AGENDA

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

June 12, 2025
3 p.m.

Don L. Nay Port Administration Board Room
3165 Pacific Highway, San Diego, CA 92101

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 can 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, Community Power provides a Zoom Teleconference 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 Zoom Teleconference 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 FRMC on any agenda item. When providing comments, it is requested that members of the public provide their name and city of residence for the record. Members of the public 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 the meeting. Anyone attending in person desiring to address the FRMC is asked to complete a speaker's card and present it to the Clerk of the Board. To provide remote comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video teleconference by computer or mobile phone, use the "Raise Hand" feature. This will notify the moderator that a member of the public wishes to address the FRMC 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 address the FRMC when called upon. If joining the meeting using the Zoom dial-in number, members of the public can raise 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 to clerkoftheboard@sdcommunitypower.org. 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 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, and be part of the public record.

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

The public may participate using the following remote options:

Teleconference Meeting Webinar
https://sdcommunitypower-org.zoom.us/j/95148519712

Telephone (Audio Only) (669) 900-6833 or (253) 215-8782 | Webinar ID: 95148519712

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 FRMC on any items not on the agenda but within the jurisdiction of the FRMC. Members of the public may provide a comment in any manner described above.

CONSENT CALENDAR

1. Approve March 20, 2025, Meeting Minutes

REGULAR AGENDA

2. Treasurer’s Report for Period Ending April 30, 2025

Recommendation: Receive and File Treasurer's Report for Period Ending April 30, 2025.

3. Recommend Board Approval of Update to San Diego Community Power’s Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations

Recommendation: Recommend Board Adoption of Resolution No. 2025-05, approving Addendum 2 to San Diego Community Power’s Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations and authorize the CEO to approve procurement of California Carbon Allowance (CCA) and Carbon Offset (CO) to meet San Diego Community Power compliance obligations under California’s Cap-and-Trade Program.

4. Tariffs, Tax Credits and Executive Orders: New-Build Market Outlook Update

Recommendation: Receive and file the Community Power staff status report on federal policy and budget as it relates to clean energy procurement.

5. AB 2561 - Status of vacancies, recruitment and retention efforts

Recommendation: Recommend the Board hold a public hearing, receive comments, and accept a report on the status of Community Power employee vacancy rates and recruitment and retention efforts.

6. Recommend Board Approval of FY 2025-26 Operating Budget, FY 2025-26 Capital Budget, and FY 2026-30 Capital Investment Plan

Recommendation: Recommend Board Approval of Resolution No. 2025-06, adopting the FY 2025-26 Operating Budget, FY 2025-26 Capital Budget, and FY 2026-30 Capital Investment Plan.

7. **Recommend Board Adoption of Resolution No. 2025-07, Authorizing Execution of an Energy Prepayment Transaction, Related Documents, and 'Form of' Documents Subject to Maximum Issuance Amount, Limitation on Fees, and Minimum Required Savings**

Recommendation: Recommend Board adoption of Resolution No. 2025-07, approving parameters under which an energy prepayment transaction can be completed; authorizing and approving documents or "form of" documents supporting the prepay transaction; and directing California Community Choice Financing Authority (CCCFA) to make payments to service providers for issuance costs from prepay bond proceeds.

Committee Member Announcements

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

ADJOURNMENT

The Finance and Risk Management Committee will adjourn to the next regular meeting scheduled on August 21, 2025, at 3 pm.

Compliance with the Americans with Disabilities Act

Community Power 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 a public meeting may contact clerkoftheboard@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 related materials are available at https://sdcommunitypower.org/resources/meeting-notes/. Late-arriving documents related to an agenda item, which are distributed to a majority of the Committee Members prior to or during the Committee meeting are available for public review as required by law. Public records, including agenda-related documents, can be requested electronically at clerkoftheboard@sdcommunitypower.org or by mail to SD Community Power, PO BOX 12716, San Diego, CA 92112. The documents may also be posted at Community Power's website. Such public records are also available for inspection by contacting clerkoftheboard@sdcommunitypower.org to arrange an appointment.

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

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

Regular Meeting Minutes
March 20, 2025

WELCOME

CALL TO ORDER

Interim Chair Yamane called the Finance and Risk Management Committee meeting to order at 3:01 p.m.

ROLL CALL

PRESENT: Interim Chair Yamane, City of National City; Director Inzunza, City of Chula Vista; and Director Suzuki, City of La Mesa

ABSENT: None

STAFF PRESENT: Chief Financial Officer/Treasurer Dr. Washington; General Counsel Tyagi; Senior Financial Analyst Do; Clerk of the Board Hernandez; and Assistant Clerk of the Board Vences

PLEDGE OF ALLEGIANCE

Interim Chair Yamane led the Pledge of Allegiance.

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

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

PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

Scott Andrews, Neighborhood National Bank representative, provided public comments.

CONSENT CALENDAR

1. Approve February 20, 2025, Meeting Minutes

There were no public comments on Consent Item No. 1.

Motioned by Director Inzunza and seconded by Director Suzuki to approve Consent Item No. 1. The motion carried unanimously as follows:

AYES:	Interim Chair Yamane, Directors Inzunza and Suzuki
NOES:	None
ABSTAINED:	None
ABSENT:	None

<u>REGULAR AGENDA</u>

2. Appointment of a Chair and Vice Chair to the Finance and Risk Management Committee

Dr. Washington presented Item No. 2, Appointment of a Chair and Vice Chair to the Finance and Risk Management Committee.

Interim Chair Yamane requested nominations for Chair and Vice Chair of the Finance and Risk Management Committee.

There were no public comments on Item No. 2.

Motioned by Director Inzunza and seconded by Director Suzuki to approve the appointment of Director Yamane as Chair and Director Suzuki as Vice Chair to the Finance and Risk Management Committee (FRMC). The motion carried unanimously as follows:

AYES:	Chair Yamane, Vice Chair Suzuki, and Director Inzunza
NOES:	None
ABSTAINED:	None
ABSENT:	None

3. Treasurer's Report for Period Ending January 31, 2025

Dr. Washington and Mr. Do presented the Treasurer's Report for Period Ending January 31, 2025.

There were no public comments on Item No. 3.

Following Committee questions, discussion and comments, Item No. 3 was received and filed.

COMMITTEE MEMBER ANNOUNCEMENTS

None.

ADJOURNMENT

The Finance and Risk Management Committee was adjourned at 3:39 p.m. to the next meeting scheduled for Thursday, April 17, 2025, at 3:00 p.m.

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Sandra Vences, Assistant Clerk of the Board

SAN DIEGO COMMUNITY POWER
Staff Report – Item 2

TO: Finance Risk Management Committee

FROM: Eric W. Washington, Chief Financial Officer/Treasurer

VIA: Karin Burns, Chief Executive Officer

SUBJECT: Treasurer's Report for Period Ending April 30, 2025

DATE: June 12, 2025

RECOMMENDATION:

Receive and File Treasurer's Report for Period Ending April 30, 2025.

BACKGROUND:

San Diego Community Power (Community Power) maintains its accounting records on a full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental enterprise funds. Community Power has prepared its year-to-date financial statements for the ten-month period ended April 30, 2025, along with budgetary comparisons.

Additionally, on May 25, 2023, the Community Power Board of Directors (Board) adopted the Community Power Investment Policy, which was subsequently revised on June 27, 2024. The objectives of the Investment Policy are to (1) safeguard the principal of investment funds, (2) meet the liquidity needs of Community Power, (3) achieve a return on funds invested, and (4) exercise a high standard of care on investment funds. The Investment Policy additionally includes provisions for regular reporting to the Financial and Risk Management (FRMC) which will be included in the Treasurer's Report.

In an effort to increase public transparency and in alignment with section 1.a of the Community Power Delegated Contract Authority Policy, Community Power will also report newly executed contracts between $50,000 and $125,000 for goods and services in the Treasurer's Report.

Community Power 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 presented during Financial and Risk Management Committee (FRMC) meetings.

On June 27, 2024, the Community Power Board of Directors (Board) approved the Fiscal Year 2024-25 Operating Budget that included net operating revenues of $1,177,925,889 total expenses of $1,143,919,262 and a resulting net position of $34,006,627. The approved Fiscal Year 2024-25 budget also includes a capital budget to fund 16 projects, totaling 23 active projects during the fiscal year for $16,434,280.

Subsequently, on February 27, 2025, the Board approved an amendment to the FY 2024-25 Operating Budget to increase total net operating revenues to $1,221,258,172 and total expenses to $1,187,090,169, resulting in a net position of $34,168,003. Additionally, the Board approved an amendment to the FY 2024-25 Capital Budget to increase total expenses to $144,212,340 and an amendment to the FY 2025-29 Capital Investment Plan (CIP) to $155,910,762.

ANALYSIS AND DISCUSSION:

Financial Results

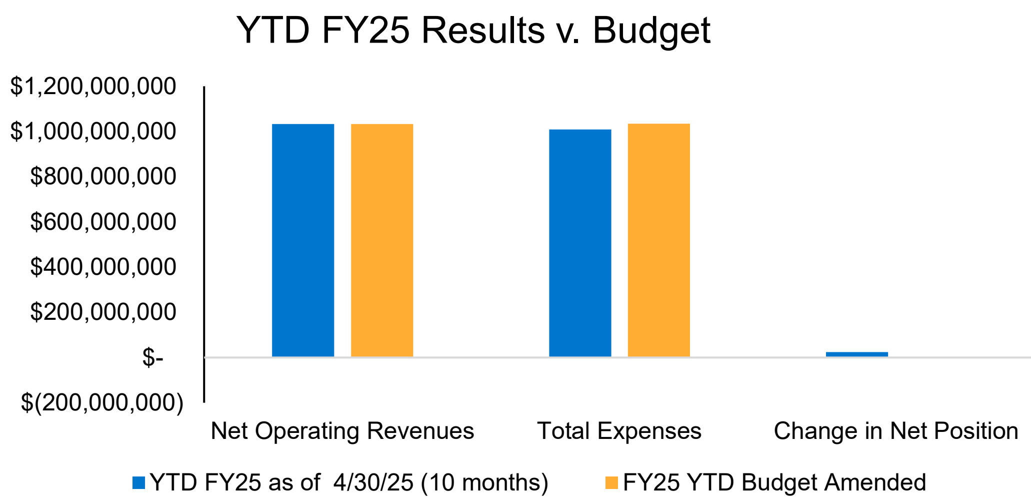
Actual financial results for the period ended April 30, 2025: $1,033.0 million in net operating revenues were reported compared to $1,033.6 million budgeted for the period. $1,009.4 million in total expenses were reported (including $968.7 million in energy costs) compared to $1,03.1 million budgeted for the period (including $972.5 million budgeted for energy costs). After expenses, Community Power's change in net position of $23.6 million was reported year-to-date for FY 2024-25. The following is a summary of the actual results compared to the amended FY 2024-25 Operating Budget.

Table 1: Budget Comparison Versus Actual Result

Budget Comparison				
	YTD FY25 as of 4/30/25 (10 months)	FY25 YTD Budget Amended	Budget Variance ($)	Budget (%)
Net Operating Revenues	$ 1,032,972,314	$ 1,033,560,599	$ (588,285)	99.9%
Total Expenses	$ 1,009,359,387	$ 1,034,085,870	$ (24,726,483)	98%
Change in Net Position	**$ 23,612,927**	**$ (525,271)**	**$ 24,138,198**	

- Net operating revenues finished $0.6 million (or 0.1 percentage points) under the budget and was largely in line with expectations. Customers also received the California Climate Credit in April 2025 which partially offset customer arrearages.
- Operating expenses finished $24.7 million (or 2.0 percentage points) under the budget due to the sale of certain renewable resources, a reclassification of CAISO settlement fees from January 2025, and unhedged energy at higher prices than budgeted.

Figure 1: Budget Comparison versus Actual Results



For the ten-month period ending April 30, 2025, Community Power contributed $23,612,928 to its net position compared to the expected deficit of ($525,271) per the FY 2024-25 Operating Budget. Total Community Power reserves at the end of the period were $322,766,955 based on cash and cash equivalents – unrestricted, and total available liquidity (including lines of credit) was $535,266,955. Community Power has a total FY 2024-25 year-end reserve target of $575,822,041, which is equivalent to 180-days of total operating expenses as set in Community Power's Reserve Policy and Strategic Goals

Investment Portfolio Report

Chandler Asset Management manages Community Power's investment portfolio. As of April 31, 2025, the market value of the portfolio was $61.5 million compared to the $61.4 million market value as March 31, 2025. The rise in market value is reflective of accrued interest during the month. The following is a snapshot of overall characteristics of the portfolio.

Portfolio Characteristics

Average Modified Duration	2.64
Average Coupon	4.15%
Average Purchase YTM	4.34%
Average Market YTM	3.97%
Average Credit Quality*	AA+
Average Final Maturity	3.15
Average Life	2.73

Account Summary

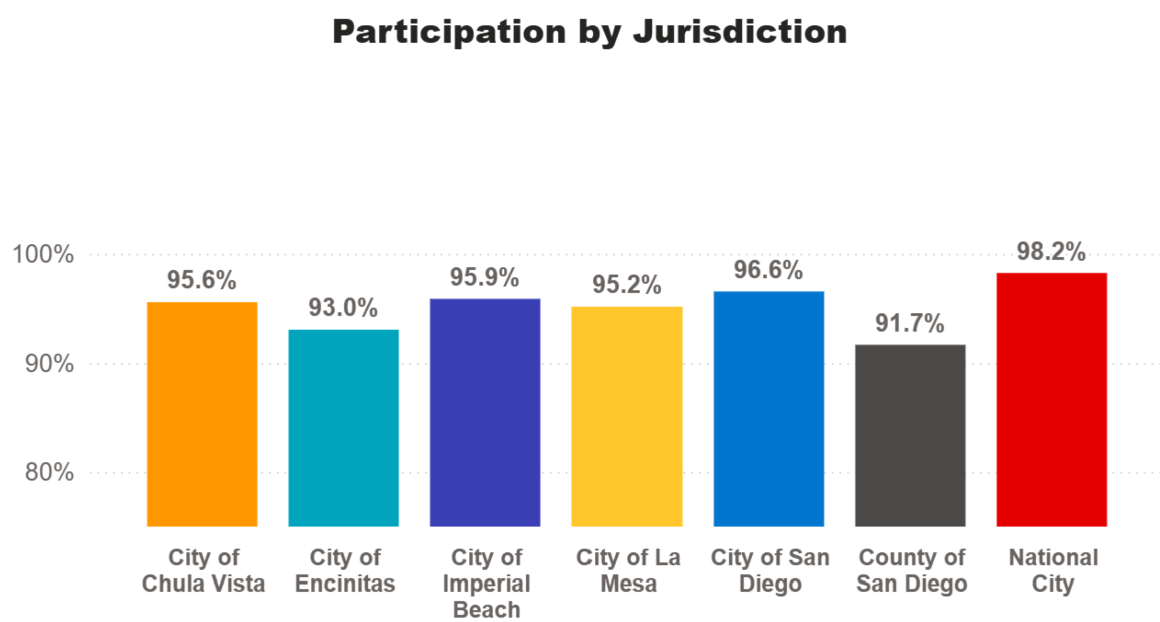
	End Values as of 03/31/2025	End Values as of 04/30/2025
Market Value	60,993,504.06	61,501,152.78
Accrued Interest	421,571.65	483,995.85
Total Market Value	**61,415,075.71**	**61,985,148.63**
Income Earned	195,714.34	217,721.59
Cont/WD	10,000,000.00	0.00
Par	61,178,447.16	61,300,443.50
Book Value	60,702,336.32	60,854,151.24
Cost Value	60,662,964.62	60,808,881.93

Contract Execution between $50,000 and $125,000

There were no contracts in May that were executed between $50,000 and $125,000.

Metrics

Figure 2: Participation Rates as of 6/1/2025



Jurisdiction	Service Option Default	Eligible Accounts	Enrolled Accounts	Participation Rate
City of Chula Vista	**PowerOn**	98,708	94,339	95.6%
City of Encinitas	**Power100**	28,861	26,855	93.0%
City of Imperial Beach	**PowerOn**	10,839	10,392	95.9%
City of La Mesa	**PowerOn**	29,516	28,087	95.2%
City of San Diego	**PowerOn**	625,553	603,998	96.6%
County of San Diego	**PowerOn**	190,613	174,719	91.7%
National City	**PowerOn**	19,455	19,114	98.2%
Total		**1,003,545**	**957,504**	**95.4%**

The 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 Community Power 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 Community Power Arrearages related to financial risk for FRMC consideration and for regular review. Additional metrics can be added by request. The below arrearage data includes Community Power's Receivables aged 120+ Days as of June 1, 2025. The $2 million decline in arrearages was attributed to the receipt of the California Climate Credit in April 2025 which partially offset customer arrearages.

Figure 3: State of Community Power Arrearages as of 6/1/2025

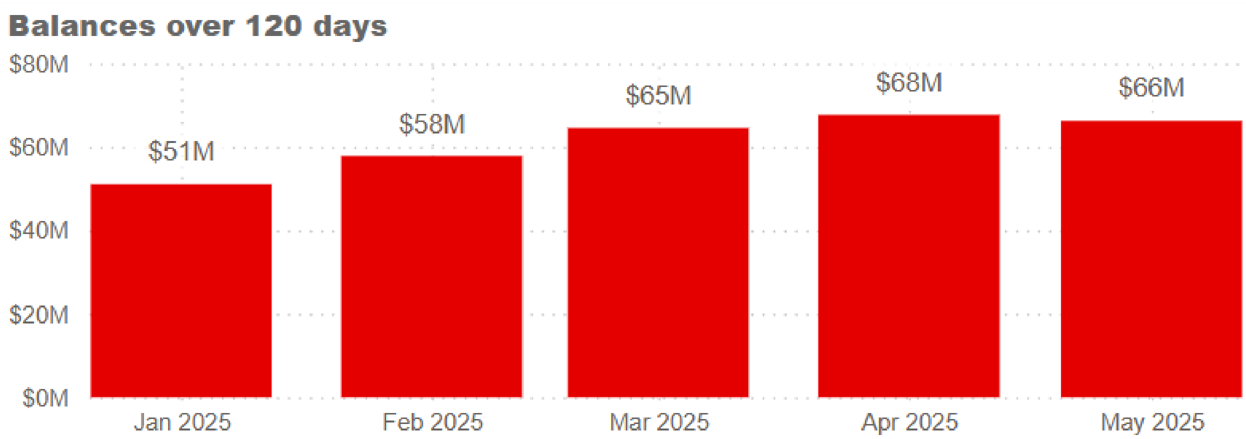
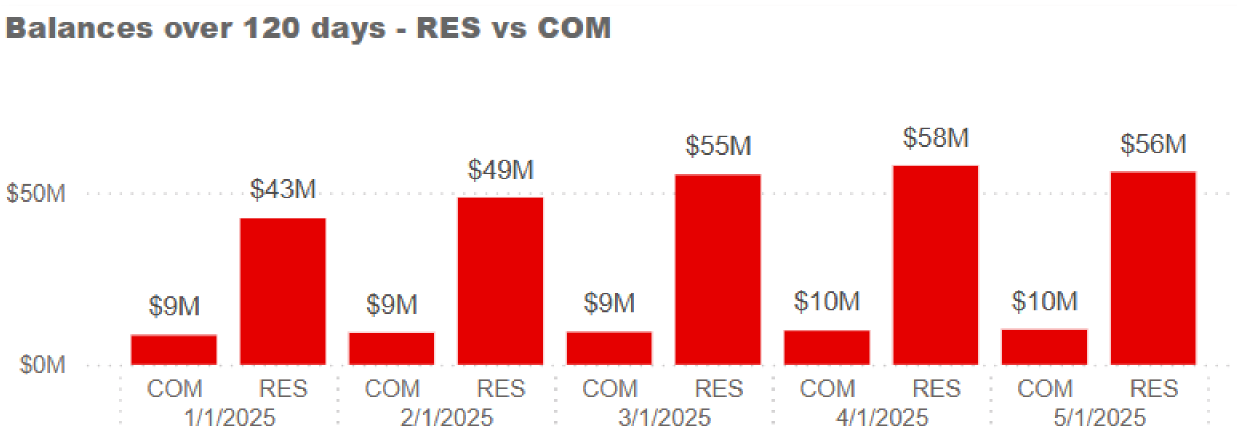


Figure 4: State of Community Power Arrearages Residential vs Commercial as of 6/1/2025



FISCAL IMPACT:

N/A

ATTACHMENTS:

A: 2025 Year-to-Date Period Ended April 30, 2025, Financial Statements.

ITEM 2
ATTACHMENT A

MAHER
ACCOUNTANCY

ACCOUNTANTS' COMPILATION REPORT

Management
San Diego Community Power

Management is responsible for the accompanying financial statements of San Diego Community Power (a California Joint Powers Authority) which comprise the statement of net position as of April 30, 2025, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the ten months 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
June 4, 2025

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

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of April 30, 2025

ASSETS	
Current assets	
Cash and cash equivalents - unrestricted	$ 322,766,955
Cash and cash equivalents - restricted	14,105,819
Accounts receivable, net of allowance	85,306,096
Accrued revenue	41,175,142
Prepaid expenses	7,207,103
Other receivables	10,284,546
Deposits	10,167,029
Investments	2,808,767
Total current assets	493,821,457
Noncurrent assets	
Cash and cash equivalents - restricted	647,000
Investments	57,969,963
Capital assets, net of depreciation and amortization	1,509,937
Total noncurrent assets	60,126,900
Total assets	553,948,357
LIABILITIES	
Current liabilities	
Accrued cost of electricity	117,999,609
Accounts payable	3,524,236
Other accrued liabilities	1,975,488
State surcharges payable	175,048
Deposits - energy suppliers	3,263,000
Lease liability	804,984
Advances from grantors	13,605,819
Total current liabilities	141,348,184
Noncurrent liabilities	
Lease liability	746,779
Deposits - energy suppliers	4,410,450
Total noncurrent liabilities	5,157,229
Total liabilities	146,505,413
NET POSITION	
Restricted for security collateral	14,752,819
Unrestricted	392,690,125
Total net position	$ 407,442,944

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Ten Months Ended April 30, 2025

OPERATING REVENUES	
Electricity sales, net	$ 1,031,704,056
Grant revenue	1,277,998
Other income	1,268,258
Total operating revenues	1,034,250,312
OPERATING EXPENSES	
Cost of electricity	968,694,635
Contract services	16,239,471
Staff compensation	13,833,929
Other operating expenses	13,619,317
Depreciation and amortization	533,960
Total operating expenses	1,012,921,312
Operating income	21,329,000
NON-OPERATING REVENUES (EXPENSES)	
Investment income	11,164,558
Interest expense	(432,996)
Nonoperating revenues (expenses), net	10,731,562
CHANGE IN NET POSITION	32,060,562
Net position at beginning of year	375,382,382
Net position at end of year	$ 407,442,944

See accountants' compilation report.

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Ten Months Ended April 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 1,087,655,899
Receipts from grantors	14,883,817
Receipts of supplier security deposits	15,187,455
Other operating receipts	1,246,064
Payments to suppliers for electricity	(983,518,699)
Payments for other goods and services	(30,326,203)
Payments for deposits and collateral	(1,974,371)
Payments for staff compensation	(13,839,179)
Payments of state surcharges	(2,411,387)
Net cash provided by operating activities	86,903,396
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from bank note	55,500,000
Principal payments - bank note	(55,500,000)
Interest payments	(393,961)
Net cash provided (used) by noncapital financing activities	(393,961)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments of lease liability	(540,492)
Net cash used by capital and related financing activities	(540,492)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	9,818,815
Proceeds from investment sales and maturities of investments	642,757
Purchase of investments	(60,352,851)
Net cash provided (used) by investing activities	(49,891,279)
Net change in cash and cash equivalents	36,077,664
Cash and cash equivalents at beginning of year	301,442,110
Cash and cash equivalents at end of year	$ 337,519,774
Reconciliation to the Statement of Net Position	
Cash and cash equivalents (unrestricted)	$ 322,766,955
Restricted cash - current	14,105,819
Restricted cash - noncurrent	647,000
Cash and cash equivalents	$ 337,519,774
NONCASH INVESTING ACTIVITIES	
Unrealized appreciation and timing differences in investment income	$ 1,345,743
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of lease asset	$ 1,284,053

See accountants' compilation report.

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Ten Months Ended April 30, 2025

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	$ 21,329,000
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	533,960
(Increase) decrease in:	
Accounts receivable, net	18,206,069
Accrued revenue	35,688,281
Prepaid expenses	27,811,297
Other receivables	(4,118,581)
Deposits	1,995,170
Increase (decrease) in:	
Accrued cost of electricity	(30,116,707)
Accounts payable	(1,483,641)
Advances from grantors	13,605,819
Other accrued liabilities	812,173
State surcharges payable	(353,894)
Deposits - energy suppliers	2,994,450
Net cash provided by operating activities	$ 86,903,396

MAHER
ACCOUNTANCY

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying operating fund and capital investment program fund budgetary comparison schedules of San Diego Community Power (SDCP), a California Joint Powers Authority, for the ten months ended April 30, 2025 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.

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

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

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

Maher Accountancy
San Rafael, CA
June 4, 2025

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

SAN DIEGO COMMUNITY POWER
OPERATING FUND
BUDGETARY COMPARISON SCHEDULE
Ten Months Ended April 30, 2025

	Year-to-Date				Annual	
	Amended Budget	Actual	Amended Budget Variance (Under) Over	Actual/ Amended Budget %	Amended Budget	Amended Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	1,051,970,075	$ 1,050,080,464	(1,889,611)	100%	1,243,010,863	$ 192,930,399
Less: Uncollectible Customer Accounts	(18,409,476)	(18,376,408)	33,068	100%	(21,752,690)	(3,376,282)
Other Income	-	1,268,258	1,268,258	na	-	(1,268,258)
Total Revenues and Other Sources	1,033,560,599	1,032,972,314	(588,285)		1,221,258,173	188,285,859
OPERATING EXPENSES						
Cost of Energy	972,511,996	968,694,635	(3,817,361)	100%	1,116,836,549	148,141,914
Professional Services and Consultants	20,288,630	15,323,700	(4,964,930)	76%	24,346,342	9,022,642
Personnel Costs	15,473,240	12,965,257	(2,507,984)	84%	18,567,895	5,602,639
Marketing and Outreach	2,482,173	1,496,972	(985,201)	60%	2,978,593	1,481,621
General & Administrative	4,091,468	2,360,508	(1,730,960)	58%	4,909,761	2,549,253
Total Operating Expenses	1,014,847,507	1,000,841,071	(14,006,436)		1,167,639,140	166,798,070
Operating Income (Loss)	18,713,092	32,131,243	13,418,151		53,619,033	21,487,790
NON-OPERATING REVENUES (EXPENSES)						
Investment Income	-	11,164,558	11,164,558	na	-	(11,164,558)
Interest and Related Expenses	(1,063,333)	(1,507,844)	(444,511)	142%	(1,276,000)	231,844
Transfer to Capital Investment Program	(18,175,030)	(18,175,030)	-	100%	(18,175,030)	-
Total Non-Operating Revenues (Expenses)	(19,238,363)	(8,518,316)	10,720,047		(19,451,030)	(10,932,714)
NET CHANGE	$ (525,271)	$ 23,612,928	$ 24,138,199		$ 34,168,003	$ 10,555,075

See accountants' compilation report.

SAN DIEGO COMMUNITY POWER
Staff Report – Item 3

TO: Finance and Risk Management Committee

FROM: Jennine Camara, Director of Portfolio Management

VIA: Karin Burns, Chief Executive Officer

SUBJECT: Update to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations

DATE: June 12, 2025

RECOMMENDATION:

Recommend Board adoption of Resolution No. 2025-05 approving Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations, to allow the CEO to approve procurement of California Carbon Allowance (CCA) and Carbon Offset (CO) to meet San Diego Community Power compliance obligations under California's Cap-and-Trade Program.

