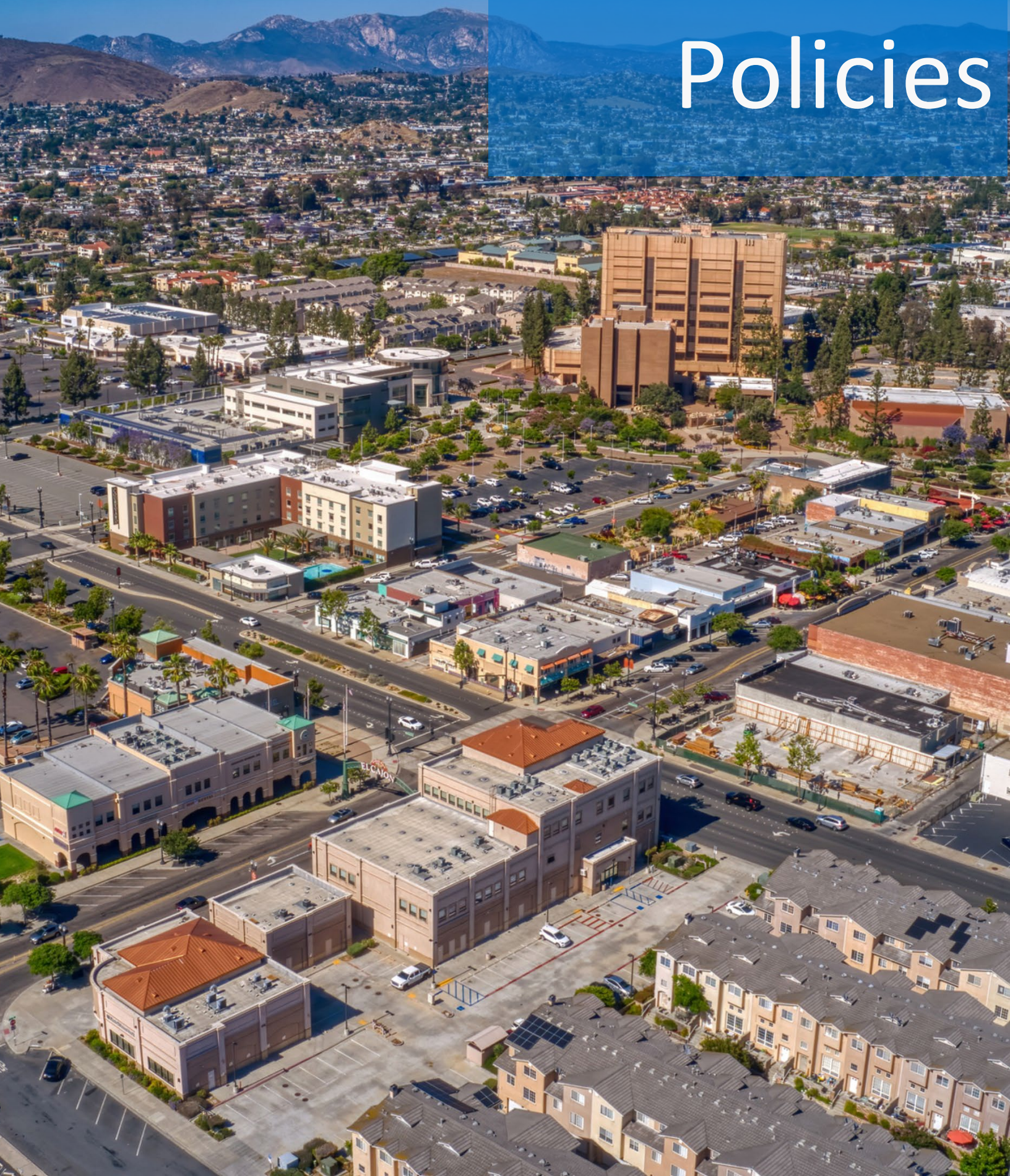


FIGURE 45: SDCP'S DEBT MONTHLY

The SDCP debt policy additionally includes additional requirements as follows:

- **Green Bonds:** To the extent possible, SDCP bond issuances shall be green bonds. A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
- **1.5x Max Annual Debt Service:** While the specific formulation of the Additional Bonds Test may vary depending on the type of bonds being contemplated, the SDCP will utilize an Additional Bonds which establishes a limitation on new issuances such that the pledged revenues are no less than one and a half times (1.5x) the maximum annual principal and interest and debt service for the aggregate outstanding senior lien bonds including the debt service for the new issuance.
- **5% Annual Debt Service Limit:** The Agency will also seek to maintain aggregate annual debt service on long-term debt at a level not-to-exceed 5% of the Agency's annual total operating expenses. The actual terms and conditions specific to each debt issue will be controlled by the applicable documents.

Financial Policies



Financial Policies

Budget Policy

Subject: Budget Policy

Purpose: This policy (“Policy”) establishes San Diego Community Power’s (SDCP’s) timeline for annual budget preparation and for discretionary budget adjustments. This Policy is adopted pursuant to Government Code Section 6508 et seq. and must be adopted or amended by resolution.

Budget Guidelines:

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. There are several sections of the JPA that guide the development and management of the budget.

- **Section 4.6 Specific Responsibilities of the Board.** 4.6.2 Formulate and adopt an annual budget prior to the commencement of the fiscal year.
- **Section 7.2 Depository.** 7.2.3 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.
- **Section 7.3 Budget and Recovery Costs.** 7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

Budget Preparation: The Chief Financial Officer (CFO) begins the annual budget process in February of any given year. The Finance department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, SDCP staff develop and refine budget proposals to develop an initial budget baseline for the Agency for the upcoming budget year. The budget is further refined through strategic planning sessions and through the SDCP Finance and Risk Management Committee.

The CFO will then be required to prepare and submit to the SDCP Board of Directors (Board) a draft proposed budget for the next following fiscal year in May, or no later than the second month immediately preceding the start of the respective fiscal year. The budget shall be in alignment with established goals and shall reflect all activities including operating programs, revenues, and expenditures. The budget shall be approved by the Board at a public meeting in June, or no later than the month immediately preceding the start of the respective fiscal year.





CEO and CFO Authority: The Chief Executive Officer (CEO) or CFO will have the discretion to authorize expense transfers from line items between and within SDCP’s budget level 2 categories as established and approved in the annual budget process by the SDCP Board, provided that net transfers total \$150,000 or less from the budget category.

For example, within the Professional Services and Consultants budget level 2 category, the CFO may authorize that \$150,000 move from the Data Management to the Technical Support budget level 2 categories, provided that the total Professional Services and Consultants budget level 2 category remains the same.

Table 1. Example - Expense transfers within budget level 2 categories

Professional Services and Consultants	FY23 Original Budget	FY23 Amended Budget	Change
Data Management	\$ 10,541,810	\$ 10,391,810	\$(150,000)
Legal/Regulatory	\$ 1,330,000	\$ 1,330,000	\$ -
Other Services	\$ 1,111,000	\$ 1,111,000	\$ -
SDG&E Fees	\$ 2,563,226	\$ 2,563,226	\$ -
Technical Support	\$ 1,335,000	\$ 1,485,000	\$ 150,000
Total Prof. Svcs. Expenses	\$ 16,881,036	\$ 16,881,036	\$ -

Additionally, for example, the CEO may authorize that \$150,000 move from the Professional Services and Consultants to the General Administration budget level 2 categories.

Table 2. Example – Expense transfers between budget level 2 categories

Budget Level 2	FY23 Original Budget	FY23 Amended Budget	Change
Cost of Energy	\$ 661,638,828	\$ 661,638,828	\$ -
General and Administration	\$ 2,591,363	\$ 2,741,363	\$ 150,000
Marketing and Outreach	\$ 4,164,167	\$ 4,164,167	\$ -
Personnel Costs	\$ 7,951,499	\$ 7,951,499	\$ -
Professional Svcs. and Consultants	\$ 16,881,036	\$ 16,731,036	\$(150,000)
Programs	\$ 1,395,000	\$ 1,395,000	\$ -
Debt Service	\$ 1,314,922	\$ 1,314,922	\$ -
Total Budget Level 2	\$ 695,936,815	\$ 695,936,815	\$ -

The CEO under his or her discretion may still require approval of the Board for any budget changes that may fall under the discretion of the Policy. Amendments to the annual budget as approved by the Board will reset the original appropriation (revenue or expense) for the fiscal year for the purposes of the Policy.

Balanced Budget: A balanced budget shall exist when the total projected revenues are greater than or equal to total projected expenses. Total revenues shall include all revenues from retail and wholesale sales of electricity. Total expenses shall include all operating expenses, program expenses, and contributions to reserve funds. Any year-end surplus will be used to maintain reserve levels. Any decrease in revenues and or increase in expenditures that causes the budget to become imbalanced will require an amended budget. The CFO shall prepare a proposed amended budget and submit to the Board for approval.



Financial Reserves Policy

Subject: Financial Reserves Policy

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

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

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

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

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

Conditions for Use of Reserves

- For purposes of this policy, the "use of reserves" is defined as a projected or estimated reduction in the amount of the Operating/Working Capital Reserve by the end of a fiscal year below the sum of the balance of the Operating/Working Capital Reserve at the commencement of the fiscal year plus the projected addition to the Operating/Working Capital Reserve in the budget for the current fiscal year.
- Temporary reductions in the Operating/Working Capital Reserve for cash flow purposes to even out the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves. Transfers to and from the Operating/Working Capital Reserve to account for such temporary cash flow fluctuations is within the discretion of the CFO.

- The CEO will have the discretion to authorize the use of reserves during the fiscal year up to the lesser of 10% of the year's total budgeted cost, or \$40 million, for the following purposes:
 1. Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
 2. Provide necessary funds to make up for unanticipated revenue shortfalls;
 3. Meet any margin or collateral posting requirements under energy supply contracts; and
 4. Provide resources to meet emergency expenditures.
- If further use of reserves are necessary or desirable to manage the operations of SDCP, the CEO must present recommendations to the Board and the Board must authorize such use.
- Any use of the reserves under the CEO's authority shall be reported to the Board at the next regularly scheduled meeting.

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



Procurement Policy

Purpose

It is in the interest of San Diego Community Power (“SDCP”) to establish administrative procurement practices that facilitate efficient business operations and provide fair compensation and local workforce opportunities whenever possible within a framework of high quality, competitive service offerings.

Policy

1. Procurement of Professional Services

SDCP may contract for professional services, including but not limited to consultant, legal, or design services, in its sole discretion. SDCP shall procure professional services in compliance with the Competitive Procurement Requirements in Section 5 of this Policy. SDCP shall endeavor to secure the highest quality professional services available and is not required to award a contract for services to the lowest proposer.

2. Procurement of General Services

SDCP may contract for general services, including but not limited to cleaning or maintenance services, in its sole discretion. SDCP shall procure general services in compliance with the Competitive Procurement Requirements in Section 5 of this Policy. Although SDCP shall not be required to award to the lowest proposer, SDCP staff shall seek to procure general services at the lowest costs.

3. Procurement of Supplies

SDCP shall procure supplies in compliance with the Competitive Procurement Requirements in Section 5 of this Policy. Although SDCP shall not be required to award to the lowest proposer, SDCP staff shall seek to purchase supplies at the lowest costs. SDCP is encouraged to jointly procure supplies with other governmental agencies to obtain the lowest cost when possible. In the event one or more SDCP employees are designated as purchasing agents, those individuals shall be included in SDCP’s Conflict of Interest Code as persons who must file an annual statement of economic interest.

4. Procurement of Public Works Projects

SDCP shall comply with California Public Contract Code Section 20160 *et seq.* and other applicable laws and regulations when procuring public projects in excess of \$5,000. For purposes of this section, a “public project” shall have the same meaning as defined in Public Contract Code Section 20160, and includes, among other things, projects for the erection, improvement, painting, or repair of public buildings and works.

5. Competitive Procurement Requirements

- a. Formal Bidding. SDCP shall issue a request for proposals (RFP), a request for qualifications (RFQ), or similar competitive instrument for the purchase of goods or services in excess of \$125,000 in any given contract year or term. Proposals shall be evaluated in accordance with Section 7 of this Policy. These contracts are subject to Board approval before final execution.

b. Informal Bidding Procedures.

- i. For contracts valued between \$50,000 and \$124,999.99, staff shall solicit informal written proposals from at least three providers, if feasible. An informal written proposal consists of a written proposal that includes the provider's name, address, phone number, professional license number (if applicable), the work to be performed, and the amount of the proposal. A written proposal may be in an electronic format.
- ii. For contracts valued between \$10,000 and \$49,999.99, staff shall solicit informal verbal proposals from at least three providers. Staff shall note the three verbal proposals by including the provider's name, address, phone number, and amount of the verbal proposal in SDCP's records.
- iii. For contracts valued at less than \$10,000, no formal or informal proposals shall be required, but SDCP staff is directed to seek the lowest cost supplies and the highest quality services available.
- iv. The Chief Executive Officer ("CEO"), at his or her discretion, may direct that SDCP solicit competitive procurements through the formal bidding process for contracts under \$125,000.

c. General Provisions. The provisions below shall apply to all methods of procurement described above.

- i. When procuring goods and services utilizing state or federal funds (e.g., grant or loan funds), SDCP shall comply with all state or federal project requirements in securing any goods or services necessary. If there is conflict between the foregoing, the more restrictive requirements shall apply.
- ii. SDCP shall not be required to award a contract to purchase goods or services from the lowest responsible bidder, unless required by California law.
- iii. No SDCP officer or employee shall split purchases into more than one purchase in order to avoid the Competitive Procurement Requirements in this Policy.
- iv. No SDCP officer or employee shall accept, directly or indirectly, any gift, rebate, money or anything else of value from any person or entity if such gift, rebate, money or anything of value is intended to reward or be an inducement for conducting business, placing orders with, or otherwise using the officer's or employee's position to secure a contract with SDCP.

d. Exceptions to Competitive Procurement Requirements.

- i. The Board of Directors may, consistent with applicable law, waive one or more purchasing procedures in this Policy and/or use sole source procurement in its sole discretion.
- ii. Based on the unique facts or circumstances described below and a written justification retained in SDCP's records, the CEO, after consultation with the General Counsel, may waive one or more purchasing procedures in this Policy and/or use sole source procurement if the CEO determines that the best interests of SDCP are served; provided, however, that such method is not in violation of applicable law or policy.

Sole source purchasing is authorized when the goods or services contemplated are capable of being supplied or performed by a sole provider, such as the holder of an exclusive patent or franchise, for purchase of unique or innovative goods or services including but not limited to computer software and technology, or for purchases of goods or services when there is a demonstrated need for compatibility with an existing item or service. Sole source procurement may also be utilized when it is apparent that a needed product or service is uniquely available from the source, or for all practical purposes, it is justifiably in the best interest of SDCP to utilize sole source procurement. The following factors shall not apply to sole source procurements and shall not be included in the sole source justification: personal preference for product or vendor; cost, vendor performance, or local service (this may be considered an award factor in competitive procurements); features that exceed the minimum requirements for the goods or services; explanation of the actual need and basic use for the equipment, unless the information relates to a request for unique factors.

- iii. No competitive procurement shall be required for goods or services valued at less than \$10,000 in any one contract term or contract year.
- iv. No competitive procurement shall be required to rent or lease equipment.
- v. Competitive procurement shall not be required when the contract, goods or services will be provided by another governmental agency. SDCP can rely on the competitive procurement process provided by another governmental agency, provided that such agency's procurement is in compliance with California law.
- vi. In the event of an emergency, the CEO may suspend the normal purchasing and procurement requirements for goods and services related to abatement of the impacts or effects of the emergency.

6. Signing Authority:

SDCP's CEO and designated staff are authorized to execute contracts and related documents in accordance with SDCP's Delegated Contract Authority Policy.

7. RFP/RFQ Issuance and Proposal Evaluation

- a. Proposals received through formal bidding procedures shall be subject to a set of criteria and a scoring system, reviewed and evaluated by relevant SDCP staff and an evaluation committee selected by the CEO or, at the discretion of the Board, members of a designated Board committee. Proposals received shall be evaluated based on competency to perform the scope of work, best fit, price competitiveness, compliance with subsections i (San Diego County Preference) and ii (Other Preferences) below, and other additional criteria added pursuant to SDCP's Inclusive and Sustainable Workforce Policy. The preferences below may not apply to procurements conducted jointly with other public agencies, and shall not apply when prohibited by state or federal statutes or regulations that require award to the lowest responsible bidder. Proposers may only pursue two of the four preferences.
 - i. Businesses with office(s) located in San Diego County and include at least 25% San Diego County residents under their employment shall receive a bonus of up to 5 points or 5% out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit written information relating to the location of its office(s) in San Diego County and the percentage of San Diego County residents under its employment.

- ii. Businesses certified as disabled veteran business enterprises as by the Supplier Clearinghouse (thesupplierclearinghouse.com) shall receive a bonus of up to 5 points or 5% out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit proof of current, valid certification by the Supplier Clearinghouse. Such proof shall be subject to verification by SDCP.
 - iii. Businesses certified as a Persons with Disabilities business enterprise by the Supplier Clearinghouse or Disability:IN shall receive a bonus of up to 5% or 5 points out of a 100 point scoring system in competitive solicitations. To receive the preference, a proposer must submit proof of current, valid certification by the Supplier Clearinghouse or Disability: IN. Such proof shall be subject to verification by SDCP.
 - iv. Businesses certified as small business by the Department of General Services shall receive a bonus of up to 5% or 5 points out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit proof of current, valid certification by the Department of General Services. Such proof shall be subject to verification by SDCP.
- b. SDCP is committed to the highest standards of responsible behavior and integrity in all of its business relationships. SDCP will consider a company's business practices, environmental record, and commitment to fair employment practices and compensation in its procurement decisions.

8. Nondiscrimination Contract Clause

Each SDCP contract and subcontract shall contain a nondiscrimination clause that reads substantially as follows:

Contractor shall not discriminate on the basis of race, gender, gender expression, gender identity, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of subcontractors, vendors, or suppliers. Contractor shall provide equal opportunity for subcontractors to participate in subcontracting opportunities.

9. Information on Supplier Diversity

Public Utilities Code Section 366.2(m) requires certain community choice aggregators, including SDCP, to annually submit to the CPUC: (1) a detailed and verifiable plan for increasing procurement from small, local, and diverse business enterprises; and (2) a report regarding its procurement from women, minority, disabled veteran, and LGBT business enterprises.

General Order 156 (GO 156), adopted by the California Public Utilities Commission (CPUC), requires certain California public utilities to engage in outreach activities and meet specific procurement goals from women, minority, disabled veteran, persons with disabilities, and LGBT business enterprises. Qualified businesses become GO 156 certified through the CPUC and are then added to the GO 156 Supplier Clearinghouse database (www.thesupplierclearinghouse.com).

To assist SDCP with its reporting obligations under Public Utilities Code Section 366.2(m) and with evaluating its supplier outreach and other activities, proposers that are awarded the contract will be asked to voluntarily disclose their certification status with the CPUC Clearinghouse, as well as their efforts to work with diverse business enterprises, including WBEs, MBEs, DVBES, and LGBTBES.

Except as otherwise expressly provided under this Policy and/or required by applicable state or federal law or funding requirements (including, without limitation, any grant or loan conditions), SDCP shall not use any demographic information received from potential vendors in any way as part of its decision-making or selection process. Rather, SDCP will use such information solely for compliance with its reporting obligations to the CPUC and evaluation of SDCP's outreach and other activities consistent with applicable law. Pursuant to Article I, Section 31 of the California Constitution,



SDCP shall not discriminate against or give preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin except as otherwise allowed therein.

10. Procurement of Power and Energy Attributes

SDCP must secure sufficient power resources and energy attributes to serve its customers, comply with State law, and meet SDCP's and its member agencies' goals. SDCP has adopted an Energy Risk Management Policy authorizing certain SDCP staff to enter into power purchase agreements and other agreements to secure power and energy attributes. This Procurement Policy shall not apply to the acquisition of power or energy attributes.

11. Review and Approval as to Form by General Counsel

All SDCP agreements must be approved as to the form and content by the General Counsel or his/her designee prior to signature by any authorized individual.



Debt Policy

Subject: Debt Policy

Purpose: This Debt Policy (“Policy”) establishes San Diego Community Power’s (“SDCP”) Debt Policy. The Policy articulates: (1) the situations and steps necessary for the issuance of debt; (2) the types of debt that may be issued; and (3) how the debt fits into SDCP’s capital investment program (CIP), Community Power Plan, integrated resource plan, or strategic policy goals.

This Policy is adopted pursuant to Senate Bill 1029 (Hertzberg, 2016) and Government Code Section 8855 et seq. and must be adopted or amended by resolution. The SDCP Board of Directors (“Board”) is required to adopt a formal Debt Policy before any debt can be used.

Background

The SDCP Board adopts budgets and establishes and adjusts rates, as appropriate, each fiscal year to provide sufficient revenues to pay all operating expenses, make required payments and comply with commitments on all other debts or financial obligations of the Agency.

SDCP is committed to long-term financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. The SDCP Board further adopted its Strategic Plan on June 23, 2022, which included the goal to adopt financial controls and policies to meet or exceed best practices and manage risk.

SDCP utilizes financial policies that foster financial stability, support fiscal discipline, and enable SDCP to maintain strong investment-grade credit ratings.

This Policy confirms the commitment of the SDCP Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, allowing continuing ready access to the capital markets to achieve the most effective cost of capital within prudent risk parameters. The goals and objectives of this Policy are as follows:

- Maintain cost-effective access to capital markets
- Maintain a prudent level of financial risk
- Preserve future financial flexibility
- Finance capital projects, acquisitions, or improvements in a timely and cost-effective manner
- Manage debt effectively within SDCP Board established objectives and parameters
- Maintain strong credit ratings and good investor relations
- Maintain compliance with all relevant laws, reporting, and disclosure requirements
- Foster integrity in the debt management process

Further, this Policy is intended to comply with the regulatory requirements of California Government Code Section 8855 and Senate Bill 1029 which, among many things, requires debt issuers to adopt a local debt policy governing the issuance of debt and to enhance the management of government financial resources.



Scope and Authority

This Policy shall govern the issuance and management of all bonds and other forms of indebtedness of SDCP, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (“bonds” or “debt”). It also considers certain financial targets which SDCP and its Board may contemplate in the future in order to continue to implement its capital investment program and to support cost-effective borrowing.