BACKGROUND:

CARB's Cap-and-Trade Program is a key element of California's strategy to reduce greenhouse gas (GHG) emissions. The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout the state and creates an economic incentive for investment in cleaner and more efficient technologies.

As the electric sector continues to generate electricity from fossil fuel power plants, GHG emissions are generated, and entities are required to purchase carbon allowances or carbon offsets to meet compliance obligations. Electric importers have a carbon allowance obligation based on the type of electricity and whether they can identify the specific source of electricity. Specified source electric imports may carry an emissions rate based on the resources type, and unspecified source imports are assessed at a default emissions rate.

San Diego Community Power (Community Power) has worked to achieve carbon reductions by purchasing electricity generated from renewable sources like wind and solar, essentially offsetting the need for carbon-emitting power plants, which are the energy producing entities typically required to purchase carbon allowances under the

Cap-and-Trade Program. While minimal, there are instances where Community Power may be required to purchase carbon allowances to meet a GHG emissions obligation.

In addition to meeting renewable goals, Community Power also prioritizes meeting all grid reliability requirements through Resource Adequacy (RA) Program compliance. In the short term, Community Power may rely on electric imports to meet RA requirements during periods of high demand. In these limited instances, Community Power will be assessed a carbon obligation based on the specific resource type, or in the case of an unspecified import, a default GHG emission rate, and will need to procure carbon allowance and/or carbon offsets to comply with established regulations.

Community Power's Board of Directors ("Board") adopted an Energy Risk management Policy ("ERMP") on January 25, 2020, and amended the policy on January 15, 2021. The ERMP provides a process for monitoring, measuring, reporting, and controlling market and credit risks for the purchase of energy and related products, and delegates certain authorities to staff.

ANALYSIS AND DISCUSSION:

California carbon allowances are available for trade in CARB's quarterly auctions, and secondary carbon offset and carbon allowance markets. Because CARB auctions are the primary mechanism for allowance purchases, delegation of authority is required for Community Power staff to submit bids and participate in procurement. The dynamic nature of allowance prices and transactions in the secondary market also precludes staff ability to effectively procure without formal delegation. This action is to amend the ERMP to include Addendum 2: California Carbon Allowance and Carbon Offset Transactions and Obligations, to delegate to Community Power staff the ability to purchase carbon allowances and carbon offsets within certain parameters.

Community Power will consider the cost of carbon, renewable priorities, and overall benefit to Community Power rate payers when evaluating any import energy strategies. Community Power will only acquire carbon allowances or carbon offsets to meet forecasted obligations, consistent with established Energy Risk management Policy principles prohibiting taking speculative positions and trading.

FISCAL IMPACT:

There is no new fiscal impact from this recommendation as funding is included in the most recently approved budget. This action includes a total not-to-exceed amount of $1,000,000 and 20,000 allowances per transaction.

ATTACHMENTS:

A: Resolution Number 2025-05-A Resolution of the Board of Directors of San Diego Community Power Approving Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations.
Exhibit A: Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations.

ITEM 3
ATTACHMENT A

RESOLUTION NUMBER 2025-05

A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER APPROVING ADDENDUM 2 TO SAN DIEGO COMMUNITY POWER'S ENERGY RISK MANAGEMENT POLICY: CALIFORNIA CARBON ALLOWANCE AND CARBON OFFSET TRANSACTIONS AND OBLIGATIONS.

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

B. Pursuant to Section 4.6.16 of its JPA Agreement, the Community Power Board of Directors ("Board") has the responsibility to exercise the Specific Powers identified in Section 3.2 except those which the Board may elect to delegate to the Chief Executive Officer.

C. Section 3.2.12 of the JPA Agreement authorizes Community Power to adopt rules, regulations, policies, bylaws and procedures governing the operation of Community Power and Section 4.5.5 identifies setting policy as a duty of the Board.

D. The Board did adopt an Energy Risk Management Policy ("ERMP") on June 25, 2020, to provide processes for monitoring, measuring, reporting, and controlling market and credit risks for the purchase of energy and related products, and amended the ERMP on January 15, 2021, to include Addendum 1 to provide a methodology to evaluate and mitigate congestion risk.

E. Section 7.2 of the ERMP identifies the Board may amend the Energy Risk Management Policy as it deems necessary.

F. CARB's Cap-and-Trade Program is a key element of California's strategy to reduce greenhouse gas (GHG) emissions. The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout the state and creates an economic incentive for investment in cleaner and more efficient technologies.

G. Community Power may sometimes be assessed a carbon obligation under the Cap-and-Trade Program, for instance when Community Power relies on electric imports to meet resource adequacy requirements during periods of high demand.

H. California carbon allowances are available for trade in CARB's quarterly auctions, and secondary carbon offset and carbon allowance markets. Because CARB auctions are the primary mechanism for allowance purchases, delegation of authority is required for Community Power staff to submit bids and participate in procurement. The dynamic nature of allowance prices and transactions in the secondary market also precludes staff ability to effectively procure without formal delegation.

I. The Board seeks to amend the Energy Risk Management Policy to include Addendum 2: California Carbon Allowance and Carbon Offset Transactions and Obligations, to delegate to Community Power staff the ability to purchase carbon allowances and carbon offsets within certain parameters.

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

1. The Board of Directors has determined that the recitals herein are true and correct.

2. The Board of Directors hereby amends the Energy Risk Management Policy to include Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations, attached hereto as Exhibit A.

3. This resolution shall take effect immediately upon adoption.

PASSED, APPROVED AND ADOPTED at a meeting of the Board of Directors of San Diego Community Power held on June 26, 2025, with the following vote.

AYES:
NOES:
ABSTAINED:
ABSENT:

____
Paloma Aguirre Chair
Board of Directors
San Diego Community Power

ATTEST:

____
Maricela Hernandez, MMC, CPMC
Clerk of the Board/Secretary
San Diego Community Power

APPROVED AS TO FORM:

____
Veera Tyagi, General Counsel
San Diego Community Power

Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations

I. Carbon Compliance

CARB's Cap-and-Trade Program is a key element of California's strategy to reduce greenhouse gas (GHG) emissions. The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout the state and creates an economic incentive for investment in cleaner and more efficient technologies. Carbon allowances are permits issued by CARB that authorize an entity to emit one metric ton of CO2. While a carbon offset also represents one metric ton of CO2, offsets are generated by projects that reduce emissions or remove CO2 from the atmosphere. Both carbon allowances and carbon offsets can be used to meet GHG emissions obligations.

Under the Cap-and-Trade Program, electrical distribution utilities receive allocations of free carbon allowances. The Investor-Owned-Utilities (IOUs) are required to sell these allowances and return the sale proceeds to customers via a credit on their bills, known as the California Climate Credits.

As the electric sector continues to generate electricity from fossil fuel power plants, GHG emissions are generated, and entities are required to purchase carbon allowances or carbon offsets to meet compliance obligations. Electric importers have a carbon allowance obligation based on the type of electricity and whether they can identify the specific source of the electricity. Specified source electric imports may carry an emissions rate based on the resource type, and unspecified source imports are assessed at a default emissions rate.

II. SDCP Carbon Obligations

SDCP has worked to achieve carbon reductions by purchasing electricity generated from renewable sources like wind and solar, essentially offsetting the need for carbon-emitting power plants, which are the energy producing entities typically required to purchase carbon allowances under California's Cap-and-Trade Program. While minimal, there are instances where SDCP may be required to purchase carbon allowances to meet a GHG emissions obligation.

SDCP has been contracting for long-term renewable power generation to meet renewable energy targets and to build a diverse portfolio of clean resources to serve customers. SDCP also prioritizes meeting all grid reliability requirements through Resource Adequacy (RA) Program compliance. In the short-term, SDCP may rely on electric imports to meet RA requirements during periods of high demand. The combination of traditional fossil fuel resource retirements and delays impacting the ability for new clean energy resources to connect to the grid, has limited the available RA supply in the short-term markets.

In these limited instances, SDCP will be assessed a carbon obligation based on the specific resource type, or in the case of an unspecified import, a default GHG emissions rate, and will need to procure carbon allowance and/or carbon offsets to comply with established regulation.

III. Procurement of California Carbon Allowances and Carbon Offsets

California carbon allowances are available for trade in CARB's quarterly auctions, and secondary carbon offset and carbon allowance markets. Because CARB auctions are the primary mechanism for allowance purchases, delegation of authority is required for SDCP staff to submit bids and participate in procurement. The dynamic nature of allowance prices and transactions in the secondary market also precludes staff ability to effectively procure without formal delegation.

SDCP will consider the cost of carbon, renewable priorities, and overall benefit to SDCP rate payers when evaluating any import energy strategies. SDCP will only acquire carbon allowances or carbon offsets to meet forecasted obligations, consistent with established Energy Risk Management Policy principles prohibiting taking speculative positions and trading.

By approving this policy, the Board delegates to the Chief Executive Officer, the ability to procure California Carbon Allowance (CCA) and Carbon Offset (CO) at the following product volumetric and notional transaction limits:

Delegation of Authority per Transaction by Position/Title	Product Type	Volumetric Limit (MTCO2e)	Notional Value Limit
Chief Executive Officer	CCA/CO	20,000	$1,000,000

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

SAN DIEGO COMMUNITY POWER
Staff Report – Item 4

TO: Finance and Risk Management Committee

FROM: Patrick Welch, Associate Director of Legislative Affairs
Andrea Torres, Director of Origination

VIA: Karin Burns, Chief Executive Officer

SUBJECT: Tariffs, Tax Credits and Executive Orders: New-Build Market Outlook Update

DATE: June 12, 2025

RECOMMENDATION:

Receive and file the Community Power status report on federal policy and budget as it relates to clean energy procurement.

BACKGROUND:

This staff report is a summary of the latest status – as of May 30 – on federal policy and budgeting matters that have the potential to impact Community Power's current and future electricity procurement portfolio.

STAFF ANALYSIS:

I. Tariffs

The U.S. imposed tariffs on Chinese goods of between 25%-50% during the prior Trump Administration and during the Biden Administration. Since January, the current Administration has signaled a wide range of tariffs to be imposed on goods from various nations and those tariff levels have changed numerous times in the interim. The tariff percentages applied to China reached their peak earlier in April at 145% and at one point reached 3,521% on solar equipment from Cambodia. Since then, as of May 12, China and the U.S. have agreed to a 90-day pause in their trade war at an average of 30% tariff on Chinese goods into the U.S. and a 10% tariff on U.S. goods into China, noting that other Southeast Asian countries that are a significant source of PV and battery material supply have been among the hardest hit, facing between 32% and 49% tariffs on goods into the U.S.

II. Tax Credits

Congress is expected to send the President budget reconciliation legislation that would extend the 2017 Tax Cuts and Jobs Act. Congress will need to make corresponding budget cuts to pay for the Tax Act extension. One means of creating savings is to reduce or eliminate federal energy tax credits that support the transition to clean energy. Current law, as enacted by the Inflation Reduction Act of 2022, provides a 30% tax credit for utility scale clean energy projects. There are two routes to obtain the credit: either through the Production Tax Credit (PTC), which is based on the electrical output of a clean energy project, or the Investment Tax Credit (ITC), which is based on the total investment value of a project. Current law also creates consumer-level tax credits. The Residential Clean Energy Credit (RCEC) provides a 30% credit to support the installation of residential solar and storage systems, and the Home Energy Efficiency Investment Credit (HEEIC) provides a dollar-capped credit ($3,200) for home energy efficiency and electrification improvements.

House of Representatives Approves Legislation to Phase Out Energy Tax Credits

The One Big Beautiful Bill Act (H.R. 1) is the budget reconciliation legislation of the majority party in the House of Representatives. The over 1,000-page bill was approved by the House on May 22. With respect to clean energy tax credit issues, it would do the following:

- Eliminate the New Clean Vehicle Tax Credit ($7,500). The 30% residential solar and storage tax credit (RCEC) and the $3,200 home energy efficiency and electrification upgrade tax credit (HEEIC) would sunset at the end of 2025. Solar companies would also be barred from claiming a tax credit for lease agreements for rooftop solar.
- Phase out the ITC and the PTC for all utility-scale technologies by December 31, 2028. Projects would have to either start construction within 60 days of the bill's enactment or be placed into service by December 31, 2028, to qualify.
- Impose restrictive foreign entities of concern (FEOC) conditions on projects seeking ITC and PTC benefits in such a manner that energy facilities could not receive any material assistance from foreign controlled or influenced entities, including the component parts of facilities. This largely means that any energy project with any parts from China, or a company with ties to China, would not be eligible. This would go into effect on December 31, 2025.
- Transferability of tax credits would still be allowed, but only during the narrow window for when projects are eligible for the credits, making it harder for smaller companies to gain access to capital.
- The bill retains a tax credit until 2031 for nuclear power production, advanced manufacturing for certain components, clean fuels, and geothermal heat property.

H.R. 1 also allows fossil fuel companies to pay a higher permitting fee to benefit from faster project permitting. Finally, it would rescind unobligated funds from various federal energy programs. Community Power is not the recipient of any such funding so the reversion of unobligated funds should not have a programmatic impact. The legislation would rescind unobligated funding from the following programs:

- State based energy efficiency training grants
- Department of Energy Loans program
- Tribal Energy Loan Guarantee
- Transmission Facility Financing and Interstate Electricity Transmission Lines
- Interregional and Offshore Wind Planning

The intended goal is for the House and Senate to agree to H.R. 1, or some modified version thereof, by July 4. It is a fluid situation, and much could change in the interim. Notably, four Senators from the majority party wrote a letter expressing support for a stable and predictable tax framework to promote development of energy resources.

Several Congressmembers Introduce Alternative Energy Tax Credit Proposals

On May 9, a group of majority party members of the House of Representatives introduced the Certainty for Our Energy Future Act (HR 3291) as an alternative approach to changing the ITC and PTC. Specifically, the legislation would end the ITC and PTC for solar and wind only by 2031. It would maintain the tax credits into the 2030s for other technologies, like energy storage and geothermal. The legislation would also maintain the start of construction standard for ITC eligibility, includes safe harbor language for existing projects, and would impose less restrictive foreign sourcing restrictions. It has been referred to the House Ways & Means Committee for a hearing.

Another bill introduced by four members of the majority party – The Ending Intermittent Subsidies Act (HR 2838) would phase out the ITC and PTC for wind and solar, and impose a placed in-service standard. It has been referred to the House Ways & Means Committee.

Table 1. Summary of Federal Proposals on Utility Scale Project Tax Credits

	Current Law	Certainty for Our Energy Future Act (HR 3291)	Ending Intermittent Energy Subsidies Act (HR 2838)	One Big Beautiful Bill Act (HR 1)
Sponsor	N/A	Reps. Garbarino (NY-2), Valadao (CA-22), Newhouse (WA-4), & Amodei (NV-2)	Reps. Goldan (TX-12), Palmer (AL-6), Weber (TX-14), & Fluger (TX-11)	Rep. Arrington (Tx-19)
Status	30% tax credit for clean energy projects based either on a project's total investment or the electricity produced	Referred to the House Ways & Means Committee	Referred to the House Ways & Means Committee	Passed the House on May 22 on a 215-214 vote
Preference	Preferred	Second preference	Third preference	Least preferred
Tax Credit Sunset	2032 or when the electric sector GHG emission fall	Wind and solar credits end December 31,	Wind and solar credits only are phased out:	Can't claim tax credit for any technology if:

	25% below 2022 levels, whichever is later, followed by the following phase out: • 75% of credit value following second year • 50% third year • 0% fourth year	2030. There is a safe harbor provision for projects for projects that have, or will soon, start construction based on current IRS guidance.	• 80% credit value in 2026 • 60% 2027 • 40% 2028 • 20% 2029 • 0% 2030	• Construction begins 60 days after the date of enactment *or* • The project is placed into service after Dec 31, 2028
Tax Attachment Point	Start of construction	Start of construction	Placed into service for ITC and year of production for PTC	Both
Foreign Entity of Concern (FEOC) Restrictions A FEOC is China, Russia, Iran, and North Korea	None	Modest restrictions would be imposed 6 months after the Treasury Department issues guidance. Specifically, a taxpayer could not be a disqualified company that is created under the laws of, or controlled by, a FEOC.	None	Significant restrictions would be imposed 1 year after enactment. Generally, the taxpayer of a project could not receive "material assistance" – including component parts – from a FEOC. A taxpayer could also not be deemed to be influenced or controlled by any FEOC.
Transferability	Allowed	Allowed	Allowed	Allowed
Domestic Content & Energy Community adders	10%	Maintained	Maintained	Maintained

III. Energy Project Development on Public Lands

Executive actions have caused the Bureau of Land Management (BLM) to pause permitting for renewable energy projects

The Unleashing American Energy Executive Order (EO) revoked an EO from 2021 called the Tackling the Climate Crisis at Home and Abroad (EO #14008). The BLM was relying on the 2021 EO to prioritize the permitting of renewable energy – like solar – on federal lands. By revoking the prior EO, and by uplifting the development of fossil fuels, in particular, the new EO deprioritizes the development of renewable energy and energy storage on federal land. Concurrently, the Department of Interior, which oversees BLM, issued a 60 day pause authorizing any renewable energy projects. Community Power has learned that the permitting pause – for solar at least – is no longer in effect and projects are still being approved. However, BLM may not be approving the projects at an expeditious rate given the Administration's priority permitting focus on traditional energy projects. As a potential positive sign, the BLM recently announced approval of a solar project in Arizona. Community Power has a power purchase agreement (PPA) for a large solar PV and battery project largely sited on BLM land.

IV. Potential Impacts to Community Power's Long-Term Renewable Energy Portfolio

Community Power staff are closely monitoring any potential effects of the aforementioned actions on Community Power's existing portfolio of long-term contracts under development as well as projects in Community Power's negotiation pipeline.

With respect to tariffs, Community Power notes that it is challenging for both buyers and sellers of renewable energy to assess the market impacts of tariffs until trade discussions settle. However, staff is in regular contact with counterparties to understand any impacts on project economics or the potential for delays to construction due to challenges with securing supply with minimal tariff risks. Fortunately, a material portion of projects under contract with Community Power are in the later stages of development, having secured construction financing, onshored key equipment and/or commenced construction, effectively mitigating the risk of new tariffs. For those projects that are in earlier stages of development, staff will continue to work closely with developers to track any risks to project viability. For new contracting opportunities, staff are prioritizing projects that are better positioned to mitigate tariff exposure due to developer-specific procurement and project financing strategies.

With respect to the proposed modifications to existing tax credits, the final outcome is unclear, as there are several steps left in the Congressional process. While the House of Representatives passed HR 1 as described in Section II of this report, the Senate has yet to indicate their position on the energy tax credits. The Senate plans to pass HR 1, or a version thereof, by July 4, though that is an uncertain deadline. If the Senate approves a modified version of HR 1, the House will then need to approve vote on the bill again. Similar to the assessment of tariff impacts, approximately two-thirds of the forecasted renewable energy volume under development in our contracted portfolio is from either projects under construction or those having met safe harbor provisions (i.e. meeting a 5% threshold of capital investment delivered or stored). Those projects are not anticipated to be affected by modifications to the rules on tax credit eligibility. For those projects that are earlier in the development process, it is too soon to draw conclusions on the likely impacts to project costs and viability under any new tax credit regime.

Finally, regarding the permitting pause on BLM land, in May the Board approved an amendment for Community Power's PPA with Primergy's Purple Sage project, a 400 MW solar and storage project sited largely on BLM land. The amendment extends the guaranteed commercial operation date by a year into 2028 in exchange for other adjustments to terms to increase the project's value to Community Power's ratepayers. In the meantime, staff will continue to monitor the progress made on project permitting and development and will see if the recently approved PV project in Arizona signals good news for permitting approvals for Purple Sage.

Staff have conducted a project-by-project scenario analyses of Community Power's developing portfolio to stress test for project delays or potential project failure and have concluded that Community Power remains on track meet its clean energy target of 100%

by 2035 as well as the interim target of 75% by 2027. Staff will provide additional updates on Community Power's pathway to 100% clean energy to the Board and the CAC in Q4 2025.

FISCAL IMPACT:

N/A

ATTACHMENTS:

N/A

SAN DIEGO COMMUNITY POWER
Staff Report – Item 5

TO: Finance and Risk Management Committee

FROM: Chandra Pugh, Senior Director of People Operations and Administration

VIA: Karin Burns, Chief Executive Officer

SUBJECT: AB 2561 – Status of Vacancies, Recruitment and Retention Efforts

DATE: June 12, 2025

RECOMMENDATION:

Recommend the Board hold a public hearing, receive comments, and accept report on the status of Community Power employee vacancy rates and recruitment and retention efforts.

BACKGROUND:

Assembly Bill (AB) 2561 (McKinnor) amended the Myers-Milias-Brown Act (MMBA) to add Government Code Section 3502.3, which created a new obligation for public agencies to present the status of vacancies and recruitment and retention efforts. The public hearing must be held at least once per fiscal year prior to adopting an annual budget. During the hearing, the public agency shall identify any necessary changes to policies, procedures, and recruitment activities that may lead to obstacles in the hiring process. The law also allows recognized employee organizations, which Community Power does not have, an opportunity to present at the public hearing. The new law took effect on January 1, 2025, and applies to all public agencies.

ANALYSIS AND DISCUSSION:

<u>Status of Job Vacancies</u>

For the Fiscal Year 2024-2025, thirty-one vacancies have been filled, two are currently open, and three were not filled, as shown in Table 1 below. The three current vacancies are: Chief Commercial Officer, Community Outreach Representative (Part-Time) and Senior Origination Associate. For the three positions that were not filled, the hiring managers determined at the time that other operational needs took priority over filling those positions.

Community Power did encounter difficulties in filling the Rates Analyst and Origination Manager positions. Due to the specification of these roles, the candidates that applied did not meet the role requirements which resulted in a limited qualified applicant selection for the positions. Human Resources (HR) recommended that both positions be reposted with either a lower or higher salary grade. The Origination Manager position was reposted as a Senior Origination Associate and is in the process of being filled. For the Rates Analyst position, the position was reposted as a Senior Rates Analyst and the candidate has been selected and is in the final hiring stage.

Table 1

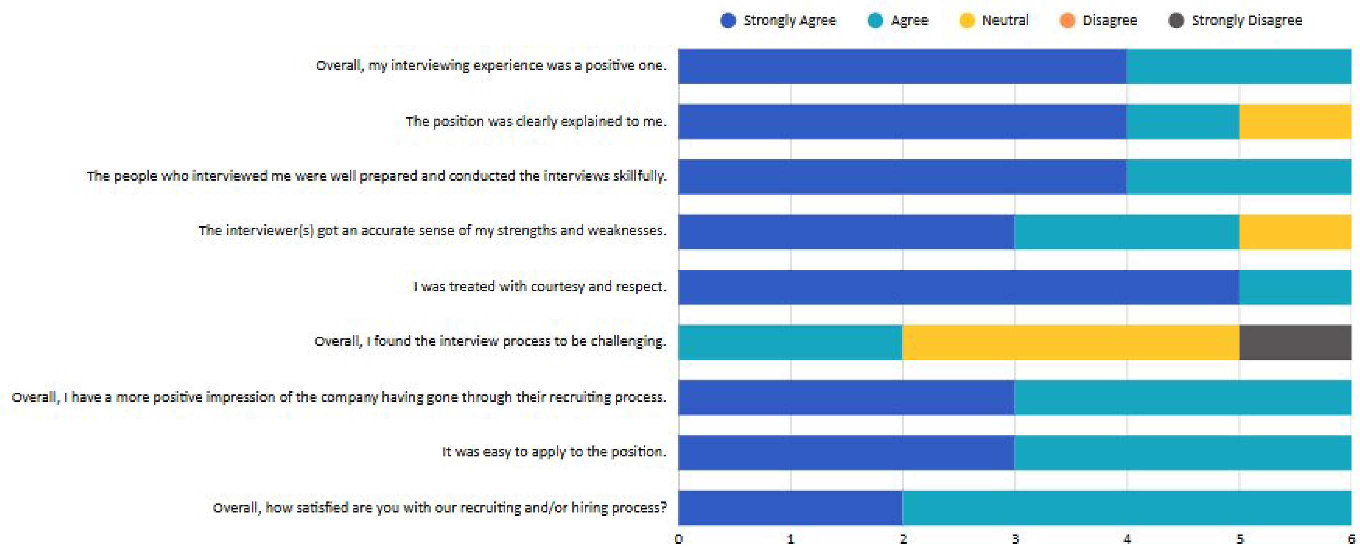
Position	Department	Posted	Hired	Reason For Vacancy
Community Engagement Associate	Public Affairs	2/15/2024	Yes	Budgeted
Sr. Settlements Analyst	Power Services	2/21/2024	Yes	Budgeted
Senior Strategic Policy Manager	Regulatory Affairs	3/27/2024	Yes	Budgeted
Programs Operations and Proposal Manager	Programs	3/28/2024	Yes	Budgeted
Marketing Manager	Public Affairs	4/9/2024	Yes	Budgeted
Data Scientist	Data Analytics & IT	5/14/2024	Yes	Budgeted
Data Engineer	Data Analytics & IT	5/14/2024	Yes	Budgeted
IT Systems Engineer	Data Analytics & IT	5/16/2024	Yes	Budgeted
Human Resources Coordinator	Human Resources	7/1/2024	Yes	Budgeted
Program Manager	Programs	7/1/2024	Yes	Budgeted
Sr. Power Contracts Data Analyst	Power Services	7/8/2024	Yes, Senior Quantitative Energy Analyst	Budgeted
Senior Program Manager - REN	Programs	7/12/2024	Yes	Budgeted
Senior Program Manager - REN	Programs	7/12/2024	Yes	Budgeted
Public Outreach Coordinator	Public Affairs	7/16/2024	Yes	Backfill
Origination Manager *	Power Services	7/16/2024	No, reposted as Senior Origination Associate	Budgeted
Director of Portfolio Management	Power Services	7/22/2024	Yes	Budgeted
Programs Marketing Manager - REN	Public Affairs	8/1/2024	Yes	Budgeted
Attorney	Legal	8/7/2024	Yes, (1) Assistant General Counsel, (1) Senior Counsel	Budgeted
Finance Manager - REN	Finance	8/13/2024	Yes	Budgeted
Rates Analyst*	Customer Operations	8/13/2024	No, reposted as Senior Rates Analyst	Budgeted
Sr. Cyber Security and Compliance Analyst *	Data Analytics & IT	8/16/2024	Yes, as Senior Cyber Security Analyst	Budgeted
IT Systems Analyst	Data Analytics & IT	10/16/2024	Yes	Budgeted
Director of IT and Data Analytics*	Data Analytics & IT	10/31/2024	Yes, as Associate Director of IT and Data Analytics	Backfill
Senior Program Associate	Programs	12/17/2024	Yes	Budgeted
Power Contract Coordinator	Power Services	1/23/2025	Yes	Budgeted
Strategic Finance Manager	Finance	2/6/2025	Yes	Budgeted
Procurement Analyst	Finance	2/14/2025	Yes	Budgeted
Senior Rates Analyst	Customer Operations	2/20/2025	Candidate selected, final hiring stage	Budgeted
Senior Origination Associate	Power Services	2/26/2025	No, will need to repost	Budgeted
Executive Assistant	Operations	3/21/2025	Yes	Backfill
Community Engagement Coordinator	Public Affairs	4/3/2025	Yes	Budgeted
Chief Commercial Officer	Executive	4/9/2025	Still posted	Backfill
Data Analyst	Data Analytics & IT	4/11/2025	Yes	Budgeted
Community Outreach Representative	Public Affairs	5/21/2025	Still posted	Backfill
Data Engineer	Customer Operations		Not posted	Budgeted
Senior Key Account Analyst	Customer Operations		Not posted	Budgeted
Sr. Load Forecast Analyst	Power Services		Not posted	Budgeted

Recruitment and Retention Efforts

The recruitment process includes three interview stages including a virtual and two in-person panel interviews. At the end of the recruitment process for a position, HR deploys a candidate engagement survey to provide feedback regarding the recruitment process. As shown in Table 2 below, the feedback from candidates regarding the recruitment process has been positive.

There has been very little employee turnover at Community Power this past fiscal year. Of the 31 vacancies, 27 were new positions. Community Power's retention efforts include offering competitive wages, 10% of base pay employer contribution to employee Money Purchase Plan retirement account, generous vacation and sick time, 11 paid holidays including a winter break, and a professional development stipend. Because Community Power has been highly successful in filling vacant positions this past fiscal year and retaining its employees, no changes are being recommended to its recruitment process and retention efforts.

Table 2



FISCAL IMPACT:

N/A

ATTACHMENTS:

N/A

SAN DIEGO COMMUNITY POWER
Staff Report – Item 6

TO: **Finance and Risk Management Committee**

FROM: **Dr. Eric Washington, Chief Financial Officer**

VIA: **Karin Burns, Chief Executive Officer**

SUBJECT: **Recommend Board Approval of Resolution No. 2025-06, adopting the FY 2025-2026 Operating Budget, FY 2025-2026 Capital Budget, and FY 2026-2030 Capital Investment Plan**

DATE: **June 12, 2025**

RECOMMENDATION:

Recommend Board Approval of Resolution No. 2025-06, adopting the FY 2025-2026 Operating Budget, the FY 2025-2026 Capital Budget, and the FY 2026-2030 Capital Investment Plan.

BACKGROUND:

On October 1, 2019, the Founding Members of San Diego Community Power (Community Power) 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 Community Power Board of Directors (Board) shall adopt an annual budget prior to the commencement of the fiscal year. The JPA further provides that Community Power's fiscal year runs from July 1 to June 30, unless changed by the Board.

Section 7.3.1 of the JPA requires that Community Power budgets 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 Community Power 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 Community Power 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	Staff develop operating budgets Baseline budget is developed	Strategic planning sessions with SDCP Board SDCP Board Preview (Information Item)	Financial and Risk Management Committee Review SDCP Board Approval	July 1st Budget Implemented Mid-year budget review (February) Budget amendments as necessary

Table 2 illustrates the proposed FY 2025-2026 budget in comparison to Community Power's budgets from prior years.

Table 2. Community Power Budget History

Operating Budget	Net Revenues	Total Expenses	Net Position
FY 2020-21 Amendment	$ 26,286,909	$ 34,135,000	$ (7,848,091)
FY 2021-22 Amendment	$ 378,053,506	$ 342,177,063	$ 35,876,443
FY 2022-23 Amendment	$ 929,791,929	$ 772,078,709	$ 157,713,220
FY 2023-24 Amendment	$ 1,304,274,067	$ 1,070,891,284	$ 233,382,783
FY 2024-25 Amendment	$ 1,221,258,172	$ 1,187,090,169	$ 34,168,003
FY 2025-26 Proposed	**$ 1,199,619,794**	**$ 1,035,006,277**	**$ 164,613,302**

ANALYSIS AND DISCUSSION:

The proposed FY 2025-2026 operating budget includes net operating revenue of $1,199,619,579 and total expenses of $1,035,006,277, resulting in net position of $164,613,302.

The proposed FY 2025-2026 capital budget includes revenue and expenses of $54,545,636 to fund 12 projects in FY 2025-2026, totaling 21 active projects during the fiscal year.

The proposed FY 2026-2030 capital investment plan includes 21 projects that will receive funding in the five-year period, totaling $344.3 million in investments. The first year of the FY 2026-2030 CIP comprises the FY 2025-2026 capital budget. Additionally, $11.2 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.

Operating Revenue

Community Power's net operating revenue consists primarily of revenues from sales of electricity. Assumptions regarding net operating revenue include:

- Enrollment of customers is complete from all member jurisdictions.

- 95% participation rate across all jurisdictions.
- A 1.75% uncollectible rate which remains the same as last fiscal year.
- Rates that were set and approved by the Board on February 7, 2025.

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

Operating Expenses
Community Power's non-energy operating expenses fall into four categories: "personnel costs", "professional services and consultants", "marketing and outreach", and "general and administration." 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 7 new staff members during the FY 2025-26 budget cycle, growing the agency to 94 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 Community Power.

- **General and Administration** budget covers the cost of office space, equipment, membership dues, and other general operational costs.

Non-Operating Expenses
Community Power'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 Plan (CIP)
In FY 2025-2026 Community Power is continuing its Capital Investment Plan (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 2025-2026 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 2025-2026 capital budget.

Net Income
The proposed FY 2025-2026 budget results in a net position of $164,613,302.

The following table illustrates Community Power's proposed FY 2025-26 operating budget compared to the amended budgets for FY 2023-24 and FY 2024-25.

Table 3. FY 2025-2026 Proposed Budget compared to the FY 2023-24 and FY 24-25 Amended Budgets.

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Revenue	1,365.7	1,243.0	1,221.0
Less Uncollectible Accounts	-61.4	-21.8	-21.4
Net Operating Revenues	**1,304.3**	**1,221.3**	**1,199.6**
Cost of Energy	1,020.8	1,116.8	956.7
Non-Energy Costs	43.8	50.8	54.3
Subtotal Operating Expense	**1,064.6**	**1,167.6**	**1,010.9**
Debt Service	2.4	1.3	1.9
Capital Investment Plan (Transfer Out)	4.7	18.2	22.2
Total Expenses	**1,071.0**	**1,187.1**	**1,035.0**
Net Position	**233.3**	**34.2**	**164.6**

Amounts displayed in millions, $

The next table illustrates Community Power's proposed FY 2026-2030 Capital Investment Plan. The first year of the FY 2026-2030 Capital Investment Plan represents Community Power's FY 2025-2026 Capital Budget.

Table 4. Community Power FY 2026-2030 Capital Investment Plan

	Carry-forward	**5-Year Budget**					
	FY25	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**Total**
External Funding							
Regional Energy Network	-	31.9	59.5	51.4	42.0	43.7	228.6
DAC-GT	(0.1)	0.6	0.5	0.5	0.5	0.5	2.4
CDFA	0.7	-	-	-	-	-	0.7
Equitable Building Decarbonization	1.4	-	-	-	-	-	1.4
Subtotal	**2.0**	**32.5**	**60.0**	**51.9**	**42.5**	**44.2**	**233.0**

Internal Funding								
Energy Efficiency	0.0		-	-	-	-	-	0.0
Solar Battery Savings	3.2		18.8	11.1	10.4	8.3	8.5	60.3
Pilot Programs	2.5		-	-	-	-	-	2.5
Grants	0.2		1.3	-	-	-	-	1.5
DER	0.0		-	-	-	-	-	0.0
Flexible Load	0.3		0.3	0.6	0.6	0.8	0.7	3.3
IT Projects	2.5		1.5	-	-	-	-	4.0
Community Education		-	0.0	-	-	-	-	0.0
App Assistance	0.3		-	-	-	-	-	0.3
Program Evaluation		-	0.3	-	-	-	-	0.3
Other CIP		-	-	7.4	8.7	11.2	11.7	39.1
Subtotal	**9.2**		**22.2**	**19.1**	**19.7**	**20.3**	**20.9**	**111.3**
CIP Expense Total	**11.2**		**54.7**	**79.1**	**71.6**	**62.8**	**65.1**	**344.3**

Amounts displayed in millions, $

The proposed budget now includes an adjustment to our Capital Investment Plan (CIP) funds. We've shifted some of the remaining budget allotment from in-house personnel to professional services, which we expect will lead to long-term savings on personnel costs. We've also updated the carryforward funds. These revisions make the proposed budget more current.

Table 5. Community Power FY 2025-2026 CIP Draft vs Proposed

	Draft CIP FY26	Proposed CIP FY26	FY26 Draft vs. Proposed
External Funding			
Regional Energy Network	228.7	228.6	0.1
DAC-GT	2.7	2.4	0.3
CDFA	0.5	0.7	(0.2)
Equitable Building Decarbonization	1.5	1.4	0.1
Other	0.9	-	0.9
Subtotal	**234.3**	**233.0**	**1.3**
Internal Funding			
Energy Efficiency	-	0.0	(0.0)
Solar Battery Savings	59.8	60.3	(0.5)
Pilot Programs	1.7	2.5	(0.8)
Grants	1.5	1.5	(0.0)
DER	0.1	0.0	0.1
Flexible Load	3.1	3.3	(0.2)
IT Projects	3.5	4.0	(0.5)
Community Education	-	0.0	(0.0)
App Assistance	0.1	0.3	(0.2)
Program Evaluation	0.3	0.3	0.1
Other CIP	0.2	39.1	(38.9)
Subtotal	**70.3**	**111.3**	**(41.0)**
CIP Expense Total	**304.6**	**344.3**	**(39.7)**

Amounts displayed in millions, $

Table 6. Community Power FY 2025-2026 Budget Draft vs Proposed

Category	Draft Budget FY26	Proposed Budget FY26	FY26 Draft vs Proposed Difference
Revenue			
Gross Ratepayer Revenues	$ 1,220,986,849	$ 1,220,986,849	$ -
(Less 1.75%* Uncollectible)	$ (21,367,270)	$ (21,367,270)	$ -
Total	**$ 1,199,619,579**	**$ 1,199,619,579**	**$ -**
Expenditures			
Cost of Energy	$ 956,690,816	$ 956,690,816	$ -
General and Administration	$ 5,841,527	$ 5,841,527	$ -
Marketing and Outreach	$ 2,647,481	$ 2,647,481	$ -
Personnel Costs	$ 21,115,541	$ 21,115,541	$ -
Professional Services and Consultants	$ 24,647,755	$ 24,647,755	$ -
Programs	$ -	$ -	$ -
Total	**$ 1,010,943,119**	**$ 1,010,943,119**	**$ -**
Debt Service	**$ 1,892,558**	**$ 1,892,558**	**$ -**
CIP	**$ 21,353,333**	**$ 22,170,600**	**$ 817,267**
Net Position	**$ 165,430,569**	**$ 164,613,302**	**$ (817,267)**

FISCAL IMPACT:

The proposed FY 2025-2026 budget is expected to result in a net position of $164.6 million, with resulting total cash reserves of $572.0 million, or 207-days cash on hand by the end of FY 2025-2026, based on the agency's current projections which are subject to change, especially as energy markets fluctuate.

Community Power additionally proposes a one-time investment of $22.2 million into the agency's Capital Investment Plan. The large majority of this one-time investment is meant to fund $18.8 million for the Solar Battery Savings program, which offers upfront and performance-based incentives for home battery systems that boost resilience and reduce grid demand. The program was recognized in the U.S. Department of Energy's 2025 Virtual Power Plant Liftoff Report as a model for customer-centered innovation in distributed energy and offers incentives savings to customers while also reducing energy costs for Community Power during peak periods of demand.

ATTACHMENTS:

A: Draft FY 2025-2026 Operating Budget Book (Jun 12 redlined)
B: Draft FY 2026-2030 Capital Investment Plan (Jun 12 redlined)
1: A Resolution of the Board of Directors of San Diego Community Power Adopting the Fiscal Year 2025-2026 Operating Budget, the Fiscal Year 2025-2026 Capital Budget (Exhibit A) , and the Fiscal Year 2026-2030 Capital Investment Plan (Exhibit B)

ITEM 6
ATTACHMENT A

FISCAL YEAR
2025
2026

SAN DIEGO COMMUNITY POWER

Operating Budget

Fiscal Year 2025–2026

Resolution 2025-XX

Draft Revised June 12, 2025

Contents

List of Figures

List of Tables

How to Use This Book

The San Diego Community Power (Community Power) Fiscal Year (FY) 2025–2026 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.

Overview

Provides a high-level overview of Community Power'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 Community Power'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 Community Power's budget development and implementation as well as high-level financial data summarizing Community Power's proposed budget. The tables detail changes over a two-year period: FY 2024–2025 Amended Budget and the proposed FY 2025–2026 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 Community Power'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, including applicable Community Power policies as well as a glossary of commonly used terms.

A Letter from the Chief Executive Officer

At San Diego Community Power, we are shaping a future that is both sustainable and equitable. As a not-for-profit public agency and Community Choice Aggregator (CCA), we were created to bring competition to the local energy marketplace, offering cleaner energy at competitive rates and reinvesting revenues back into our communities.

Since launching in 2021, we've grown significantly in both reach and impact. In 2024, we remained focused on our mission: delivering reliable, clean power at competitive rates while advancing programs that make a tangible difference for our customers.

Affordability and long-term value remain central to our strategy. In February 2025, we reduced rates for the second year in a row — thanks to prudent financial planning and favorable market conditions — providing most customers with a discount compared with San Diego Gas & Electric's electricity generation rates.

Every decision we make, from lowering rates to expanding service options, is grounded in the needs of our customers and communities. Last summer, we introduced two new service options: **Power100 Green+**, for commercial customers seeking the highest level of renewable energy, and **PowerBase**, a more affordable option that still meets California's clean energy standards

Even as we deliver near-term savings, we continue to plan for long-term energy security and stability. The broader power market remains volatile, shaped by a constrained statewide resource supply and uncertain federal tax credit and trade policies. Our Power Services team is navigating these challenges through disciplined procurement and long-range planning.

To date, we've executed 17 long-term power purchase and energy storage agreements that will deliver reliable, renewable electricity to nearly 1 million homes and businesses across our region. These investments not only support our goal of 100% renewable energy by 2035, but also help insulate customers from future price spikes.

In 2024, we marked a major milestone with the ribbon cutting of the **Vikings Solar and Storage Project** in Imperial County. Developed by Arevon, with Community Power as the offtaker, Vikings is more than just a solar generation site. As one of the first utility-scale solar peaker plants in the United States, the project is designed to keep the lights on and costs down when demand is at its highest — powering the equivalent of 50,000 San Diego homes with clean, affordable energy. It exemplifies our broader procurement strategy: securing long-term renewable power while creating local and regional economic opportunity.

In addition to expanding customer choice and value, we've made progress on delivering innovative solutions that support customers across the region. Last summer, we launched our largest customer program to date, **Solar Battery Savings**, which offers upfront and performance-based incentives for home battery systems that boost resilience and reduce grid demand during peak hours. The program was recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report* as a model for customer-centered innovation in distributed energy.

We also secured approval from the California Public Utilities Commission to launch the **San Diego Regional Energy Network (SDREN)** in partnership with the County of San Diego. SDREN will generate nearly $125 million in energy efficiency resources for the region through 2027 and marks the final major population area in California to establish a Regional Energy Network.

As we grow, we're also investing in the internal systems and strategic planning necessary to scale effectively, operate efficiently and remain accountable to the public.

The FY 2025–2026 proposed budget reflects these priorities, with a focus on smart investment and sustainable growth:

1. **Expanding Programs and Incentives** — Scaling Solar Battery Savings and launching the SDREN portfolio to support clean energy adoption, equity and resilience
2. **Capital Investment Planning** — Advancing our Capital Investment Plan to guide infrastructure development and ensure transparency
3. **Stable, Competitive Rates** — Maintaining affordability through disciplined operations, long-term procurement and financial foresight
4. **Customer-Centered Services** — Deepening engagement, broadening access and tailoring offerings to meet diverse community needs
5. **Organizational Sustainability** — Strengthening our internal capacity to support long-term strategy and service delivery
6. **Fiscal Sustainability** — Continuing to work toward our reserves goals to ensure long-term financial strength

As we look ahead, our focus remains on driving measurable impact: accelerating the region's clean energy transition, supporting local climate goals and building a more just and resilient energy system. With the continued leadership of our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to power the path toward a cleaner, more resilient future — together.

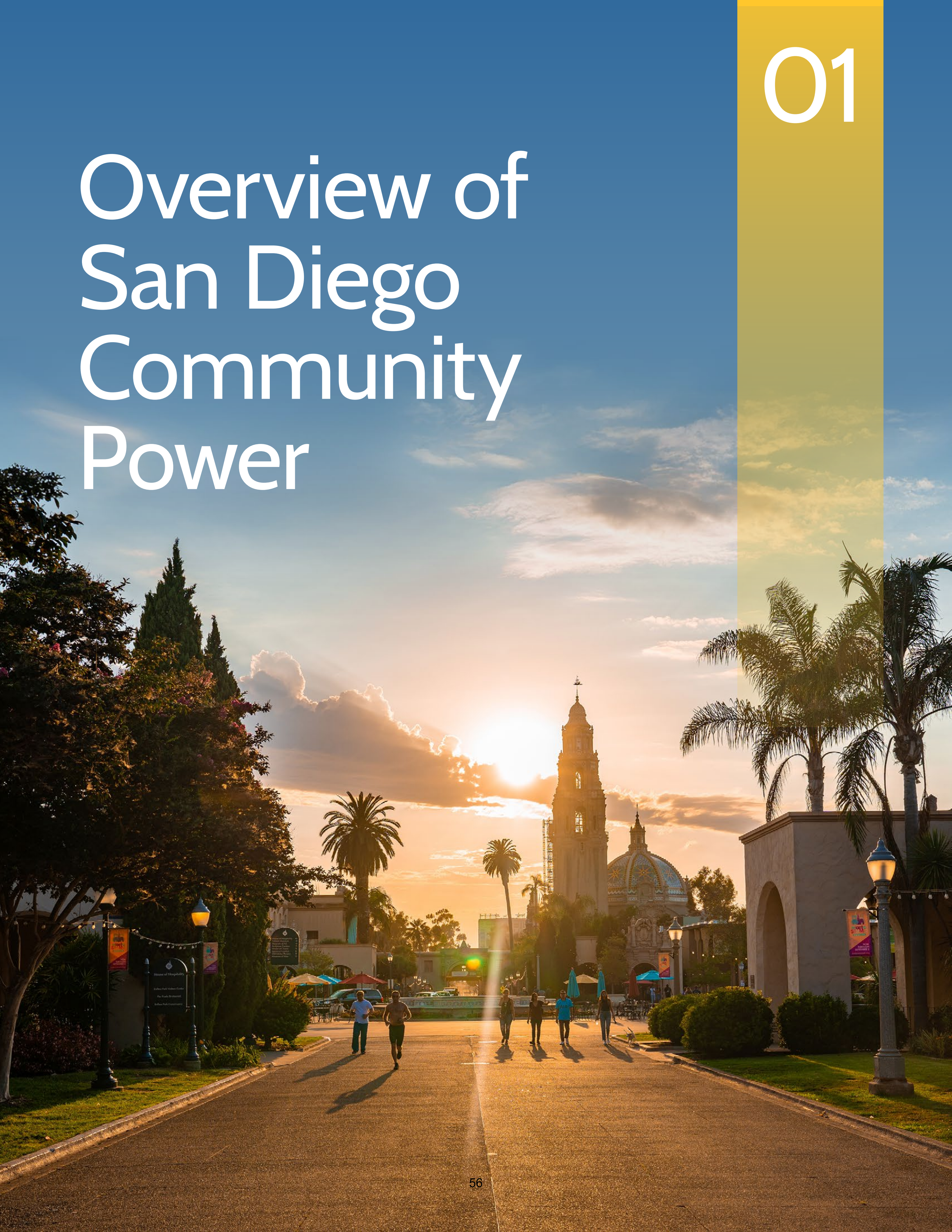
Thank you for your continued trust and partnership.

Karin Burns

Chief Executive Officer
San Diego Community Power

01

Overview of San Diego Community Power



Overview of San Diego Community Power

Who We Are

San Diego Community Power is a Community Choice Aggregator (CCA) that gives customers an option to power their homes and businesses with significantly higher levels of renewable power at competitive rates. Since 2021, Community Power has grown to serve nearly 1 million residential, business and municipal power customers in the cities of San Diego, Chula Vista, Encinitas, Imperial Beach, La Mesa and National City as well as the unincorporated communities of San Diego County.

Community Power is a not-for-profit public agency that provides affordable clean energy and invests in its local communities to create an equitable and sustainable future for the San Diego region.

Learn more at [www.sdcommunitypower.org.](http://www.sdcommunitypower.org)

Our Story

FORMATION

With support from local communities, Community Power was established as a Joint Powers Authority by five cities within the San Diego region. Community Power submitted an implementation plan to the California Public Utilities Commission, outlining the intended organizational structure, operations and funding. Once approved, our Board of Directors began to meet regularly, and implementation activities began. In 2020, a sixth city and the County of San Diego elected to join Community Power.

ENROLLMENT 2021–2023

Through phased enrollment from 2021 through 2023, Community Power gradually became the official clean energy provider for our member agencies. Customers were automatically enrolled in our service and received two notices before and two notices after enrollment.

TODAY

Community Power serves nearly 1 million customers with competitively priced clean energy; we are beginning to offer customer programs and rebates as well as supporting San Diego County's energy efficiency goals through the San Diego Regional Energy Network (SDREN).

About Community Choice

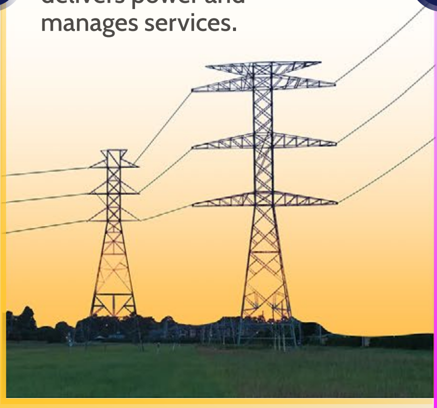
San Diego Community Power is a Community Choice Aggregator (CCA) — one of dozens that have formed throughout California over the past 20 years. There are currently 25 CCAs serving over 14 million customers in California.

Through CCAs, communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local clean energy projects and programs on behalf of their residents and businesses. CCAs like Community Power work in partnership with the region's existing investor-owned utilities (SDG&E in our case), which continue to deliver power and maintain the grid.

How It Works

Community Power
purchases electricity from renewable sources.

SDG&E
delivers power and manages services.



You
enjoy cleaner power at competitive rates.

CCAs are making good on their commitments to invest in new renewable energy facilities throughout California. To date, CCAs have contracted for more than 18,000 megawatts (MW) of new clean generation capacity through long-term power purchase agreements (PPAs) with terms of 10 years or more. CCA PPAs equate to:

- More than 18 gigawatts (GW) of new solar, wind, energy storage, geothermal and demand response resources
- Projects totaling more than 7,900 MW that are already operational and serving CCA customers
- More than $37 billion committed by CCAs to build and operate clean energy resources
- Support for more than 36,000 construction jobs

FIGURE 1. CCAS IN CALIFORNIA

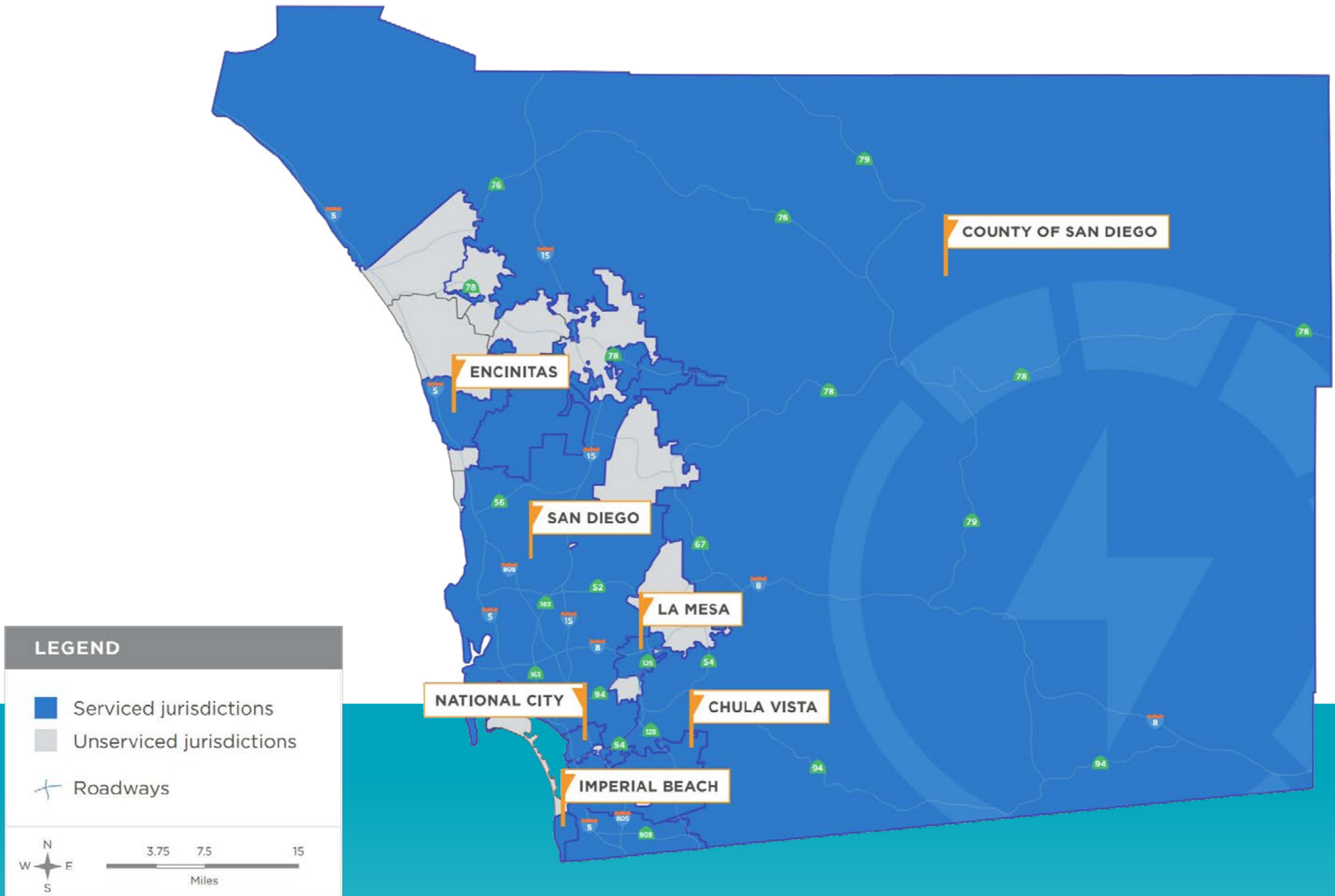
02

Serviced Communities

Serviced Communities

FIGURE 2. SAN DIEGO MAP IN SAN DIEGO COUNTY

SERVICE AREA MAP



County Population

San Diego County is the southernmost major metropolitan area in California and boasts a diverse and vibrant population. According to the State of California Department of Finance, as of May 2022, San Diego County's estimated population on January 1, 2022, stood at 3.29 million. This figure represents a decline of 0.85% (approximately 28,000 individuals) from the January 1, 2021, estimates reported in May 2021. San Diego County ranks as the second-largest California county by population and the fifth-largest county nationwide. 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% increase compared to the year 2000, or a 10.1% increase compared to the year 2022.

FIGURE 3. SAN DIEGO COUNTY POPULATION

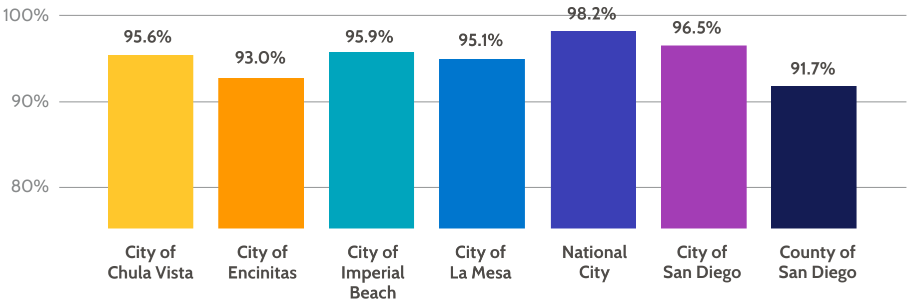
San Diego County Population

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

Source: U.S. Census, 2010 data; California Department of Finance 2021 estimates as of May 2, 2021, and May 2, 2024.