While this Policy specifically governs debt issued directly by SDCP, SDCP may consider joint arrangements with other municipal issuers or private parties to finance a project when it serves SDCP’s policy objectives. SDCP is authorized to join together with other municipal agencies to create a separate entity, such as a joint powers authority, to issue debt on behalf of SDCP or the project participants. Typically, joint venture debt is repaid through revenues generated by the project, and SDCP will be liable only for its share of debt service, as specified in a contract executed in connection with the joint venture debt. If the potential for a joint venture does exist, SDCP will examine and negotiate the financial arrangements, obligations, liabilities, tax issues and other factors that may arise in the context of impacts on SDCP and its direct debt obligations using this Policy and financial best practices as guidance. SDCP will comply with state law limitations and in general, avoid joint procurement situations if SDCP lends it credit or enhances the credit of another entity, unless doing so will result in other net tangible benefits to SDCP. Further, as with all SDCP debt, any joint venture debt would be subject to evaluation and authorization of the Board.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets, SDCP programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to best achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the SDCP Board is obtained.

This Policy shall be reviewed at least annually as described below and presented to the SDCP Board for approval of any changes as appropriate. This Policy will remain in effect as amended or restated in the future by the Board.

Notwithstanding anything in this Policy to the contrary, the failure of SDCP to comply with any provisions of this Policy shall not affect the authorization, validity, or enforceability of any debt or other forms of indebtedness that are otherwise issued in accordance with law.

Use of Debt

To achieve its objectives, SDCP may consider debt financing for the construction, acquisition, rehabilitation, replacement, or expansion of physical assets, including real and personal property, equipment, furnishings, and improvements. Debt may also be issued for other Board-approved needs or for the refunding of prior outstanding debt.

For example, SDCP may consider the use of debt to finance ownership interest in generating or storage assets if it is determined to be a cost-effective alternative to a standard power purchase agreement or if asset ownership may afford synergies between SDCP’S other objectives (e.g., resiliency, GHG free energy, etc.) or additional measurable advantages in terms of operational efficiency.

SDCP, under the direction of the Board, will retain full flexibility in determining the best funding approach on a case-by-case basis.



Types of Debt

Types of bond issuance, further described in the Appendix, include:

- **New Money:** Debt may be incurred to provide for capital financing for future capital expenditures or reimbursement of prior expenditures.
- **Refunding:** Refunding bonds may be issued to realize debt service savings, restructure outstanding debt, modify covenants, or for other debt management purposes. Absent significant non-economic factors, refunding transactions contemplated solely for debt service savings must produce a minimum aggregate net present value debt service savings of at least 3% of the par value of the refunded bonds, calculated using the refunding issue's true interest cost ("TIC") as the discount rate. SDCP will work with its Municipal Advisor ("MA") to assess potential refunding opportunities.

Bonds may be issued as taxable or federally tax-exempt:

- **Tax-Exempt:** Interest received by bondholders of SDCP's bonds issued on a federally tax- exempt basis is exempt from federal income tax, and so typically may be issued at lower interest rates, reducing SDCP's cost of borrowing. Additional interest rate advantages may be available for bank qualified bonds (where SDCP will issue less than \$10 million of tax- exempt bonds in a year). However, SDCP is limited by federal tax law in the uses of tax- exempt bond proceeds and must comply with additional federal tax law requirements during the full term of any bond issue. Uses of proceeds typically require a governmental purpose and must be spent on capital improvements rather than operating expenses. Tax implications include having reasonable expectations for spending proceeds at the time of issuance, limiting private use of financed projects, and complying with arbitrage restrictions on the bond proceeds.
- **Taxable:** Taxable debt's interest is not exempt from federal income tax, and so is typically issued at higher interest rates than tax-exempt debt. However, the IRS restrictions described above do not apply, and so SDCP may wish to use taxable debt in situations where the project or purpose of borrowing may not meet federal tax law requirements. SDCP may also consider taxable tax credit or direct subsidy bonds, such as Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, etc., that offer lower costs of borrowing to SDCP through the issuance of taxable debt that is supported by federal subsidy payments on the interest expense to SDCP.

Method of Sale

SDCP may choose to issue bonds using either a competitive or negotiated sale process. SDCP may also sell bonds by means of a private placement or direct sale with a financial institution or other accredited investor when this method is expected to result in cost savings or provide other advantages compared to a traditional public offering. SDCP staff will work with its Municipal Advisor to determine the most appropriate method of sale for each issuance. Please see the Appendix for a detailed description of the different methods of sale that SDCP may consider.

Structure and Term

The repayment schedule of a bond issue can vary greatly from one sale to another. The same is true for other debt instruments. SDCP will consider which structures meet SDCP's strategic goals, are cost effective, minimize the new debt's impact on SDCP's overall debt service schedule, future debt capacity, and other factors when deciding how to structure new debt. In addition to debt amortization terms, structuring options may include the addition and procurement of credit enhancement, the establishment of reserves, the use of capitalized interest, and call or redemption options.

In structuring debt service, SDCP shall consider (1) current and forecasted revenues and any anticipated changes to rates, charges and operating expenses, (2) future borrowing plans, (3) meeting the Credit Considerations described in the next section, and (4) feedback from the Municipal Advisor and rating agencies on a structure's potential impacts to SDCP's credit worthiness. Generally, but not a requirement under this Policy, SDCP prefers level debt service over time. SDCP, consistent with tax law, will not structure debt with a maturity date that materially exceeds the average useful life of the assets or improvements being financed.

Green Bonds

To the extent possible, SDCP bond issuances shall be green bonds. A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers' other debt obligations.

Credit Considerations

When SDCP issues debt, the Agency will have to execute certain bond documentation and agreements (herein generally referred to as 'indentures') that will bind SDCP to specific terms or requirements. Generally speaking, SDCP will agree to abide by certain covenants written in the indenture which describes in detail the obligations and responsibilities of SDCP and the rights of the bondholders which are designed to protect bondholders by setting standards by which SDCP agrees to comply. These types of covenants may require SDCP to meet certain requirements or, conversely, may forbid SDCP from undertaking certain activities that would jeopardize SDCP's ability to repay its debt. An indenture defines SDCP's contractual obligations and determines the parameters of SDCP's permissible financial behavior.

The incorporation of effective bond covenants into SDCP's future bond issues and respective documentation signal a commitment to abide by stated financial and operating parameters over the long-term and contribute towards SDCP's ability to maintain strong financial health. Credit ratings are ultimately statements about the likelihood of full and timely debt repayment. Because bond covenants govern an issuer's ongoing financial behavior, the analysis of bond/indenture covenants and their impact on the risk profile of a bond is an integral part of the credit rating process.

Credit ratings are fundamentally forward-looking opinions on the relative default risk associated with a particular issuer and its debt obligations. Credit ratings have a significant impact on the interest rates for SDCP debt, and therefore SDCP will work to address the cost and benefits of obtaining and maintaining strong credit ratings. Depending on the lien structure of the debt, some, or all, of the following factors may be included in its bond documentation in order to obtain and maintain strong credit ratings that would broaden the appeal of and lower the cost of debt issued by SDCP.

- **Debt Service Coverage Ratio:** The ability of an agency to pay debt service (i.e. principal and interest on debt obligations) when due is often measured by how much cash flow is available, after payment of operating expenses, to cover debt service payments (Debt Service Coverage Ratio). Debt Service Coverage Ratio is a common financial metric used in the utility industry and is used by the rating agencies and investors to determine the ability of a utility to fulfill its debt obligations and ensure that the utility generates sufficient revenues to make its debt secure. SDCP's future indentures will likely require cash flow in excess of debt service, or a Debt Service Coverage Ratio greater than 1.0x. Many public agencies target a Debt Service Coverage Ratio in its

financial and debt policies higher than the minimum required by its indenture to improve debt ratings and lower their costs of borrowing. Should SDCP establish a minimum Debt Service Coverage Ratio in its future indentures, the Board may consider establishing a target ratio in this Policy that is higher than the legal minimum. Note, that a failure by SDCP to meet a target ratio proposed in this Policy will not result in a default under the indenture so long as the minimum Debt Service Coverage Ratio is achieved.

- **Rate Covenant:** A rate covenant is a promise to set rates or fees at levels that are set to recover sufficient revenues at a designated threshold level to cover operating expenses and debt service payments. This designated threshold level is the same as the Debt Service Coverage Ratio discussed previously. SDCP may develop one or more rate covenants in order to measure and govern operating performance. As noted, future indentures may establish minimum levels of coverage and SDCP's Board-adopted financial policies may establish internal goals that exceed these minimum coverage requirements.
- **Additional Bonds Test:** If SDCP were to issue bonds or other debt obligations, the indentures governing those obligations may have covenants that stipulate whether SDCP may sell additional bonds in the future that share that same pledged revenue stream as security. SDCP may develop conditions or standards in its indentures that describe the parameters whereby SDCP could issue additional bonds (referred to as an "additional bonds test"). This test is intended to ensure that future bond issuance does not reduce bondholder security by placing too high a burden on the revenue stream. The additional bonds test may require that SDCP demonstrate that it has sufficient revenues to meet or exceed the designated Debt Service Coverage Ratio before additional bonds can be issued.

While the specific formulation of the Additional Bonds Test may vary depending on the type of bonds being contemplated, the SDCP will utilize an Additional Bonds which establishes a limitation on new issuances such that the pledged revenues are no less than one and a half times (1.5x) the maximum annual principal and interest and debt service for the aggregate outstanding senior lien bonds including the debt service for the new issuance.

The Agency will also seek to maintain aggregate annual debt service on long-term debt at a level not-to-exceed 5% of the Agency's annual total operating expenses. The actual terms and conditions specific to each debt issue will be controlled by the applicable documents.

- **Reserves:** SDCP may maintain reserves including those in compliance with GASB 62 such as the adopted Operating Reserve Fund to act as a rate stabilization fund that can help mitigate the impacts of revenue variability. Depending on whether or not SDCP incorporates a rate stabilization fund reserve into its indentures, this reserve may be used to help meet Debt Service Coverage Ratio requirements during times of revenue shortfalls. This fund can be a valuable tool to manage and mitigate the risk related to any Debt Service Coverage Ratio requirements included in future indentures and to address revenue and rate volatility. There are other reserves that the Board may consider adopting in the future that, for example, may be utilized for paying debt service, for funding specific capital projects, or for emergency purposes etc.
- **Additional Ratio Targets:** In the future the Board will continue to monitor this Policy and will establish enhancements to further strengthen the financial ratios and targets of SDCP. For example, while not a ratio included in Indenture covenants, another ratio that can help measure SDCP's financial health and position is the ratio of debt-funded capital to overall capital spending (i.e., debt to pay-go spending). Prudent use of debt financing rather than pay-go funding of capital projects can facilitate better allocation of resources over time and ensure payment equity across generations for the use of long-term assets.



Financing Team and Professional Services

SDCP will assemble a financing team that will provide advice and support for the development and implementation of debt issuance as well as ongoing analysis and support. The financing team will include both SDCP staff and outside professional consultants. When required by SDCP's procurement policy, SDCP will use a competitive process through a Request for Proposal ("RFP") in the retention of professional consultants. Otherwise, SDCP will adhere to its best practices in contracting to procure such vendors. The professional consultants selected by SDCP could be engaged to help develop a credit strategy, issue debt and/or assist SDCP with its compliance with applicable federal and state statutes, and Internal Revenue Code at the time of issuance as well as on a continuing basis. Please see the Appendix for a detailed description of the outside professional consultants SDCP may include on its financing team.

Debt Administration

The Chief Executive Officer ("CEO"), or designee shall make recommendations on budget, stabilization transfers and rate adjustments. The Chief Financial Officer shall be responsible for the administration and implementation of this Policy and will have day-to-day responsibility for structuring, implementing and managing SDCP's debt program.

Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Policy, SDCP shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Please see the Appendix for a detailed description of SDCP's internal control procedures.

Post-Issuance Administration

SDCP will comply with requirements pertaining to initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under Securities and Exchange Commission ("SEC") Rule 15c2-12; tax covenants and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements; and all California State reporting requirements. Please see the Appendix for a detailed description of SDCP's Post-Issuance Compliance Policy and additional information on SDCP's post-compliance procedures.

Training

The Chief Financial Officer shall provide training the members of SDCP staff involved in the tax compliance and the initial or continuing disclosure process in coordination with the CEO, and the SDCP Board regarding their respective responsibilities for disclosure and tax compliance.

The Chief Financial Officer, or designee, shall arrange for periodic disclosure and tax training sessions conducted by SDCP's disclosure counsel or other professionals (e.g., seminars) which shall include education regarding disclosure policies, SDCP's disclosure obligations under applicable federal and state securities and tax laws, and the tax compliance and disclosure responsibilities of SDCP.



Policy Review

In coordination with the CEO, the Chief Financial Officer, or designee, will be responsible for regularly reviewing and updating this Policy, and shall present any recommended revisions to the Board for consideration and adoption.



APPENDIX

Permitted Types of Debt

SDCP may legally issue both short-term and long-term debt, through either a direct loan or through the public market, using the debt instruments described below. SDCP in consultation with its internal Counsel, Bond Counsel and Municipal Advisors, shall determine the most appropriate instrument for a proposed debt offering.

SDCP may issue the following types of tax-exempt or taxable Debt:

- **Long-Term Debt:** Long-term debt generally includes debt issued to finance capital expenditures with the objective of structuring repayment within the expected life of the financed asset. Debt may be used as a tool for rate stabilization as repayment of the debt is spread over the useful life of the financed project. Long-term bonds may bear interest at fixed or variable rates or structured with level debt service payments or otherwise with term maturities. Long-term revenue bonds are a type of debt that may be entered into by SDCP and which may be secured by a lien on the revenues of SDCP. SDCP may also enter into long-term loans with state or federal agencies. These loans typically have fixed interest rates. Government loan programs may offer favorable interest rates and terms, and should be considered as alternatives to market rate debt when available. The use of long-term debt will be evaluated with pay-as-you-go capital investment and would not be expected (absent extraordinary circumstances) to fund non-capital operational expenditures or operating deficits.
- **Short-Term Debt:** Short-term debt generally has a maturity of less than 7 years and may take several forms, including notes, commercial paper, direct bank loans and other short-term products with either fixed or variable rates. Short-term debt products are flexible cash management tools that are primarily used to meet interim funding (pending the issuance of long-term debt). When approving short-term debt products, the Board may limit SDCP's percentage of short-term debt when compared to its long-term debt portfolio taking into account future market access, term-out provisions and retail rate stability.
- **Variable-Rate Debt:** In addition to interim financing, which includes commercial paper and similar short-term borrowing programs, it may be appropriate to issue long-term variable rate debt that bears an interest rate that is reset periodically at predetermined intervals, including entering into revolving credit facilities, to diversify the debt portfolio, to reduce interest costs, and to improve the match of variable rate assets (such as short-term investments and reserves) to liabilities. The amount of variable rate debt will generally not exceed a net 20% after consideration of investments and cash equivalents of the outstanding debt portfolio of SDCP.
- **Refunding Debt:** Refunding bonds may be issued to refinance existing bonds to achieve debt service savings, restructure the type of debt outstanding, modify SDCP's covenants to bondholders, restructure future debt service payments, take advantage of market opportunities, or to reduce exposure to certain counterparties. SDCP will work with its Municipal Advisor (MA) to assess potential savings and determine whether refunding bond issuance is warranted. If refunding bonds are being contemplated solely for debt service savings, the refunding should generally result in a reduction in average annual debt service or provide an overall savings target (net of all costs) set by the Board at the time it approves the financing. This savings target may be adjusted depending on the remaining term of the debt or under circumstances where the number of refunding options is then limited by federal tax law.



SDCP may consider the following types of fixed or variable rate debt:

- Revenue Bonds secured by general revenues or project revenues
- Commercial Paper or other Interim Funding Notes
- Capital Leases
- Certificates of Participation/Lease Revenue Bonds
- Installment Sale or Purchase Agreements Revenue Bonds
- Bond or Grant Anticipation Notes
- Tax and Revenue Anticipation Notes
- State and Federal Loans and Grants
- Direct Bank Loans or Lines of Credit
- Public Private Partnerships

This list is not meant to be inclusive of all options that may be available to SDCP as different circumstances may dictate. SDCP may from time to time find that other types of debt would be beneficial to further its purposes and may approve such debt without an amendment to this Policy.

Method of Sale

SDCP may choose to issue bonds using either a competitive or negotiated sale process. SDCP may also sell bonds by means of a private placement or direct sale with a financial institution or other accredited investor when this method is demonstrated to result in cost savings or provide other advantages relative to a traditional public offering. SDCP staff will work with its Municipal Advisor to determine the most appropriate method of sale for each issuance.

- **Competitive Sale:** SDCP may elect to sell bonds in the public market on a competitive basis depending on market conditions, required size of issuance and relative complexity of structure. The Bonds are marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its bid for the securities. SDCP will award the sale of the competitively sold bonds on the basis of the lowest true interest cost basis. Pursuant to this policy, The Chief Financial Officer, or designee, is authorized to sign the bid form on behalf of the SDCP fixing the interest rates on bonds sold on a competitive basis.
- **Negotiated Sale:** SDCP may elect to sell bonds in the public market on a negotiated basis depending on market conditions, required size of issuance and relative complexity of structure. SDCP staff selects the underwriter, or team of underwriters, of its securities in advance of the bond sale on the basis of responses to a proposal review. With the assistance of the Municipal Advisor (MA), SDCP staff works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, SDCP staff will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the Chief Financial Officer or designee will be authorized to sign the bond purchase agreement on behalf of SDCP, fixing the interest rates on bonds sold on a negotiated basis.
- **Private placement:** SDCP may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and/or timing considerations require that a financing be completed more quickly than required for a competitive or negotiated sale.

Financing Team and Professional Services

SDCP will assemble a financing team that will provide advice and support for the best execution of each debt transaction. The financing team may consist of multiple parties with distinct responsibilities and is generally comprised of both SDCP staff and outside professional consultants. These outside professional consultants may include:

- **Municipal Advisors:** SDCP shall utilize the services of independent MAs in connection with debt-related issuances or projects. SDCP's MA will not serve as an underwriter on negotiated bond sales of SDCP.
- **Underwriters:** SDCP will utilize an underwriter in the sale of bonds on a competitive or negotiated basis. An underwriter is a financial services firm that acquires (by purchase) bonds for resale in the public bond markets. For a negotiated sale, SDCP will select an underwriter through a request for proposal process; basing the selection on value for SDCP including capital structure, underwriting capabilities, demonstrated expertise and experience as well as proposed fees. SDCP may also select an underwriting firm to act as placement agent in connection with a private placement of bonds. In a competitive sale, bonds are offered for sale at a designated date and time, and multiple underwriters may submit bids. The bonds are awarded to the underwriter (or group of underwriters) that submit the lowest bid.
- **Disclosure Counsel:** SDCP will endeavor to provide complete and appropriate disclosure of financial and legal condition in the issuance of debt. SDCP will also take steps and adopt policies in order to provide for compliance with continuing disclosure requirements. Disclosure counsel, which may be Bond Counsel, shall be responsible for assisting SDCP in the preparation of the Preliminary and Final Official Statements and any other disclosure documents. SDCP will select, through a request for proposal process, and retain qualified and experienced counsel in achieving this objective of appropriate disclosure.
- **Bond Counsel:** SDCP will retain qualified and experienced legal counsel as representation of SDCP to provide the customary opinions required for the issuance of bonds and other financial obligations. Bond counsel shall be responsible for developing the legal documents required for each transaction and draft and review documentation sufficient to provide approving legal opinions. Bond counsel will render customary approving legal and tax opinions for each transaction.
- **Trustee:** SDCP may select through a request for proposal process the services of a financial institution, acting through its trust division, to act as trustee. The trustee may hold, invest and disburse financing proceeds as directed by SDCP. The trustee will act as registrar as well as the paying agent for SDCP debt. The Chief Financial Officer or designee shall monitor the services rendered by the trustee.

Internal Control Procedures

All debt transactions must be approved by the Board of Directors. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made consistent with the following guidelines: (1) compliance with federal tax arbitrage requirements, as applicable; (2) safety of principal; (3) liquidity; (4) diversity; and (5) return on investment or yield, and may be held as cash. SDCP's Investment Policy guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Treasurer will oversee the investment of bond proceeds consistent with the foregoing guidelines.

Proceeds of debt will be held either by a third-party trustee or by SDCP. The trustee will disburse bond proceeds to SDCP upon submission of one or more written requisitions signed by an authorized SDCP officer. If the funds are held directly by SDCP, they must be held and accounted for in a separate fund or account, the expenditure of which will be documented by SDCP and subject to established internal controls consistent with SDCP's applicable policies and procedures. These procedures will include, in connection with each requisition or expenditure of proceeds held by SDCP, a written record of the particular capital project or program or other expense to which the funds drawn were applied or allocated.

For bond proceeds that are meant to reimburse SDCP for previous expenditures, SDCP staff will provide documentation that conform to tax requirements and other applicable regulations. To support this certification, staff will analyze capital expenditures and establish that requirements are met before the bond issuance takes place and maintain a written record of such analysis and the amount reimbursed to each particular capital project or program or other expense to which such reimbursed proceeds are to be allocated.

For bond proceeds intended to provide funding for ongoing or upcoming capital expenditures, SDCP staff will monitor the expenditure process. Staff will analyze the use of proceeds on an annual basis or more frequently, if deemed appropriate, until the proceeds are completely spent and will perform monitoring and record-keeping in accordance with SDCP's accounting guidelines and other applicable regulatory requirements.

Refunding bond proceeds are generally held by a third-party trustee or fiscal agent to be applied in connection with written directions generally prepared by bond counsel. SDCP will maintain records of the directions to the trustee, and will review of fund statements and other records received from, the trustee.

Post-Issuance Administration

SDCP will comply with requirements pertaining to initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under SEC Rule 15c2-12; tax covenants and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements; and all California State reporting requirements.