Participation by Jurisdiction

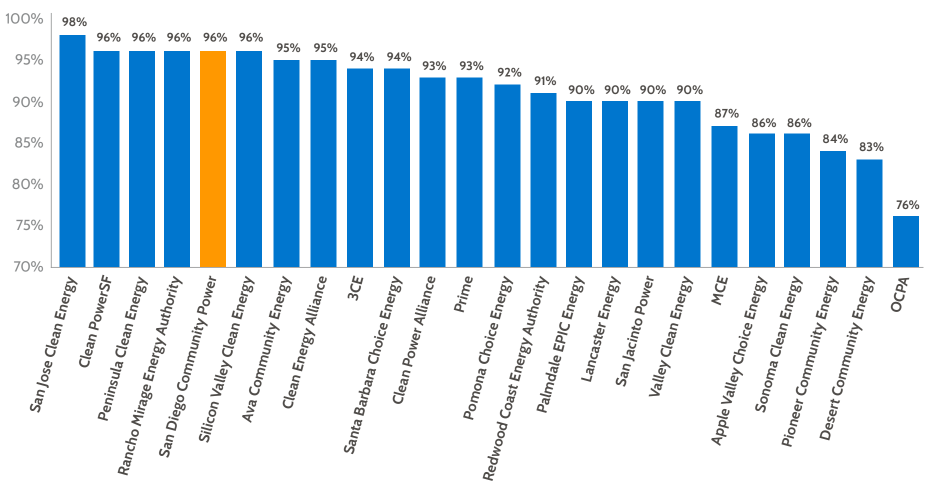
FIGURE 4. PARTICIPATION BY JURISDICTION



JURISDICTION	SERVICE OPTION DEFAULT	ELIGIBLE ACCOUNTS	ENROLLED ACCOUNTS	PARTICIPATION RATE
City of Chula Vista	PowerOn	98,635	94,255	95.6%
City of Encinitas	Power100	28,804	26,792	93%
City of Imperial Beach	PowerOn	10,852	10,403	95.9%
City of La Mesa	PowerOn	29,514	28,066	95.1%
National City	PowerOn	19,431	19,085	98.2%
City of San Diego	PowerOn	624,704	603,071	96.5%
County of San Diego	PowerOn	190,214	174,419	91.7%
Total		**1,002,154**	**956,091**	**95.4%**

Participation Rates Across CCAs

FIGURE 5. PARTICIPATION RATES ACROSS CCAS



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

FIGURE 6. COMMUNITY POWER MEMBER AGENCIES

Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, Imperial Beach and La Mesa adopted an ordinance and resolution to form San Diego Community Power, a California Joint Powers Authority (JPA). In 2021, National City and the County of San Diego voted to join Community Power.

Community Power's Board of Directors is composed of an elected representative from each member jurisdiction, with each member having an alternate from the agency they represent. The Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it establishes policy, sets rates, determines power purchase options and maintains fiscal oversight.

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

Organizational Structure

FIGURE 7. ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

Paloma Aguirres
Chair

Terra Lawson-Remer
Vice Chair

Sean Elo-Rivera
Councilmember

Marco San Antonio
Councilmember

Michael Inzunza
Councilmember

Genevieve Suzuki
Councilmember

Ditas Yamane
Councilmember

Finance & Risk Management Committee

Community Advisory Committee

LEGAL

General Counsel

CHIEF EXECUTIVE OFFICER

Karin Burns

Clerk of the Board

OPERATIONS

Chief Operating Officer

Data Analytics & Account Services

Public Affairs

Programs

Regulatory & Legislative Affairs

POWER SERVICES

Chief Commercial Officer

FINANCE

Chief Financial Officer/ Treasurer

HUMAN RESOURES & ADMINISTRATION

Senior Director of People Operations & Administration

Executive Team

FIGURE 8. EXECUTIVE TEAM

Karin Burns
Chief Executive Officer

Eric Washington
Chief Financial Officer and Deputy Chief Executive Officer/ Treasurer

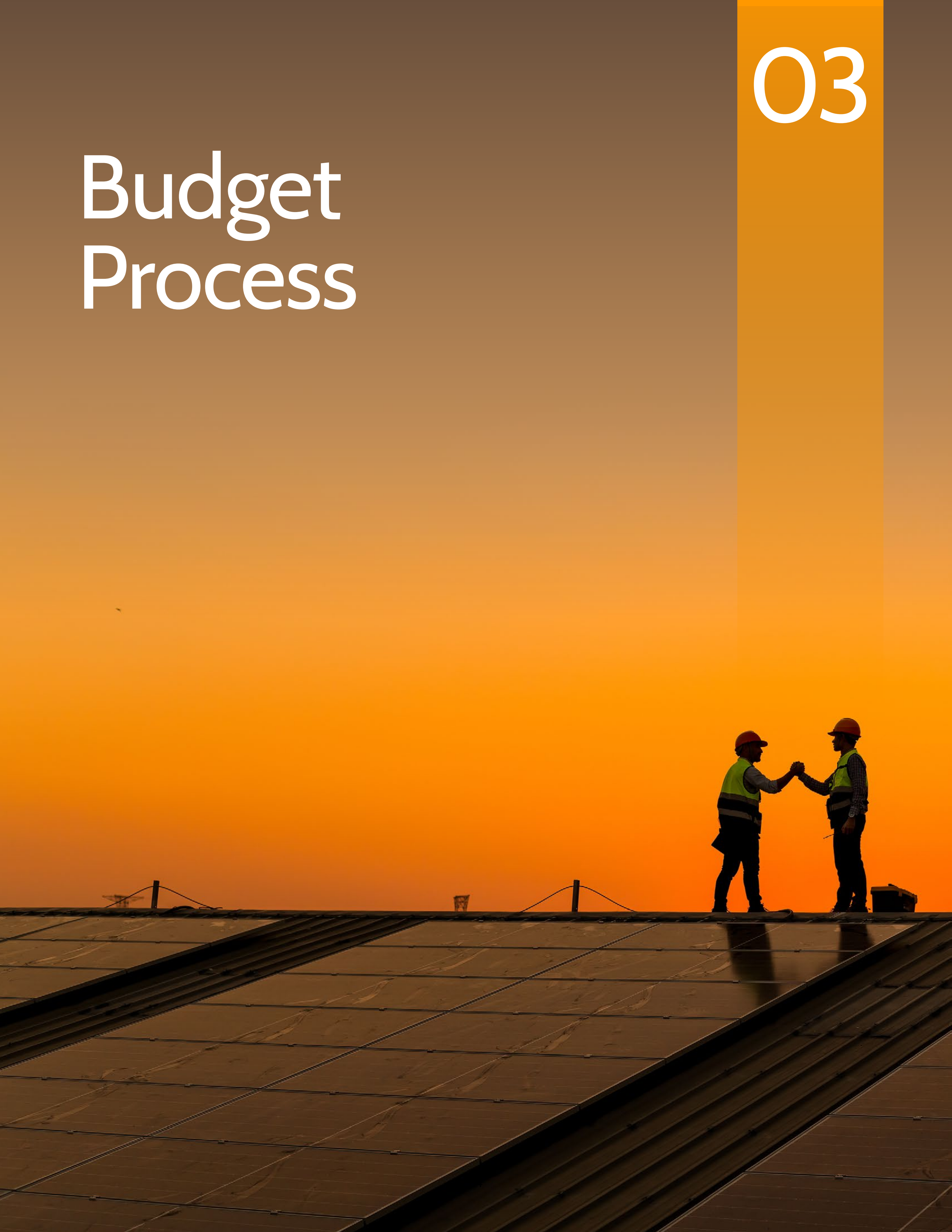
Jack Clark
Chief Operating Officer

Veera Tyagi
General Counsel

Vacant
Chief Commercial Officer

03

Budget Process



Budget Process

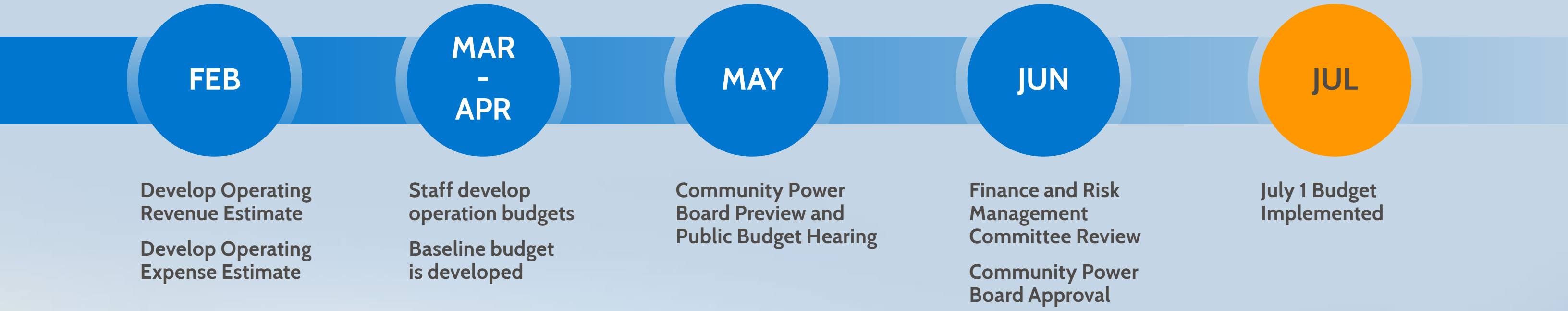
Annual Budget Cycle

On October 1, 2019, the Founding Members of San Diego Community Power 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 Community Power Board of Directors (Board) shall adopt an annual budget prior to the commencement of the fiscal year. The JPA further provides that Community Power's fiscal year runs from July 1 to June 30, unless changed by the Board. 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 Community Power Boards adopted the [Community Power Budget Policy] on July 28, 2022, which formally outlined the agency's budget preparation steps and timeline. The chief financial officer (CFO) begins the annual budget process in February of each year. The Finance Department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, Community Power staff develops and refines budget proposals in order to develop an initial budget baseline for the Agency's upcoming budget year. The budget is further refined through strategic planning sessions and through the Community Power Finance and Risk Management Committee (FRMC).

The CFO is then required to prepare and submit to the 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

FIGURE 10. BUDGET CALENDAR

DATE	MILESTONE
January 2025	Finance Department prepares for February launch of the annual budget cycle.
February 2025	Budget process begins. Initial revenue and expense estimates are developed.
March to April 2025	Departments propose unconstrained expense requests for review.
April 2025	Staff sets initial budget baseline.
May 22, 2025	FY 2025–2026 budget is reviewed by the Board of Directors as an information item.
June 12, 2025	Community Advisory Committee reviews the FY 2025–2026 budget and provides feedback.
June 12, 2025	Finance and Risk Management Committee reviews the FY 2025–2026 budget and provides final feedback.
June 26, 2025	FY 2025–2026 budget is potentially adopted by the Board of Directors as an action item.
July 1, 2025	FY 2025–2026 budget is implemented.

Strategic Planning

San Diego Community Power's budgeting process is directly informed by its Strategic Plan — a document co-created by our Board, our CAC, our executives and our team — that translates community priorities into actionable goals. The Strategic Plan is a critical management tool, helping to align resources, guide operational decisions and drive long-term organizational focus across every department and initiative.

Now three years into our first strategic planning cycle, Community Power has reached a pivotal inflection point. Since the adoption of our 2023–2027 Strategic Plan in June 2022 and its subsequent update in April 2023, we've achieved many of the ambitious goals we set, made meaningful progress on others and thoughtfully recalibrated where needed. From October 2024 to March of 2025 we embarked on a revision and update to our strategic plan, setting aggressive new goals while continuing to focus our efforts, build our organization and deliver on the promise of community choice.

What hasn't changed is our mission, vision and core values. These foundational statements continue to guide our work even as we refine our priorities and strategies to reflect new opportunities, challenges and lessons learned. With our team, customer base and clean energy infrastructure significantly expanded, we now turn toward a new two- to three-year horizon — one defined by sustained growth, increased financial responsibility and a deeper investment in the people and systems that power our organization.

As we evolve, we continue to ask a simple but powerful question: Does this activity serve our purpose? Every program, investment and initiative we pursue should answer "yes" to at least one of the following:

- Does it make energy more affordable for our customers?
- Does it make things easier for our customers?
- Does it make our energy more renewable?
- Does it maintain or improve the health of our organization?
- Does it build trust with our communities, stakeholders and local governments?

These questions — and the values underlying them — serve as a filter and a guidepost, helping to ensure that our Strategic Plan remains grounded in what matters most to our customers and communities.

FIGURE 11. SAN DIEGO COMMUNITY POWER MISSION STATEMENT

Mission Statement

To provide affordable clean energy and invest in the community to create an equitable and sustainable future for the San Diego region.

As part of this new planning phase, Community Power has identified four overarching themes to guide our work:

Fiscal Sustainability

We remain committed to building strong financial reserves, managing risk and pursuing strategies like clean energy prepay transactions that can reduce long-term costs for customers.

Infrastructure Investment

This includes both internal infrastructure, such as IT, legal, data and policy capacity, and external infrastructure, including local battery storage, distributed energy resources and virtual power plant development.

Customer Affordability

Affordability remains the top concern voiced by our community and is front of mind with every power purchase, financial hedge, compliance obligation or additional long-term power resource we contract with to support our short- and long-term procurement efforts. Our additional activities — ranging from the development of targeted rates like PowerBase to launching the San Diego Regional Energy Network — will continue to focus on reducing energy bills while meeting state policy goals.

People

As we grow, so does our responsibility to ensure a resilient and inclusive workplace culture. We are investing in management training, professional development and succession planning to ensure strong continuity and a high level of staff retention.

Together, these priorities inform the structure of our proposed FY 2025–2026 budget and the evolution of our Strategic Plan. That work is organized around seven long-term Strategic Goals that anchor the agency's planning and performance management. These goals guide not only how we invest our resources but also how we measure our progress as a public agency accountable to the communities we serve.

Core Strategic Goals

1. Fiscal Sustainability

Practice fiscal strategies to promote long-term organizational sustainability.

- Execute at least six clean prepayment transactions over the next three years to generate $30 million in annual power cost savings.
- Obtain a public investment-grade credit rating by November 2027.
- Grow reserves by $150 million to maintain 180 days' cash on hand by December 2027.
- Build a $70 million Rate Stabilization Reserve to mitigate cost volatility.
- Strengthen financial controls across contracting, risk management and procurement.

2. Energy Portfolio Development

Provide sufficient, affordable and clean electricity to our customers.

- Reach 100% renewable energy by 2035 with interim goals of 75% by 2027 and 85% by 2030.
- Support development of 1 gigawatt of new local clean energy capacity by 2035, including 300 MW of infill and distributed energy resources (DERs).
- Ensure reliable and cost-effective compliance with all regulatory requirements.
- Create good-paying local jobs in clean energy sectors.

3. Community Program Delivery

Implement programs that reduce greenhouse gas emissions, align energy supply and demand and benefit our diverse communities.

- Deliver 150 MW of local DER capacity (of the 300 MW total goal) by 2035 through programs like Solar Battery Savings.
- Launch all San Diego Regional Energy Network (SDREN) programs by FY 2026.
- Implement a robust program evaluation framework by FY 2026.
- Expand external funding for clean energy programs.

4. Legislative and Regulatory Advocacy

Advance policies that support Community Power's mission and customer goals.

- Educate policymakers and regulators to influence outcomes consistent with our policy platform.
- Support and sponsor legislation aligned with our values and needs.
- Remain an active participant in coalitions such as CalCCA to amplify our voice.
- Strategically pursue public funding aligned with agency goals.

5. Trusted Brand Building

Build a trusted brand that supports engagement, participation and program success.

- Position San Diego Community Power as a collaborative public agency rooted in transparency.
- Grow the Power Network of nonprofit and community-based partners to expand community reach.
- Elevate brand awareness through education and outreach.
- Empower customers to take advantage of savings and services through awareness, education and ongoing communication programs.

6. Customer Care

Ensure high customer satisfaction and retention.

- Refine rate structures to balance affordability, clean energy and fiscal prudence.
- Resolve SDG&E billing issues and improve customer experience.
- Explore options for a best-in-class customer service model.
- Address arrearages and connect customers to available resources.

7. Organizational Excellence

Foster an innovative, inclusive and resilient workplace.

- Transition into a learning organization by late 2026 with robust staff development.
- Maintain a high level of employee satisfaction through engagement and continuous feedback.
- Launch a new internship program for local college students by FY 2027.

FIGURE 12. SAN DIEGO COMMUNITY POWER VISION STATEMENT

Vision Statement

A global leader inspiring innovative solutions to climate change by powering our communities with 100% clean energy while prioritizing equity, sustainability and high-quality jobs.

Core Strategic Goals

1. Fiscal Sustainability
2. Energy Portfolio Development
3. Community Program Delivery
4. Trusted Brand Building
5. Legislative and Regulatory Advocacy
6. Customer Care
7. Organizational Excellence

Community Outreach Strategy

As a public agency with a deep commitment to transparency and community accountability, San Diego Community Power approaches outreach not as a one-time event, but as a continuous, year-round effort. Our budget process is informed by this ongoing engagement with customers, stakeholders and local leaders, ensuring our financial planning reflects the needs and priorities of the people we serve.

Public Meetings and Oversight

Core to our transparency is the public nature of our governance. Per our Rate Development Policy, rate setting is done via a public process, developed by staff and ultimately approved by our Board of Directors (Board) — all through open meetings where the public is invited to participate. Our Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it not only sets rates, but also establishes policy, determines power options and maintains fiscal oversight. Similarly, our Board is informed by a subset of members on the Finance and Risk Management Committee (FRMC), and the Community Advisory Committee (CAC) advises the Board and provides a venue for ongoing citizen support and engagement in Community Power. These monthly public forums offer meaningful opportunities for community input and serve as a foundation for budget development and agency decision-making.

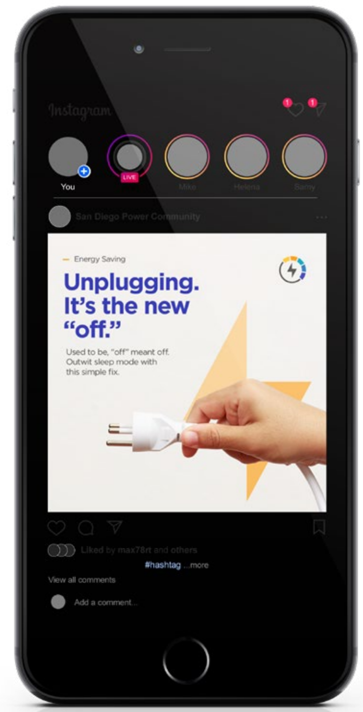
Customer Notices and Transparency Tools

We also ensure customers have access to clear and timely information about their energy service. The annual Joint Rate Comparison — published in coordination with SDG&E — provides side-by-side rate and service comparisons to help customers make informed choices. Similarly, our Power Content Label offers a breakdown of the energy sources we procure on behalf of our customers, highlighting our commitment to cleaner energy and sustainability.

Our website is another key transparency tool, offering customers easy access to rate options, program details, meeting materials and more. Specifically, the bill comparison calculator offers customers an opportunity to evaluate Community Power rates alongside those of SDG&E. As part of our continued commitment to improving the customer experience, we are currently undertaking a website redesign to make resources easier to find, understand and apply.

Targeted Outreach and Engagement

Beyond formal governance, Community Power regularly provides updates to our member agencies and their elected



FIGURES 13 & 14. SOCIAL MEDIA OUTREACH

bodies, including 2025 updates, which are currently underway. These presentations offer a transparent look at our progress, priorities and evolving initiatives.

We also continue to expand and refine our outreach efforts across the service territory to engage more residents and businesses. In 2024 alone, Community Power participated in more than 151 community events, resulting in 18,539 unique interactions with the public through in-person engagement. These efforts are bolstered by strategic partnerships, sponsorships and targeted media outreach, including our ongoing partnership with CBS 8's "Working for Our Communities" campaign, which helps us reach new audiences and share critical information about our programs and services.

Our quarterly newsletter provides regular updates on new initiatives, energy-saving tips and agency milestones. One of our more impactful recent engagement efforts has been the launch of a comprehensive customer feedback survey as part of our brand refresh and website redesign. This survey invites customers to share their priorities, service expectations and clean energy goals — insights that will help shape future programs and guide long-term planning.

Together, these efforts create a strong feedback loop between our agency and the public, ensuring our budget reflects both fiscal responsibility and community values and that every customer has a voice in building a clean, affordable and equitable energy future for our region.

FIGURES 15, 16 & 17. COMMUNITY OUTREACH AND EDUCATION

04

Budget Guidelines

Budget Guidelines

Joint Powers Agreement

On October 1, 2019, the Founding Members of Community Power adopted the Joint Powers Agreement (JPA), which was amended and restated on December 16, 2021. Several sections of the JPA guide the development and management of the budget.

Section 4.6 Specific Responsibilities of the Board. The specific responsibilities of the Board of Directors (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 Community Power 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 Community Power Board shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

On July 28, 2022, the Community Power Board adopted the Community Power 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 Community Power's Budget Level 2 categories as established and approved in the annual budget process by the Community Power 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 Community Power's rate-setting policy in which Community Power'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.

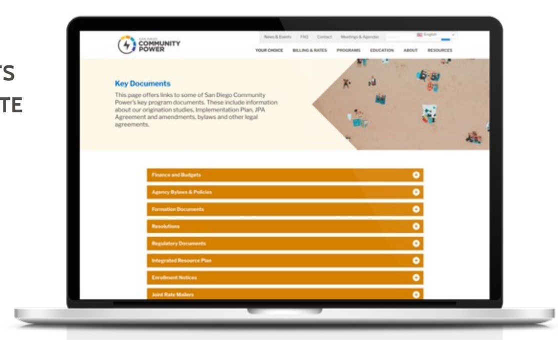
The Agency also maintains several policies posted to its Key Documents page on its website that provide further fiscal guidance.

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

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

- Energy Risk Management Policy
- Delegated Contract Authority
- Total Compensation Policy
- Board and Committee Compensation Reimbursement Policy
- Net Energy Metering (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 18.
KEY DOCUMENTS PAGE ON WEBSITE



Budget Structure

Community Power's basis of budgeting is 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.

Community Power's basis of accounting, similarly, in its financial statements is 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

Community Power's budget is developed as a line-item budget and is organized by department to indicate the agency's organizational responsibility.

FIGURE 19. BUDGET STRUCTURE — DEPARTMENT HIERARCHY

DEPARTMENT
Executive
Finance
Power Services
Legal
Human Resources and Administration
Operations
Data Analytics & Customer Operations
Public Affairs
Programs
Regulatory & Legislative Affairs

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 completed. Assumptions include an overall 5% opt-out rate.

2. Operating Expenses

Community Power'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 Community Power's customers.

II. **Personnel —** Includes salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately seven new staff members during the FY 2025–2026 budget cycle.

III. **Professional services and consultants —** Includes 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 these Budget Level 3 categories:
   a. Data Management
   b. SDG&E Fees
   c. Technical Support
   d. Legal/Regulatory
   e. Other Services
   f. Programs Consultants

IV. **Marketing and Outreach —** Includes expenses for mandatory enrollment notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Marketing and outreach are further broken down into these 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 Expenses

Community Power's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs comprise repayment of loan principal associated interest costs as well as potential renewal fees on debt or letters of credit.

4. Capital Investment Plan (CIP)

Community Power's budget also includes non-operating expenses related to a Capital Investment Plan. These expenses may be paid with internal or external fund sources and are considered one-time projects or programs. The first year of the CIP is the agency's capital budget.

FIGURE 20. BUDGET STRUCTURE — BUDGET LEVEL HIERARCHY

BUDGET LEVEL 1	BUDGET LEVEL2	BUDGET LEVEL 3
Revenue	Gross Ratepayer Revenues	Gross Ratepayer Revenues
Revenue	(Less 1.75% Uncollectible Customer Accounts)	(Less 1.75% Uncollectible Customer Accounts)
Operating Expenses	Cost of Energy	Cost of Energy
Operating Expenses	Personnel Costs	Salaries
Operating Expenses	Personnel Costs	Benefits (retirement/health)
Operating Expenses	Personnel Costs	Payroll Taxes
Operating Expenses	Personnel Costs	Accrued PTO
Operating Expenses	Professional Services and Consultants	Legal/Regulatory
Operating Expenses	Professional Services and Consultants	Technical Support
Operating Expenses	Professional Services and Consultants	Programs Consultant
Operating Expenses	Professional Services and Consultants	Other Services
Operating Expenses	Professional Services and Consultants	SDG&E Fees
Operating Expenses	Professional Services and Consultants	Data Management
Operating Expenses	Professional Services and Consultants	Contingency
Operating Expenses	Marketing and Outreach	Communications Consultants
Operating Expenses	Marketing and Outreach	Printing
Operating Expenses	Marketing and Outreach	Sponsorships/Local Memberships
Operating Expenses	General and Administration	CalCCA Dues
Operating Expenses	General and Administration	Insurance
Operating Expenses	General and Administration	Rent
Operating Expenses	General and Administration	Other G & A
Operating Expenses	Programs	Programs
Non-Operating Expenses	Debt Service	Interest and Related Expenses
CIP	CIP	CIP

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. Community Power has two types of funds:

1. **Operating Fund** — Accounts for activities that are supported by ratepayer funds. All of Community Power's general operating activities are included in the Operating Fund, which functions very similarly to the enterprise fund of a city or county. The Operating Fund is the primary fund of Community Power 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. Community Power 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.

   Community Power offers four service levels to its customers that, taken together, ultimately comprise the source of ratepayer funds for the agency:

   1. **PowerOn**, our standard service offering that provides 55% renewable power (and 11.7% carbon free) and provides a 3% discount compared with SDG&E's rates
   2. **Power100**, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a $0.01/kWh added to the PowerOn service
   3. **Power100 Green+**, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, available only to commercial and industrial customers and currently priced at a $0.02/kWh adder to the PowerOn service
   4. **PowerBase**, our most affordable service option with renewable content that is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 5% discount compared with SDG&E's rates currently in effect as of February 1, 2025

2. **Continuing Fund** — Accounts for one-time activities in Community Power's Capital Investment Plan and that 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.

   Community Power's Continuing Fund is composed of the following revenue sources:

   - **Community Power Operating Transfers** — Through the annual budget process, the Community Power 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 a Community Power continuing fund to be used across multiple fiscal years given that CIP projects generally last longer than one year.
   - **California Public Utilities Commission (CPUC) DAC-GT** — 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. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.
   - **CPUC Regional Energy Network (REN)** — Public Purpose Program Surcharge funds are available for RENs. On August 7, 2024, the CPUC issued Decision 24-08-003, which approved and authorized Community Power's San Diego Regional Energy Network (SDREN) as a new Energy Efficiency Portfolio Administrator. This decision approved Community Power's application in its entirety, including 2024–2027 energy savings goals and funding, as well as a 2024–2031 Strategic Business Plan. SDREN will offer 10 energy-efficiency programs across San Diego County. These programs will be available, regardless of service provider and will focus on achieving energy savings, reducing emissions, enhancing grid reliability and educating customers on how to reduce energy usage.
   - **California Department of Food and Agriculture (CDFA) Healthy Refrigeration Grant** — The CDFA notified Community Power that it was awarded partial funding in the amount of $710,000 to support Community Power in providing technical assistance and refrigeration units to stock healthy foods at stores throughout Community Power's service territory.

FIGURE 21.
COMMUNITY POWER FUND STRUCTURE

FUND STRUCTURE
Operating Fund
Continuing Fund

FIGURE 22.
COMMUNITY POWER FUND AND BUDGET LEVEL HIERARCHY RELATIONSHIP

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

FY 2025-2026 Budget Principles

FIGURE 23. BUDGET PRINCIPLES

Fiscal Responsibility
Maintain a **fiscally responsible budget** in accordance with Community Power Budget Policy.

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.

Build Community Power Reserves
Build Community Power reserves and develop policies that **consider future economic conditions**.

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

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

Informed
Keep the Community Power Board of Directors and staff informed of Community Power's fiscal condition.

05

Budget Overview

Budget Overview

Budget in Brief

The proposed FY 2025–2026 Operating Budget is the second full fiscal year of full enrollment from Community Power's member jurisdictions, inclusive of net-energy metering customers, within the San Diego region. This budget therefore provides the second year of representation in anticipated full revenues and expenses, moving forward.

As Community Power has scaled to full enrollment, the agency has thoughtfully grown to 87 staff in the current fiscal year. Total staffing for the FY 2025–2026 period includes eight positions that are externally funded and in the Capital Investment Plan (CIP), and 86 positions supporting core operations. By the end of FY 2025–2026, Community Power is expected to have a similar operating budget and staffing levels compared to its peer CCAs of similar customer and load size. Additionally, by the end of FY 2025–2026, Community Power is likely to achieve its strategic goal of having 180 days' cash on hand, which will equip Community Power to earn and maintain a credit rating. This can translate to Community Power being better positioned to negotiate and secure better and more favorable terms in our Power Purchase Agreements that can help reduce electricity rates for customers in the long term while also protecting the long-term solvency of Community Power. Given the positive financial landscape, Community Power expects to maintain minimal, if any, debt during the fiscal year and does not anticipate needing to use its credit facility to finance operations in FY 2025–2026.

The Proposed FY 2025–2026 Operating Budget furthermore includes continued outreach through community events, sponsorships and advertising to inform customers about Community Power.

Lastly, this budget continues to include a 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.

Proposed Operating Budget

The Community Power FY 2025–2026 Proposed Operating Budget is presented in further detail in the following pages. The table below summarizes the revenue and expense budgets proposed for FY26 in comparison to the FY25 and FY24 Amended Budgets.

TABLE 1. OPERATING BUDGET OVERVIEW*

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Revenue	1,365.7	1,233.4	1,221.0
Less Uncollectible Accounts	(61.4)	(54.5)	(21.4)
Net Operating Revenues	1,304.3	1,177.9	1,199.6
Cost of Energy	1,020.8	1,073.7	956.7
Non-Energy Costs	43.8	53.8	54.3
Subtotal Operating Expense	1,064.6	1,127.5	1,010.9
Debt Service	2.4	1.3	1.9
Capital Investment Program (Transfer Out)	4.7	15.2	~~21.4~~ 22.2
Total Expenses	1,071.0	1,143.9	~~1,034.2~~ 1,035.0
Net Position	233.3	34.0	~~165.4~~ 164.6

**Amounts displayed in millions of dollars*

Operating Revenue

San Diego Community Power operates as a Joint Powers Authority (JPA), providing clean energy to residents and businesses within its service area. Revenue is generated primarily through electricity sales, with a core financial principle of maintaining a balanced budget. This requires electricity sales revenue to cover power generation costs — especially from renewable sources — and operational expenses. Financial sustainability is also pursued through strategies like building reserves.

Generally, operating revenue through electricity sales is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying the Board-approved generation rates to the energy load; and 3) applying a 1.75% uncollectible rate based on revenue that Community Power does not expect to collect — the result is Community Power's operating revenue for the fiscal year.

As a JPA, Community Power functions under distinct governing principles, unlike investor-owned utilities. Its primary goal is to deliver affordable, renewable power to diverse customers, ranging from large commercial and industrial entities to individual residential customers, including those with financial constraints. Affordability for our communities is highly valued, significantly shaping operational and rate-setting decisions.

The latest financial projections, through January 2025, informed Community Power's rate-setting process. The staff-recommended rates were developed to reasonably and appropriately cover operational expenses and projected revenues for fiscal years 2024–2025 and 2025–2026. These rates aim to balance customer affordability with the need to generate sufficient revenue to cover annual power supply and operating costs, debt service and a planned reserve margin contribution, ultimately achieving a balanced budget. The rate recommendations also allow Community Power to balance affordability for customers while maintaining reserves and progressing toward its 180-day cash-on-hand and reserve stabilization goals. Achieving these reserve targets is not feasible with additional rate discounts beyond the proposed rates. Furthermore, the proposed rates and reserve targets enable Community Power to meet key metrics for achieving an investment-grade credit rating, which is crucial for rate competitiveness by securing favorable terms for power procurement and credit activities. Finally, the adopted rates ensure compliance with financial covenants in agreements with JP Morgan Chase Bank (Revolving Credit Agreement), River City Bank (Security Agreement) and various power purchase agreements.

Community Power's retail sales of electricity are composed of four rate products.

FIGURE 24. COMMUNITY POWER'S RATE PRODUCTS*

Power100 Green+	Power100	PowerOn	PowerBase
PowerOn + $0.02 per kWh	PowerOn + $0.01 per kWh	$0.163 per kWh**	$0.160 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 with SDG&E's service that is the default rate for most Community Power customers	45% renewable and 5% less expensive than SDG&E's default service

**Prices valid as of February 1, 2025*
***Average rate across all Community Power rate schedules*

FIGURE 25. COMMUNITY POWER REVENUE TREND

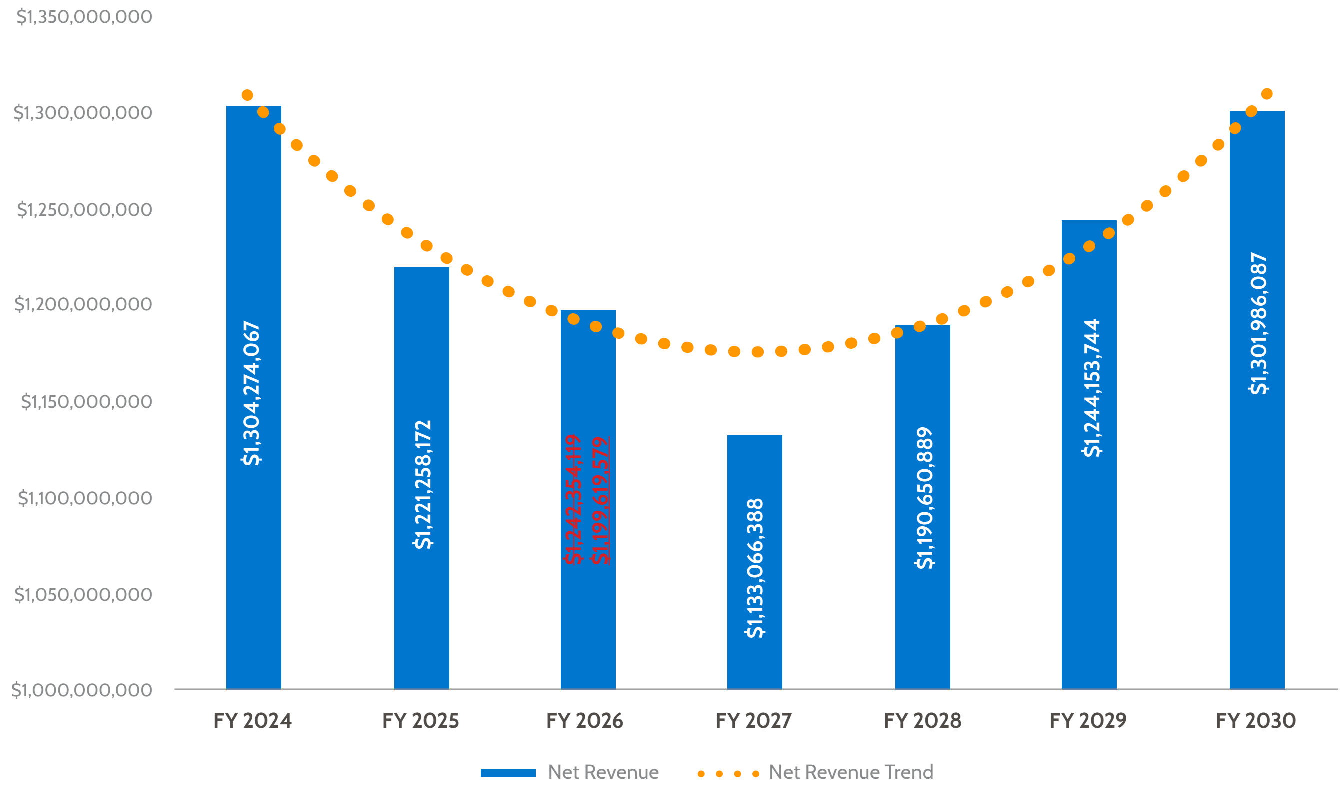


Table 2 summarizes the revenues for the FY24 Amended Budget, FY25 Amended Budget and FY26 Proposed Operating Budget.

TABLE 2. OPERATING REVENUE BY BUDGET LEVEL 2*

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Ratepayer Revenues	1,365.7	1,243.0	1,221.0
(FY24 Less 4.5% Uncollectible Customer Accounts; FY25 & FY26 Less 1.75%)	(61.4)	(21.8)	(21.4)
Net Operating Revenues	**1,304.3**	**1,221.2**	**1,199.6**

**Amounts displayed in millions of dollars*

Operating Expenses

Expenses in the Community Power 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.

Table 3, below, summarizes the expenses for the FY24 Amended Budget, FY25 Amended Operating Budget and FY26 Proposed Operating Budget.

TABLE 3. OPERATING EXPENSES BY BUDGET LEVEL 2*

	FY24 Amended	FY25 Amended	FY26 Proposed
Cost of Energy	1,020.8	1,116.8	956.7
Professional Services and Consultants	22.3	24.3	24.6
Personnel Costs	11.7	18.6	21.1
Marketing and Outreach	2.9	3.0	2.6
General and Administration	6.8	4.9	5.9
Programs	0.1	0.0	0.0
Subtotal Operating Expenses	**1,064.7**	**1,167.6**	**1,010.9**
Interest and Related Expenses	2.4	1.3	1.9
Capital Investment Program (Transfer Out)	4.6	18.2	~~21.4~~ 22.2
Total Expenses	**1,071.7**	**1,147.1**	**~~1,034.2~~ 1,035.0**

**Amounts displayed in millions of dollars*

Operating Expenses by Department

Table 4, below, summarizes the FY26 Proposed Operating Budget expenses by department. Several new departments were established as part of the development of the FY26 Proposed Operating Budget and therefore a comparison is not shown for the prior year.

TABLE 4. OPERATING EXPENSES BY DEPARTMENT

	FY24 Amended	FY25 Amended	FY26 Proposed
Power Services	1,022.4	1,118.9	958.6
Operations	16.3	20.6	22.6
Customer Operations	18.1	19.3	19.8
Finance	3.3	2.1	3.4
Public Affairs	1.5	1.8	1.9
IT and Data Analytics	1.0	1.4	1.6
Regulatory and Legislative Affairs	1.1	0.7	0.7
Human Resources and Administration	0.9	0.7	0.7
Legal	0.0	1.8	1.4
Programs	0.1	0.0	0.0
Executive Team	0.0	0.2	0.2
Total Expenses	**1,064.7**	**1,167.6**	**1,010.9**

Amounts displayed in millions of dollars

Personnel by Department

Table 5, below, summarizes the actual personnel at the end of FY25 and the full-time equivalent (FTE) personnel in the FY26 Proposed Operating Budget. While personnel may be authorized, they may not yet be filled. Detailed information showing filled and proposed FTE transfers by department is included in the following Section. All of the Personnel budget is included within the Operations department.

TABLE 5. PERSONNEL BY DEPARTMENT

	FY24 Amended	FY25 Amended	FY26 Proposed
Operating Fund			
Power Services	17.0	16.0	17.0
Executive	1.0	5.0	5.0
Public Affairs	11.0	12.0	13.0
Programs	6.0	12.0	14.0
Finance	7.0	9.0	10.0
Customer Operations	6.0	8.0	5.0
Operations	6.0	5.0	4.0
IT and Data Analytics	6.0	9.0	12.0
Regulatory and Legislative Affairs	5.0	5.0	5.0
Human Resources and Administration	3.0	4.0	6.0
Legal	1.0	2.0	3.0
Subtotal Operating FTEs	70.0	87.0	94.0
External Funding (CIP)			
Programs	1.0	3.8	5.0
Regulatory Affairs	-	0.5	0.7
Finance	-	1.0	1.0
Public Affairs	-	1.0	1.0
Power Services	-	-	0.3
Subtotal External Funding FTEs	1.0	6.3	8.0
Total FTEs	**70.0[1]**	**~~80.7~~ 87.0**	**~~86.0~~ 94.0**

[1]14 FTEs were approved but not hired in FY24 and need to be reapproved in FY25.

FIGURE 26. COMMUNITY POWER'S DEPARTMENTS

Proposed Capital Budget

Continuing in FY 2025–2026 is the Community Power Capital Investment Plan (CIP) for FY ~~2025–2029~~ 2026–2030 that 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 FY ~~2025–2029~~ 2026–2030 CIP represents the amended FY 2025–2026 capital budget.

The FY 2025–2026 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 2025–2026 capital budget totals ~~$54.4~~ $54.7 million and the FY ~~2025–2029~~ 2026–2030 CIP total ~~$304.3~~ $344.3 million. Additionally, ~~$10.3~~ $11.2 million in unspent continuing funds was appropriated by the Board in prior fiscal years and is represented as Carry Forward revenue. The FY 2025–2026 proposed capital budget includes funding for 21 projects in all program areas in various geographic areas of San Diego County.

TABLE 6. FY 2025–2026 CAPITAL BUDGET OVERVIEW*

	Carry Forward[1]	FY26 Authorized Budget	FY26 Proposed Budget
Operating Transfer Out	~~7.5~~ 9.2	-	~~21.4~~ 22.2
Regional Energy Network[2]	~~0.3~~ -	~~31.8~~ 31.9	~~31.8~~ -
DAC-GT	~~0.5~~ (0.1)	~~0.3~~ 0.6	~~0.3~~ -
CDFA	~~0.5~~ 0.7	-	-
Equitable Building Decarbonization	~~1.5~~ 1.4	-	-
Other	-	-	~~0.9~~ -
CIP Revenue	~~10.3~~ 11.2	~~32.1~~ 32.5	~~54.4~~ 22.2

Amounts displayed in millions of dollars

[1] *The carry forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024-2025*

[2] *The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Year 2024–2027, and funded programs will be available across SDG&E service territory.*

TABLE 6.1. FY 2026–2030 CIP PROGRAMS AND PROJECTS

	Beginning Bal.	Expenses	Carry Forward [1]	5-Year Budget					
	FY25	FY25	FY25	FY26	FY27	FY28	FY29	FY30	Total
External Funding									
Regional Energy Network[2]	2.1	~~1.8~~ 2.1	~~0.3~~ -	~~31.8~~ 31.9	59.5	51.4	42.0	43.7	~~228.7~~ 228.6
DAC-GT	0.9	~~0.4~~ 1.0	~~0.5~~ (0.1)	~~0.3~~ 0.6	0.5	0.5	0.5	0.5	~~2.7~~ 2.4
CDFA	0.7	~~0.2~~ -	~~0.5~~ 0.7	-	-	-	-	-	~~0.5~~ 0.7
Equitable Building Decarbonization	1.5	0.1	~~1.5~~ 1.4	-	-	-	-	-	~~0.5~~ 1.4
Other	-	-	-	~~0.9~~ -	-	-	-	-	~~0.9~~ -
Subtotal	**5.2**	**~~2.4~~ 3.2**	**~~2.8~~ 2.0**	**~~33.0~~ 32.5**	**60.0**	**51.9**	**42.5**	**44.2**	**~~234.4~~ 233.0**
Internal Funding									
Solar Battery Savings	10.6	~~7.9~~ 7.4	~~2.7~~ 3.2	18.8	11.1	10.4	8.3	8.5	~~59.8~~ 60.3
Energy Efficiency	0.3	0.3	0.0	-	-	-	-	-	0.0
Pilot Programs	3.0	~~1.3~~ 0.5	~~1.7~~ 2.5	-	-	-	-	-	~~1.7~~ 2.5
Grants	0.8	~~0.3~~ 0.6	~~0.7~~ 0.2	~~0.8~~ 1.3	-	-	-	-	1.5
DER	0.1	~~0.0~~ 0.1	~~0.1~~ 0.0	-	-	-	-	-	~~0.1~~ 0.0
Flexible Load	0.6	~~0.5~~ 0.3	~~0.2~~ 0.3	0.3	0.6	0.6	0.8	0.7	~~3.1~~ 3.3
IT Projects	2.6	~~0.6~~ 0.1	~~2.0~~ 2.5	1.5	-	-	-	-	~~3.5~~ 4.0
Community Education	0.1	~~0.0~~ 0.1	~~0.0~~ -	0.0	-	-	-	-	0.0
Program Evaluation	-	-	-	0.3	-	-	-	-	0.3
Application Assistance	0.3	-	0.3	-	-	-	-	-	0.3
Other	-	-	-	~~0.2~~ -	7.4	8.7	11.2	11.7	~~0.2~~ 39.1
Subtotal	**~~15.4~~ 18.4**	**~~11.1~~ 9.2**	**~~7.5~~ 9.2**	**~~21.4~~ 22.2**	**~~11.7~~ 19.1**	**~~11.0~~ 19.7**	**~~9.1~~ 20.3**	**~~9.2~~ 20.9**	**~~69.9~~ 111.3**
CIP Expense Total	**~~20.6~~ 23.6**	**~~13.5~~ 12.5**	**~~10.3~~ 11.2**	**~~54.4~~ 54.7**	**~~71.7~~ 79.1**	**~~62.9~~ 71.6**	**~~51.6~~ 62.8**	**~~53.4~~ 65.1**	**~~304.3~~ 344.3**

[1] The carry forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024–2025

[2] The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027 , it is reflected in this table as anticipated spending by fiscal year.

Capital Investment Plan (CIP)

About the CIP

The Community Power Fiscal Year ~~2025–2029~~ 2026–2030 Capital ~~Improvement~~ Investment Plan (CIP) includes 21 projects that will receive funding in the five-year period, totaling ~~$304.3~~ $344.3 million in investments across ~~Community Power member jurisdictions.~~ San Diego County. More detail can be found within the companion ~~FY 2025–2029~~ FY 2026–2030 Capital ~~Improvement~~ Investment Plan book. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows Community Power 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 Community Power's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects compose a list that provides Community Power with the confidence to target a core set of program types focused on community needs. It also gives Community Power 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 this does not necessarily indicate that actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or drop out entirely.

5-Year period

~~$304.3M~~ **$344.3M** total investment

21 projects to be funded

~~Across Community Power member jurisdictions~~
Across San Diego County

Likewise, this list is not all inclusive. Unexpected requirements often cause unforeseen projects to be inserted into the design and execution process. Furthermore, funding sources identified in the CIP are potential funding sources that 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

Community Power will update the CIP annually during its budget development process. Programs and projects are included in the CIP based on alignment with Community Power's strategic goals and based on community engagement.

The proposed capital budget and CIP undergo a public outreach process comprising a wide range of stakeholder groups. Additionally, the CIP 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 Community Power Board for approval.

FIGURE 27. CIP DEVELOPMENT PROCESS

Operational Impact of Capital Projects

Projects outlined in Community Power's Capital Investment Plan and Budget are generally designed to address the needs of existing assets without significantly impacting operational costs. However, if a technology or any project was planned that had a significant operational impact, projected costs would be reflected in Community Power's Five-Year Financial Plan, issued annually. Additionally, staffing, building maintenance, equipment maintenance and utility costs associated with these facilities would be approved as part of the annual Budget Process. As a result, these costs would be specified within the Budget document and categorized under the "Budget by Department" section and attributed to the relevant department sponsoring the project.

Capital improvements are strategic investments made by Community Power to enhance its physical assets, technology and infrastructure. These improvements are not just about upgrading facilities or equipment but are also aimed at driving efficiency within our organization's operations over the long term. By investing in capital improvements, the organization seeks to optimize its processes, reduce costs and improve overall productivity.

Several projects driven by our IT and Data Analytics Department are at the forefront of these efforts. These projects are prioritized to leverage data and enable advanced data analytics techniques. The goal is to better understand the organization's operations and discover operational efficiencies. Here's how these projects contribute to long-term efficiency:

Data Collection and Integration — IT and Data Analytics focuses on collecting data from various sources within the organization. This includes data from production processes, supply chain activities, customer interactions and more. By integrating this data into a centralized system, the organization can gain a comprehensive view of its operations.

Advanced Data Analytics — With a robust data infrastructure in place, the IT and Data Analytics Department employs advanced data analytics techniques such as machine learning, predictive analytics and big data analysis. These techniques help in identifying patterns, trends and anomalies in the data that might not be apparent through traditional analysis methods.

Operational Insights — The insights gained from data analytics are used to understand the efficiency of current operations. For example, analytics can reveal bottlenecks in production, inefficiencies in supply chain management or areas where customer service can be improved. These insights are crucial for making informed decisions about where to focus improvement efforts.

Process Optimization — Based on the operational insights, the organization can implement changes to optimize processes. This might involve automating certain tasks, reallocating resources or redesigning workflows to eliminate inefficiencies. The goal is to streamline operations and enhance productivity.

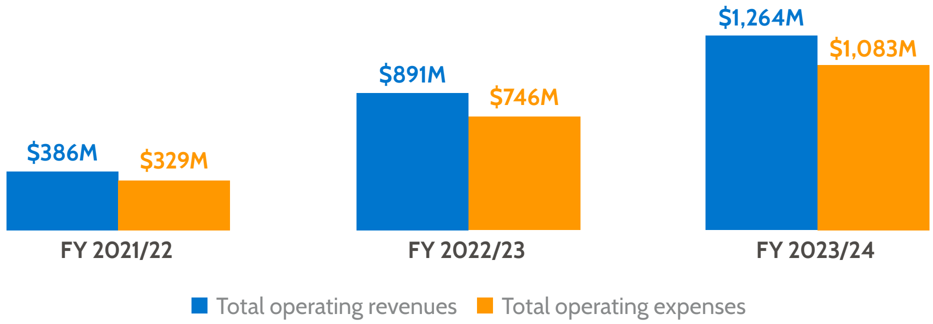
Continuous Improvement — Capital improvements driven by data analytics are not one-time efforts. The organization continuously monitors its operations and uses data to identify new opportunities for improvement. This ongoing process ensures that the organization remains agile and can adapt to changing market conditions and technological advancements.

Multiyear Trends

This section presents a multi-year financial trend report for Community Power, reviewing the actuals from Fiscal Years 2022, 2023 and 2024 and the Fiscal Year 2025 Amended Budget. The report includes visualizations that illustrate key financial trends and variances, providing a clear and comprehensive picture of the organization's fiscal trajectory over the past three years. By examining these figures, Community Power can gain insights into revenue patterns, expenditure changes and overall financial stability. This analysis is essential for understanding how past financial outcomes align with future budgetary goals, ensuring effective financial planning and management.

Community Power has experienced substantial growth in both operating revenues and expenditures from FY22 to FY24. In FY22, Community Power's operating revenues were $386 million, increasing to $891 million in FY23, and further rising to $1.1 billion in FY24. This growth is primarily driven by expanding electricity sales and an increased customer base. Concurrently, operating expenses have also escalated, from $329 million in FY22 to $746 million in FY23, and reaching $1.083 billion in FY24, reflecting higher costs associated with electricity procurement and use of contract services. Despite these rising costs, Community Power has consistently maintained a positive operating income, indicating effective financial management and strategic planning. The FY25 Amended Budget continued growth and stability, ensuring Community Power's ability to meet its operational goals and effectively serve the community.

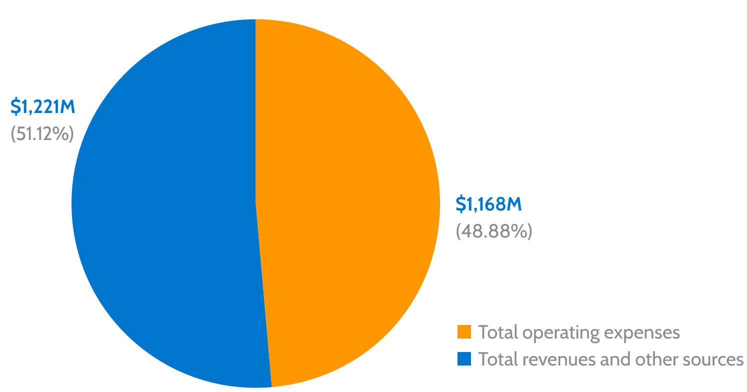
FIGURE 28. OPERATING REVENUES VS. EXPENDITURES



	FY 2021/22	FY 2022/23	FY 2023/24
OPERATING REVENUES			
Electricity sales, net	$383,800,198	$891,178,064	$1,252,787,768
Grant revenue	$0	$0	$983,500
Liquidated damages	$2,437,500	$0	$0
Other income	$0	$0	$10,598,252
Total operating revenues	**$386,237,698**	**$891,178,064**	**$1,264,369,520**
OPERATING EXPENSES			
Cost of electricity	$319,686,027	$720,327,704	$1,047,553,476
Contract services	$3,520,098	$15,957,376	$19,750,534
Staff compensation	$3,662,441	$6,726,270	$11,399,388
Other operating expense	$2,098,031	$2,866,222	$3,261,424
Depreciation and amortization	$0	$253,553	$727,567
Total operating expenses	**$328,966,597**	**$746,131,125**	**$1,082,692,389**
~~TOTAL OPERATING INCOME~~ **NET POSITION**	**$57,271,101**	**$145,046,939**	**$181,677,131**

Community Power's FY25 amended budget reflects the organization's strong financial growth and stability observed in past fiscal years. The budget included total operating revenues of $1.22 billion and total expenses of $1.17 billion, maintaining a balanced approach similar to previous years. Revenue growth, driven by expanding electricity sales and an increasing customer base, aligns with the upward trend seen from FY22 to FY24. Increased costs in FY25 are primarily due to higher electricity procurement expenses and investments in the CIP. Despite these rising costs, the positive net operating income highlights effective financial management and strategic planning.