- **Post-Issuance Compliance Policy:** SDCP will adopt a Post-Issuance Compliance Policy ("PICP") to provide for ongoing monitoring and reporting with respect to compliance with SEC requirements for publicly offered indebtedness and with tax regulations applicable to tax-exempt debt. The PICP will provide for the federal disclosure requirements, responsibility for reporting, training, and describe procedures for compliance with continuing disclosure agreements entered into for each such series of bonds from the date they are issued until the bonds are no longer outstanding. The PICP may be administratively adopted and amended without approval of the Board.
- **Financial Disclosure:** SDCP will comply with applicable deliverable obligations and financial disclosure requirements, as specified in any and all bond and debt-related documents. Staff has developed and will maintain an updated schedule of the requirements in compliance with SDCP's internal record-keeping processes. SDCP will post required documents to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") website as required on a timely basis. SDCP, at its discretion, may also post documents voluntarily to EMMA. SDCP will provide financial disclosure to rating agencies, institutional

and individual investors, other levels of government, and the general public to share clear, comprehensible, financial information using the appropriate channels/policies/procedures. The Chief Financial Officer is responsible for monitoring the compliance by SDCP of applicable disclosure requirements. SDCP also may contract with an outside service provider to monitor disclosure postings.

- **Tax Compliance:** SDCP will comply with applicable federal arbitrage and rebate regulations related to its bonds and other debt instruments. These responsibilities include monitoring the investment and expenditure of bond proceeds, maintaining a system of record-keeping and reporting and contracting for the services of outside arbitrage consultants as necessary. SDCP will establish and implement post-issuance procedures to guide its compliance with these requirements. The Chief Financial Officer is responsible for monitoring the compliance by SDCP of applicable tax requirements for debt issued on a tax-exempt basis.
- **Record Keeping:** A copy of all debt-related records shall be retained at SDCP's offices or otherwise electronically. At a minimum, these records shall include all official statements, bid documents, bond documents/transcripts, indentures, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). The following documents shall be maintained for the term of each issue of bonds (including refunding bonds) plus at least three years:
 - A copy of the bond closing transcript(s) and other relevant documentation delivered to SDCP at or in connection with closing of the issue of bonds;
 - A copy of material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for bond proceeds and evidence as to the amount and date for each draw down of bond proceeds, as well as documents relating to costs paid or reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds;
 - A copy of all contracts and arrangements involving the use of bond-financed or refinanced assets; and
 - A copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.





Investment Policy

Subject: Investment Policy

Purpose: The San Diego Community Power (“SDCP”) Investment Policy (“Policy”) establishes investment guidelines for protecting SDCP’s cash reserves, deposits, and investments (“Funds”) while producing a reasonable rate of return on investments.

The Policy articulates: (1) the objectives and priorities for SDCP investments; (2) the types of investments that are permitted and prohibited; and (3) the controls SDCP will implement to ensure assets are protected.

This Policy is adopted pursuant to California Government Code Section (“Section”) 53600-53608 and must be adopted or amended by resolution. The SDCP Board of Directors (“Board”) is not required to adopt a formal Investment Policy by statute, however, it is in the best practice to ensure agency assets are protected.

Background

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

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Further, Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA finally states one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Investment Policy herein. Further, this section states the FRMC may have such other responsibilities as may be approved by the Board, including but not limited to advising the Chief Executive Officer on fiscal and risk management policies and procedures, rules and regulations governing investment of surplus funds, audits to achieve best practices in corporate governance and selection and designation of financial institutions for deposit of SDCP funds, and credit/depository matters.



Investment Objectives

To the extent possible, investments will align with SDCP's mission, vision, value, and goals. When managing Funds, SDCP's primary objectives shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of SDCP, (3) achieve a return on funds invested, and (4) exercise a high standard of care on Funds within SDCP's control.

- 1) **Safety:** Safety of principal is the foremost objective of cash and investment management activities. The investment of Funds shall be undertaken in a manner that seeks to ensure the preservation of principal.
- 2) **Liquidity:** The Funds of SDCP shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of Funds in deposits or instruments that are available on demand is recommended.
- 3) **Return on Investments:** SDCP's deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering investment risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described in Investment Objectives, Section A and Investment Objectives, Section B, above.
- 4) **Standard of Care:** SDCP will manage Funds in accordance with the "Prudent Investor Standard" pursuant to California Government Code Section 53600.3¹ as follows:

"All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

¹ All further statutory references are to the California Government Code unless otherwise stated.



Delegation of Authority

Pursuant to Section 53607, the Board has the authority to delegate the responsibility to manage SDCP's funds to the Treasurer. The Treasurer has authority to appoint Deputy Treasurer(s) as the Treasurer deems necessary to carry the duties in accordance with the Investment Policy.

SDCP may engage the services from one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of SDCP's investment portfolio in a manner consistent with the SDCP's Policy. External investment advisers may be granted discretion to purchase and sell investment securities in accordance investment objective set forth in this Policy.

Scope

This Investment Policy applies to all funds and investment under the direct authority of SDCP. This Policy does not apply to the investment of bond proceeds, which would be governed by any applicable bond documents and any other funds specifically exempted by SDCP's Board of Directors.

Acceptable Investment Types: To the extent possible, investments will align with SDCP's mission, vision, value, and goals.

- 1. Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet SDCP's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest-bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five (5) years. Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than 'satisfactory' in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code." As per Section 53652, banks must collateralize the deposits of public agencies in an amount equal to no less than 110% of as currently stated in the value of the deposits. The Treasurer will monitor the credit quality of eligible banks holding SDCP deposits that exceed FDIC insurance limits to ensure the safety of SDCP deposits.
- 2. Local Agency Investment Fund (LAIF):** Funds may be invested in the Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies.
- 3. US Treasury Obligations:** Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
- 4. Federal Agency Securities:** Funds may be invested in Federal Agency Securities with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
- 5. Bankers' Acceptances:** Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent of better by at least one NRSRO (Nationally Recognized Statistical Rating Organization). Not more than 40% of the portfolio may be invested in Bankers' Acceptances, and no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.

6. Negotiable Certificates of Deposit: Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:

A. Issued by an entity as defined in Section 53601(i); and

B. No more than 30% of the total portfolio shall be invested in certificates of deposit.

7. Placement Service Deposits: Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to the deposits placed pursuant to this section shall be limited by Section 53601.8.

8. Money Market Funds: Funds may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4).

9. Commercial Paper: of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B:

A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.

B. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

Prohibited Investment Types

Pursuant to Section 53601.6, SDCP shall not invest Funds in any security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to, inverse floaters, range notes, or mortgage-derived interest-only strips. The purchase of foreign currency denominated securities is prohibited. The purchase of Crypto Asset Securities is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. SDCP is prohibited from investing in any company or organization whose business do not align with SDCP’s mission, vision, value, and goals.

Investment Portfolio Management

The term to maturity of any Funds invested shall not exceed five (5) years pursuant to Section 53601. The Treasurer will allocate Funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

Diversification



SDCP's investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific security types, maturity segment, or in individual financial institutions. No more than 5% of the investment portfolio shall be in securities of any one issuer except for U.S. Treasuries, U.S. Government Agency issues, and investment pools such as LAIF, and money market funds.

- A. Credit Risk:** Credit risk, defined as the risk of loss due to failure of the insurer of a security, shall be mitigated by investing in those securities with an "A" or above rating and approved in the Investment Policy and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm SDCP's cash flow.
- B. Market Risk:** Market risk or interest rate risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by implementing a short term and long-term investment strategies. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return.

Credit Rating

This Investment Policy sets forth minimum credit ratings for each type of security. These credit ratings apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.

Minimum credit ratings:

- A.** For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one nationally recognized statistical rating organization (the "NRSRO").
- B.** For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

The monitoring of credit ratings consists of the following procedures:

- 1.** When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, SDCP's Finance Department or external investment adviser will analyze and evaluate the credit rating to determine whether to hold or sell the investment.
- 2.** In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit rating requirement, SDCP's Treasurer will report the rating change to the Finance and Risk Management Committee in the monthly public report. In the same manner, the Finance and Risk Management Committee will be informed on the decision to hold or sell a downgraded security.
- 3.** The Investment Officials or authorized employees involved in the investment process and external investment advisers shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

Brokers

The Treasurer shall endeavor to complete investment transactions in accordance with Section 53601.5, institutions eligible to transact investment business with SDCP include:

- A. Institutions licensed by the state as a broker-dealer.
- B. Institutions that are members of a federally regulated securities exchange.
- C. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- D. Nationally or state-chartered banks.
- E. The Federal Reserve Bank.
- F. Direct issuers of securities eligible for purchase.

Broker/dealers shall be approved by the Chief Executive Officer upon recommendation by the Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Treasurer shall require any selected broker, brokerage firm, dealer, or securities firm to affirm that it has not, within any 48-consecutive month period, made a political contribution to any member of the SDCP Board, or any candidate who may join the SDCP Board in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, the Political Reform Act, including section 84308, or any applicable SDCP Policy, as amended from time to time. The selected broker or dealers shall be provided with and acknowledge receipt of this Policy.

Losses

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of SDCP or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

Delivery and Safekeeping

The delivery and safekeeping of all securities shall be made through a third-party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608.

The Treasurer shall review all transaction confirmations for conformity with the original transaction and monitor for excessive trading.

Ethics and Conflict of Interest

The Investment Officials or authorized employees involved in the investment process, shall act as custodians of the public trust and will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions. Investment Officials and any external investment advisers acknowledge that all direct SDCP investments are subject to public review and evaluation.

SDCP Investment Officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

SDCP Investment Officials shall disclose to General Counsel or designee i) any material interests in financial institutions with which they conduct business, and ii) disclose any personal investments with a direct, indirect or beneficial interest



totaling \$2,000 or more. Investment Officials shall refrain from undertaking any personal investment transactions with the same individual from the external investment adviser with whom business is conducted on behalf of SDCP.

Investment Officials, pursuant with all applicable laws, shall not accept honoraria, gifts, and gratuities from advisers, brokers, dealers, bankers, or other entity with whom SDCP conducts business.

Any external investment adviser contracted by SDCP will comply with Municipal Securities Rulemaking Board Rule G-37 and shall follow the Investment Adviser Fiduciary Standard established by the U.S. Securities and Exchange Commission.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Accordingly, the Treasurer shall establish and maintain internal controls that shall address the following points:

- A. Control of Collusion:** Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.
- B. Clear Delegation of Authority to Subordinate Staff Members:** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- C. Delivery-Versus-Payment (DVP):** All investment transactions shall be conducted on a delivery-versus-payment basis.
- D. Safekeeping and Custody:** Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not insured by the FDIC, shall be placed with an independent third party for custodial safekeeping. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in SDCP's portfolio shall be held in safekeeping in SDCP's name by a third-party custodian, acting as agent for SDCP under the terms of a custody agreement executed by the bank and SDCP. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by SDCP from the custodian listing all securities held in safekeeping with current market data and other information. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (1) local government investment pools; (2) time certificates of deposit, (3) Local Agency Investment Fund, and (4) mutual funds and money market mutual funds, since these securities are not deliverable.
- E. Avoidance of Physical Delivered Bearer Securities:** Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.
- F. Written Confirmation of Telephone Wire Transfers:** Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party.

- G. Audits:** SDCP's Funds shall be subject to a process of independent review by its external auditors. SDCP's external auditors shall review the investment portfolio in connection with SDCP's annual audit for compliance with the Policy pursuant to Section 27134. The results of the audit shall be reported to the Treasurer.

Reports

A. Monthly: The Treasurer will perform a monthly review of the investment function. Following the commencement of investment transactions, the Treasurer shall submit a monthly report of all investment transactions to the Finance and Risk Management Committee. Investment transactions are defined as the purchase, sale or exchange of securities.

B. Annually: The Treasurer will submit an annual report to the Finance and Risk Management Committee within 60 days of the end of a fiscal year providing the following:

- A list of individual securities by investment type, issuer, credit risk rating, CUSIP number, settlement date of purchase, date of maturity, par value and dollar amount invested on all securities, the market value and source of the market value information;
- A statement that the portfolio is in compliance with this Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
- A statement of SDCP's ability to meet anticipated cash requirements for the upcoming 12 months.

C. Annual Review: This Policy will be reviewed annually by the Treasurer. The Board is authorized to approve changes to this Policy following the review of proposed changes by the Finance Risk Management Committee.



Glossary of Investment Terms

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

BANKERS' ACCEPTANCES. A short-term, negotiable, unconditional, and time draft drawn on and accepted by a bank. It is typically used in trade to finance the purchase and sale of goods.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CRYPTO ASSET. Digital assets that use public ledgers over the internet to prove ownership. They use cryptography, peer-to-peer networks and a distributed ledger technology (DLT) – such as blockchain – to create, verify and secure transactions.

CUSIP. Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and Canadian companies, commercial paper, and U.S. government and municipal bonds.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.



DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

ISSUER. The entity identified as the counterparty or obligator related to a security trade.

INVERSE FLOATER. A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate.

INVESTMENT OFFICIALS. This includes any applicable SDCP staff participating in the investment process; SDCP Treasurer; SDCP Deputy Treasurer(s); and SDCP Board of Directors.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUID. Term for securities that can be converted to cash quickly.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE BACK SECURITY. Debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

MORTGAGE-DERIVED INTEREST-ONLY STRIPS. A financial product created by separating the interest and principal payments of a mortgage-backed security.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.



MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

RANGE NOTES. A structured investment where the coupon is linked to the performance of a reference index

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Rate Development Policy

Effective Date: November 17, 2022

BACKGROUND:

San Diego Community Power (SDCP) advocates for ratepayers by providing a choice of electricity providers and shifting control of local energy decisions from profit-driven, incumbent utility into the hands of residents and businesses located in our service jurisdiction. This creates competition in rates that benefits customers, increased transparency and ensures a better overall customer experience.

PURPOSE

This policy provides the framework for SDCP's Board of Directors and staff to ensure SDCP's rate design, development and implementation process remains transparent, fiscally responsible and centered on the customer.

As a public not-for-profit agency, SDCP must, at a minimum, set rates to recover costs associated with debt service and the purchase of power and operational costs. It is in the best interest of SDCP and its customers to design and implement rates that meet revenue requirements as well as targeted reserves, while maintaining rate competitiveness, stability and long-term financial viability.

GENERAL CRITERIA

SDCP has established various objectives and priorities that shall be considered as part of SDCP's rate design process. SDCP's rate setting objectives are as follows:

1. **Cost Recovery:** rates must be sufficient to recover all expenses, debt service and other expenditure requirements.
2. **Reserves:** rates must be sufficient to build prudent reserves in line with [SDCP's Reserve Policy](#), which will provide funds to cover unanticipated expenditures, secure favorable terms with vendors, secure a standalone investment-grade credit rating and meet strategic objectives.
3. **Rate Competitiveness and Customer Value:** rates must allow SDCP to successfully compete to retain and attract customers while offering superior electricity service offerings with higher renewable content compared to the incumbent investor-owned utility.
4. **Rate Stability:** rate changes should be minimized to reduce customer bill impacts with a preference for annual rate adjustments. Additionally, a Rate Stabilization Fund may be established and over time sufficiently funded to help mitigate significant swings in rates.
5. **Equity among customers:** rate difference among customers should be justified by differences in usage characteristics and/or cost of service. Additionally, to the extent possible, rates shall be equalized from a value proposition perspective among customers enrolled during different Power Charge Adjustment Indifference (PCIA) Vintage Years.
6. **Rate Structures:** as new rates are developed, emphasis shall be put on rate-design simplicity and comparability as well as overall customer experience. SDCP reserves the right to design pilot rates as reviewed and approved by the Board.
7. **Transparency:** SDCP's Board will review and approve rates at an open and public meeting held in accordance with the Ralph M. Brown Act. SDCP shall post a copy of the adopted rates in both English and Spanish on its website within 14 calendar days of approval or by the rates' effective date, whichever is sooner. SDCP shall also make any rate design documents promptly available upon request under the California Public Records Act.
8. **Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.

9. **Cost of Service:** SDCP may explore a cost-of-service model for rate design. Cost-of-service studies are used to determine the total costs incurred by a utility in providing service to its customers and the allocation of those costs through rates back to customer classes. Revenue collected from each customer class then may be compared with that class's cost responsibility to determine the extent to which each class is reimbursing the utility for the costs it incurred in providing service.

SDCP's RATE SETTING TIMELINE

SDG&E's Energy Resource Recovery Account (ERRA) application is usually approved by the CPUC in December, which provides the trajectory of bundled service commodity rates including the above market costs and other fees¹ that will be passed on from SDG&E to all customers. Once the ERRA is approved, SDCP staff shall present proposed rates for the year to the Board in January of each year for review, deliberation and approval to be effective no later than February 15. With ever-changing market developments and regulatory climate, there may be instances where SDCP staff also proposes intra-year changes to rates.

To the greatest extent possible, SDCP's rates will be competitive with SDG&E's rates. With each SDG&E and SDCP rate change, both entities are required to work collaboratively to co-publish and post a Joint Rate Comparison on their respective websites to allow customers to easily see how rates compare.

IMPLEMENTATION OF SDCP's RATES

SDCP's rate setting process is and will always be open and transparent to the public. SDCP's Board of Directors, which is composed of a representative from each of its member agencies, will set rates according to agreed-upon strategic goals of SDCP and the cost of service.

Prior to the implementation of new rates, the Board will review and deliberate the proposed rates in a public setting and take comments from the public.

Once the Board approves proposed rates, the rates will be published on SDCP's website in advance of their effective date, giving customers time to compare, budget and better understand what to expect on their bills going forward. For more information on SDCP's rates, visit <https://sdcommunitypower.org/billing-rates/residential-rates/> for residential rates or <https://sdcommunitypower.org/billing-rates/commercial-rates/> for commercial rates.

¹ Fees passed on by SDG&E to "departing load" customers such as SDCP include the Power Charge Indifference Adjustment (PCIA) and Franchise Fees. The PCIA is a charge to ensure that both SDG&E customers and those who have left SDG&E service to purchase electricity from other providers pay for the above market costs for electric generation resources that were procured by SDG&E on their behalf. "Above market" refers to expenditures for generation resources that cannot be fully recovered through sales of these resources at current market prices.

The Franchise Fee is a surcharge applied to electricity transported over SDG&E systems that are constructed in public streets and highways. SDG&E collects the surcharge from customers and remits them to the appropriate municipality. The surcharge is charged equally to customers regardless of who provides their electric generation.

The PCIA and the SDG&E commodity portion of the Franchise Fee are included within the generation rate of SDG&E's standard bundled service. In other words, they are paid by all customers, regardless of who provides their electricity generation.

Glossary of Terms



Glossary of Terms

AB – Assembly Bill - An Assembly Bill is a piece of legislation that is introduced in the Assembly. In other words, the Assembly, rather than the Senate, is the house of origin in the legislature for the legislation. In California, it is common for legislation to be referred to by its house of origin number (such as, AB 32) even once it becomes law.

AL - Advice Letter - An Advice Letter is a request by a CPUC jurisdictional entity for Commission approval, authorization, or other relief.

ALJ – Administrative Law Judge - ALJs preside over CPUC cases to develop the evidentiary record and draft proposed decisions for Commission action.

ARB – Air Resources Board - The California Air Resources Board (CARB or ARB) is the "clean air agency" in the government of California. CARB is charged with protecting the public from the harmful effects of air pollution and developing programs and actions to fight climate change.

AREM – Alliance for Retail Energy Markets - a not for profit corporation that advocates for continued development of successful customer choice in retail energy markets and provides a focused voice for competitive energy retailers and their customers in selected public policy forums on the state level. AREM represented direct access providers such as Constellation NewEnergy and Direct Energy.

BayREN - Bay Area Regional Energy Network - BayREN offers region-wide energy programs, services and resources to members of the public by promoting energy efficient buildings, reducing carbon emissions and building government capacity.

CAISO – California Independent System Operator - a non-profit independent system operator that oversees the operation of the California bulk electric power system, transmission lines and electricity market generated and transmitted by its members (~80% of California's electric flow). Its stated mission is to "operate the grid reliably and efficiently, provide fair and open transmission access, promote environmental stewardship and facilitate effective markets and promote infrastructure development." CAISO is regulated by FERC and governed by a five-member governing board appointed by the governor.

CALCCA – California Community Choice Association – Association made up of Community Choice Aggregation (CCA) groups which represents the interests of California's community choice electricity providers.

CALSEIA – California Solar Energy Industries - CALSEIA represents more than 200 companies doing solar-related business in California, including manufacturers, distributors, installation contractors, consultants, and educators. Members' annual dues support professional staff and a lobbyist who represent the common interests of California's solar industry at the Legislature, Governor's Office, and state and local agencies.

CALSLSA – California City County Street Light Association - statewide association representing cities, counties and towns before the CPUC that is committed to maintaining fair and equitable street light electric rates and facilities charges, and disseminating street light related information.





CAM – Cost Allocation Mechanism - the cost recovery mechanism to cover procurement costs incurred in serving the central procurement function.

CARB – California Air Resources Board – The CARB is charged with protecting the public from the harmful effects of air pollution and developing programs and actions to fight climate change in California.

CARE – California Alternative Rates for Energy - A State program for low-income households that provides a 30% discount on monthly energy bills and a 20% discount on natural gas bills. CARE is funded through a rate surcharge paid by all other utility customers.

CBE – Communities for a Better Environment - environmental justice organization that was founded in 1978. The mission of CBE is to build people’s power in California’s communities of color and low-income communities to achieve environmental health and justice by preventing and reducing pollution and building green, healthy and sustainable communities and environments.

CCA – Community Choice Aggregator - A community choice aggregator, sometimes referred to as community choice aggregation, allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their existing utility provider. CCAs are an attractive option for communities that want more local control over their electricity sources, more green power than is offered by the default utility, and/or lower electricity prices. By aggregating demand, communities gain leverage to negotiate better rates with competitive suppliers and choose greener power sources.

CCSF – City and County of San Francisco - The City and County of San Francisco often engage in joint advocacy before the CPUC. San Francisco operates CleanPowerSF, a CCA.

CEC – California Energy Commission - the primary energy policy and planning agency for California, whose core responsibilities include advancing state energy policy, achieving energy efficiency, investing in energy innovation, developing renewable energy, transforming transportation, overseeing energy infrastructure and preparing for energy emergencies.

CEE – Coalition for Energy Efficiency - non-profit comprised of US and Canadian energy efficiency administrators working together to accelerate the development and availability of energy efficient products and services.

CLECA – California Large Energy Consumers Association - an organization of large, high load factor industrial customers located throughout the state; the members are in the cement, steel, industrial gas, pipeline, beverage, cold storage, food packaging, and mining industries, and share the fact that electricity costs comprise a significant portion of their costs of production. Some members are bundled customers, others are Direct Access (DA) customers, and some are served by Community Choice Aggregators (CCAs); a few members have onsite renewable generation.

CPUC – California Public Utility Commission - state agency that regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies, in addition to authorizing video franchises.