FIGURE 29. OPERATING BUDGET



Five-Year Financial Plan

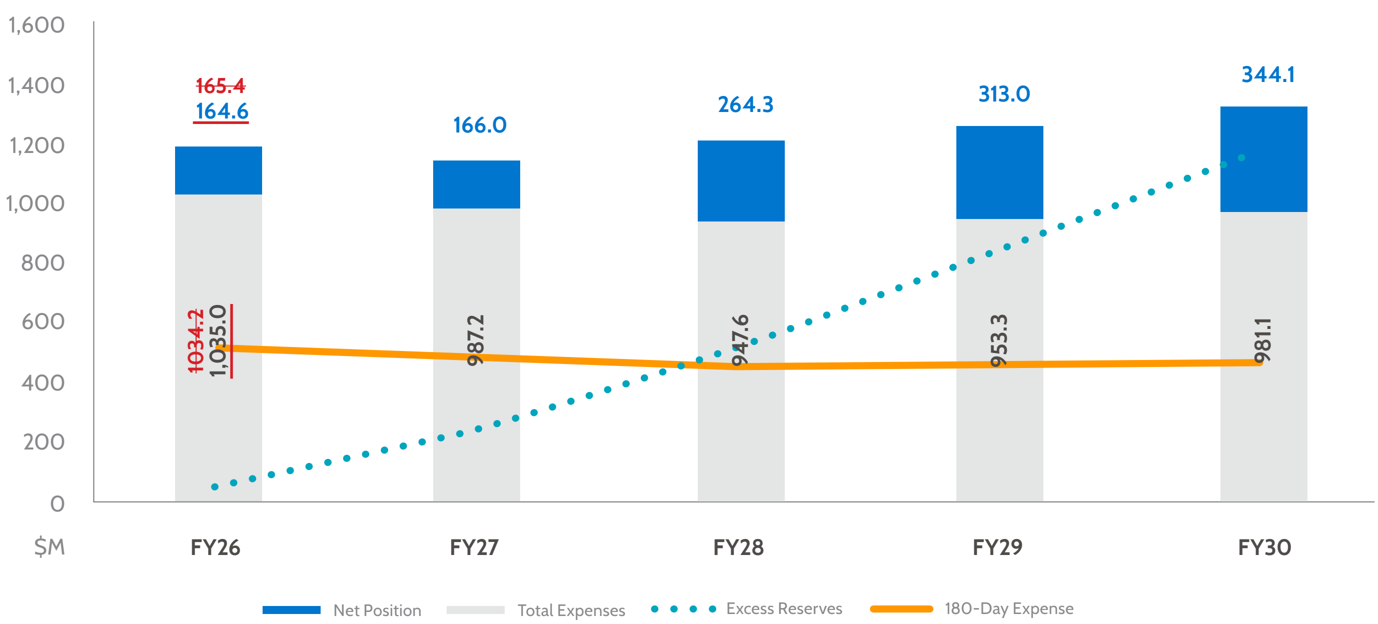
Community Power's five-year financial plan projects that the agency will meet its 180-days cash-on-hand reserve target in its Reserve Policy by October 2025. The current reserve policy supports the distribution of excess reserves for specific purposes, including funding a rate stabilization reserve. Additionally, the plan projects that Community Power will achieve its Strategic Plan goal of funding a Rate Stabilization Reserve by FY 2026–2027. The plan assumes that rates remain at the same level adopted by the Board on February 7, 2025, and are subject to change based on Community Power's rate-setting cycle.

The Community Power 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.

Key assumptions in Community Power's projections and five-year financial plan include:

- Full enrollment of customers is complete from all member jurisdictions
- A 95% participation rate across all jurisdictions
    - A 1.75% uncollectible rate, which maintains the same uncollectible rate from the fiscal year 2024–2025 amended budget approved by the board February 27, 2025
- Trifurcation of rates continues to ensure a fair, equitable and balanced rate structure across customers with differing vintage years
    - Rates in FY26 and beyond remain at the levels adopted by the Board on February 7, 2025. Further rate changes are subject to Board approval.

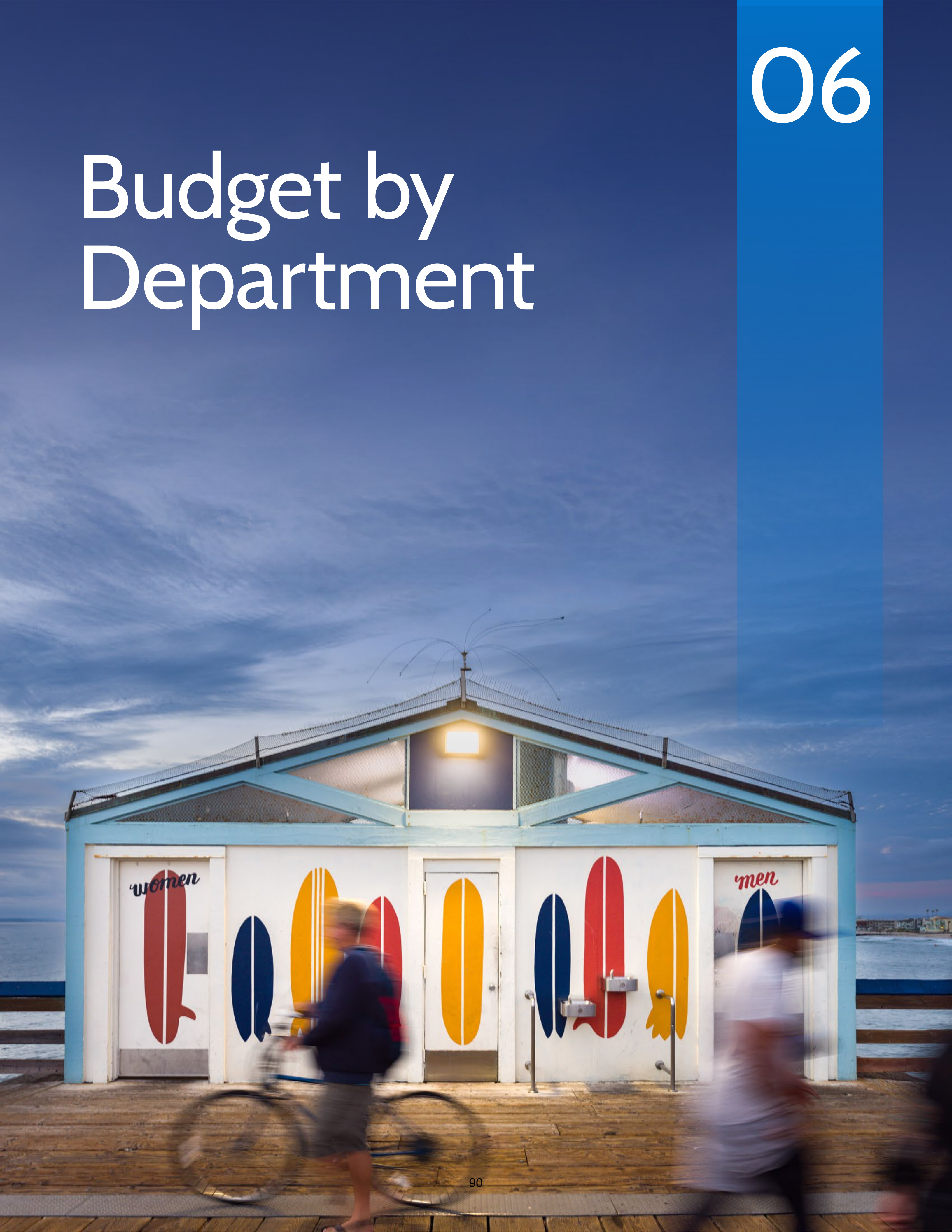
FIGURE 30. SAN DIEGO COMMUNITY POWER RESERVES



OPERATING BUDGET, $M	FY26	FY27	FY28	FY29	FY30
Net Revenue	1,119.6	1,133.1	1,190.7	1,244.2	1,302.0
Total Expense	~~1,034.2~~ 1,035.0	967.0	926.4	931.1	957.9
Annual Reserve (Net Position)	~~165.4~~ 164.6	166.0	264.3	313.0	344.1
Cumulative Net Position	~~574.9~~ 574.1	~~741.0~~ 740.1	~~1,005.3~~ 1,004.4	~~1,318.3~~ 1,317.5	~~1,662.40~~ 1,661.6
180-Day Expense	~~510.0~~ 510.4	486.8	467.3	470.1	483.8
Projected Excess Reserves	~~64.9~~ 63.7	~~254.1~~ 253.3	~~538.0~~ 537.1	~~848.2~~ 847.4	~~1,178.6~~ 1,177.7

06

Budget by Department



Budget by Department

Executive

Providing strategic leadership to guide the agency and deliver on its mission

Mission and Services

The Executive team provides agency-wide leadership and strategic direction for Community Power. Led by the chief executive officer and supported by the executive team, the department ensures alignment across departments, cultivates an inclusive and accountable culture and oversees implementation of the strategic plan.

The Executive team represents Community Power in public forums, guides internal systems development and advances partnerships with local governments, stakeholders and industry peers. Through consistent engagement with member agencies, the Board of Directors and Community Advisory Committee, and regional coalitions, the team builds trust and helps position Community Power as a leading voice in California's clean energy transition.

Department Highlights

- Led development and rollout of the FY 2025–2026 strategic plan
- Continued engagement with CalCCA and participation in key state policy forums
- Oversaw internal management systems and staff training initiatives
- Supported cross-functional alignment through quarterly strategy check-ins
- Advanced initiatives to promote equity, transparency and operational integrity

Key Performance Indicators (KPIs)

- Strategic goals aligned across departments (target: seven)
- Annual rate setting via public process (target: effective Feb. 1)
- Reserve balance and days cash on hand (target: 180 days by FY 2027)
- Number of external events attended by executive staff (target: 60)

Department Organizational Structure

FIGURE 31. EXECUTIVE ORGANIZATIONAL STRUCTURE

Chief Executive Officer
KARIN BURNS

Chief Financial Officer and Deputy Chief Executive Officer/Treasurer
ERIC WASHINGTON

Chief Operating Officer
JACK CLARK

Chief Commercial Officer[1]
VACANT

General Counsel
VEERA TYAGI

[1] *Formerly titled Managing Director Power Services*

Operations

Improving internal operations and alignment to support strategic execution

Department Description: Mission and Services

Operations ensures that Community Power functions effectively and efficiently across all departments. Led by the chief operating officer and supported by senior directors and project management staff, Operations drives internal coordination, facilitates collaboration and operationalizes the agency's strategic objectives.

The team oversees internal governance, agencywide administrative systems and policy development. Operations is also responsible for engagement with the Community Advisory Committee (CAC), ensuring transparency and accountability. The newly created Project Management Office (PMO), housed within Operations, leads efforts to align project execution with strategic priorities, standardize workflows, create efficiencies and improve internal delivery.

Operations Highlights

- Supported growth to 80 full-time positions with strategic resource planning
- Launched agencywide project intake and documentation process through PMO
- Conducted internal process audits to identify operational bottlenecks
- Improved CAC and Board engagement through increased coordination and support
- Advanced internal efficiency through cross-departmental collaboration systems

FY 2025–2026 Priorities

- Enhance internal systems and tools to support cross-functional execution
- Improve agency-wide project visibility, reporting and governance
- Develop the internal infrastruct ure needed to scale efficiently as Community Power grows
- Strengthen alignment between agency goals, departmental workplans and staff resources

Key Performance Indicators (KPIs)

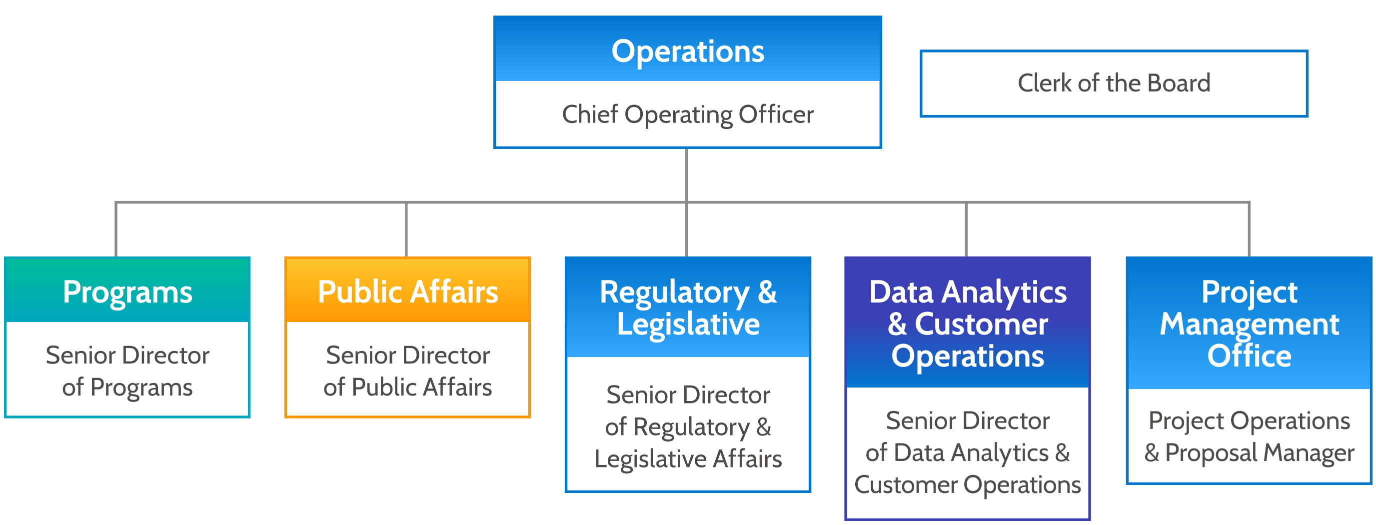
- Implement new project intake and tracking tools (target: Q2 FY 2025)
- Maintain a cross-functional project schedule (target: update quarterly)
- Implement a team utilization framework (target: Q3 FY 2025)
- Develop and launch a centralized internal dashboard for tracking project and policy updates (target: Q3 FY 2025)
- Conduct project reviews with the Executive team to ensure strategic alignment (target: review quarterly)

TABLE 7. OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Operations	~~7.0~~ 5.0	4.0

Department Organizational Structure

FIGURE 32. OPERATIONS ORGANIZATIONAL STRUCTURE



Power Services

Developing a clean energy portfolio that is reliable, affordable and increasingly renewable

Department Description: Mission and Services

The Power Services Department is responsible for managing Community Power's energy procurement and delivery portfolio, ensuring that customers receive clean, reliable and competitively priced electricity. This includes all long- and short-term energy contracting, load forecasting, power scheduling, wholesale market participation, energy risk management and compliance with state regulatory mandates.

Under the leadership of the chief commercial officer, Power Services oversees competitive solicitations and negotiation of power purchase agreements (PPAs) and Energy Storage Service Agreements (ESSAs), working to meet state mandates and voluntary goals related to the Renewable Portfolio Standard (RPS) and Resource Adequacy (RA). The department also plays a key role in diversifying supply, expanding clean energy development and accelerating the build-out of local energy infrastructure, including distributed energy resources (DERs).

Department Highlights

- Expanded to 16 team members to manage procurement, forecasting and compliance functions
- Maintained energy hedging strategy to mitigate cost volatility and market exposure in FY 2026 and beyond
- Procured Energy Trading Risk Management (ETRM) system
- Worked with general counsel to bring transactional counsel in-house to support higher transaction volume and legal review of complex energy agreements
- Continued contracting for and managing developing long-term clean energy resources to meet Community Power's 100% renewable energy goals

FY 2025–2026 Priorities

- Manage portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing and staff training
- Advance toward a 100% renewable energy portfolio by 2035, with interim targets of 75% by 2027 and 85% by 2030
- Support development of 1 gigawatt of local clean energy capacity by 2035, including at least 300 megawatts from DERs enabled through programs, tariffs and procurement
- Ensure cost-effective compliance with RA and RPS requirements and all other state regulatory obligations
- Prioritize projects and partnerships that help create high-quality local jobs in the clean energy economy

Key Performance Indicators (KPIs)

- Maintain alignment with Community Power's energy risk management policy
- Ensure timely filing of all resource adequacy month-ahead filings as well as the year-ahead filing due in October 2025
- Submit annual Integrated Resource Plan, Renewable Portfolio Standard Plan and Mid-Term Reliability updates
- Finalize and implement Feed-In Tariff 2.0 and secure additional local energy contracts
- Implement and integrate an ETRM system to improve energy risk management and internal analytics by Q3 2025
- Bring online the first Power Purchase Agreement where SDCP has full control of scheduling coordinator responsibilities

TABLE 8: POWER SERVICES POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Power Services	16.0	*17.0

0.3 position will be externally funded in FY26

Department Organizational Structure

FIGURE 33. POWER SERVICES ORGANIZATIONAL STRUCTURE

Power Services

Chief Commercial Officer

Director of Power Contracts
Director of Portfolio Management
Director of Origination
Associate Director-Load Forecast & Optimization
Principal Portfolio Manager
Senior Settlements Manager
Senior Local Development Manager
Senior Portfolio Manager
Senior Portfolio Manager
Origination Manager
Senior Settlements Analyst
Senior Quantitative Energy Analyst
Senior Compliance Analyst
Contract Management Associate
Contract Associate
*Portfolio Analyst Energy
*Senior Market and Modeling Analyst

Positions authorized in FY26

Finance

Promoting long-term organizational sustainability through sound fiscal management and strategic investment

Department Description: Mission and Services

The Finance Department ensures the long-term fiscal health of Community Power through sound financial planning, risk management and transparency. The department manages budgeting, accounting, cash flow, reserves, audits, financial policy implementation, debt financing including clean prepayment financing, and fiscal compliance.

Finance supports the organization's mission by maintaining strong financial controls, enabling informed decision-making and positioning the agency to invest in programs, infrastructure and operations that advance clean energy access and community benefits.

Department Highlights

- Continued focus on building reserves to meet the 180-day cash-on-hand goal
- Coordinated annual financial audit with no findings in FY 2023
- Developed internal financial controls and contracts tracking system
- Advanced implementation of the Capital Investment Plan
- Supported the execution of multiple clean energy prepay bond transactions

FY 2025–2026 Priorities

- Execute 3–5 clean prepay bond transactions to reduce power costs by up to $30 million annually
- Contribute $80 million toward the reserve goal by the end of FY 2025–26
- Build a Rate Stabilization Reserve to mitigate power market volatility
- Launch a vendor and contracts tracking system to strengthen fiscal controls
- Establish a Middle Office to enhance energy risk monitoring and oversight
- Maintain fiscal transparency through regular public reporting and committee updates

Key Performance Indicators (KPIs)

- Reserve balance and days cash on hand (target: 180 days by FY 2027)
- Number of clean energy prepay transactions executed and savings achieved
- Reviewing budget-to-actuals to identify financial efficiencies
- Achievement of investment-grade credit rating readiness benchmarks

TABLE 9. FINANCE POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Finance	~~8.0~~ 9.0	*10.0

**1.0 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 34. FINANCE ORGANIZATIONAL STRUCTURE

Finance

Chief Financial Officer/Treasurer

Director of Finance
Procurement Manager
Risk Manager
Finance Manager
Strategic Finance Manager
Senior Financial Analyst
Financial Analyst
Financial Analyst
Procurement Analyst
*Senior Risk Manager

**Position authorized in FY26*

Customer Operations

Ensuring high customer satisfaction and retention through responsive service, affordability and clear communication

Department Description: Mission and Services

The Customer Operations Department supports customer satisfaction and retention by ensuring clear, timely and accurate billing, analyzing usage trends and delivering exceptional account management. Under the guidance of the chief operating officer and leadership of the senior director of data analytics and customer operations, the team manages contact center operations, supports key accounts and provides analytical insights to guide rate setting, forecasting and customer service enhancements.

The department plays a central role in delivering Community Power's promise of clean, affordable energy through customer-focused strategies. It supports interagency coordination with SDG&E and Calpine to mitigate billing errors and maintains the tools and insights that drive high customer retention, satisfaction and service engagement.

Department Highlights

- Lowered electricity generation rates for the second consecutive year for Community Power customers
- Launched two new rate offerings — PowerBase and Power100 Green+ — to meet customer needs
- Oversaw more than $19 million in vendor service contracts, including Calpine and SDG&E
- Partnered closely with SDG&E and Calpine to improve billing accuracy and address customer concerns
- Continued enhancements to internal data tools that track opt actions, revenues and customer engagement
- Played a pivotal role in maintaining customers' participation rate of 95%+ over the last 3 years

FY 2025–2026 Priorities

- Evolve rate strategy to ensure competitiveness, affordability and fiscal sustainability
- Develop targeted strategies to increase customer retention and promote opt-ups to Power100
- Resolve outstanding billing and communication issues with SDG&E that affect customer satisfaction
- Identify and evaluate potential enhancements to customer service delivery, including a future Energy Advisor Center
- Implement measures to reduce customer arrearages and improve long-term account health
- Support contact center training and performance monitoring for consistent, high-quality service

Key Performance Indicators (KPIs)

- Customer retention rate (target: 90%+)
- Number of opt-ups to Power100 (target: 10% of total load by 2027)
- Customer satisfaction score via surveys (target: score 9/10)
- Rate of issue resolution and billing accuracy (target: 99%+ first-contact resolution)
- Close collaboration with SDG&E and the agency's collection vendor to reduce arrearages year over year
- Number of service enhancements implemented or piloted (target: 2–3 new initiatives in FY26)

TABLE 10. CUSTOMER OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Customer Operations	~~7.0~~ 8.0	5.0

Department Organizational Structure

FIGURE 35. CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE

Customer Operations

Senior Director of Data Analytics and Customer Operations

Account Services Manager
Key Account Services Manager
Senior Account Services Analyst
Senior Key Account Analyst

IT and Data Analytics

Creating a secure and efficient environment that supports collaboration and innovation

Department Description: Mission and Services

The IT and Data Analytics Department empowers Community Power through secure, scalable and modern digital infrastructure. Reporting to the senior director of data analytics and customer operations and led by the associate director of IT and Data Analytics, the department manages enterprisewide systems, data and analytics platforms, and cybersecurity.

The team develops and maintains centralized, cloud-based tools that enable real-time, data-informed decisions across rate development, customer programs, marketing and operations. By implementing robust security protocols and IT governance, the department ensures business continuity, system resilience and a strong data-driven culture throughout the agency.

Department Highlights

- Launched agencywide managed IT services with cybersecurity protections
- Completed enterprise assessment to align systems with strategic goals
- Advanced development of an enterprise data platform (EDP) to centralize analytics
- Supported implementation of improved forecasting models that account for solar generation
- Partnered with the Project Management Office (PMO) to assess project management platforms

FY 2025–2026 Priorities

- Strengthen cybersecurity framework and conduct annual penetration testing
- Launch enterprise data platform with integration of critical data systems by Q4 FY 2025
- Finalize IT policies and governance procedures by Q2 FY 2025
- Select and implement a project management system with PMO support by Q2 FY 2025
- Expand in-house analytics support to additional Community Power departments by FY 2026

Key Performance Indicators (KPIs)

- Number of cybersecurity incidents reported (target: 0)
- Percentage of critical retail operations data systems integrated into EDP (target: ≥ 98%)
- Project management system implemented and training completed (target: Q3 FY 2025)
- Number of departments supported with internal analytics (target: ≥ four)
- Number of reporting dashboards deployed (target: four to six)
- Percentage of IT incidents resolved within service level agreement (SLA) (target: ≥ 98%)
- Adoption of IT policy and governance framework (target: approved by Q2 FY 2025)

TABLE 11. IT AND DATA ANALYTICS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
IT and Data Analytics	~~8.0~~ 9.0	12.0

Department Organizational Structure

FIGURE 36. IT AND DATA ANALYTICS ORGANIZATIONAL STRUCTURE

IT and Data Analytics

Senior Director of Data Analytics
and Customer Operations

Associate Director of IT and Data Analytics
Data Analytics Manager
Rate and Strategy Manager
IT Manager
Senior Cybersecurity Analyst
Data Scientist
IT Systems Engineer
Data Engineer
IT Systems Analyst
Senior Rates Analyst
Data Analyst
Senior Integration System Ops Developer

Public Affairs

Building a trusted public agency through strategic outreach, education and engagement

Department Description: Mission and Services

The Public Affairs Department connects Community Power with the people and communities it serves. Through strategic communications, local partnerships and public engagement, the team builds awareness of Community Power's mission, programs and benefits. The department also supports customer education, agency branding and transparency in all public-facing materials.

Led by the senior director of public affairs and reporting to the chief operating officer, the department includes three core focus areas: strategic partnerships, community engagement, and marketing and communications. Together, these teams advance Community Power's brand identity, foster connections with key audiences and ensure transparency through outreach, media engagement and public education. The department also supports the Community Advisory Committee (CAC) and helps ensure local priorities are reflected in agency decision-making.

Department Highlights

- Participated in 151 community outreach events in 2024, resulting in 18,539 unique interactions
- Achieved an estimated 1.2 million impressions through in-person outreach and strategic media and partner efforts, including CBS 8's "Working for Our Communities" partnership
- Supported the CAC and provided updates to member agency city councils
- Managed the agency's brand refresh and website redesign efforts
- Produced quarterly newsletters, social media content and other tools to increase customer understanding and transparency

FY 2025–2026 Priorities

- Expand public understanding of Community Power's clean energy programs and rate options
- Strengthen brand awareness and build community trust across diverse audiences with the launch of Community Power's new website
- Partner with member agencies and community-based organizations to reach underserved populations
- Support program launches and other resources through clear, multilingual and accessible messaging
- Ensure ongoing transparency through coordinated media outreach, digital engagement and community events

Key Performance Indicators (KPIs)

- Number of public events attended or hosted (target: 100 annually)
- Total impressions across digital and earned media (target: 1.2 million)
- Newsletter open rate and click-through metrics
- (target: 40% open, 10% click-through)
- Number of reinvestments in in member agencies through partnerships, sponsorships and engagements (target: partner, sponsor or fund at least four engagements in each member agency annually)
- Number of earned media opportunities (target: six annually)

TABLE 12. PUBLIC AFFAIRS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Public Affairs	12.0	*13.0

**1.0 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 37. PUBLIC AFFAIRS ORGANIZATIONAL STRUCTURE

Public Affairs

Senior Director of Public Affairs

Senior Manager Strategic Partnerships
Senior Manager Marketing & Communications
Senior Manager Community Engagement
Strategic Initiatives Manager
Local Government Affairs Manager
Marketing Manager
Marketing Manager
Community Engagement Associate
Communications Associate
Community Engagement Coordinator
Community Outreach Representative
*Communications Associate

**Position authorized in FY26*

Programs

Implementing energy projects and programs that reduce emissions, align supply and demand, and deliver community benefit

Department Description: Mission and Services

The Programs Department designs and implements initiatives that reduce customer bills, increase energy resilience and expand access to clean energy. Under the guidance of the chief operating officer and the leadership of the senior director of programs, the team manages incentive programs, pilots and partnerships that serve residential, commercial and public agency customers across the region.

Program area focus and design are guided by Community Power's Community Power Plan (CPP), Climate Action Plans from member agencies, and state and federal policy. From residential battery incentives to electric vehicle charging management, the department supports scalable, equitable decarbonization across sectors. The department works closely with community-based organizations, industry stakeholders and internal departments to ensure program design is equitable, cost-effective and scalable.

The department also leads the launch and administration of the San Diego Regional Energy Network (SDREN) in partnership with the County of San Diego, a transformative multi-year effort to deliver energy efficiency and demand-side management programs across San Diego County.

Department Highlights

- Launched the Solar Battery Savings program, recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report*, to create a 7 MW Virtual Power Plant via customer-owned residential battery storage
- Received approval for the San Diego Regional Energy Network (SDREN) application, generating nearly $125 million in program funding for the region through 2027
- Initiated customer-facing pilots in building decarbonization, flexible load management, healthy and efficient refrigeration and transportation electrification
- Built new strategies for vehicle-grid integration, virtual net billing and distributed energy resource deployment
- Executed state and federal grants, including the CDFA Healthy Refrigeration Grant and support for SANDAG's Climate Pollution Reduction Grant proposal
- Partnered in strong cross-departmental collaboration to integrate customer, regulatory and operational inputs into program design

FY 2025–2026 Priorities

- Deliver 150 megawatts of local capacity from distributed energy resources (DERs) and Community Power's Virtual Power Plant (VPP) portfolio by 2035, including expansion of the Solar Battery Savings program
- Launch all SDREN programs and make them available by the end of FY 2026
- Develop and implement a formal program evaluation framework for all programs and pilots by FY 2026
- Secure new program funding from external sources, including state, federal and philanthropic entities
- Integrate Distributed Energy Resources Management System (DERMS) software and flexible load strategies into program implementation
- Support electrification and resiliency through targeted customer offerings in solar + storage, demand response and energy efficiency

Key Performance Indicators (KPIs)

- DER capacity added through program implementation (target: 20 MW in FY 2025–26, 150 MW by FY 29–30)
- Ten SDREN programs launched and available (target: all core programs by FY 2025–26)
- Program evaluation framework completion and deployment (target: Q4 FY 2025–26)
- Equity-focused program participation from priority communities (target: 50% of total incentive funding)

TABLE 13. PROGRAMS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Programs	~~11.0~~ 12.0	*14.0

**~~5.0~~ 6.0 positions will be externally funded in FY26*

Department Organizational Structure

FIGURE 38. PROGRAMS ORGANIZATIONAL STRUCTURE

Customer Programs

Senior Director of Programs

~~Senior Director of Programs~~
Associate Director of Programs
Associate Director of Programs - Flex Load
Senior Program Manager
Senior Program Manager
Senior Program Manager
Senior Program Manager
Program Manager
Program Manager - Community Solar
Senior Program Associate
Senior Program Associate
Senior Program Associate
*Program Associate
*Senior Program Associate

**Positions authorized in FY26*

Regulatory and Legislative Affairs

Advocating for policies that advance Community Power's mission and protect local decision-making

Department Description/Mission and Services

The Legislative and Regulatory Affairs Department monitors, engages in and influences proceedings, proposed policies and legislation that directly or indirectly impact Community Power's operations and customers. Under the guidance of the chief operating officer and leadership of the senior director of Regulatory and Legislative Affairs, the department represents Community Power's interests before the California Public Utilities Commission (CPUC), California Energy Commission (CEC), California Air Resources Board (CARB), California Independent System Operator (CAISO), the state Legislature and Congress, as well as at the federal level with relevant federal agencies, including but not limited to the Department of Energy and Federal Energy Regulatory Commission (FERC).

The department also supports regulatory compliance across multiple state agencies, assists with agencywide understanding of policy impacts and develops strategies for securing external funding and favorable regulatory outcomes. Community Power participates in trade associations such as CalCCA and works collaboratively with member agencies, industry partners and stakeholders across the state to ensure community choice remains a resilient and effective tool for climate action and energy equity.

The department's work is guided by Community Power's Regulatory and Legislative Platform, which outlines the agency's values-based approach to policy and advocacy, anchored in accelerating deep decarbonization, promoting local development and stabilizing community choice energy. The platform provides clear guidance for consistent engagement at the local, state and federal levels and ensures that policy advocacy reflects Community Power's mission and customer priorities. View the platform here.

Department Highlights

- Monitored and/or engaged in over 60 regulatory proceedings and associated policy working groups
- Provided analysis on approximately 150 pieces of legislation per year affecting Community Choice Aggregators and issued letters of support on approximately 10 pieces of legislation per year (all legislative letters issued by Community Power can be viewed here)
- Participated in CalCCA's regulatory and legislative committees and tiger teams to advocate for inclusion of Community Power policy priorities in trade association filings and letters
- Developed Community Power's federal funding strategy and assisted with competitive grant applications
- Updated Community Power's Regulatory and Legislative Platform, available on Community Power's website

FY 2025–2026 Priorities

- Continually engage policymakers to ensure alignment with Community Power's strategic priorities
- Sponsor or support state and federal legislation that promotes affordability, equity and local clean energy
- Advance regulatory outcomes that uphold procurement and rate-making authority for Community Power
- Identify and pursue grant and funding opportunities that benefit customers and member agencies
- Actively participate in trade associations and multi-agency coalitions to shape the policy landscape
- Track and manage compliance obligations to ensure timely and accurate filings

Key Performance Indicators (KPIs)

- Number of regulatory proceedings tracked (target: 40+)
- Number of bills analyzed (target: 100+)
- Legislative positions advanced in alignment with platform (target: 10+)
- Number of unique interactions with state and federal policymakers (target: 50+)
- Grant or funding applications supported in coordination with internal and external partners (target: three or more)

TABLE 14. REGULATORY AND LEGISLATIVE AFFAIRS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Regulatory and Legislative Affairs	5.0	*5.0

**0.7 positions will be externally funded in FY26*

Department Organizational Structure

FIGURE 39. REGULATORY AND LEGISLATIVE AFFAIRS ORGANIZATIONAL STRUCTURE

Regulatory and Legislative Affairs

Senior Director of Regulatory and Legislative Affairs

Associate Director of Legislative Affairs
Senior Policy Manager
Senior Strategic Policy Manager
Regulatory Manager

Human Resources and Administration

Fostering a high-performing, inclusive workplace through strategic talent development and operational excellence

Department Description: Mission and Services

The Human Resources and Administration Department serves as a strategic partner to leadership and staff, building the internal systems needed to support a high-performing, mission-aligned organization. The department combines two core functions — human resources and administrative operations — under a unified team that enables employee success and ensures internal consistency and support across all departments.

Human Resources (HR) leads efforts in recruitment, onboarding, benefits administration, compliance, professional development and performance management. These services are delivered in alignment with Community Power's values of integrity, innovation, servant leadership and collaboration.

The administrative team supports agencywide operations by managing internal documentation, scheduling, communications, executive support and coordination across departments. This function plays a vital role in maintaining day-to-day efficiency and ensuring smooth execution of internal processes.

FY 2025–26 marks the first full year of operations with a fully in-house HR team. With the addition of the administrative function, the department is well-positioned to drive internal excellence and provide responsive, effective support to employees, leadership and the Board of Directors.

Department Highlights

- Brought the administrative team alongside the internal HR team
- Established internal HR systems for onboarding, hiring and staff support
- Partnered with Paychex and other vendors to streamline benefits administration
- Rolled out agencywide training programs and began design of a performance management framework
- Supported hiring and onboarding across the agency as Community Power reached 80 authorized FTEs

FY 2025–2026 Priorities

- Evolve into a learning organization with robust professional development by Q4 2026
- Ensure that all staff receives annual safety and workplace training
- Refine and launch internship program to attract students from local colleges and underrepresented communities interested in the clean energy industry
- Finalize and implement a three-year staffing plan and internal job board
- Fully integrate administrative functions into the larger People Operations team
- Maintain employee satisfaction levels above 80% through annual surveys and onboarding feedback
- Develop a cadence for internal and external team events and activities that intentionally shapes our culture in alignment with our mission, vision, values and goals (MVVGs)

Key Performance Indicators (KPIs)

- Headcount (78)
- Hired (22)
- Departed (four)
- Turnover Rate (target 5.6%)
- Time-to-fill for key positions (target: 78 days)

TABLE 15. HUMAN RESOURCES & ADMINISTRATION POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Human Resources and Administration	4.0	*6.0

**1 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 40. HUMAN RESOURCES AND ADMINISTRATION ORGANIZATIONAL STRUCTURE

Human Resources and Administration

Senior Director of People Operations & Administration

Human Resources Manager
Talent Acquisition and Learning Specialist
Human Resources Coordinator
Senior Executive Assistant
Office Manager
Administrative Assistant

Legal

Providing legal guidance, ensuring compliance, transparency and accountability to support organizational integrity

Department Description: Mission and Services

The Legal Department is led by Community Power's general counsel, who reports directly to the Board of Directors and serves as a member of the Executive team. Under the leadership of the general counsel, the department provides legal guidance across a range of areas including public agency governance, regulatory compliance, contract law, employment law and risk management.

The department plays a critical role in supporting internal policy development, mitigating organizational risk and maintaining transparency in all agency actions. As Community Power expands in scale and complexity, the department ensures the agency's decisions and operations remain aligned with local, state and federal legal requirements and uphold public trust.

Department Highlights

- Established Community Power's first in-house Legal Department under general counsel leadership
- Hired two in-house attorneys to expand internal legal capacity
- Developed and implemented internal templates and review processes for contracting and risk mitigation
- Provided legal review and support for long-term power purchase agreements (PPAs) and clean energy prepay transactions
- Reviewed and updated internal policies and supported compliance with the Brown Act and other transparency laws

FY 2025–2026 Priorities

- Support execution of three to five clean energy prepay transactions and associated legal review
- Provide legal guidance on long-term PPAs and related procurement efforts
- Review and update Board policies, bylaws and internal procedures
- Provide support for the launch of major customer programs, including Solar Battery Savings and the San Diego Regional Energy Network (SDREN)
- Expand legal training and education for agency staff and elected officials

TABLE 16. LEGAL POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Legal	2.0	3.0

Department Organizational Structure

FIGURE 41. LEGAL ORGANIZATIONAL STRUCTURE

Legal

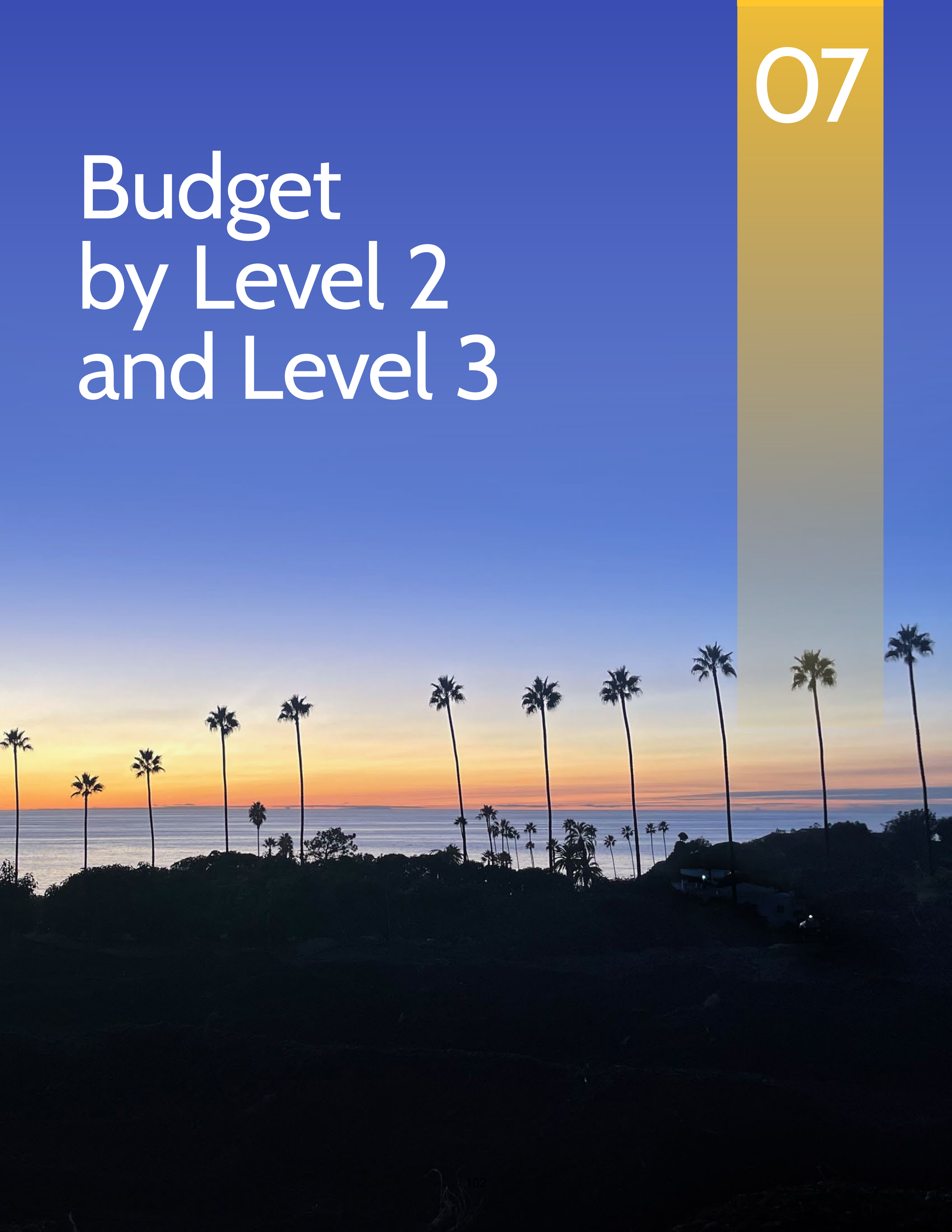
General Counsel

Assistant General Counsel
Senior Counsel
*Paralegal

**Position authorized in FY26*

07

Budget by Level 2 and Level 3



Budget by Level 2 and Level 3

Operating Revenue

Community Power's sole source of revenue currently is the retail sale of electricity to its customers. Revenue budgeted for FY 2025–2026 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base as well as the majority of the residential customer base.

Generally, operating revenue through the retail sale of electricity is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying the Board-approved generation rates to the energy load; and 3) applying a 1.75% uncollectible rate based on revenue that Community Power does not expect to collect — the result is Community Power's operating revenue for the fiscal year.

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

1. PowerOn, our standard service offering that provides 55% renewable power (and 11.7% carbon free) and provides a 3% discount compared with SDG&E's rates
2. Power100, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a $0.01/kWh added to the PowerOn service
3. Power100 Green+, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, available only to commercial and industrial customers and currently priced at a $0.02/kWh adder to the PowerOn service
4. PowerBase, our most affordable service option with renewable content that is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 5% discount compared with SDG&E's rates currently in effect as of February 1, 2025

Additional assumptions for net operating revenue include:

- Enrollment of customers is complete for all member jurisdictions
- A 95% participation rate across all jurisdictions
- A 1.75% uncollectible rate that is a decrease from the 4.5% uncollectible rate assumed in the prior year budget
- 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 February 7, 2025, retroactive to February 1, 2025. Any rate changes are subject to Board approval.

TABLE 17. OPERATING REVENUE BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Ratepayer Revenues	1,365.7	~~1,233.4~~ 1,243.0	~~1,233.4~~ 1,221.0
(Less ~~4.5%~~ 1.75% Uncollectible Customer Accounts)	(61.5)	~~(55.5)~~ (21.8)	~~(55.5)~~ (21.4)
Net Operating Revenues	1,304.3	~~1,177.9~~ 1,221.3	~~1,177.9~~ 1,199.6

**Amounts displayed in millions of dollars*

Cost of Energy

The cost of energy is Community Power's largest expense. Generally, the cost of energy is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying energy already contracted for to the projected energy load; and 3) applying forward market prices to the remaining energy load that Community Power has not yet contracted for — the result is Community Power's cost of energy for the fiscal year.

Community Power prioritizes purchasing 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 this electricity through its existing power lines and continues to provide meter reading, billing and line maintenance to customers.

While Community Power emphasizes its commitment to clean energy, there are factors that can influence the cost of this energy for Community Power, 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, Community Power 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 of air conditioning. This can put a strain on renewable energy sources, forcing Community Power to supplement with power from the market, potentially at a premium, similar to market fluctuations.
- **Increased Load —** Community Power's customer base is projected to remain steady; however, the overall demand for electricity (load) is projected to increase as California transitions to sourcing from more renewable energy. To maintain grid reliability, Community Power may need to secure additional power sources, potentially impacting the cost of energy.

Beyond market-driven factors, regulations such as resource adequacy (RA) requirements play a role in Community Power's energy costs. The California Public Utilities Commission (CPUC) mandates RA requirements. These require Community Power to procure a predetermined amount of electricity based on its projected load. This ensures a consistently 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, Community Power's commitment to clean energy aligns with California's sustainability goals.

It's important to note Community Power strives to offer competitive rates compared with traditional energy providers. The agency achieves this through various strategies, including long-term power purchase agreements and a diverse renewable energy portfolio to mitigate market fluctuations.

TABLE 18. COST OF ENERGY BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Cost of Energy	1,020.8	1,116.8	956.7

**Amounts displayed in millions of dollars*

Professional Services and Consultants

Professional Services and Consultants includes SDG&E fees, data management fees from Calpine, technical support, legal/regulatory services and other general contracts related to IT services, audits and accounting services.

- **SDG&E Service Fees –** Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The roll out of all enrollment phases adds significant costs compared to FY 2025–2026. 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 –** This is a 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.
- **Technical Support –** Community Power engages consultants to assist with load forecast and scheduling our energy purchases. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electricity 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.
- **Legal/Regulatory Services –** Community Power retains legal counsel to assist with the complex aspects of the regulatory and compliance issues and 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 a federal lobbyist to support Community Power's legislative and regulatory efforts.
- **Other Services –** Community Power contracts or plans to contract for IT services, audit services (data and financial), accounting services and other services as needed. Community Power continues to examine if these services are more cost effective or efficient to bring in-house; in particular, Community Power is growing its internal IT function and expecting a reduction in its IT Services professional services agreement.

TABLE 19. PROFESSIONAL SERVICES AND CONSULTANTS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Data Management	13.5	14.6	14.8
SDG&E Fees	3.4	3.4	4.0
Legal/Regulatory	1.5	2.1	1.7
Other Services	2.1	2.1	2.0
Technical Support	1.3	2.1	2.1
Professional Services and Consultants	22.3	24.3	24.6

**Amounts displayed in millions of dollars*

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 increases.

The recruitment strategy includes the addition of approximately seven new staff members during the FY 2025–2026 budget cycle, growing the agency to 94 total staff.

TABLE 20. PERSONNEL COSTS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Salaries	9.1	14.1	15.4
Benefits (retirement/health)	1.8	2.6	3.3
Payroll Taxes	0.6	1.0	1.2
Accrued PTO	0.1	0.9	1.2
Personnel Costs	11.7	18.6	21.1

**Amounts displayed in millions of dollars*

Marketing and Outreach

Marketing and Outreach includes expenses for mandatory rate mailers, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Marketing and outreach are further broken down into the following 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.

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

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

TABLE 21. MARKETING AND OUTREACH BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Printing	2.4	1.2	0.8
Partnerships/Sponsorships/Local Memberships	1.2	1.2	1.1
Marketing and Communications	0.6	0.7	0.8
Marketing and Outreach	4.1	3.0	2.6

**Amounts displayed in millions of dollars*

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, professional development, etc.

TABLE 22. GENERAL AND ADMINISTRATION BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Other G & A	5.7	3.6	4.0
Cal CCA Dues	0.4	0.5	0.6
Rent	0.4	0.7	0.9
Partnerships/Sponsorships/Memberships	0.0	0.0	0.0
Insurance	0.1	0.1	0.3
General and Administration	6.6	4.9	5.9

**Amounts displayed in millions of dollars*

Programs

Given the small size of the Budget Level 2 category for Programs, Community Power is removing this budget category in FY 2025–2026.

TABLE 23. PROGRAMS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Programs	0.7	0	0
Programs	0.7	0	0

**Amounts displayed in millions of dollars*

08

Debt Financing

Debt Financing

Credit Facility

On January 23, 2023, the Community Power Board approved a new credit agreement to implement a new line of credit of $150 million from a JP Morgan credit facility. Subsequently, on October 25, 2024, the Community Power Board approved an amendment to increase the credit facility to $250 million.

The Credit Agreement with JP Morgan provides for a $250 million multi-use revolving line of credit. This credit facility includes an up to 5-year term from the date of renewal. The funds are available for general corporate purposes including line-of-credit draws, collateral postings and postings for the provider of last resort collateral requirements.

Community Power does not anticipate needing to use its credit facility to finance operations in FY 2025–2026 but periodically may access the credit facility for one-time needs. In FY 2024–2025, Community Power accessed $47.0 million from the credit facility and satisfied the loan payment in December 2024. Currently, Community Power has zero debt. However, Community Power still pays debt service fees to maintain its $250 million credit facility and to satisfy fees related to standby letters of credit.

TABLE 24. DEBT PAYMENTS*

Year ended June 30, 2025	Beginnings	Additions	Payments	Ending
Bank note payable	-	47.0	47.0	-
Loans payable	-	-	-	-
Total	-	47.0	47.0	-

**Amounts displayed in millions of dollars*

Debt Considerations

The Community Power Board has taken several important steps to potentially achieve an investment-grade credit rating that includes, among many items:

- Developing a Reserve Policy to increase liquidity
- Establishing and funding an Operating Reserve
- Adopting strategic goals that build to 180 days' cash on hand, ultimately leading to an investment-grade credit rating
- Approving rates effective February 1, 2025, that potentially allow Community Power to achieve 180 days' cash on hand in calendar year 2025

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

Community Power'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 Community Power to issue bonds that will ultimately be subject to Board approval as a separate action. The Debt Policy will help Community Power take advantage of ownership opportunities that may arise, especially in conjunction with state or federal funding that might be available. To date, Community Power has not issued debt.

The Debt Policy articulates:

- The situations and steps necessary for the issuance of debt
- The types of debt that may be issued
- How the debt fits into Community Power's strategic plan and potential capital investment program

The Debt Policy also includes sections to:

- Facilitate decision making
- Establish basic parameters and principles
- Articulate and clarify other related aspects to guide future Boards, staff and consultants

FIGURE 42. COMMUNITY POWER'S DEBT 2020–2024

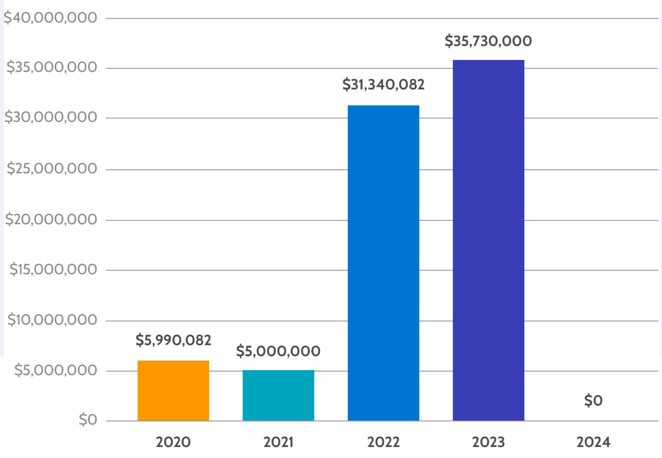
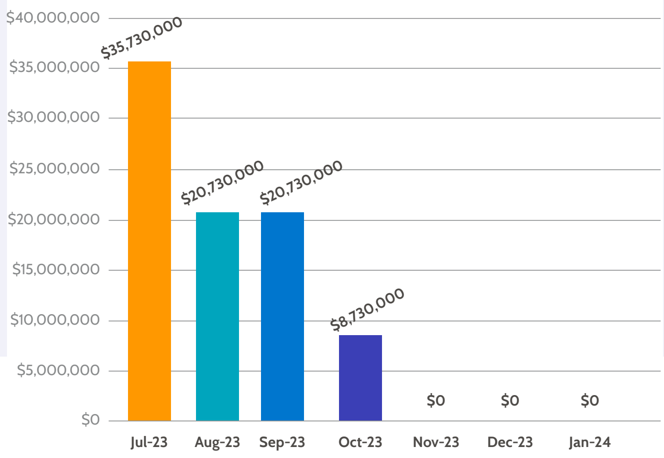


FIGURE 43. COMMUNITY POWER'S DEBT BY MONTH



The Community Power debt policy also includes additional requirements as follows:

- Green Bonds — To the extent possible, Community Power 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, Community Power will utilize an Additional Bonds Test that 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 — Community Power will also seek to maintain aggregate annual debt service on long-term debt at a level not to exceed 5% of Community Power's annual total operating expenses. The actual terms and conditions specific to each debt issue will be controlled by the applicable documents.

09

Financial Policies

Financial Policies

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	$10,391,801	$(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	$ -
Programs	$1,395,000	$1,395,000	$ -
Debt Service	$1,314,922	$1,314,922	$ -
Total Prof. Svcs. Expenses	**$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

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 ability 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:** unrestricted cash and cash equivalents x 365 / (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 to 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. Meet any margin or collateral posting requirements under energy supply contracts; and
    3. Provide resources to meet emergency expenditures.
- Any further use of reserves as necessary or desirable, must be recommended by the 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.

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

- **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.
    - a. **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.
    - b. **Informal Bidding Procedures.** The provisions below shall apply to all methods of procurement described above.
- 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.

- SDCP shall not be required to award a contract to purchase goods or services from the lowest responsible bidder, unless required by California law.
- No SDCP officer or employee shall split purchases into more than one purchase in order to avoid the Competitive Procurement Requirements in this Policy
- 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.

c. **Exceptions to Competitive Procurement Requirements.**

i. 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.

- 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.

ii. No competitive procurement shall be required for goods or services valued at less than $10,000 in any one contract term or contract year.

iii. No competitive procurement shall be required to rent or lease equipment.

- 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.

iv. 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

- 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.

- 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.
- 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.
- 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.
- 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 Community Power's and its member agencies' goals. Community Power has adopted an Energy Risk Management Policy authorizing certain Community Power 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

Policy Guidelines

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 Community Power 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 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 SCDP 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, postissuance 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 longterm 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.

SDCP may consider the following types of fixed or variable rate debt:

- Revenue Bonds secured by general revenue 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.
- **Bond Counsel:** 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

Policy Guidelines

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 53600.3[2] 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."

[2] 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 with the 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. **U.S. 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 of better by at least one Nationally Recognized Statistical Rating Organization (NRSRO). 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-Through 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 U.S. 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 nonprofit 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 U.S. 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.
    - **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.
    - **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.
2. **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.
3. **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.
    - **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.
    - **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.
    - **Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.
    - **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 fees 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 **sdcommunitypower.org/billing-rates/residential-rates/** for residential rates or **sdcommunitypower.org/billing-rates/commercial-rates/** for commercial rates.

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.

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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 bill's house of origin in the Legislature. In California, it is common for legislation to be referred to by its house of origin number even after it becomes law. However, because bill numbers "reset" and start again from 1 in each legislative session, it is less confusing to include chapter and statute information when referring to a bill that has become law; for example, SB 350 (Chapter 547, Statutes of 2015).

AL - Advice Letter: An Advice Letter is a request by a California Public Utilities Commission (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 state 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 select public policy forums at the state level. AReM represents direct access providers such as Constellation NewEnergy and Direct Energy.

BayREN – Bay Area Regional Energy Network: BayREN offers regionwide 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 nonprofit public benefit corporation that oversees the operation of the California bulk electric power system, transmission lines and electricity market generated and transmitted by its members (approximately 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 the Federal Energy Regulatory Commission (FERC) and governed by a five-member governing board appointed by the governor.

CalCCA – California Community Choice Association: A statewide association, made up of Community Choice Aggregators (CCAs), that represents the interests of California's community choice electricity providers.

CALSEIA – California Solar Energy Industries Association: 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 represents the common interests of California's solar industry at the Legislature, Governor's Office and state and local agencies.

CALSLA – California City-County Street Light Association: A statewide association representing cities, counties and towns before the CPUC that is committed to maintaining fair and equitable streetlight electricity rates and facilities charges and disseminating streetlight-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: An 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, is an entity of local governments that 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: A nonprofit composed of U.S. 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; its members are in the cement, steel, industrial gas, pipeline, beverage, cold storage, food packaging and mining industries and their 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: A 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 Renewables Portfolio Standard (RPS) compliant, set by the California Public Utilities Commission (CPUC).

DA – Direct Access: An option that allows eligible customers to purchase their electricity directly from third-party providers known as Electric Service Providers (ESPs).

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 composed 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 that most suffer from a combination of economic, health and environmental burdens. These burdens include poverty, high unemployment, air and water pollution and the presence of hazardous wastes as well as high incidences of asthma and heart disease. One way that the state identifies these areas is by collecting and analyzing information from communities statewide. 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 and intended to identify optimal locations for the deployment of distributed resources.

DWR – Department of Water Resources: DWR is the state agency charged with managing 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% and up to 100% of their monthly electricity demand. The customer pays the developer for the subscribed output and receives 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 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 and 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 that 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 Pacific Gas and Electric (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 that can be recovered in rates. The utilities do not earn a rate of return on these costs and recover only 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: 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), which are gases that cause the atmosphere to trap heat radiating from the earth. The most common GHG is carbon dioxide.

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 for and the rate schedules for each class. Each large electric utility files a GRC application every three years for review by the Public Advocate's Office and interested parties and for 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 quantify 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.

IEPA – Independent Energy Producers Association: 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 that outlines an electric utility's resource needs in order to meet expected electricity demand long-term.

kW – Kilowatt: A measure of power where power (watts) = voltage (volts) x amperage (amps) and 1 kW = 1,000 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 composed 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 CPUC's electric procurement policies and programs.

MCE – Marin Clean Energy: The first CCA in California, which began serving customers in 2010. It serves 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: A megawatt hour (Mwh) is equal to 1,000 Kilowatt hours (Kwh) or 1,000 kilowatts of electricity used continuously for one hour.