C&I – Commercial and Industrial – Business customers. C&I customers generally consume much higher volumes of electricity and gas. Many utilities segment their C&I customers by energy consumption (small, medium and large).

CP – Compliance Period – Time period to become RPS compliant, set by the CPUC (California Public Utilities Commission)





DA – Direct Access – An option that allows eligible customers to purchase their electricity directly from third party providers known as Electric Service Providers (ESP).

DA Cap – the maximum amount of electric usage that may be allocated to Direct Access customers in California, or more specifically, within an Investor-Owned Utility service territory.

DACC – Direct Access Customer Coalition a regulatory advocacy group comprised of educational, governmental, commercial and industrial customers that utilize direct access for all or a portion of their electrical energy requirements

DA Lottery – a random drawing by which DA waitlist customers become eligible to enroll in DA service under the currently-applicable Direct Access Cap.

DA Waitlist – customers that have officially registered their interest in becoming a DA customer but are not yet able to enroll in service because of DA cap limitations.

DAC – Disadvantaged Community - Disadvantaged communities refers to the areas throughout California which most suffer from a combination of economic, health, and environmental burdens. These burdens include poverty, high unemployment, air and water pollution, presence of hazardous wastes as well as high incidence of asthma and heart disease. One way that the state identifies these areas is by collecting and analyzing information from communities all over the state. CalEnviroScreen, an analytical tool created by the California Environmental Protection Agency (CalEPA), combines different types of census tract-specific information into a score to determine which communities are the most burdened or "disadvantaged."

DASR – Direct Access Service Request – Request submitted by C&I customers to become direct access eligible.

Demand - The rate at which electric energy is delivered to or by a system or part of a system, generally expressed in kilowatts (kW), megawatts (MW), or gigawatts (GW), at a given instant or averaged over any designated interval of time. Demand should not be confused with Load or Energy.

DER – Distributed Energy Resource – A small-scale physical or virtual asset (e.g. EV charger, smart thermostat, behind-the-meter solar/storage, energy efficiency) that operates locally and is connected to a larger power grid at the distribution level.

Distribution - The delivery of electricity to the retail customer's home or business through low voltage distribution lines.

DLAP – Default Load Aggregation Point – In the CAISO's electricity optimization model, DLAP is the node at which all bids for demand should be submitted and settled.

DR – Demand Response - An opportunity for consumers to play a significant role in the operation of the electric grid by reducing or shifting their electricity usage during peak periods in response to time-based rates or other forms of financial incentives.

DRP – Distributed Resource Plans - plans that are required by statute that are intended to identify optimal locations for the deployment of distributed resources.

DWR – Department of Water Resources – DWR manages California's water resources, systems, and infrastructure in a responsible, sustainable way.

ECR – Enhanced Community Renewable - An IOU program that reflects the "Community Solar" model of renewable energy purchasing. Customers sign up to purchase a portion of a local solar project directly from a Developer at a level that meets





at least 25% of their monthly electricity demand, but up to 100%. The customer will pay the Developer for the subscribed output, and receive a credit on their utility bill that reflects their enrollment level.

ED – Energy Division - The CPUC's Energy Division develops and administers energy policy and programs to serve the public interest, advise the Commission, and ensure compliance with the Commission decisions and statutory mandates.

EE – Energy Efficiency- the use of less energy to perform the same task or produce the same result. Energy-efficient homes and buildings use less energy to heat, cool, and run appliances and electronics, and energy-efficient manufacturing facilities use less energy.

ELCC – Effective Load Carrying Capacity – The additional load met by an incremental generator while maintaining the same level of system reliability. For solar and wind resources the ELCC is the amount of capacity which can be counted for Resource Adequacy purposes.

EPIC – Electric Program Investment Charge – The EPIC program was created by the CPUC to support investments in clean energy technologies that provide benefits to the electricity ratepayers of PG&E, San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE)

ERRA – Energy Resource Recovery Account – ERRA proceedings are used to determine fuel and purchased power costs which can be recovered in rates. The utilities do not earn a rate of return on these costs, and only recover actual costs. The costs are forecast for the year ahead. If the actual costs are lower than forecast, then the utility gives money back, and vice versa.

ES – Energy Storage - the capture of energy produced at one time for use at a later time to reduce imbalances between energy demand and energy production.

ESA – Energy Storage Agreement - means a battery services contract, a capacity contract, demand response contract or similar agreement.

ESP – Energy Service Provider - An energy entity that provides service to a retail or end-use customer.

EV – Electric Vehicle - a vehicle that uses one or more electric motors for propulsion.

FCR – Flexible Capacity Requirements - “Flexible capacity need” is defined as the quantity of resources needed by the CAISO to manage grid reliability during the greatest three-hour continuous ramp in each month. Resources will be considered as “flexible capacity” if they can sustain or increase output, or reduce ramping needs, during the hours of “flexible need.” “FCR” means the flexible capacity requirements established for LSEs by the CPUC pursuant to the CPUC Decisions.

GHG – Greenhouse gas - water vapor, carbon dioxide, tropospheric ozone, nitrous oxide, methane, and chlorofluorocarbons (CFCs). A gas that causes the atmosphere to trap heat radiating from the earth. The most common GHG is Carbon Dioxide, though Methane and others have this effect as well.

GRC – General Rate Case – Proceedings used to address the costs of operating and maintaining the utility system and the allocation of those costs among customer classes. For California’s three large IOUs, the GRCs are parsed into two phases. Phase I of a GRC determines the total amount the utility is authorized to collect, while Phase II determines the share of the cost each customer class is responsible and the rate schedules for each class. Each large electric utility files a GRC application every three years for review by the Public Advocates Office and interested parties and approval by the CPUC.

GTSR – Green Tariff Shared Renewables - The GTSR program enables customers to receive 50 to 100 percent of their electricity demand from renewable sources. The GTSR program has two components: the Green Tariff (GT) component and the Enhanced Community Renewables (ECR) component. Through GT, a customer may pay the difference between their current generation charge and the cost of procuring 50 to 100 percent renewables. With ECR, a customer agrees to purchase a share of a community renewable (typically solar) project directly from a developer, and in exchange will receive a credit from their utility for the customer's avoided generation procurement.

GWh – Gigawatt-hour - The unit of energy equal to that expended in one hour at a rate of one billion watts. One GWh equals 1,000 megawatt-hours.

ICA – Integration Capacity Analysis - The enhanced integrated capacity and locational net benefit analysis quantifies the capability of the system to integrate Distributed Energy Resources (DERs) within the distribution system. Results are dependent on the most limiting element of the various power system criteria such as thermal ratings, power quality, system protection limits and safety standards of existing equipment.

IDER – Integrated Distributed Energy Resources – A CPUC proceeding that aims to more effectively coordinate the integration of demand-side resources in order to better meet customer and grid needs, while enabling California to attain its greenhouse gas reduction goals.

IDSM – Integrated Demand-Side Management - an approach that joins together all the resources utilities have at their disposal to plan, generate and supply electricity in the most efficient manner possible.

IEP – Independent Energy Producers – California's oldest and leading nonprofit trade association, representing the interest of developers and operators of independent energy facilities and independent power marketers.

IMD – Independent Marketing Division - Under state law, IOUs are prohibited from lobbying or marketing on community choice unless the IOU forms an independent marketing division funded by shareholders rather than ratepayers. SDG&E' and its parent company Sempra were permitted by the CPUC to create such an independent marketing division, which allowed SDG&E to lobby against plans to create a CCA program.

IOU – Investor-Owned Utility – A private electricity and natural gas provider, such as SDG&E, PG&E or SCE, which are the three largest IOUs in California.

IRP – Integrated Resource Plan – A plan which outlines an electric utility's resource needs in order to meet expected electricity demand long-term.

kW – Kilowatt – Measure of power where power (watts) = voltage (volts) x amperage (amps) and 1 kW = 1000 watts

kWh – Kilowatt-hour – This is a measure of consumption. It is the amount of electricity that is used over some period of time, typically a one-month period for billing purposes. Customers are charged a rate per kWh of electricity used.

LCE – Lancaster Choice Energy - the CCA that serves the City of Lancaster, California.

LCFS – Low Carbon Fuel Standard – A CARB program designed to encourage the use of cleaner low-carbon fuels in California, encourage the production of those fuels, and therefore, reduce greenhouse gas emissions.

LCR – Local (RA) Capacity Requirements – The amount of Resource Adequacy capacity required to be demonstrated in a specific location or zone.



LMP – Locational Marginal Price – Each generator unit and load pocket is assigned a node in the CAISO optimization model. The model will assign a LMP to the node in both the day-ahead and real time market as it balances the system using the least cost. The LMP is comprised of three components: the marginal cost of energy, congestion and losses. The LMP is used to financially settle transactions in the CAISO.

LNBA – Locational Net Benefits Analysis - a cost-benefit analysis of distributed resources that incorporates location-specific net benefits to the electric grid.

Load - An end use device or customer that receives power from an energy delivery system. Load should not be confused with Demand, which is the measure of power that a load receives or requires. See Demand.

LSE – Load-serving Entity – Entities that have been granted authority by state, local law or regulation to serve their own load directly through wholesale energy purchases and have chosen to exercise that authority.

LTPP – Long-Term Procurement Rulemaking - This is an “umbrella” proceeding to consider, in an integrated fashion, all of the Commission’s electric procurement policies and programs.

MCE – Marin Clean Energy - the first CCA in California that began serving customers in 2010. They serve customers in Contra Costa, Marin, Napa and Solano counties in Northern California.

MEO – Marketing Education and Outreach - a term generally used to describe various strategies to inform customers, such as to motivate consumers to take action on energy efficiency or conservation measures and change their behavior.

MW – Megawatt – measure of power. A megawatt equals 1,000 kilowatts or 1 million watts.

MWH – Megawatt-hour – measure of energy

NAESCO – National Association of Energy Service Companies - – an advocacy and accreditation organization for energy service companies (ESCOs). Energy Service Companies contract with private and public sector energy users to provide cost-effective energy efficiency retrofits across a wide spectrum of client facilities.

NBC – Non-Bypassable Charge - fees that are paid on every kilowatt-hour of electricity that is consumed from the grid. These charges can be used to fund things like energy assistance programs for low-income households and energy efficiency programs. These charges apply even if customers buy grid-supplied power from an outside power company such as a CCA.

NDA – Non-Disclosure Agreement - a contract by which one or more parties agree not to disclose confidential information that they have shared with each other.

NEM – Net Energy Metering – A program in which solar customers receive credit for excess electricity generated by solar panels.

NRDC – Natural Resources Defense Council - non-profit international environmental advocacy group.

NP-15 – North Path 15 – NP-15 is a CAISO pricing zone usually used to approximate wholesale electricity prices in northern California in PG&E’s service territory.

OIR – Order Instituting Rulemaking - A procedural document that is issued by the CPUC to start a formal proceeding. A draft OIR is issued for comment by interested parties and made final by vote of the five Commissioners of the CPUC.



OSC – Order to Show Cause - order requiring an individual or entity to explain, justify, or prove something.

ORA – Office of Ratepayer Advocates - the independent consumer advocate within the CPUC, now called Public Advocates office.

PA – Program Administrator (for EE Business Plans) IOUs and local government agencies authorized to implement CPUC-directed Energy Efficiency programs.

PCE – Peninsula Clean Energy Authority - CCA serving San Mateo County and all 20 of its cities and towns as well as the City of Los Banos.

PCC1 – RPS Portfolio Content Category 1 – Bundled renewables where the energy and REC are dynamically scheduled into a California Balancing Authority (CBA) such as the CAISO. Also known as “in-state” renewables.

PCC2 – RPS Portfolio Content Category 2 – Bundled renewables where the energy and REC are from out-of-state and not dynamically scheduled to a CBA.

PCC3 – RPS Portfolio Content Category 3 – Unbundled REC

PCIA or “exit fee” - Power Charge Indifference Adjustment (PCIA) is an “exit fee” based on stranded costs of utility generation set by the California Public Utilities Commission. It is calculated annually and assessed to customers of CCAs and paid to the IOU that lost those customers as a result of the formation of a CCA.

PCL – Power Content Label – A user-friendly way of displaying information to California consumers about the energy resources used to generate the electricity they sell, as required by AB 162 (Statute of 2009) and Senate Bill 1305 (Statutes of 1997).

PD – Proposed Decision – A procedural document in a CPUC Rulemaking that is formally commented on by parties to the proceeding. A PD is a precursor to a final Decision voted on by the five Commissioners of the CPUC.

PG&E – Pacific Gas & Electric - the IOU that serves 16 million people over a 70,000 square mile service area in Northern California.

PHC – Prehearing Conference - CPUC hearing to discuss the scope of a proceeding among other matters. Interested stakeholders can request party status during these.

Pnode – Pricing Node – In the CAISO optimization model, it is a point where a physical injection or withdrawal of energy is modeled and for which a LMP is calculated.

PPA – Power Purchase Agreement – A contract used to purchase the energy, capacity and attributes from a renewable resource project.

PRP – Priority Review Project - transportation electrification pilot projects approved by the CPUC pursuant to SB 350.

PRRR – Progress on Residential Rate Reform – Pursuant to a CPUC decision, the IOUs must submit to the CPUC and parties periodic updates on the progress of their efforts to assist customers with residential rate design changes related to rate reform, including tier collapse and transition to a default time of use rate.





PUC – Public Utilities Code - California statute that contains 33 Divisions, and the range of topics within this Code includes natural gas restructuring, private energy producers, telecommunication services, and specific municipal utility districts and transit authorities. Primary statute for governance of utilities as well as CCAs in California.

PURPA – Public Utilities Regulatory Policy Act - federal statute passed by Congress to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. It was meant to promote energy conservation (reduce demand) and promote greater use of domestic energy and renewable energy (increase supply). The law was created in response to the 1973 energy crisis.

RA – Resource Adequacy - Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities—both independently owned utilities and electric service providers—to demonstrate in both monthly and annual filings that they have purchased capacity commitments of no less than 115% of their peak loads.

RAM – Renewables Auction Mechanism - a procurement program the Investor-owned Utilities (IOUs) may use to procure RPS eligible generation. The IOUs may use RAM to satisfy authorized procurement needs, for example, system Resource Adequacy needs, local Resource Adequacy needs, RPS needs, reliability needs, Local Capacity Requirements, Green Tariff Shared Renewables needs, and any need arising from Commission or legislative mandates.

RE – Renewable Energy - Energy from a source that is not depleted when used, such as wind or solar power.

REC - Renewable Energy Certificate - A REC is the property right to the environmental benefits associated with generating renewable electricity. For instance, homeowners who generate solar electricity are credited with 1 solar REC for every MWh of electricity they produce. Utilities obligated to fulfill an RPS requirement can purchase these RECs on the open market.

RES-BCT – Renewables Energy Self-Generation Bill Credit Transfer - This program enables local governments and universities to share generation credits from a system located on one government-owned property with billing accounts at other government-owned properties. The system size limit under RES-BCT is 5 MW, and bill credits are applied at the generation-only portion of a customer's retail rate.

RFO – Request for Offers a competitive procurement process used by organizations to solicit the submission of proposals from interested parties in response to a scope of services.

RPS - Renewable Portfolio Standard - Law that requires CA utilities and other load serving entities (including CCAs) to provide an escalating percentage of CA qualified renewable power (culminating at 33% by 2020) in their annual energy portfolio.

SB – Senate Bill - a piece of legislation that is introduced in the Senate. In other words, the Senate, rather than the Assembly, is the house of origin in the legislature for the legislation.

SCE – Southern California Edison - the large IOU that serves the Los Angeles and Orange County area.

SCP – Sonoma Clean Power Authority - CCA serving Sonoma County and surrounding areas in Northern California.

SDG&E – San Diego Gas & Electric - the IOU that serves San Diego county, they own the infrastructure that delivers SDCP energy to customers.

SGIP – Self-Generation Incentive Program – A program which provides incentives to support existing, new, and emerging distributed energy resources (storage, wind turbines, waste heat to power technologies, etc.)



SUE – Super User Electric - electric surcharge that's intended to penalize consumers for excessive energy use.

SVCE – Silicon Valley Clean Energy - CCA serving Silicon Valley Area.

TCR EPS Protocol – The Climate Registry Electric Power Sector Protocol – Online tools and resources provided by The Climate Registry to assist organizations to measure, report, and reduce carbon emissions.

TE – Transportation Electrification - For the transportation sector, electrification means replacing fossil fuels with electricity as the means of powering light-duty vehicles, medium- and heavy-duty trucks, and buses. The primary goal is to reduce greenhouse gas (GHG) emissions and, ultimately, contribute to mitigating the effects of climate change on the planet.

Time-of-Use (TOU) Rates — The pricing of delivered electricity based on the estimated cost of electricity during a particular time-block. Time-of-use rates are usually divided into three or four time-blocks per 24 hour period (on-peak, mid-peak, off-peak and sometimes super off-peak) and by seasons of the year (summer and winter). Real time pricing differs from TOU rates in that it is based on actual (as opposed to forecasted) prices that may fluctuate many times a day and are weather sensitive, rather than varying with a fixed schedule.

TM – Tree Mortality - refers to the death of forest trees and provides a measure of forest health. In the context of energy, the CPUC is tasked with utilizing its authority to extend contracts and take actions to authorize new contracts on bioenergy facilities that receive feedstock from high hazard zones.

TURN – The Utility Reform Network - A ratepayer advocacy group charged with ensuring that California IOUs implement just and reasonable rates.

Unbundled RECs - Renewable energy certificates that verify a purchase of a MWH unit of renewable power where the actual power and the certificate are “unbundled” and sold to different buyers.

VPP – Virtual Power Plant – A cloud-based network that leverages an aggregation of distributed energy resources (DERs) to shift energy demand or provide services to the grid. For example, thousands of EV chargers could charge at a slower speed and hundreds of home batteries could discharge to the grid during a demand peak to significantly reduce the procurement of traditional supply resources.

VAMO – Voluntary Allocation, Market Offer - the process for SDG&E to allocate a proportional share of their renewable portfolio to SDCP and other LSEs within the service territory.



Budget Resolution





Copy of Budget Resolution

RESOLUTION NO. ____
A RESOLUTION OF THE BOARD OF DIRECTORS
OF SAN DIEGO COMMUNITY POWER
ADOPTING THE FISCAL YEAR 2024-2025 OPERATING BUDGET, THE
FISCAL YEAR 2024-2025 CAPITAL BUDGET, AND THE FISCAL YEAR
2025-2029 CAPITAL INVESTMENT PLAN

A. San Diego Community Power (“SDCP”) is a joint powers authority 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 and amended on December 16, 2021 (“JPA Agreement”).

B. The JPA Agreement provides that SDCP’s fiscal year (“FY”) 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.

D. The SDCP Board proposes to adopt the FY 2024-25 Operating Budget and the FY 2024-25 Capital Budget, attached hereto as Attachment A.

E. The SDCP Board further proposes to adopt the FY 2025-29 Capital Investment Plan that provides a comprehensive five-year plan for SDCP’s capital investment expenditures, attached hereto as Attachment B.

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

Section 1. The Board of Directors hereby adopts the FY 2024–25 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2024-25 Capital Budget.

Section 3. The Board of Directors hereby adopts the FY 2025-29 Capital Investment Plan.

Section 4. 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 27, 2024.

Chair, Board of Directors
San Diego Community Power

ATTEST:

Secretary, Board of Directors
San Diego Community Power





Acknowledgements

Finance Department

San Diego Community Power's (SDCP's) Finance department works to maintain a fiscally responsible budget in accordance with SDCP Budget Policy. The department ensures sufficient funding to meet procurement needs, sustain operational needs, and support sustained growth while delivering clean energy to the communities we serve. In addition, the team actively works to build SDCP reserves and develop policies that consider future economic conditions, provides an understandable and transparent operating budget for internal and external users, strives to keep the SDCP Board and staff informed of SDCP's fiscal condition, and develops a budget that will ultimately prioritize people, transparency, and our communities.

Board of Directors

Councilmember Joe LaCava, Chair
Supervisor Terra Lawson-Remer, Vice Chair
Mayor Paloma Aguirre, Director
Councilmember Kellie Hinze, Director
Mayor John McCann, Director
Councilmember Colin Parent, Director
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- (Vacant)

County of San Diego

- Peter Andersen
- (Vacant)

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San Diego

- Eddie Price, Chair
- Matthew Vasilakis

SDCP Executive Team

Karin Burns, Chief Executive Officer
Eric Washington, Chief Financial Officer and Deputy
Chief Executive Officer/Treasurer
Jack Clark, Chief Operating Officer
Veera Tyagi, General Counsel
Byron Vosburg, Chief Commercial Officer*

Finance Department

Eric Washington, Chief Financial Officer and Deputy
Chief Executive Officer/Treasurer
Tim Manglicmot, Senior Finance Manager
Christopher Stephens, Procurement Manager
Diana Gonzalez, Risk Manager
Christopher Do, Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst



SAN DIEGO COMMUNITY POWER

Capital Investment Plan (CIP)

Fiscal Year 2025-29

Proposed Draft

June 27, 2024



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How to Use This Book

San Diego Community Power's (SDCP's) proposed Fiscal Year (FY) 2025-2029 Capital Investment Plan (CIP) contains Agency budgetary and fiscal policy information as well as detailed Agency capital investment plans. The proposed Capital Investment Plan is organized into the following sections.

EXECUTIVE SUMMARY includes the Chief Executive Officer's Letter of the proposed CIP, and provides a high-level overview of the Agency's capital budget and other high-level details on specific projects and their benefits to the community in the proposed CIP.

CAPITAL INVESTMENT PLAN OVERVIEW describes the CIP in brief including summary tables that reflect the operating transfer in to the CIP as well as the list of planned projects in the next five years.

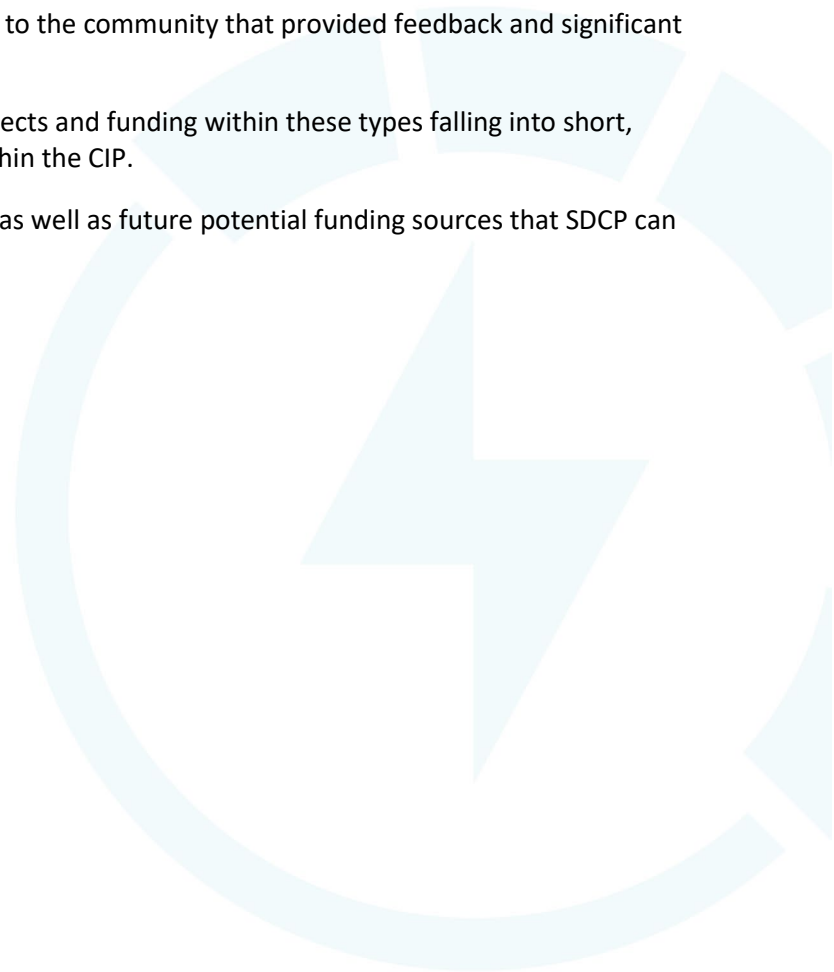
SDCP: AN OVERVIEW provides a high-level overview of SDCP's governance, structure, and Agency values and priorities.

STRATEGIC PLAN describes SDCP's strategic planning process and board-adopted strategic goals that provide the foundation for the creation of the CIP.

COMMUNITY ENGAGEMENT outlines the outreach process to the community that provided feedback and significant input into project and program design.

PROGRAM TYPES includes the thirteen program types, projects and funding within these types falling into short, medium and long-term segments that will be delivered within the CIP.

FUNDING GUIDE explains funding source that fund the CIP as well as future potential funding sources that SDCP can leverage and apply for to bolster CIP funding amounts.



A Letter from the Chief Executive Officer

I am very proud and excited to present San Diego Community Power's (SDCP's) Capital Investment Plan for Fiscal Year (FY) 2025-29. I could not be more excited to partner with such a smart, capable, and mission-driven SDCP team, Board, and Community Advisory Committee to further our region's clean energy goals.

San Diego Community Power (SDCP) is a Community Choice Aggregator (CCA) committed to providing municipalities, businesses, and residents in the six-member cities and unincorporated San Diego County with clean, renewable energy at competitive rates and investing in innovative programs that benefit the environment and the economy in our communities.

Statistics show that the power sector produces more CO2 emissions than any other industry in the world. That is why the process and integration of renewable energy is so vital to our efforts for the environment. Renewables are projected to account for more than one-third of the world's electricity by 2025.

SDCP is very well positioned to have a significant impact in delivering 100% clean energy and community investment to a large set of commercial and residential customers. As the second largest CCA in California, there is much we can learn from our predecessor CCAs and much we can offer to further our collective goals.

The problems we face are complex, multi-faceted and require collaboration across government entities, utilities, the private sector, NGOs, and all our citizens. It takes a village, and so to be successful we are going to need to do a few key things out of the gate:

1. Listen closely to and collaborate with our current and future industry partners, city officials, constituents, customers, communities and regulatory bodies.
2. Ensure our investment dollars flow with high impact into our communities after deeply understanding their needs, aspirations, and challenges.



3. Hire the best and brightest who share our vision of a 100% clean energy future ([Career Opportunities - San Diego Community Power](#)).
4. Delight our customers with affordable clean energy, equitable opportunities, and tailored programs that encourage everyone to contribute to and be part of the clean energy transition ([Compare Service Plans - San Diego Community Power](#)).

As SDCP continues to grow, this CIP will:

1. Deliver program and project options that align with community and organizational priorities.
2. Provides SDCP with the confidence to target a core set of program types focused on community needs.
3. Gives SDCP the flexibility to co-design programs and projects with community partners and to be responsive to external funding opportunities as they emerge.

Please join us at www.sdcommunitypower.org as we embark on an exciting, impactful, and globally important mission to deliver 100% clean energy to customers by 2035 while investing back into our local communities for a brighter, healthier future!

Sincerely,

Karin Burns
Chief Executive Officer

Capital Investment Plan Overview



Capital Investment Plan Overview

SDCP developed its first Capital Investment Plan (CIP) in FY 2023-24 and continues to grow it with the FY 2025-29 CIP, which contains all the individual capital projects, major equipment purchases, and major programs for the agency that are intended to span multiple years. The FY 2024-25 budget proposes a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year.

The CIP includes funding for local development feasibility studies, customer program pilot projects, community grants, a customer education platform, and other areas as outlined in the short- and medium-term program areas. Given the number of planning and pilot projects, the SDCP CIP is largely funded by internal funding which allows maximum flexibility in the planning phase with designing programs and projects. This allows the agency to focus on designing based on community and agency needs rather than based on the requirements requested by a funding agency. The planning phase of a program or project also requires less funding when compared to implementation or design and construction. As SDCP builds reserve funds and to have maximum impact, SDCP leverage the CIP to aggressively pursue external funding from sources such as state and federal agencies.

Table 1: FY 2025-29 CIP BUDGET APPROPRIATION

	Carryforward	FY25 Proposed
Operating Transfer Out	-	10.1
Operating Transfer In	3.2	10.6
DAC-GT CSGT	-	0.5
Regional Energy Network	-	0.7
CFDA Healthy Refrigeration Grant Program	0.7	-
CIP Revenue	3.9	11.8

Amounts displayed in millions, \$

Table 2: FY 2025-29 CIP BUDGET EXPENSES

Program	Carryforward	FY25 Proposed
Energy Awareness and Education	0.4	0.0
Application Assistance	-	0.3
Disadvantaged Communities Green Tariff and Community Solar Green Tariff	-	0.5
Pilot Programs	2.0	1.0
Grant Programs	0.8	0.2
Distributed Energy Resources: Energy Storage Systems	-	6.0
Energy Efficiency	0.7	0.7
Flexible Load	-	0.5
Information Technology: Upgrades	-	2.6
CIP Expenses	3.9	11.8

Amounts displayed in millions, \$



The first year of the CIP is appropriated as part of SDCP’s annual budget process and becomes the adopted capital budget for the fiscal year. The subsequent years of the CIP are planned expenses that are subject to Board approval during the annual budget process and are subject to change.

Table 3: FY 2025-29 CIP PROGRAMS AND PROJECTS

Program Type	Project	Carryforward	FY25	FY26	FY27	FY28	FY29	Total
Energy Awareness and Education	Customer Education	0.4	-	-	-	-	-	0.4
Energy Awareness and Education	Building Electrification Education	-	-	-	-	-	-	0.0
Energy Awareness and Education	SDSU Sage Project	-	0.0	-	-	-	-	0.0
Energy Awareness and Education	Community Event Planning	-	0.0	-	-	-	-	0.0
Application Assistance	Commercial Application Assistance Pilot	-	0.3	-	-	-	-	0.3
Disadvantaged Communities Green Tariff and Community Solar Green Tariff	CPUC Green Tariffs	-	0.5	0.5	0.5	0.5	0.5	2.5
Pilot Programs	Customer Pilot Programs	2.0	-	-	-	-	-	2.0
Pilot Programs	C&I Incentive Program	-	0.8	-	-	-	-	0.8
Pilot Programs	Building and Housing Stock Analysis	0.2	-	-	-	-	-	0.2
Pilot Programs	Local Development Feasibility Study	0.0	0.0	-	-	-	-	0.0
Pilot Programs	Clean Energy Asset Feasibility Study	-	0.2	-	-	-	-	0.2
Grant Programs	Member Agency Grants	0.0	-	-	-	-	-	0.0
Grant Programs	Community Grants	0.6	0.2	-	-	-	-	0.8
Distributed Energy Resources: Energy Storage Systems	Solar Battery Savings Program	-	6.0	-	-	-	-	6.0
Energy Efficiency	PUC Energy Efficiency Program	0.0	-	-	-	-	-	0.0
Energy Efficiency	Regional Energy Network	-	0.7	0.7	0.7	0.7	0.7	3.5
Energy Efficiency	CDFA Healthy Refrigeration Grant	0.7	-	-	-	-	-	0.7
Flexible Load	DERMS Software Platform	-	0.5	-	-	-	-	0.5





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Information Technology: Upgrades	Customer Relationship Management Setup	-	0.8	0.5	0.5	-	-	1.8
Information Technology: Upgrades	Artificial Intelligence Call Center	-	0.2	-	-	-	-	0.2
Information Technology: Upgrades	Enterprise Data Platform	-	0.8	0.5	0.5	-	-	1.8
Information Technology: Upgrades	Amazon Web Services Infrastructure and Security Layer	-	0.3	0.1	0.1	-	-	0.5
Information Technology: Upgrades	ETRM and Portfolio Analytics Implementation	-	0.5	0.5	0.3	-	-	1.3
CIP Expenses		3.9	11.8	2.8	2.6	1.2	1.2	23.5
Amounts displayed in millions, \$								





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Overview of San Diego Community Power



Overview of San Diego Community Power

Who We Are

San Diego Community Power is a coalition of people who live and work in our communities, focused on moving towards a healthier and sustainable, clean energy future. We're friends and neighbors, teachers and students, employees and bosses. We're of every color and ethnicity, every political stripe and religious belief. All of us have some important things in common: our goal is to manage our electricity supply, taking advantage of the affordable, common sense options available for cleaner power, today and for future generations. We also prioritize people over profits, to create better health for everyone.

About Community Choice

SDCP is a Community Choice Aggregation (CCA) program—one of dozens that have formed across the state over the past 10 years. CCAs succeed by introducing healthy competition into the energy marketplace and feeding cleaner electricity into the grid. They partner with the local investor-owned utility (similar to SDG&E) to deliver and service it. Power is cleaner, just as affordable, and just as reliable. It's a simple model that's focused on the future, and really works.

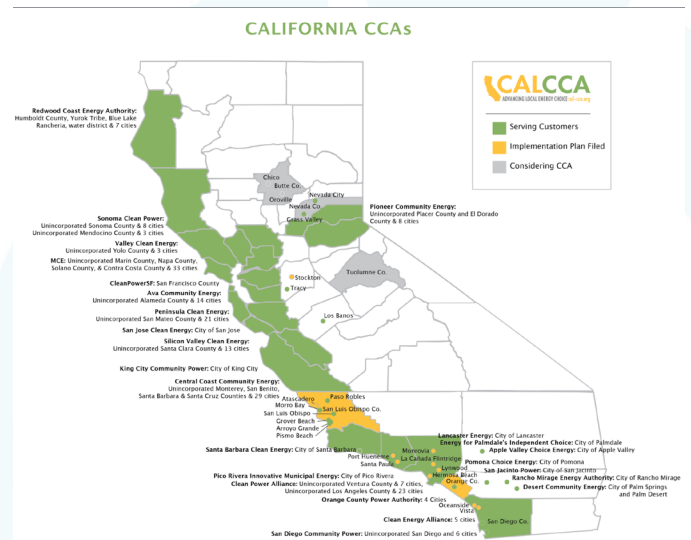
This not-for-profit model goes even further, eliminating for-profit shareholders who make a profit on your electricity use.

At SDCP, our only shareholder is you.

Community Choice Energy might be new to San Diego, but programs just like this one have been springing up throughout California for over 10 years. SDCP is one of 25 programs already serving over 11 million customers. Why is Community Choice growing so fast? That's

easy—it's a simple model that works for people of every age, ethnicity and income group. The public gets choices that make real sense. Choices that are sensible, affordable, and focused on the future.

FIGURE 1: CCAs IN CALIFORNIA



Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, La Mesa, and Imperial Beach adopted an ordinance and resolution to form San Diego Community Power, a California joint powers agency. In 2021, the County of San Diego and National City voted to join SDCP.

SDCP's Board is comprised of elected representatives from each member jurisdiction—which may expand as new communities in the surrounding area decide whether to join SDCP in the future. The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings, where they establish policy, set rates, determine power options and maintain fiscal oversight.

As a public agency, SDCP is designed to be fully transparent with all meetings and information open to the public.

FIGURE 2: SDCP MEMBER CITIES



Organization Structure

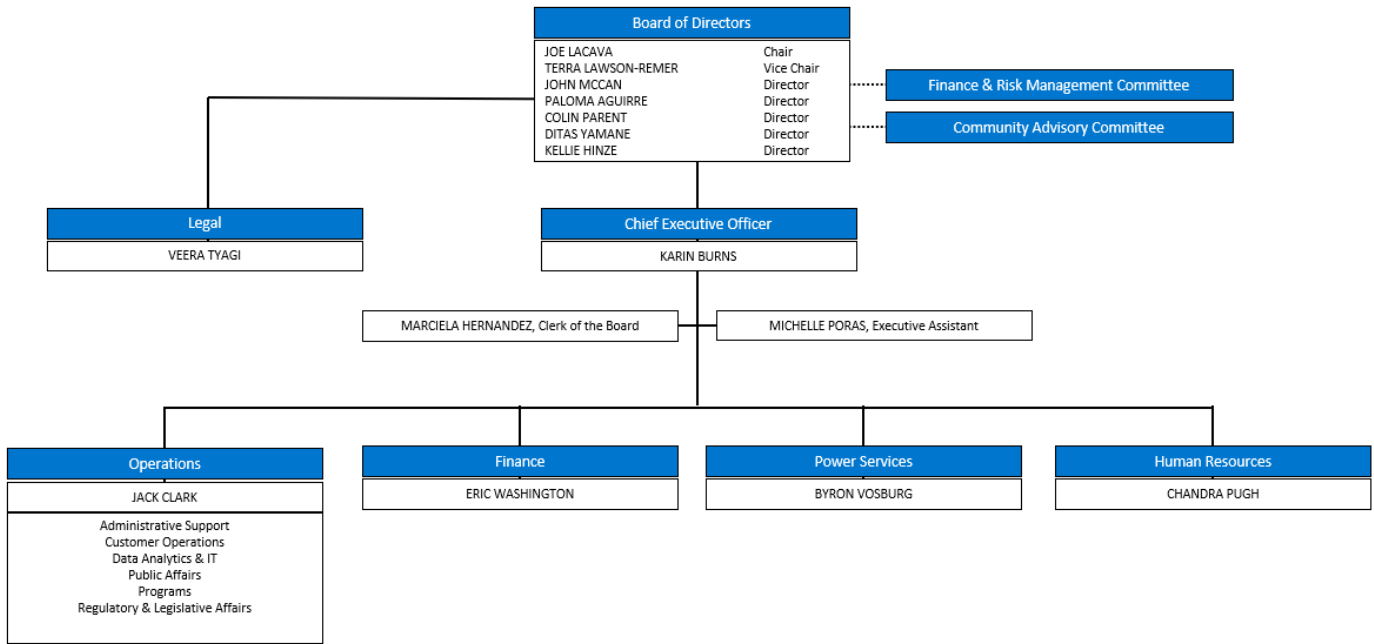
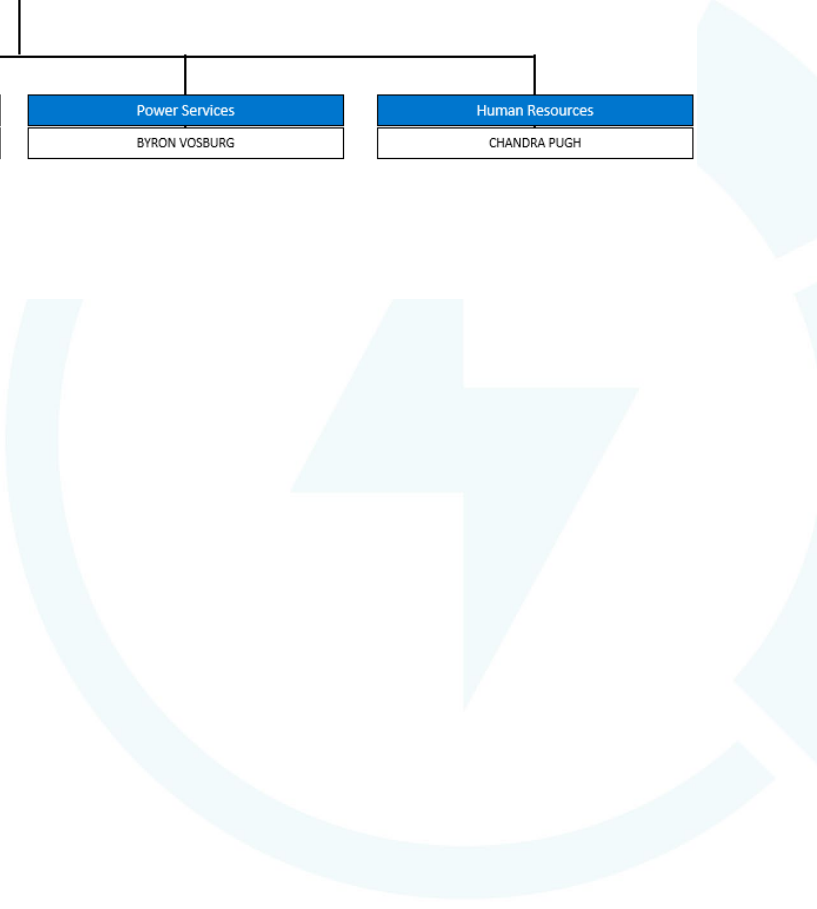


FIGURE 3: ORGANIZATION CHART





Capital Investment Plan



Capital Investment Plan (CIP)

About the CIP

The SDCP Fiscal Year 2025 - 2029 Capital Improvement Plan (CIP) includes 23 projects that will receive funding in the five-year period, totaling \$23.5 million in investments across SDCP member jurisdictions. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows SDCP to thoughtfully plan and design its projects and programs based on community and agency needs to deliver programs and projects that provide maximum public impact and that can potentially leverage other local, state and federal funds.

This plan continues SDCP's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects are a list that provides SDCP with the confidence to target a core set of program types focused on community needs. It also gives SDCP the flexibility to co-design programs with community partners and to be responsive to external funding opportunities as they emerge.

This plan is not a final or absolute list of funded projects and projects may not have funding identified. Each funded and partially funded project shows a potential source of funding but does not necessarily indicate actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or may drop out entirely.

Likewise, this list is not all-inclusive. Often, unexpected requirements cause unforeseen projects to be inserted into the design and execution process. Further, funding sources identified in the CIP are potential funding sources which may not materialize. Projects, programs, and funding are additionally subject to Board approval consistent with the JPA and the internal policies and programs of the agency.

CIP Development Process

SDCP will update the CIP annually during its budget-development process. Programs and projects are included in the CIP based on alignment with SDCP's strategic goals and based on community engagement.

The proposed capital budget and CIP undergoes a public outreach process comprising a wide range of stakeholder groups. The CIP additionally is a dynamic document that is intended to be updated regularly as needs shift or as fund availability changes. All subsequent updates to the CIP will be brought to the SDCP Board for approval.

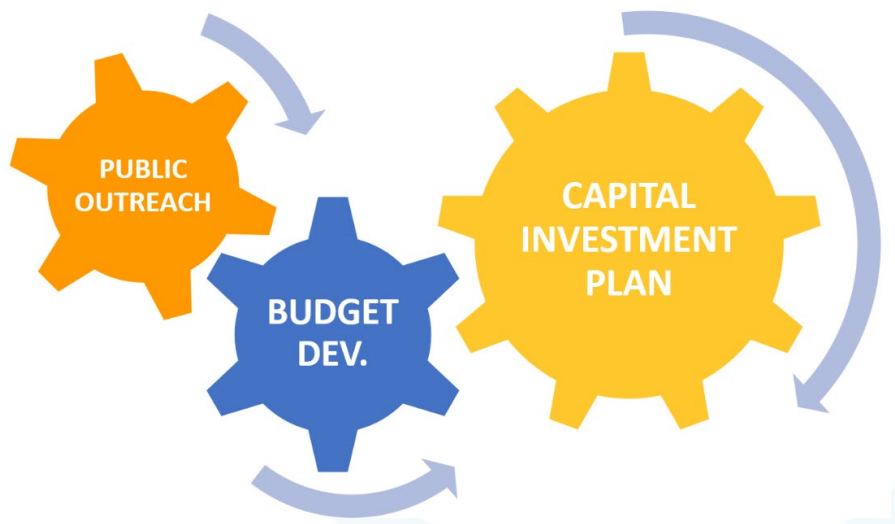


FIGURE 4 CIP DEVELOPMENT PROCESS

Strategic Planning



Strategic Planning

SDCP’s budgeting process including its CIP is built around the objectives outlined in its Strategic Plan. The Plan’s framework assists staff in weighing the community’s priorities against the limited resources available to achieve its strategic goals.

The Strategic Plan is an important management tool to guide operations, assessing the current environment and envisioning the future, to increase effectiveness, organizational commitment, and consensus of SDCP’s strategies and objectives.

The Strategic Plan provides a comprehensive framework that ensures priorities set by the SDCP Board are clear to all staff and that SDCP is accountable to meeting community needs by setting objectives to meet identified goals.

On June 23, 2022, the SDCP Board adopted its mission, vision, core values and goals for 2023-2027 as part of its 2023-2027 Strategic Plan. Subsequently, on April 21, 2023, the SDCP Board updated its Strategic Plan.

SDCP then incorporated its Strategic Planning updates into the FY 2025-29 Capital Investment Plan as part of its annual budget cycle adopted through its Budget Policy.

Mission Statement

Through the Strategic Planning process, SDCP defined its overall Mission Statement. Our Mission summarizes at the highest level why we are here. Everything we do contributes to our ability to achieve the mission.

Vision Statement

SDCP additionally defined its overall Vision Statement to guide the agency. Our Vision describes what we aspire to be as an organization. This is where we are going. Our vision is our commitment to making bold progress in this direction.