MWH – Megawatt-hour: A 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: A nonprofit 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: An 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 the 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: A 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 Renewable Energy Certificate (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 Renewable Energy Certificate (REC) are from out of state and not dynamically scheduled to a CBA.

PCC3 – RPS Portfolio Content Category 3: Unbundled Renewable Energy Certificate (REC).

PCIA or "exit fee": The 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 (Chapter 313, Statutes of 2009) and SB 1305 (Chapter 796, 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: A CPUC hearing to discuss the scope of a proceeding, among other matters. Interested stakeholders can request party status during these conferences.

Pnode – Pricing Node: In the CAISO optimization model, this is a point where a physical injection or withdrawal of energy is modeled and for which an 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 (Chapter 547, Statutes of 2015).

PRRR – Progress on Residential Rate Reform: Pursuant to a CPUC decision, the IOUs must submit to the CPUC and other 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: A California statute that contains 33 divisions; the range of topics within this code includes natural gas restructuring, private energy producers, telecommunication services, and specific municipal utility districts and transit authorities; the primary statute for governance of utilities as well as CCAs in California.

PURPA – Public Utilities Regulatory Policy Act: A federal statute passed in 1978 by Congress in response to the 1973 energy crisis to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. It was intended to promote energy conservation (reduce demand) and promote greater use of domestic energy and renewable energy (increase supply).

RA – Resource Adequacy: Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities — investor-owned utilities, electricity service providers and CCAs — 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 megawatt-hour 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: A law that requires California utilities and other load-serving entities (including CCAs) to provide an escalating percentage of California 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: The CCA serving Sonoma County and surrounding areas in Northern California.

SDG&E – San Diego Gas & Electric: The IOU that serves San Diego County and owns the infrastructure that delivers Community Power energy to our customers.

SGIP – Self-Generation Incentive Program: A program that provides incentives to support existing, new and emerging distributed energy resources (storage, wind turbines, waste heat to power technologies, etc.).

SUE – Super User Electric: An electric surcharge intended to penalize consumers for excessive energy use.

SVCE – Silicon Valley Clean Energy: The CCA serving the communities in Santa Clara County.

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 and 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: A term that refers to the death of forest trees and provides a measure of forest health. In the context of energy, as part of the Governor's Tree Mortality Emergency Proclamation, 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 its renewable portfolio to Community Power and other LSEs within the service territory.

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Budget Resolution

Budget Resolution *Pending*

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Acknowledgments

Acknowledgments

Finance Department

San Diego Community Power's Finance Department works to maintain a fiscally responsible budget in accordance with Community Power's 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 Community Power's 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 Community Power Board, committees and staff informed of Community Power's fiscal condition and develops a budget that will ultimately prioritize people, transparency and our communities.

Board of Directors

Mayor Paloma Aguirre, Chair
Supervisor Terra Lawson-Remer, Vice Chair
Councilmember Sean Elo-Rivera, Director
Councilmember Marco San Antonio, Director
Councilmember Michael Inzunza, Director
Councilmember Genevieve Suzuki, Director
Councilmember Ditas Yamane, Director

Finance and Risk Management Committee

Councilmember Ditas Yamane, Chair
Councilmember Genevieve Suzuki, Vice Chair
Councilmember Michael Inzunza, Director

Community Advisory Committee

CHULA VISTA
- Anthony Sclafani
- (Vacant)

COUNTY OF SAN DIEGO
- Peter Andersen
- Ross Pike

ENCINITAS
- Gary L. Jahns
- Tara Hammond

IMPERIAL BEACH
- Ilian Sandoval
- Kenneth Hoyt

LA MESA
- David Harris
- Shaun Sumner

NATIONAL CITY
- Aida Castañeda
- Larry Emerson

SAN DIEGO
- Luis Montero-Adams
- Matthew Vasilakis

Community Power 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, Director of Finance
Christopher Stephens, Procurement Manager
Diana Gonzalez, Risk Manager
Mark Alfaro, Finance Manager
Jeb Spengler, Strategic Finance Manager
Christopher Do, Senior Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst

**Formerly titled Managing Director Power Services*

ITEM 6
ATTACHMENT B

SAN DIEGO COMMUNITY POWER

FISCAL YEAR 2026 – 2030

SAN DIEGO COMMUNITY POWER

Capital Investment Plan (CIP)

Fiscal Years 2026–2030

Resolution 2025-XX

Draft Revised June 12, 2025

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How to Use This Book

The San Diego Community Power (Community Power) proposed Fiscal Years (FY) 2026–2030 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 for 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.

Capital Investment Plan Overview

Describes the CIP in brief, including summary tables that reflect the operating transfer into the CIP as well as the list of projects planned for the next five years.

Overview

Provides a high-level overview of Community Power's governance, structure and agency values and priorities.

Strategic Plan

Describes Community Power's strategic planning process and board-adopted strategic goals that provide the foundation for the creation of the CIP.

Community Engagement

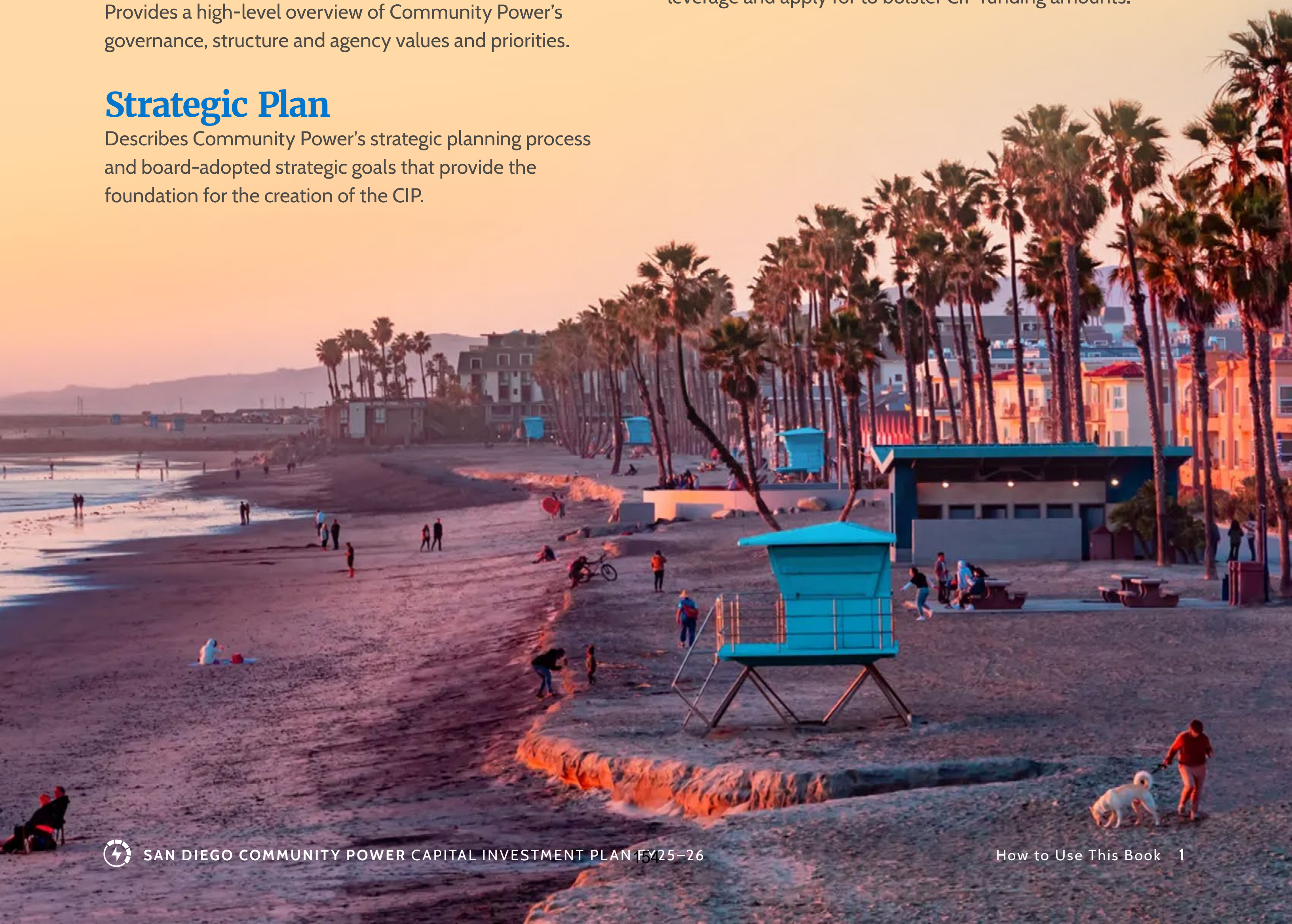
Outlines the outreach process to the community that provided feedback and significant input into project and program design.

Program Types

Includes the 14 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 sources that fund the CIP as well as future potential funding sources that Community Power can leverage and apply for to bolster CIP funding amounts.



A Letter from the Chief Executive Officer

At San Diego Community Power, we are shaping a future that is both sustainable and equitable. As a not-for-profit public agency and Community Choice Aggregator (CCA), we were created to bring competition to the local energy marketplace, offering cleaner energy at competitive rates and reinvesting revenues back into our communities.

Since launching in 2021, we've grown significantly in both reach and impact. In 2024, we remained focused on our mission: delivering reliable, clean power at competitive rates while advancing programs that make a tangible difference for our customers.

Affordability and long-term value remain central to our strategy. In February 2025, we reduced rates for the second year in a row — thanks to prudent financial planning and favorable market conditions — providing most customers with a discount compared with San Diego Gas & Electric's electricity generation rates.

Every decision we make, from lowering rates to expanding service options, is grounded in the needs of our customers and communities. Last summer, we introduced two new service options: **Power100 Green+**, for commercial customers seeking the highest level of renewable energy, and **PowerBase**, a more affordable option that still meets California's clean energy standards

Even as we deliver near-term savings, we continue to plan for long-term energy security and stability. The broader power market remains volatile, shaped by a constrained statewide resource supply and uncertain federal tax credit and trade policies. Our Power Services team is navigating these challenges through disciplined procurement and long-range planning.

To date, we've executed 17 long-term power purchase and energy storage agreements that will deliver reliable, renewable electricity to nearly 1 million homes and businesses across our region. These investments not only support our goal of 100% renewable energy by 2035, but also help insulate customers from future price spikes.

In 2024, we marked a major milestone with the ribbon cutting of the **Vikings Solar and Storage Project** in Imperial County. Developed by Arevon, with Community Power as the offtaker, Vikings is more than just a solar generation site. As one of the first utility-scale solar peaker plants in the United States, the project is designed to keep the lights on and costs down when demand is at its highest — powering the equivalent of 50,000 San Diego homes with clean, affordable energy. It exemplifies our broader procurement strategy: securing long-term renewable power while creating local and regional economic opportunity.

In addition to expanding customer choice and value, we've made progress on delivering innovative solutions that support customers across the region. Last summer, we launched our largest customer program to date, **Solar Battery Savings**, which offers upfront and performance-based incentives for home battery systems that boost resilience and reduce grid demand during peak hours. The program was recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report* as a model for customer-centered innovation in distributed energy.

We also secured approval from the California Public Utilities Commission to launch the **San Diego Regional Energy Network (SDREN)** in partnership with the County of San Diego. SDREN will generate nearly $125 million in energy efficiency resources for the region through 2027 and marks the final major population area in California to establish a Regional Energy Network.

As we grow, we're also investing in the internal systems and strategic planning necessary to scale effectively, operate efficiently and remain accountable to the public.

The proposed FY 2026–2030 Capital Investment Plan (CIP), alongside the proposed FY 2025–2026 budget, reflects these priorities as we transition toward our mid-term program strategy, which focuses on optimizing customer energy use around time-of-use rate schedules and individual preferences. These efforts reduce participants' bills while lowering major cost drivers like energy procurement and resource adequacy — creating system-wide savings that benefit all ratepayers. In the years ahead, we will continue building the tools and incentives that align customer behavior with grid needs, helping make our clean energy system smarter, more affordable and more resilient.

As we look ahead, our focus remains on driving measurable impact: accelerating the region's clean energy transition, supporting local climate goals and building a more just and resilient energy system. With the continued leadership of our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to power the path toward a cleaner, more resilient future — together.

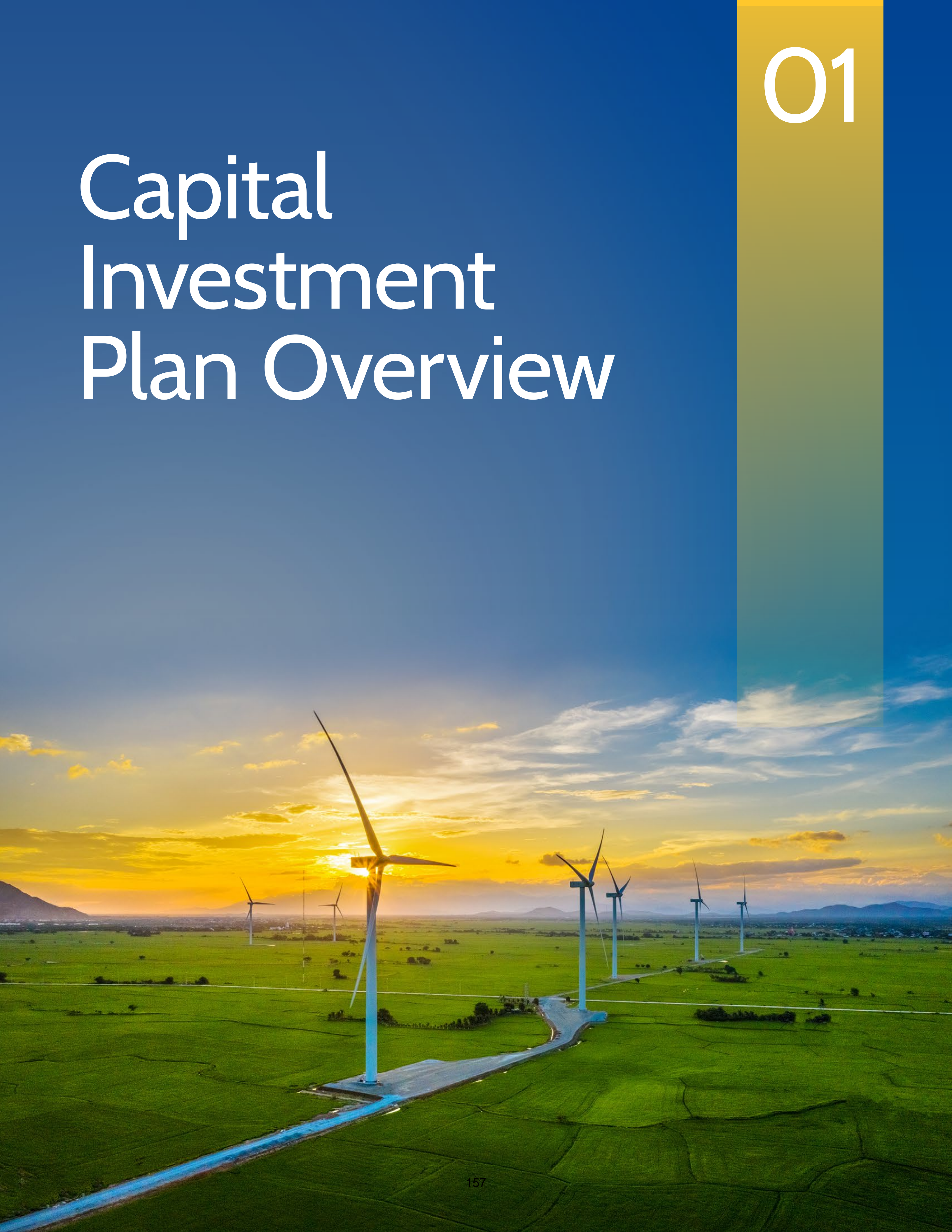
Thank you for your continued trust and partnership.

Karin Burns

Chief Executive Officer
San Diego Community Power

01

Capital Investment Plan Overview



Capital Investment Plan Overview

San Diego Community Power developed its first Capital Investment Plan (CIP) for FY 2024–2028 and continues to grow it with the FY 2026–2030 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 2025–2026 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 Community Power CIP is largely funded by internal funding that 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 with implementation or design and construction. As Community Power builds reserve funds and endeavors to maximize impact, Community Power will leverage the CIP to aggressively pursue external funding from sources such as state and federal agencies.

TABLE 1. FY 2025–2026 CAPITAL BUDGET*

	Carry Forward [1]	FY26 Authorized Budget	FY26 Proposed Budget
Operating Transfer In	~~7.5~~ 9.2	-	~~21.4~~ 22.2
Regional Energy Network [2]	~~0.3~~ -	~~31.8~~ 31.9	~~31.8~~ -
DAC-GT	~~0.5~~ (0.1)	~~0.3~~ 0.6	~~0.3~~ -
CDFA	~~0.5~~ 0.7	-	-
Equitable Building Decarbonization	~~1.5~~ 1.4	-	-
Other	-	-	~~0.9~~ -
CIP Revenue	**~~10.3~~ 11.2**	**~~32.1~~ 32.5**	**~~54.4~~ 22.2**

**Amounts displayed in millions of dollars*

[1] The Carry Forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024–2025.

[2] The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027 and funded programs will be available across SDG&E service territory

The first year of the CIP is appropriated as part of Community Power'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 2. FY 2026–2030 CIP PROGRAMS AND PROJECTS

	Beginning Bal.	Expenses	Carry Forward [1]	5-Year Budget					
	FY25	FY25	FY25	FY26	FY27	FY28	FY29	FY30	Total
External Funding									
Regional Energy Network[2]	2.1	~~1.8~~ 2.1	~~0.3~~ -	~~31.8~~ 31.9	59.5	51.4	42.0	43.7	~~228.7~~ 228.6
DAC-GT	0.9	~~0.4~~ 1.0	~~0.5~~ (0.1)	~~0.3~~ 0.6	0.5	0.5	0.5	0.5	~~2.7~~ 2.4
CDFA	0.7	~~0.2~~ -	~~0.5~~ 0.7	-	-	-	-	-	~~0.5~~ 0.7
Equitable Building Decarbonization	1.5	0.1	~~1.5~~ 1.4	-	-	-	-	-	~~0.5~~ 1.4
Other	-	-	-	~~0.9~~ -	-	-	-	-	~~0.9~~ -
Subtotal	**5.2**	**~~2.4~~ 3.2**	**~~2.8~~ 2.0**	**~~33.0~~ 32.5**	**60.0**	**51.9**	**42.5**	**44.2**	**~~234.4~~ 233.0**
Internal Funding									
Solar Battery Savings	10.6	~~7.9~~ 7.4	~~2.7~~ 3.2	18.8	11.1	10.4	8.3	8.5	~~59.8~~ 60.3
Energy Efficiency	0.3	0.3	0.0	-	-	-	-	-	0.0
Pilot Programs	3.0	~~1.3~~ 0.5	~~1.7~~ 2.5	-	-	-	-	-	~~1.7~~ 2.5
Grants	0.8	~~0.3~~ 0.6	~~0.7~~ 0.2	~~0.8~~ 1.3	-	-	-	-	1.5
DER	0.1	~~0.0~~ 0.1	~~0.1~~ 0.0	-	-	-	-	-	~~0.1~~ 0.0
Flexible Load	0.6	~~0.5~~ 0.3	~~0.2~~ 0.3	0.3	0.6	0.6	0.8	0.7	~~3.1~~ 3.3
IT Projects	2.6	~~0.6~~ 0.1	~~2.0~~ 2.5	1.5	-	-	-	-	~~3.5~~ 4.0
Community Education	0.1	~~0.0~~ 0.1	~~0.0~~ -	0.0	-	-	-	-	0.0
Program Evaluation	-	-	-	0.3	-	-	-	-	0.3
Application Assistance	0.3	-	0.3	-	-	-	-	-	0.3
Other	-	-	-	~~0.2~~ -	7.4	8.7	11.2	11.7	~~0.2~~ 39.1
Subtotal	**~~15.4~~ 18.4**	**~~11.1~~ 9.2**	**~~7.5~~ 9.2**	**~~21.4~~ 22.2**	**~~11.7~~ 19.1**	**~~11.0~~ 19.7**	**~~9.1~~ 20.3**	**~~9.2~~ 20.9**	**~~69.9~~ 111.3**
CIP Expense Total	**~~20.6~~ 23.6**	**~~13.5~~ 12.5**	**~~10.3~~ 11.2**	**~~54.4~~ 54.7**	**~~71.7~~ 79.1**	**~~62.9~~ 71.6**	**~~51.6~~ 62.8**	**~~53.4~~ 65.1**	**~~304.3~~ 344.3**

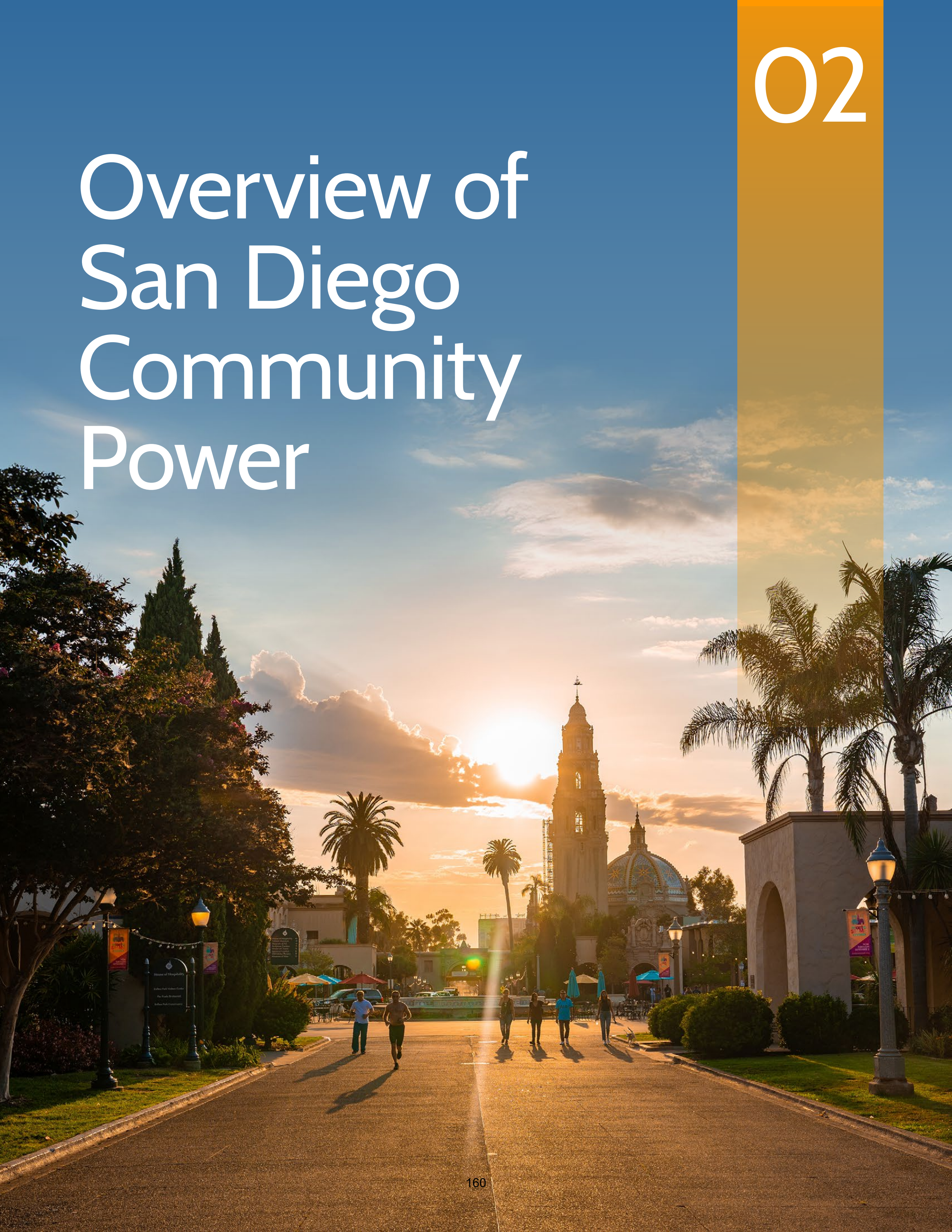
~~*1 The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027 but given the size of the program, it is reflected in this table as anticipated spending by fiscal year.*~~

[1] The carry forward amount reviews actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024-2025.

[2] The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027, it is reflected in this table as anticipated spending by fiscal year.

02

Overview of San Diego Community Power



Overview of San Diego Community Power

Who We Are

San Diego Community Power is a Community Choice Aggregator (CCA) that gives customers an option to power their homes and businesses with significantly higher levels of renewable power at competitive rates. Since 2021, Community Power has grown to serve nearly 1 million residential, business and municipal power customers in the cities of San Diego, Chula Vista, Encinitas, Imperial Beach, La Mesa and National City as well as the unincorporated communities of San Diego County.

Community Power is a not-for-profit public agency that provides affordable clean energy and invests in its local communities to create an equitable and sustainable future for the San Diego region.

Learn more at [www.sdcommunitypower.org.](http://www.sdcommunitypower.org)

Our Story

FORMATION

With support from local communities, Community Power was established as a Joint Powers Authority by five cities within the San Diego region. Community Power submitted an implementation plan to the California Public Utilities Commission, outlining the intended organizational structure, operations and funding. Once approved, our Board of Directors began to meet regularly, and implementation activities began. In 2020, a sixth city and the County of San Diego elected to join Community Power.

ENROLLMENT 2021–2023

Through phased enrollment from 2021 through 2023, Community Power gradually became the official clean energy provider for our member agencies. Customers were automatically enrolled in our service and received two notices before and two notices after enrollment.

TODAY

Community Power serves nearly 1 million customers with competitively priced clean energy; we are beginning to offer customer programs and rebates as well as supporting San Diego County's energy efficiency goals through the San Diego Regional Energy Network (SDREN).

About Community Choice

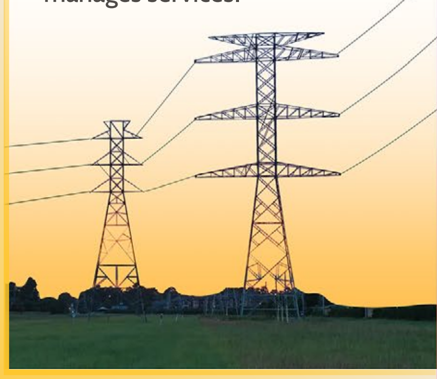
San Diego Community Power is a Community Choice Aggregator (CCA) — one of dozens that have formed throughout California over the past 20 years. There are currently 25 CCAs serving over 14 million customers in California.

Through CCAs, communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local clean energy projects and programs on behalf of their residents and businesses. CCAs like Community Power work in partnership with the region's existing investor-owned utilities (SDG&E in our case), which continue to deliver power and maintain the grid.

How It Works

Community Power
purchases electricity from renewable sources.

SDG&E
delivers power and manages services.



You
enjoy cleaner power at competitive rates.

CCAs are making good on their commitments to invest in new renewable energy facilities throughout California. To date, CCAs have contracted for more than 18,000 megawatts (MW) of new clean generation capacity through long-term power purchase agreements (PPAs) with terms of 10 years or more. CCA PPAs equate to:

- More than 18 gigawatts (GW) of new solar, wind, energy storage, geothermal and demand response resources
- Projects totaling more than 7,900 MW that are already operational and serving CCA customers
- More than $37 billion committed by CCAs to build and operate clean energy resources
- Support for more than 36,000 construction jobs

FIGURE 1. CCAS IN CALIFORNIA

Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, Imperial Beach and La Mesa adopted an ordinance and resolution to form San Diego Community Power, a California Joint Powers Authority (JPA). In 2021, National City and the County of San Diego voted to join Community Power.