FIGURE 5 MISSION STATEMENT



FIGURE 6 VISION STATEMENT



Strategic Goals

To achieve our Mission and Vision, we work to balance our performance across seven Strategic Goals. These are high level, long-term goals that guide our work.

SDCP's Strategic Goals can be further defined and expanded as follows with specific actions to achieving these goals.

1. **Financial Stability – Practice fiscal strategies to promote long-term organizational sustainability.**
 - Adopt financial controls and policies to meet or exceed best practices and manage risk.
 - Obtain an investment-grade credit rating by November 2025.
 - Adopt plan to increase reserves to \$175 million by October 2023 (90-days cash on hand) and \$360 million by October 2025 (180-days cash on hand).
 - Develop Rate Stabilization Reserve of \$70 million to mitigate power cost fluctuations and economic downturns.

2. **Energy Portfolio Development - Provide sufficient, reasonably priced, clean electricity to our customers.**
 - Manage portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing, and staff training.
 - Develop secure Clean Energy Portfolio with goals of: 50% RE (2022), renewable energy 5% (2027), 85% (2030), and 100% (2035).
 - 15% of our energy coming from new, distributed infill storage/solar+ storage resources within Member Agencies by 2035.
 - Support development of innovative energy sources to improve resiliency through pilot programs, grant programs, and partnerships.
 - Create high quality local jobs in renewable energy that support healthy families and vibrant communities.

3. **Community Program Delivery - Implement energy projects and programs that reduce greenhouse gas emissions, align energy supply and demand, and provide benefits to community stakeholder groups.**
 - Implement Community Power Plan (CPP) recommended programs through continuous community engagement and assessment of community benefits while considering technology/ market changes and changing community needs.
 - Invest in programs that target communities of concern (underserved communities) and are distributed throughout our Member Agencies.
 - Invest in programs that promote residential and commercial solar, infill solar and/ or distributed battery storage.
 - Develop local support for deep decarbonization through building and transportation electrification.
 - Develop workforce opportunities in the local clean energy economy (green careers).
 - Support local government and state initiatives to advance decarbonization in alignment with Member Agency Climate Action Plans.
 - Provide all customers with actionable clean energy education.
 - Maintain appropriate and sufficient data sources to support smart program design, implementation and evaluation.



FIGURE 7 KEY FOCUS AREA AND GOALS

4. **Brand Building** – Develop trusted brand reputation to help drive participation in programs and ensure support customer service and retention.
 - Identify and address gaps between perception and desired brand identity.
 - Translate policy issues into consumer-friendly information and communication.
 - Become known as leadership experts on the CCA model and the industry.
 - Foster relationships with city planning offices, CBOs, NGOs, and Trade Associations.
 - Develop relationships with industry media and influencers.
 - Engage community through participation in local events.

5. **Public Policy** – Advocate for public policies that advance SDCP organizational priorities.
 - Proactively educate and engage policymakers to develop policies that support SDCP’s organizational priorities, including advocacy around Power Charge Indifference Adjustment (PCIA) reductions.
 - Sponsor and support legislation and regulation that is consistent with SDCP’s mission, vision, and goals.
 - Develop annual legislative plan to advance and support SDCP objectives and share plan with local Senate and Assembly members and staff.
 - Develop plan to meet more proactively with and educate key decisionmakers (e.g. CEC, CPUC commissioners).
 - Coordination with Member Agency government affairs’ teams to align on legislative positions.
 - Continue to be an active participant in CalCCA and develop partnerships and coalitions to advance SDCP’s policy and legislative agenda through CalCCA efforts.

6. **Customer Service** – Ensure high customer retention and satisfaction.
 - Ensure customer satisfaction through key relationships including back-office support and key stakeholders.
 - Continually strive to offer competitive rates.
 - Maintain and grow high levels of customer participation and satisfaction.
 - Achieve 10% of our load at the Power 100 service level by 2027.
 - Build a robust data ecosystem for effective procurement as well as program design, management and evaluation.

7. **Organizational Excellence** – Ensure excellence by adopting sustainable business practices and fostering a workplace culture of innovation, diversity, transparency and integrity.
 - Create an organizational culture of inclusion, mutual respect, trust, innovation, and collaboration that upholds organizational core values.
 - Develop an annual staffing plan that identifies and addresses resource needs and gaps.
 - Provide training and professional development opportunities that build new skills and abilities.
 - Foster culture of innovation to yield solutions that accelerate our mission and drive toward SDCP’s vision.
 - Design and implement an internship program that attracts workforce from our member cities and creates opportunities for candidates new to CCAs and the industry.

Build institutional capacity of CAC to support the mission and core goals of SDCP.



Community Engagement



Community Engagement

Community Engagement Process

The community engagement process provided SDCP a key opportunity to hear directly from community members and to build relationships with community partners. SDCP is invested in developing and maintaining relationships with community partners so that community input can continue to inform future program design and implementation. The community engagement process conducted as part of this Plan should therefore be viewed as a key step in establishing an on-going relationship with the community, rather than as a one-time process.



Figure 8: Southeast San Diego Community Members Participating in a Listening Session



Community Power Plan

The SDCP Community Power Plan (CPP), adopted by the SDCP Board on May 25, 2023, is a key planning document that guided SDCP’s Capital Investment Plan investments. The CPP provides strategic direction for developing customer energy programs over the next five years. As a not-for-profit public agency, SDCP is committed to developing a suite of customer energy programs that respond to community needs, with a focus on Communities of Concern.

The community engagement process for the CPP provided SDCP a key opportunity to hear directly from community members and to build relationships with community partners. SDCP is invested in developing and maintaining relationships with community partners so that community input can continue to inform future program design and implementation. The community engagement process conducted as part of this Plan should therefore be viewed as a key step in establishing an on-going relationship with the community, rather than as a one-time process.

The community needs assessment was a fundamental piece of the CPP and included extensive community outreach. Between May and November 2022, SDCP heard from more than 3,450 community members through listening sessions, workshops, pop-up events in harder-to-reach communities, and a customer-wide survey. This helped SDCP understand the challenges, needs, goals, and priorities that could be addressed through customer energy programs. Throughout the community engagement process, SDCP prioritized equity and Communities of Concern. Additionally, SDCP sought to develop foundational partnerships with community-based organizations.

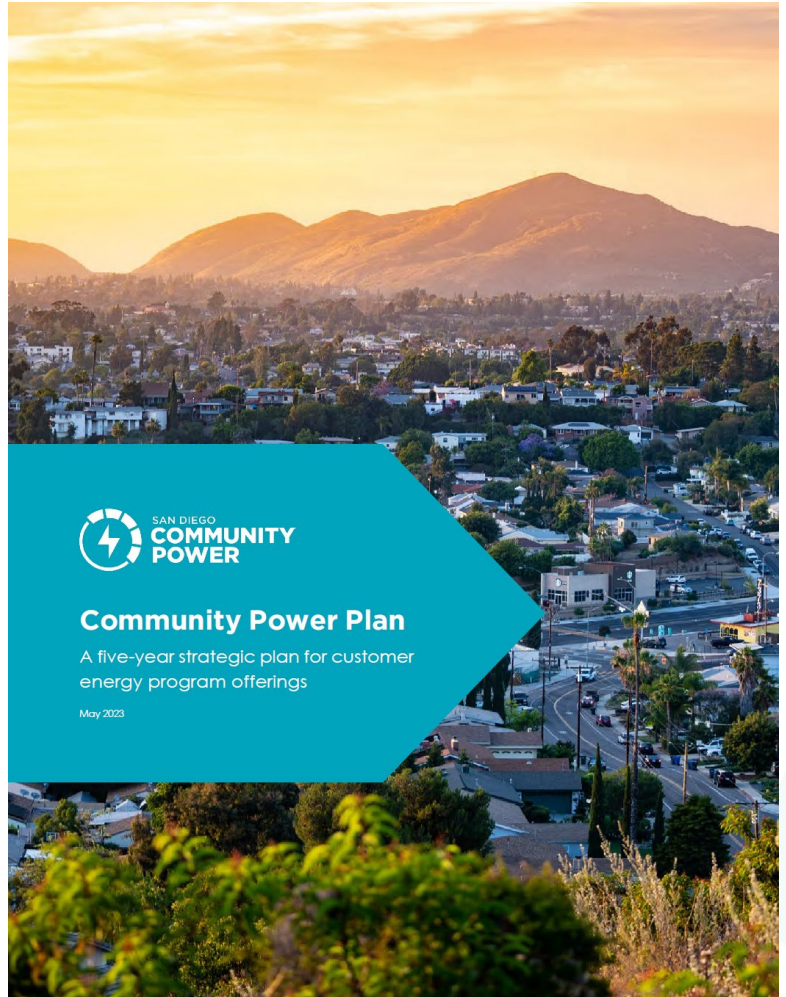


Figure 9: Community Power Plan

Table 4: Community Needs Assessment

Engagement Method	Estimated Number Engaged
Community-Based Organization Co-Hosted Listening Sessions (2 Rounds)	325
Business, Key Stakeholders, and Public Listening Workshops	45
Unincorporated San Diego County Pop-Up Events	100
Community Needs Survey	2,980
Total	3,450



During the community needs assessment, SDCP’s leadership—the Board of Directors, Community Advisory Committee, and staff—was also engaged to further explore the opportunities for SDCP to meet community needs through its program offerings. All the input received throughout the community and organizational engagement was used to identify key priorities that were later incorporated into a program prioritization framework tool. The program prioritization tool and community and organizational priorities helped in the evaluation of potential programs recommended in this Plan and served as important context for SDCP for future program design.



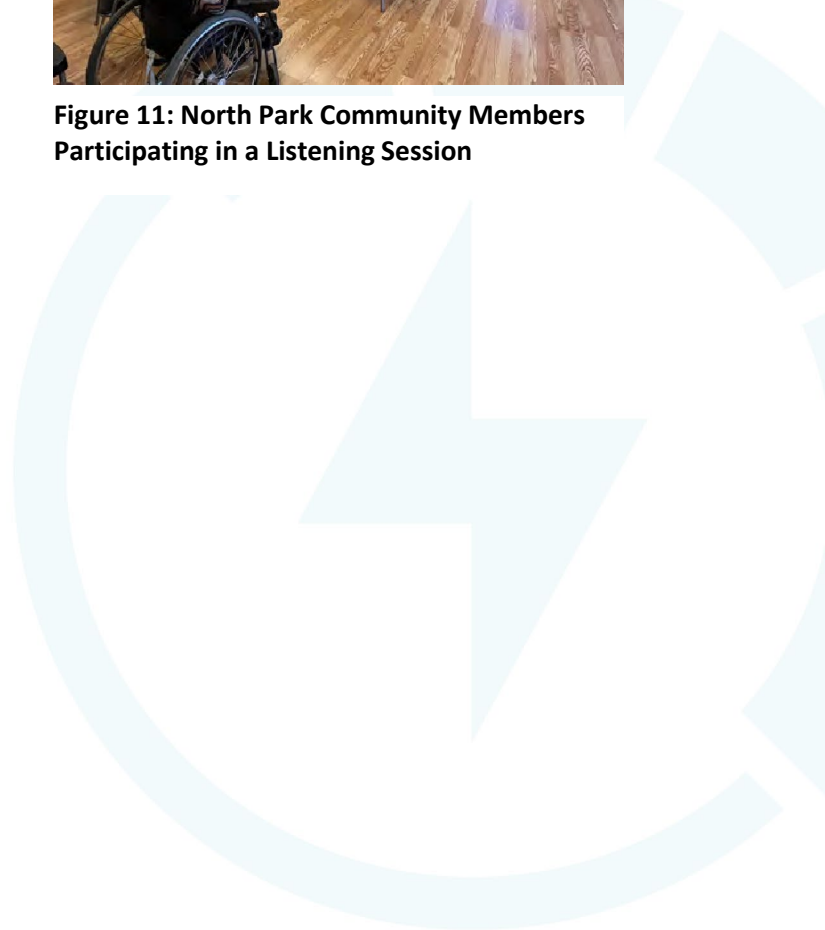
Figure 10: San Ysidro Community Members Participating in a Listening Session



Figure 12: San Ysidro community members participating in a listening session co-hosted by Casa Familiar



Figure 11: North Park Community Members Participating in a Listening Session



Prioritizing Equity and Communities of Concern

SDCP is committed to making equity central to any community engagement conducted and to this Plan. To undertake meaningful equitable and inclusive engagement, SDCP prioritized partnering with, and providing compensation to, local community-based organizations that work directly with community members in Communities of Concern and can advocate for their collective needs. Specific equitable and inclusive engagement principles that were integrated into the community engagement for this Plan are noted below.

Minimizing obstacles

The team implemented engagement strategies that were responsive to people's different needs, circumstances, and/or varying experiences interacting with public agencies to build comfort and trust. The team employed strategies and activities that minimized obstacles to participation, including the amount of time required for participation and providing virtual and in-person options. The team focused on maintaining flexibility and adaptability to incorporate lessons learned during the engagement process.

Valuing input

The team valued local and lived knowledge by gaining an understanding of the priorities and initiatives of each community when soliciting input. This included collecting perspectives regarding a community's current goals, projects, and potential solutions.

Bridging partnerships

The team established partnerships with community-based organizations throughout SDCP's service territory. In doing so, SDCP gained a deeper understanding of the issues, priorities, and effective engagement methods of its key stakeholders and their respective communities.

Recognizing everyday challenges

The team recognized the day-to-day challenges community members face and adapted subject matter to their needs and experiences. For instance, addressing climate change and reducing air pollution may not be top priorities for community members facing multiple types of burdens.

Additionally, the team considered that increasing electricity bills and many households behind on bills and at risk of service shutoffs would likely generate some initial distrust in SDCP.

Promoting accessibility

The team considered accessibility for the broadest range of community characteristics, including language, internet access, physical disability, time limitations, and subject matter understanding. Materials and presentations were developed for broad understanding using non-technical, simplified terms.

Incorporating language justice

The team employed a language justice approach throughout the community engagement process. Language justice recognizes the power of language and the ways that it intersects with and reflects a community's history, culture, and identity as a key part of establishing trust and understanding.

This ensured that everyone involved in the process could speak, understand, and be understood in the language(s) in which they feel most comfortable. It also included a commitment to creating multilingual and cross-language opportunities where all communities, especially those who do not speak English as a first language, can be valued as equal participants. Language justice also supports the development of accessible and relevant communication tools and strategies that connect with the unique and varied experiences, interests, and priorities of communities.



Capital Program Areas



Capital Program Areas

Program Type Overview

Utilizing the input received during the community needs assessment, the programs from the market assessment, and the scores from the program prioritization framework, five short-term program types and eight mid-term program types are recommended as options for implementation. All recommended program types align with at least one of the following community and organizational priorities and could target at least one of the following market sectors/customer types.

Given the significant influence that timing of available funding imposes on program delivery, this five-year Plan approached programs using the following phases:

- **Current-term (FY 22/23 – FY 23/24):** Programs that SDCP currently offers.
- **Short-term (FY 24/25 – FY 25/26):** Program types that can be launched quickly with available funding and/or with a manageable amount of SDCP's revenues to address immediate needs identified in the community needs assessment.
- **Mid-term (FY 26/27 – FY 27/28):** Program types that will take time for external funding to be secured, internal funding to be allocated, and/or require additional time to design and deliver. These include program types that may require more significant investments from SDCP's revenues. SDCP may choose to implement these program types sooner as funding and opportunities arise.
- **Long-term (FY 28/29+):** Program types that require more complex program design and development, are dependent on SDCP being more established, and/or that support emerging clean energy technologies.

The list of mid-term program types was selected due to their alignment with community and organizational goals. Implementation of programs will largely be determined by funding considerations and other market developments. Given that it is better to develop a small number of well-designed and impactful programs rather than trying to do everything, SDCP should be deliberate about which of the recommended program types to focus on, for which market sectors/customer types, and in which order. The below list is meant to provide flexible guidance for SDCP to deploy a transformative suite of customer energy programs over time.

Short-Term Program Types (FY 24/25 – FY 25/26)

1. Energy Awareness and Education
2. Application Assistance
3. Disadvantaged Communities Green Tariff and Community Solar Green Tariff
4. Pilot Programs
5. Grant Programs

Mid-Term Program Types (FY 26/27 – FY 27/28)

6. Building Electrification: Appliances
7. Building Electrification: Heat Pump Technology
8. Distributed Energy Resources: Energy Storage Systems
9. Distributed Energy Resources: Demand Response
10. Energy Efficiency
11. Transportation Electrification: Infrastructure
12. Transportation Electrification: Light-Duty Vehicles
13. Transportation Electrification: Medium- and Heavy-Duty Vehicles
14. Flexible Load
15. Information Technology: Upgrades

Program Type 1: Energy Awareness and Education

Table 4: Energy Awareness and Education Projects

Project	Scope of Work	Carryforward	FY25
Customer Education	To boost understanding of energy issues and increase participation in energy programs available to SDCP's customers and workforce.	\$350,000	-
Building Electrification Education	To encourage replacement of natural gas equipment such as stoves and clothes dryers and to incentivize installation of electric space heating and cooling, and water heating to achieve building electrification.	-	-
SDSU Sage Project	Partnership with SDSU professor-led student cohorts to expand outreach for key SDCP initiatives and programs while providing workforce development opportunities.	-	\$25,000
Community Event Planning	SDCP aims to create a large-scale Earth Month event in partnership regional stakeholders to provide educational opportunities, exposure for sustainability-focused nonprofits and raise SDCP's profile with customers.	-	\$25,000
Total		\$350,000	\$50,000

Description

SDCP could offer energy awareness and education programs for its customers and workforce. Energy and bill education programs teach customers about how their energy bill works, how usage impacts costs, and the benefits of clean energy. Beyond energy bills and usage, education efforts can provide workers with resources and customers with unbiased information about how to participate in the clean energy transition, such as through lists of qualified and vetted contractors and equipment installers. Energy awareness and education initiatives could also include K-12 education programs.

An educated workforce will be needed to support the development, installation, and operation of many electrification technologies, especially among building electrification programs. Providing education to contractors can ensure that workers have knowledge on the latest electrification technology to support broad adoption and acceptance.

Benefits

As a significant barrier cited in the community engagement process, building awareness around energy can support behavioral changes to promote energy efficiency and lower bills—a key issue for many community members. Education can also lead to increased uptake of rate-based programs (e.g., California Alternate Rates for Energy) that benefit Communities of Concern.

Many clean energy technologies face increased barriers to adoption due to the lack of qualified contractors and equipment installers or lack of awareness by Communities of Concern. Education and awareness programs for contractors can help overcome these barriers and benefit customers.



Design Considerations

During the community engagement process, many expressed a lack of awareness around energy and the need for education, especially among Communities of Concern. Because many communities have a high level of distrust for government and utilities, partnering with trusted community-based organizations on education programs can help increase access, build trust, and deepen partnerships.

Education programs can also be paired with other program offerings to maximize awareness and participation.

SDCP should consider offering education via K-12 programs to increase awareness of the benefits of clean energy and grow awareness of SDCP as an organization. SDCP should also consider contractor training opportunities to support greater adoption of clean energy technologies, such as electric heat pumps, as contractor participation will be required to bring newer technologies to a broader market at scale. Lastly, SDCP should consider partnering with water agencies/authorities that offer water education programs to complement those programs and explain the water/energy nexus.

Funding Considerations

SDCP should consider using internal revenues for this program type to expedite implementation. SDCP should explore partnering with trusted community-based organizations that currently offer educational programs or have experience with implementing educational programs and provide funding to the organizations to administer the programs.



Program Type 2: Application Assistance

Table 5: Application Assistance Projects

Project	Scope of Work	Carryforward	FY25
Commercial Application Assistance Pilot	SDCP's Commercial Application Assistance Pilot is an initiative that aims to support commercial customers in identifying ideal energy solutions and programs that can help meet the customer's needs and goals. The pilot aims to help support customers become aware of, and apply for, publicly available and funded energy programs, and if needed, provide project management and grant support.	-	\$250,000
Total		-	\$250,000

Description

There are many existing energy programs that SDCP customers may have access to from other local, state, and federal agencies (i.e., third-party programs). SDG&E alone offers more than 80 energy efficiency and demand response programs, though not all of them are relevant for each customer. The number of programs and the complexity of application processes can create barriers to access for many customers including under-resourced community members, small businesses, and/or organizations that serve Communities of Concern; therefore, an opportunity exists for SDCP to assist with application processes for third-party programs.

Benefits

Funds are available from a variety of third-party programs that can currently help meet community needs. Since a lack of participation in existing programs was noted in the community needs survey, SDCP can help customers access the benefits of third-party programs to boost the success of the programs and help bring additional resources for a variety of energy measures to the San Diego region.

Design Considerations

Because there are many existing programs that each have their own intricacies, SDCP should consider working with partners to select a targeted list of program types to provide application assistance for, rather than trying to support all application types. Recommendations for program types to provide application assistance for include energy efficiency, heat pump technology, transportation electrification infrastructure for income-qualified individuals and Communities of Concern, and onsite solar and energy storage for Communities of Concern. Example programs that align well with community needs could include SDG&E's energy efficiency programs, like the Residential Energy Solutions program and Energy Savings Assistance program, the TECH Clean California program, the Self-Generation Incentive Program, and the Disadvantaged Communities— Single-Family Affordable Solar Homes program.

Application assistance can be a strategy to build partnerships with trusted community-based organizations and partners or other public agencies. While application assistance may be offered to all, outreach can be conducted in partnership with community-based organizations to target support for Communities of Concern.

Funding Considerations

SDCP should consider allocating internal resources (i.e., staff time) for application assistance to amplify the local benefits of available funding from existing programs.



Program Type 3: Disadvantaged Communities Green Tariff and Community Solar Green Tariff

Table 6: Disadvantaged Communities Green Tariff and Community Solar Green Tariff Projects

Project	Scope of Work	Carryforward	FY25
CPUC Green Tariffs	To bring the benefits from local solar projects to those who may not be able to install solar on their roofs and offer a 20% bill discount to eligible residential customers in state-defined disadvantaged communities.	-	\$535,800
Total		-	\$535,800

Description

The Disadvantaged Communities Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) programs provide the benefits of solar and provide a bill discount to income-qualified residential customers in under-resourced communities who have barriers to installing or are unable to install solar on their roof. Eligible communities are determined by the California Public Utilities Commission using the CalEnviroScreen tool which identifies “disadvantaged communities” as census tracts that are disproportionately burdened by and vulnerable to multiple sources of pollution.

Benefits

The DAC-GT and CSGT programs are intended to further promote the installation of renewable energy generation among disadvantaged communities with a particular focus on low-income residents within them. The California Public Utilities Commission created both programs to include a 20% bill discount so that low-income customers can affordably access local renewable energy resources that they would not otherwise be able to access.

Design Considerations

As California Public Utilities Commission programs, many of the design elements of DAC-GT and CSGT are already established and prescribed. Customers are sometimes automatically enrolled in these programs; therefore, some participants may be unaware of the program, its benefits, or their enrollment status. Additionally, participants may be skeptical and view the combination of

benefits and bill savings as “too good to be true.” Partnering with trusted, local community-based organizations can help increase program awareness. Additionally, partnering with local organizations will be critical for the CSGT program since one of the requirements is identifying local program sponsors. SDCP should work with language justice specialists to remove jargon from program descriptions so that participants learn about the program benefits and do not unsubscribe.

Funding Considerations

The DAC-GT and CSGT programs are funded first through Greenhouse Gas Allowance Auction proceeds. If such funds are exhausted, the programs are then funded through Public Purpose Program Surcharge funds. SDCP is in the process of pursuing funding from the California Public Utilities Commission for these programs.



Program Type 4: Pilot Programs

Table 7: Pilot Programs Projects

Project	Scope of Work	Carryforward	FY25
Customer Pilot Programs	To test out program concepts and support implementation of high-impact projects that SDCP may be able to scale with more funding.	\$2,000,000	-
C&I Incentive Program	Expansion of FlexMarket Pilot Program to include Commercial and Industrial businesses out of hard-to-reach communities.	-	\$800,000
Building and Housing Stock Analysis	Develop resources on existing building stock to inform program design.	\$150,000	-
Local Development Feasibility Study	Developing local infill planning including receiving feedback and guidance from SDCP Board, Community Advisory Committee, and other stakeholders to confirm needs and goals, visiting with member agencies to evaluate potential sites and opportunities, then reviewing scope and schedule of initial Local Infill Development plan with SDCP Board for the feasibility studies.	\$50,000	\$25,000
Clean Energy Asset Feasibility Study	San Diego Community Power (SDCP) is undertaking a solar and storage feasibility study. This study will assess the technical, economic, and environmental viability of integrating solar generation and/or energy storage into SDCP's service territory. The project will involve data collection and review, technical analysis of potential solar locations and grid interconnection, economic modeling to assess costs and savings, environmental impact assessment, and development of a preliminary implementation plan with project size, timeline, and cost estimates. The final deliverables will include reports on technical feasibility, economic analysis, environmental impact, and a preliminary implementation plan.	-	\$200,030
Total		\$2,200,000	\$1,025,030

Description

Pilot programs are small-scale, short-duration projects (6-18 months) that can provide SDCP and stakeholders data on program design, technology acceptance, and other information helpful for broader program delivery.

Benefits

Pilot programs can provide a range of benefits, such as:

- Testing local acceptance of incentive projects that have successfully been implemented in other parts of the State or country.
- Filling in gaps and facilitating bringing State funding into the region.
- Demonstrating the efficacy of emerging technologies and/or business models in the real-world.
- Evaluating innovative incentive delivery methods and mechanisms.
- Provide data on real-world, local project costs, barriers, and opportunities.
- Reducing risks of large-scale broad program delivery by providing lessons learned at a smaller scale.

Design Considerations

Pilot programs can give SDCP the opportunity to flexibly invest defined amounts of internal resources to quickly learn about elements of a particular program before seeking significantly more investments for scaled programs. When developing pilot programs, SDCP should integrate opportunities to capture lessons learned throughout the process, whether that be through data capture, performance evaluation, and/or on-going stakeholder dialogue. Pilot programs can also provide the opportunity for SDCP to partner, support, and learn from community-based organizations. SDCP should work with community-based organizations, where feasible, to design and implement pilot programs.

Funding Considerations

Depending on the amount of investment required, pilot programs can be funded by internal revenues. Smaller pilot programs can function as a preliminary phase in the design of broader externally funded programs. However, due to the size of SDCP's service area, SDCP should also consider seeking external funding to scale pilot programs to the entire service area and maximize impact.



Program Type 5: Grant Programs

Table 8: Grant Programs Projects

Project	Scope of Work	Carryforward	FY25
Member Agency Grants	Grant programs to support both community organizations and its member agencies. Grants focus on addressing the key priorities heard during the community engagement process and provide member agency grants to support regional climate action goals.	\$16,667	-
Community Grants	To implement innovative program ideas from community-based organizations or specific clean energy projects that help SDCP's member agencies achieve their climate action goals.	\$575,000	\$200,000
Total		\$591,667	\$200,000

Description

Grant programs allow SDCP to provide financial assistance to community-based organizations and member agencies to implement clean energy projects or innovative program ideas. Grant programs require applicants to submit a proposal outlining their project or initiative and how it will meet the goals and objectives of the program.

Benefits

Grant programs can provide numerous benefits for SDCP and the communities it serves, such as:

- Providing a source of funding to community-based organizations and member agencies that may not have the resources to implement innovative projects.
- Encouraging and supporting creative ideas that may not be possible through traditional funding sources.
- Creating tangible trust – and relationship-building opportunities between SDCP, its member agencies, and community organizations.
- Increasing visibility of SDCP within the communities it serves.
- Helping to achieve SDCP and member agency sustainability goals by aligning grant programs with initiatives such as promoting clean energy, reducing carbon emissions, and supporting local economic development.

Design Considerations

SDCP should consider creating grant programs to support both community organizations and its member agencies. SDCP could provide community grants focused on addressing the key priorities heard during the community engagement process for this Plan and provide member agency grants to support regional climate action goals. SDCP should consider partnering with trusted and proven regional organizations to streamline grant program development and implementation while easing administrative burden on staff.

Funding Considerations

SDCP should consider using internal revenues to expedite the initial launch of the programs and simplify the funding administration process with community-based organizations and/or member agencies. Future philanthropic funding may be available for grant programs, especially if SDCP is providing internal revenues as a match. SDCP should consider partnering with regional entities to expand the impact of grant programs.



Program Type 6: Building Electrification: Appliances

Table 9: Building Electrification: Appliances Projects

Project	Scope of Work	Carryforward	FY25
N/A	N/A	-	-
Total		-	-

Description

Appliance electrification programs encourage the adoption of electric appliances, such as electric induction stoves and electric clothes dryers, to achieve building electrification.

Benefits

Converting appliances from natural gas to electric helps reduce reliance on fossil fuels and provides a safer cooking environment due to the lack of an open flame. Switching to an electric induction stove or cooktop from a natural gas one can significantly improve indoor air quality because natural gas appliances release harmful pollutants. Gas stove cooking exposes millions of people in California to pollution levels that would be illegal outdoors (Environmental Health Perspectives, January 2014).

Induction stoves work by creating heat only within compatible cookware making them much safer due to the lack of an open flame or hot surface/burners. Induction stoves are extremely efficient and provide better temperature control than traditional electric stoves and rival gas stoves.

Electric heat pump clothes dryers require less maintenance than gas clothes dryers, which provides cost savings in repairs over their operational life. They can reduce the amount of energy used by up to 30% when compared to a traditional electric dryer. Additionally, due to their efficient design, heat pump clothes dryer do not need to be vented which reduces installation costs.

Design Considerations

The transition to electric stoves can be a big change for people who are used to cooking with natural gas stoves. SDCP should consider providing education and outreach, including demonstrations, to make residents of single-family and multi-family homes, and building owners/ landlords aware of the negative health impacts of gas stoves, the performance and safety benefits of electric induction cooking, and the compatibility of induction cookware. SDCP should also consider providing gift cards or other incentives for induction compatible cookware to help offset costs.

Many buildings will require electrical panel upgrades to accommodate electric appliances, which may require hiring electricians for installation. If panel upgrades performed by an electrician are necessary, the total cost of the project will increase. SDCP should consider offering incentives for panel upgrades alongside appliance electrification programs. For Communities of Concern and other income-qualified customers with limited access to financing, direct installation, or up-front incentives are recommended over rebates.

Funding Considerations

SDCP should consider using internal revenues to fund appliance electrification and panel upgrade incentive programs. Providing additional incentives that can stack on top or fill in the gaps of the TECH Clean California program and the Home Electrification and Appliance Rebates that will be administered by the California Energy Commission (CEC) should also be considered.



Program Type 7: Distributed Energy Resources: Energy Storage Systems

Table 10: Distributed Energy Resources: Energy Storage Systems Projects

Project	Scope of Work	Carryforward	FY25
N/A	N/A	-	-
Total		-	-

Description

Heat pump technology programs encourage the installation of electric heat pumps for space heating, cooling, and water heating in buildings.

Benefits

Conversion to heat pump technology supports buildings that are more efficient, cleaner, healthier, and safer. Heat pump technology is more efficient than its natural gas counterparts and avoids the onsite use of natural gas, which is responsible for most building emissions and can cause negative health impacts due to indoor air pollution. Unlike traditional heating systems, heat pump technology can provide space heating and cooling from the same system, which can lower costs compared to installing separate systems. Heat pump technology can benefit older homes especially because they can introduce incredibly efficient cooling capacity that has not typically existed—a critical service for many residents in a changing and warmer climate. Switching to a heat pump water heater removes an additional source of pollution especially when they are located inside the home and can efficiently heat water.

To enable the installation of heat pump technology, electrical panel upgrades may be needed for buildings that have outdated or constrained electrical panels. While panel upgrades do not have direct environmental or health benefits, outdated panels are a barrier for electrification for many projects, as their cost can significantly increase project costs that may not be covered in other incentive programs.

Design Considerations

SDCP should consider supporting electrical panel upgrades in addition to the installation of heat pump technology. SDCP, like other CCAs, should also consider smart control requirements to enable demand response functionality since heat pump technology can be controlled to optimize when it is used to save energy and lower costs.

To support income-qualified customers and multi-family affordable housing, who may have challenges accessing up-front capital and have limited capacity to research and implement projects,

SDCP should consider direct installation programs. These sectors often have limited cash flow and complex ownership structures that make it difficult to access capital through loans, which can result in maintenance backlogs that would need to occur before energy retrofits. As a result, they may not implement clean energy programs without significant financial support and technical assistance. SDCP should consider that residents of these buildings may be overburdened by rent and utility costs and may end up displaced if housing costs increase because of electrification.

Given the vulnerability of the occupants, programs should also include protections for renters. This may require SDCP to work closely with local housing departments or other agencies to ensure that Communities of Concern are supported in the transition.



One common barrier during program design is the lack of skilled labor and equipment being carried by contractors. When older systems fail and need to be replaced, residential building owners generally cannot wait for contractors to order new equipment. Direct installation programs around efficiency and weatherization have traditionally leveraged entry-level skills, whereas the installation of heat pump technology requires more skilled labor, including electricians, heating and ventilation technicians, and plumbers. SDCP should consider providing contractor training and mid-stream incentives to enable contractors to know how to install heat pumps correctly, have heat pumps on hand, and offer competitive pricing.

Funding Considerations

A major source of State funding for heat pump technology is the TECH Clean California program. SDCP should consider leveraging this program to provide additional stackable incentives. With funding flowing from the Inflation Reduction Act through the Environmental Protection Agency's Greenhouse Gas Reduction Fund and Environmental and Climate Justice Block Grants, SDCP should consider partnering with community-based organizations and regional agencies to apply for funding targeting the conversion to heat pump technology. SDCP should also monitor how funding from the Home Electrification and Appliance Rebates will be administered and implemented by the CEC.



Program Type 8: Distributed Energy Resources: Energy Storage Systems

Table 11: Distributed Energy Resources: Energy Storage Systems Projects

Project	Scope of Work	Carryforward	FY25
Solar Battery Savings Program	SDCP's new Solar Battery Savings Program is designed to support single-family homeowners in SDCP's service territory to invest in clean energy and support the grid by installing solar and battery storage in their homes or complement an existing solar system with a new battery system. The program provides two financial incentives for participating customers; an upfront incentive to minimize the initial cost of the battery system and a performance incentive for a daily discharge of the battery (during a specified dispatch window during on-peak periods) to maximize benefits for the customer and the grid.	-	\$6,000,000
Total		-	\$6,000,000

Description

Energy storage system programs support the installation of onsite energy storage systems to be paired with renewable energy resources (e.g., onsite solar).

Benefits

While the amount of solar available on the grid has increased dramatically in California, it is not being sufficiently captured during times of high production so that it can be used to meet needs when renewable energy resources are not available. This causes an imbalance—too much energy on the grid at times and not enough at others, requiring fossil fuel-based sources of electricity to make up the difference. Increasing the amount of energy storage that is paired with renewable energy generation helps make the electric grid cleaner. Energy storage can help to increase the resilience of the grid by balancing supply and demand and can also be used for backup power during outages or emergencies. This can be especially beneficial for critical facilities, community resilience hubs, and for customers who need to always have power available for medical devices, safety, or emergency response.

Design Considerations

Multiple program pathways exist to support energy storage market development, depending on the level of resources available. For example, SDCP should work with local governments or others to implement energy storage systems at scale in critical facilities or community resilience hubs in ways that enable bulk purchasing of batteries and controls, including microgrids. SDCP should also provide technical support to customers to enable comprehensive energy retrofits, including energy storage systems.

Funding Considerations

SDCP should consider offering incentives to stack on top of other energy storage funding sources such as the Self-Generation Incentive Program (SGIP) like other CCAs have done. Additionally, SDCP should also consider creative financing to bridge the gap in SGIP processing timelines and complexities by providing an up-front incentive instead of requiring participants to wait for a rebate. Internal revenues could be prioritized for energy storage system market development programs given the potential multiple organizational and community benefits.



Program Type 9: Distributed Energy Resources: Demand Response

Table 12: Distributed Energy Resources: Demand Response Projects

Project	Scope of Work	Carryforward	FY25
N/A	N/A	-	-
Total		-	-

Description

Demand response programs incentivize customers to reduce their electricity use when energy demand on the grid is at its peak. These types of programs can encourage behavioral changes to shift or reduce usage or can leverage smart devices to automatically take the desired action.

Benefits

Decarbonizing buildings requires more than just reducing the amount of energy used; it requires changing the time of when energy is used to maximize the use of renewable energy and minimize peak demand when the grid requires larger fossil-fuel generation to come online. Demand response technologies enable this shift in when energy is used, helping customers control costs, and making the best use of renewable energy when it is available. Demand response technologies can also enable buildings to help build the overall resilience of the grid by helping operators shift loads during peak times, reducing the likelihood of power outages during extreme heat events.

Design Considerations

A gap exists around support for installation of smart controls on other systems, such as heat pump technology, electric vehicle chargers, and energy storage systems. Many CCAs require or encourage the equipment they incentivize to have demand response capabilities. SDCP should require that incentivized equipment be grid interactive. By establishing technology requirements across other programs, SDCP could provide the most future-proofing and flexibility to enable customers to participate in demand response programs.

Funding Considerations

Because demand response programs have the potential to reduce the amount of energy that SDCP needs to procure or bring value to SDCP's power services in other ways (i.e., resource adequacy), SDCP should consider funding these programs through internal revenues. SDCP should monitor the Demand Side Grid Support program development and other related demand response programs available from the California Energy Commission and California Public Utilities Commission.



Program Type 10: Energy Efficiency

Table 13: Energy Efficiency Projects

Project	Scope of Work	Carryforward	FY25
PUC Energy Efficiency Program	To reduce the amount of energy customers use, improve indoor comfort, and lower energy bills.	\$40,609	-
Regional Energy Network	The San Diego Regional Energy Network (SDREN) is an initiative of SDCP, in partnership with the County of San Diego, to offer a portfolio of energy efficiency programs to residents, businesses, and public agencies throughout San Diego County. The 10 SDREN programs will be managed by SDCP staff and all activities will be cost recoverable through CPUC funds. SDREN is currently under review by the CPUC and we expect to receive approval by the end of 2024.	-	\$723,450
CDFA Healthy Refrigeration Grant	The program funds energy efficient refrigeration units in corner stores, small businesses, and food donation programs in low-income or low-access areas in the state to stock California-grown fresh produce, nuts, dairy, meat, eggs, and minimally processed and culturally appropriate foods. The purpose of the program is to improve access to healthy foods in underserved communities, while promoting California-grown agriculture.	\$710,000	-
Total		\$750,609	\$723,450

Description

Energy efficiency programs promote a wide range of strategies that can reduce the amount of energy buildings use.

Benefits

Energy efficiency is a critical decarbonization strategy with multiple co-benefits: reduced energy demand, reduced customer energy bills, increased indoor air quality, and increased indoor comfort. Weatherization efforts, including insulation, improved windows and doors, and cool roofs can help keep indoor environments safe and comfortable longer when power outages occur—and less energy demand means customers can install smaller renewable energy generating systems (e.g., onsite solar) which leads to lower installation costs.

Design Considerations

With SDG&E offering a multi-year energy efficiency program portfolio, SDCP should develop complimentary programs that fill gaps and avoid duplication. SDCP should consider opportunities to provide free or low-cost energy efficiency upgrades for income-qualified customers and residents in Communities of Concern to be responsive to community priorities. Energy efficiency programs for multi-family buildings can help fill a gap, as these buildings often have complex ownership structures and other barriers that make it difficult to access traditional programs; this is especially notable for affordable multi-family housing.

SDCP should consider that residents of inefficient buildings may be overburdened by rent and utility costs and may end up displaced if housing costs increase because of energy efficiency upgrades.





Given the vulnerability of the occupants and the importance of keeping people housed, energy efficiency programs should include protections for renters. This may require SDCP to work closely with local housing departments or other agencies. While challenging, these considerations can help support Communities of Concern.

Funding Considerations

SDCP submitted its application to the CPUC for the REN in January 2024. The application proposed a funding period beginning in 2024 and continuing through 2027. The budget included a four-year program portfolio for the period 2024-2027 and to maximize the REN's alignment with the rolling portfolio process, the REN budget request aligned with the 2024-2027 period.



Program Type 11: Transportation Electrification: Infrastructure

Table 14: Transportation Electrification: Infrastructure Projects

Project	Scope of Work	Carryforward	FY25
N/A	N/A	-	-
Total		-	-

Description

Transportation electrification infrastructure programs support the deployment of electric vehicle charging stations and related technologies (e.g., Vehicle-to-Grid) to enable light-, medium-, and heavy-duty transportation electrification.

Benefits

Expansion of the electric vehicle charging network is needed to support customers switching from fossil-fuel powered cars, which are associated with both carbon emissions and local air pollution. Increasing access to charging infrastructure can increase customer confidence to make the transition to electric vehicles, especially for residents of multi-family buildings and in rural areas, as noted during the community needs assessment.

Design Considerations

SDCP should focus transportation electrification infrastructure programs on locations where the private sector is not currently prioritizing development (i.e., geographical areas or market sectors). Gaps in access to electric vehicle charging infrastructure could be filled through strategies such as direct installation of equipment for multi-family buildings located in Communities of Concern. In some cases, SDCP should provide additional funding to residents to stack on top of existing funding from incentive programs for all applicants or some sectors (e.g., Communities of Concern). In light of significant funding becoming available for public charging infrastructure, SDCP should partner with member agencies to expand public access to charging infrastructure in locations underserved by public charging and/or that could serve residents of multi-family buildings. Creative approaches for deploying charging infrastructure on member agency-owned land could create benefits (e.g., lower charging costs and increased charging locations) relative to charging infrastructure on commercial properties. SDCP also should consider offering technical assistance and incentives for commercial charging infrastructure to support the transition of medium- and heavy-duty vehicles to electric.

Funding Considerations

Significant focus has been placed on transportation electrification by state and federal agencies, creating many opportunities for SDCP to seek external infrastructure incentive programs. The California Public Utilities Commission's Locally Invested Transportation Equity funding offers a chance to test innovative program designs with a focus on community partnerships. The California Energy Commission is expected to provide additional opportunities for creative incentive design and delivery through future Vehicle-to-Grid funding and the Electric Program Investment Charge program.

SDCP should continue to collaborate with the San Diego Association of Governments and San Diego County Air Pollution Control District through the regional Accelerate to Zero Emissions Collaboration and in their effort to incentivize charging infrastructure. Lastly, SDCP can support member agencies in their efforts to seek funding such as through the Clean Mobility Options program.



Program Type 12: Transportation Electrification: Light-Duty Vehicles

Table 15: Transportation Electrification: Light-Duty Vehicles Projects

Project	Scope of Work	Carryforward	FY25
N/A	N/A	-	-
Total		-	-

Description

Light-duty vehicle electrification programs support customers in the transition from fossil-fuel powered cars to electric cars. Examples of light-duty vehicles include sedans, sport utility vehicles, and pick-up trucks.

Benefits

The switch from fossil-fuel powered cars towards electric vehicles have the dual benefit of reducing carbon emissions and air pollution locally. Compared to light-duty fossil-fuel cars, light-duty electric vehicles are easier to maintain and have an overall lower lifetime cost of operation. With the right rate structures and technology, electric vehicles also present the opportunity to serve as energy storage systems and help with grid resiliency.

Design Considerations

SDCP should prioritize expanding access to electric vehicles for income-qualified customers, such as offering incentives for used electric vehicles to increase affordability. Previously leased electric vehicles can be good options for used electric vehicles if they are in good condition. SDCP should consider partnering with car dealerships to offer point-of-sale incentives on used electric vehicles. SDCP should avoid providing after-sale rebates since it requires customers to have the upfront capital and ability to wait for a rebate. It should be noted that point-of-sale incentives can be more challenging to implement and SDCP will need to do additional work to support this type of delivery mechanism.

In addition, SDCP should focus on reducing other barriers to electric vehicle adoption such as by providing favorable financing options. Electric vehicle programs can be paired with support for charging infrastructure in Communities of Concern. Lastly, SDCP should consider designing programs that reduce other barriers to electric vehicle adoption by providing point-of-sale incentives or other types of up-front assistance instead of after-sale rebates. SDCP should also consider how best to fill in the gap for financing options by income-qualified customers.

Funding Considerations

Internal revenues may be required to create incentives to stack on top of available State funding for electric vehicle adoption (i.e., Clean Vehicle Rebate Project and Clean Vehicle Assistance Program) or the future regional vehicle-scrap program (i.e., Clean Cars 4 All). As with transportation electrification infrastructure programs, the regional Accelerate to Zero Emissions Collaboration initiative will be involved in all aspects of bringing funding to the region, both for SDCP to potentially access for self-administered programs and for its customers to access via third-party programs.



Program Type 13: Transportation Electrification: Medium- and Heavy-Duty Vehicles

Table 16: Transportation Electrification: Medium- and Heavy-Duty Vehicles Projects

Project	Scope of Work	Carryforward	FY25
N/A	N/A	-	-
Total		-	-

Description

Medium- and heavy-duty vehicle electrification programs encourage the transition away from fossil- fuel powered commercial vehicles toward electric alternatives. Examples of medium- and heavy- duty vehicles include delivery and shuttle vans (class 2-6), diesel shipping trucks (class 7-8), school and transit buses, transport refrigeration trucks, drayage trucks, and forklifts.

Benefits

The electrification of medium- and heavy-duty vehicles reduces carbon emissions and local air pollution. Air pollution tends to be high around ports and logistics corridors, where heavy commercial vehicles regularly travel and often spend time idling. These are also places where large portions of Communities of Concern can be found, leading to disproportionate impacts on the health of these communities. Transitioning these vehicles has the added benefit of reducing noise pollution as well.

Design Considerations

SDCP should analyze which fleets of medium- and heavy-duty vehicles have the highest impact on Communities of Concern. The Port of San Diego is a clear partner given its location, business operations, and recent policy direction in the Maritime Clean Air Strategy. Working with transit agencies, school districts, and public agencies, SDCP can support the transition of fleets that serve the public to create the co-benefit of exposing more of the public to electric transportation.

SDCP should also create medium- and heavy-duty vehicle electrification programs that target businesses that operate their fleets primarily in Communities of Concern. While some medium-duty electric vehicle types are cost-competitive now, others are far more expensive and will take more support and resources to transition. In addition, because medium- and heavy-duty vehicles vary in the distance they can travel on each charge, SDCP should work with commercial customers to determine which vehicles options would work well based on their specific need, travel patterns, and markets served. SDCP also needs to consider the need for appropriate charging infrastructure to support the conversion.

Funding Considerations

SDCP should consider working with customers to implement innovative business models that lower the cost of vehicles. It should also consider leveraging internal funding to capture new funding opportunities and maximize impact.



Program Type 14: Flexible Load

Table 17: Flexible Load

Project	Scope of Work	Carryforward	FY25
Distributed Energy Resources Management Systems Software Platform	Central to SDCP's Flexible Load Strategy is the selection and implementation of a Distributed Energy Resource Management System (DERMS). A DERMS is a software platform that incorporates various data points, such as weather, market/price data, and customer preferences, to optimize the operation of distributed energy resources (DERs) in support of various grid services. Once operational, this system will allow SDCP to help customers reduce usage during high-cost on-peak periods, while managing portfolio-wide power procurement and resource adequacy costs and risk.	-	\$500,000
Total		-	\$500,000

Description

The flexible load program is a strategy that can be implemented across a range of programs. The strategy will outline target end use technologies, key points of integration with existing/planned programs, a proposed software architecture to drive device dispatch and control, as well as a framework to guide dispatch and device operations.

Benefits

The strategy is being designed to optimize customer energy usage around time of use rate schedules and customer preferences, directly reducing participant bills, while decreasing major SDCP cost drivers, such as energy and resource adequacy procurement. The strategy also incorporates advanced analytics to predict peak demand periods, allowing for proactive adjustments to energy consumption that further enhance cost savings. Additionally, by promoting the adoption of renewable energy sources, it supports SDCP's broader goals of sustainability and reduced environmental impact.

Design Considerations

Staff have completed the software requirements gathering process that will guide the procurement process for a Distributed Energy Resources Management System (DERMS) software. Staff also requested existing bids from other public agencies that ran a DERMS solicitation and are using the requirements and existing bids to guide the procurement process. If required, staff anticipate releasing a DERMS Request for Proposal for bidders in June 2024 and anticipate the DERMS software to be under contract by Q3 CY 2024.

Funding Considerations

Given the difficulty in securing external funding for the DERMS software platform, internal revenues will likely be required to ensure that the project moves forward. Since the DERMS software is integral to SDCP's flexible load strategy, flexible funds such as one-time operating funds will likely be the recommended funding option.



Program Type 15: Information Technology: Upgrades

Table 18: Information Technology Upgrades

Project	Scope of Work	Carryforward	FY25
Customer Relationship Management Setup	The Customer Relationship Management project will establish a centralized system to enhance service delivery and community engagement, with a focus on energy management and customer support. This initiative, excluding confidential security work, will streamline operations across SDCP's service area and reduce long-term costs.	-	\$750,000
Artificial Intelligence Call Center	SDCP's Artificial Intelligence Call Center Project is a strategic initiative to deploy AI technology for enhancing customer service operations. The project will deliver an AI-powered contact center ensuring efficient and personalized customer interactions. This advancement will provide customers with round-the-clock support, significantly improving service responsiveness and satisfaction.	-	\$200,000
Enterprise Data Platform	SDCP is set to establish a centralized data infrastructure to improve data access and analytics for staff, aiming to enhance control and reduce costs. The project encompasses capital investment, staff training, data migration, and cybersecurity enhancements. Deliverables include a functional data platform, trained personnel, and detailed progress reports. The initiative will proceed through planning and implementation phases, excluding confidential security-sensitive details.	-	\$850,000
Amazon Web Services Infrastructure and Security Layer	SDCP will develop an Amazon Web Services Infrastructure and Security Layer to ensure robust, scalable cloud services with enhanced security for customer data. This project will provide a reliable and secure foundation for all SDCP digital services, improving customer trust and service efficiency.	-	\$250,000
ETRM and Portfolio Analytics Implementation	SDCP is exploring licensing and deploying an Energy Trading Risk Management (ETRM) system to help manage its power portfolio and financial & budget processes. This system would support various activities such as recording trades, monitoring positions, assessing value, generating reports, managing risks, processing settlements, and integrating with the budget. It's designed to manage diverse power agreements and contracts, ensuring comprehensive coverage of SDCP's energy dealings.	-	\$500,000
Total		-	\$2,550,000

Description

Information Technology programs are designed to modernize and enhance the digital infrastructure of organizations, improving efficiency, security, and the ability to adapt to new technological advancements.

Benefits



The advancement of Information Technology Upgrades significantly enhances operational efficiency and cybersecurity. In areas with high concentrations of technological activity, outdated systems can lead to increased vulnerabilities and inefficiencies. Upgrading these systems not only fortifies the security and enhances the performance of various sectors but also promotes a more dependable and sophisticated technological framework. Moreover, the transition to modern IT infrastructure aids in minimizing electronic waste through the adoption of energy-efficient and long-lasting equipment, contributing to environmental sustainability and public health benefits.

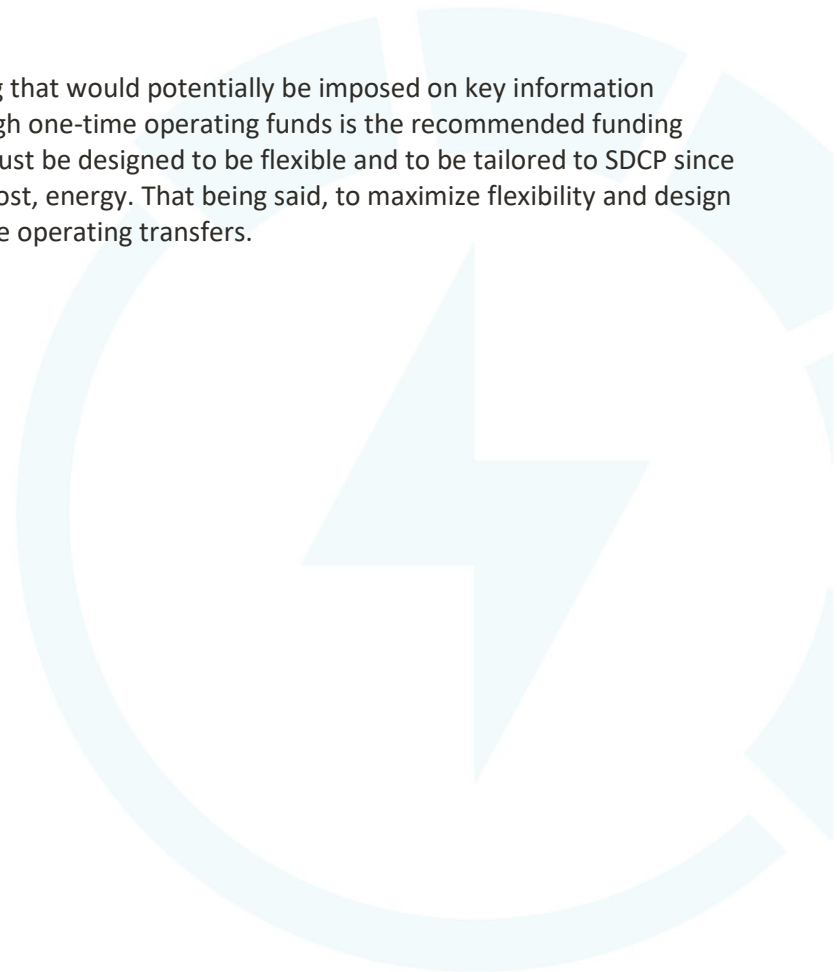
Design Considerations

Our organization is committed to creating a world-class IT and data ecosystem with the mission to harness the power of data to drive sustainable energy solutions that benefit local communities while making a global impact. By ensuring the integrity, accessibility, and security of our data, we empower decision-makers with actionable insights. Projects are selected with the idea to construct and manage robust data repositories, interactive dashboards, and comprehensive visualizations to monitor objective key results.

SDCP receives a vast amount of data from its vendors and partners including SDG&E and Calpine (our back-office provider). To best utilize this data to effectively run our operations, make data-driven decisions, and optimize the customer experience, the Information Technology: Upgrades program type develops and expands the data analytics platform that consists of a set of analytical tools built on a cloud-based platform that helps with customer management, load forecasting, rate design, program marketing, and accounting.

Funding Considerations

Given the restrictions and limitations with external funding that would potentially be imposed on key information technology projects for SDCP, internal funding likely through one-time operating funds is the recommended funding approach. In particular, projects such as the SDCP ETRM must be designed to be flexible and to be tailored to SDCP since this project will be a significant resource for SDCP's main cost, energy. That being said, to maximize flexibility and design considerations, staff recommend funding through one-time operating transfers.



Funding Guide



Funding Guide

There are two main ways that SDCP can fund programs—through its own internal revenues or by applying for external funding. Funding programs with internal revenues would provide the greatest amount of flexibility for SDCP to design programs in ways that specifically meet community needs; however, as a newer organization, SDCP must also balance building a strong financial foundation, meeting reserve targets and other organizational priorities. In the short-term, the amount of revenues SDCP can direct to customers in the form of programs will be limited, but that amount is expected to grow over time.

Even further, internal funding allows maximum flexibility in the planning phase with designing programs and projects whereby the agency can focus on designing based on community and agency needs rather than the requirements requested by a funding agency. The planning phase of a program or project also requires less funding when compared to implementation or design and construction.

While building reserve funds and to have maximum impact, SDCP will need to pursue external funding from sources such as state and federal agencies. External funding takes more work to apply for and administer and is less flexible than using internal revenues, but the total dollar amounts from external sources can be much higher. The main sources of external funding include the California Public Utilities Commission and California Energy Commission, as well as other state and federal agencies. The federal Infrastructure Investment and Jobs Act and the Inflation Reduction Act will also create new funding sources, likely delivered through these same state agencies.

Internal versus External Funding

When considering funding for administering programs, SDCP must evaluate using internal revenues and applying for external funding, which both have impacts that need to be thoroughly considered. Investing internal revenues into programs would be done so over other potential organizational priorities. That said, investing revenues back into the community through programs provides arguably the most equitable distribution of revenues to customers and undoubtedly provides the highest level of certainty and flexibility for SDCP to administer programs.

External funding is typically competitively bid, requiring additional resources for grant tracking and writing, and creating risk for long-term program planning due to the uncertainty of grant awards.

Additionally, many of the potentially cumbersome administrative elements of external funding (e.g., reporting, program design, and timelines) can be less burdensome when funding programs with internal revenues. This flexibility is particularly important when considering SDCP's equity commitments because external funding sources may have requirements that can make it difficult to deliver programs effectively to customers in Communities of Concern.

Research across the CCA landscape shows a variety of different approaches when considering program funding sources. Some CCAs aggressively spend their own revenues on programs with little use of outside funds due to the administrative burden and complexity associated with external funds, among other reasons. Others spend a relatively limited amount of revenues on programs, instead relying almost solely on external funding sources. As a young organization, SDCP should prioritize a middle ground between these two extremes and adjust the strategy as the organization matures.

In the short-term, SDCP has committed to building financial reserves of \$500 million (180-day cash on hand), since one of the organization's strategic goals is to obtain a credit rating. This attention to building a strong financial position is important to enable SDCP to effectively meet the long-term needs of the community. As reserve targets are met, the ability of SDCP to invest revenues back into communities through programs will increase.

Meeting financial reserve targets will give SDCP the ability to offer programs with larger budgets and provide financial incentives using internal revenues. Internal revenues can also support increased external funding, for example by



developing pilot programs which can be expanded with external resources, or by supplementing external funding with additional funds to support full project needs. Doing so can make SDCP's internal dollars go farther.

External Sources

SDCP can apply for funds from a variety of sources to supplement SDCP's own investments in programs. These external sources vary in the level of funding resources they provide, the complexity of the application process for securing them, and the flexibility they offer in how funds are distributed.

New funding opportunities will become available as budget is allocated through state legislation. SDCP will monitor for funding opportunities that are a good fit to pursue, based on community and organizational priorities, and apply for them in the short-term, while understanding that funding may not become available until the mid-term. For some external funding opportunities, SDCP may be able to partner with other regional agencies and partners to share the administrative burden.

SDCP should explore the viability of capturing funding from the sources below.



Funding Guide

Funding Source	Description
SDCP Revenue Bond	Section 3.2.8 of the JPA states that SDCP at the discretion of the Board may issue revenue bonds and other forms of indebtedness. Upon receipt of an investment-grade credit rating, SDCP may have the ability to issue debt, such as a revenue bond, given that SDCP can demonstrate the ability to meet potential debt payment obligations through the credit rating. Under the SDCP Debt Policy, SDCP may issue a revenue bond in the next 5 years up to ~\$700 million that will be guided by planning and pilot projects and programs and that will need to be authorized by the SDCP Board.
SDCP Operating Transfers	Through the annual budget process, the SDCP Board may approve an appropriation of funds to be transferred out of the operating budget and transferred into the CIP. These funds will remain in an SDCP continuing fund to be used across multiple fiscal years given that CIP projects generally last longer than one year.
CPUC Apply to Administer (ATA)	SDCP could offer energy efficiency programs that do not duplicate SDG&E's current offerings with all programs required to meet strict cost-effectiveness tests. Cost-effectiveness requirements can limit program offerings to residential customers and especially to customers in Communities of Concern. Due to the administrative burden, lack of flexibility and creativity, and strict cost-effectiveness requirements.
CPUC DAC-GT and CSGT	The Disadvantaged Communities - Green-Tariff (DAC-GT) program enables income-qualified, residential customers in DACs who may be unable to install solar on their roof to benefit from utility scale clean energy and receive a 20% bill discount. The Community Solar Green Tariff (CSGT) program enables residential customers in DACs who may be unable to install solar on their roof to benefit from a local solar project and receive a 20% bill discount. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.
CPUC Elect to Administer (ETA)	The ETA option is a more streamlined pathway to access Public Purpose Program Surcharge funds available to CCAs when compared to ATA. Unfortunately, due to the methods used to determine available funding, currently there are no available funds eligible for SDCP to receive in the short – and mid-term under this pathway
CPUC Regional Energy Network (REN)	Public Purpose Program Surcharge funds available for RENs. The San Diego region is one of the last highly populated areas in the State not included in one. REN programs fill gaps in existing energy efficiency programs by serving “harder-to-reach” customers. They are also not held to the same cost-effectiveness thresholds, allowing for more flexibility in developing programs that serve Communities of Concern.
CPUC Locally Invested Transportation Equity (LITE) pilots	Separate from energy efficiency funding, the CPUC expects to fund innovative transportation electrification pilot projects called Locally Invested Transportation Equity (LITE) pilots. Incentives from the LITE pilot projects are limited to low-income customers and small fleets located in disadvantaged communities as defined by CalEnviroScreen 4.0 and would allow for testing new rebate design approaches that may fill gaps in the statewide rebate program in creative ways. Up to \$25 million will be available statewide with individual pilots capped at \$4 million. The CPUC will seek pilot concepts by the end of 2023 with projects expected to begin in 2024.
CEC Demand Side Grid Support Program	The Demand Side Grid Support Program is currently under development and will ultimately offer incentives to electric customers that provide load reduction and back-up power generation to support the State's electrical grid during extreme heat events.

CEC Electric Program Investment Charge (EPIC)	The CEC's Electric Program Investment Charge (EPIC) program is a consistent funding opportunity to advance new and innovative clean energy solutions. The EPIC program invests \$130 million annually in a variety of technology research. The CEC has awarded EPIC funding to CCAs for a variety of projects. Most notably, Sonoma Clean Power received a \$5 million EPIC grant in 2018 to support its Advanced Energy Center and associated energy efficiency programs
CEC Vehicle-to-Building/Grid Integration (V2B or V2G)	The CEC is a potential source of funding for Vehicle-to-Building/Grid Integration (V2B or V2G) pilots that will become more valuable to SDCP, both from a customer program perspective and potentially from an energy procurement perspective in the future.
CDFA Healthy Refrigeration Grant	The California Department of Food and Agriculture (CDFA) notified SDCP that it was awarded partial funding in the amount of \$710,000 to support SDCP in providing technical assistance and refrigeration units to stock healthy foods at stores throughout SDCP's service territory.
Equitable Decarbonization Program	The Equitable Building Decarbonization Program which envisions two incentive programs to reduce greenhouse gas emissions in homes: a direct install program and a statewide incentive program. The State has allocated \$600 million in the FY 223-24 budget (subject to change) for these two residential building decarbonization programs; the role of CCAs is still solidifying as program guidelines develop.
SGC Community Resiliency Hubs	The California Strategic Growth Council (SGC) - \$25 million will be available in FY 22/23 and \$75 million will be available in FY 23/24. SDCP could partner with local agencies or community-based organizations to support the development of community resilience hubs, with a focus on providing onsite solar, energy storage, and backup power that can support communities during emergencies.
EPA Greenhouse Gas Reduction Fund	The Inflation Reduction Act (IRA) established the federal Environmental Protection Agency's Greenhouse Gas Reduction Fund to provide competitive grants for mobilizing financing and private capital for clean energy projects. The Greenhouse Gas Reduction Fund emphasizes projects that benefit low-income and disadvantaged communities. Expected to be available in 2023, it will expend \$27 billion in competitive grants and financial and technical assistance to enable communities to deploy or benefit from zero-emission technologies.
EPA Environmental and Climate Justice Block Grants	The Environmental Protection Agency was also funded through the IRA to establish Environmental and Climate Justice Block Grants. Local governments and community-based organizations are required to partner to apply for \$3 billion in funding available over the next five years. The block grants will fund various activities in line with SDCP community and organizational priorities, such as indoor air pollution reduction, greenhouse gas emissions reduction, and climate resiliency. No specific timeline for the funding has been announced for the block grants
Other Federal Funds	As stated above, the Infrastructure Investment and Jobs Act and IRA represent the largest climate investment in the history of the federal government. SDCP is eligible to pursue forms of funding not available to for-profit entities such as traditional investor-owned utilities. Several funding opportunities are clear to SDCP now, and more may arise as details continue to emerge during program development.

Table 19: SDCP Funding Guide



Budget Resolution





Copy of Budget Resolution

RESOLUTION NO. ____
A RESOLUTION OF THE BOARD OF DIRECTORS
OF SAN DIEGO COMMUNITY POWER
ADOPTING THE FISCAL YEAR 2024–2025 BUDGET AND THE FISCAL
YEAR 2025-2029 CAPITAL INVESTMENT PLAN

A. San Diego Community Power (“SDCP”) is a joint powers authority 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 and amended on December 16, 2021 (“JPA Agreement”).

B. The JPA Agreement provides that SDCP’s fiscal year (“FY”) 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.

D. The SDCP Board proposes to adopt the FY 2024-25 Operating Budget, attached hereto as Attachment A.

E. The SDCP Board further proposes to adopt the FY 2025-29 Capital Investment Plan that provides comprehensive five-year plan for SDCP’s capital investment expenditures, attached hereto as Attachment B.

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

Section 1. The Board of Directors hereby adopts the FY 2024–25 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2025-29 Capital Investment Plan.

Section 3. 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 27, 2024.

Chair, Board of Directors
San Diego Community Power

ATTEST:

Secretary, Board of Directors
San Diego Community Power





Acknowledgements

Finance Department

San Diego Community Power's (SDCP's) Finance department works to maintain a fiscally responsible budget in accordance with SDCP Budget Policy. The department ensures sufficient funding to meet procurement needs, sustain operational needs, and support sustained growth while delivering clean energy to the communities we serve. In addition, the team actively works to build SDCP reserves and develop policies that consider future economic conditions, provides an understandable and transparent operating budget for internal and external users, strives to keep the SDCP Board and staff informed of SDCP's fiscal condition, and develops a budget that will ultimately prioritize people, transparency, and our communities.

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Supervisor Terra Lawson-Remer, Vice Chair
Mayor Paloma Aguirre, Director
Councilmember Kellie Hinze, Director
Mayor John McCann, Director
Councilmember Colin Parent, Director
Councilmember Ditas Yamane, Director

Finance and Risk Management Committee

Mayor John McCann, Chair
Mayor Paloma Aguirre, Director
Councilmember Ditas Yamane, National City

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- (Vacant)

County of San Diego

- Peter Andersen
- (Vacant)

Encinitas

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- Tara Hammond

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- Ilian Sandoval
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- David Harris
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- Aida Castañeda, Vice Chair
- Larry Emerson

San Diego

- Eddie Price, Chair
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SDCP Executive Team

Karin Burns, Chief Executive Officer
Eric Washington, Chief Financial Officer
Jack Clark, Chief Operating Officer
Veera Tyagi, General Counsel
Byron Vosburg, Chief Commercial Officer*

Finance Department

Eric Washington, Chief Financial Officer
Tim Manglicmot, Senior Finance Manager
Christopher Stephens, Procurement Manager
Diana Gonzalez, Risk Manager
Christopher Do, Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst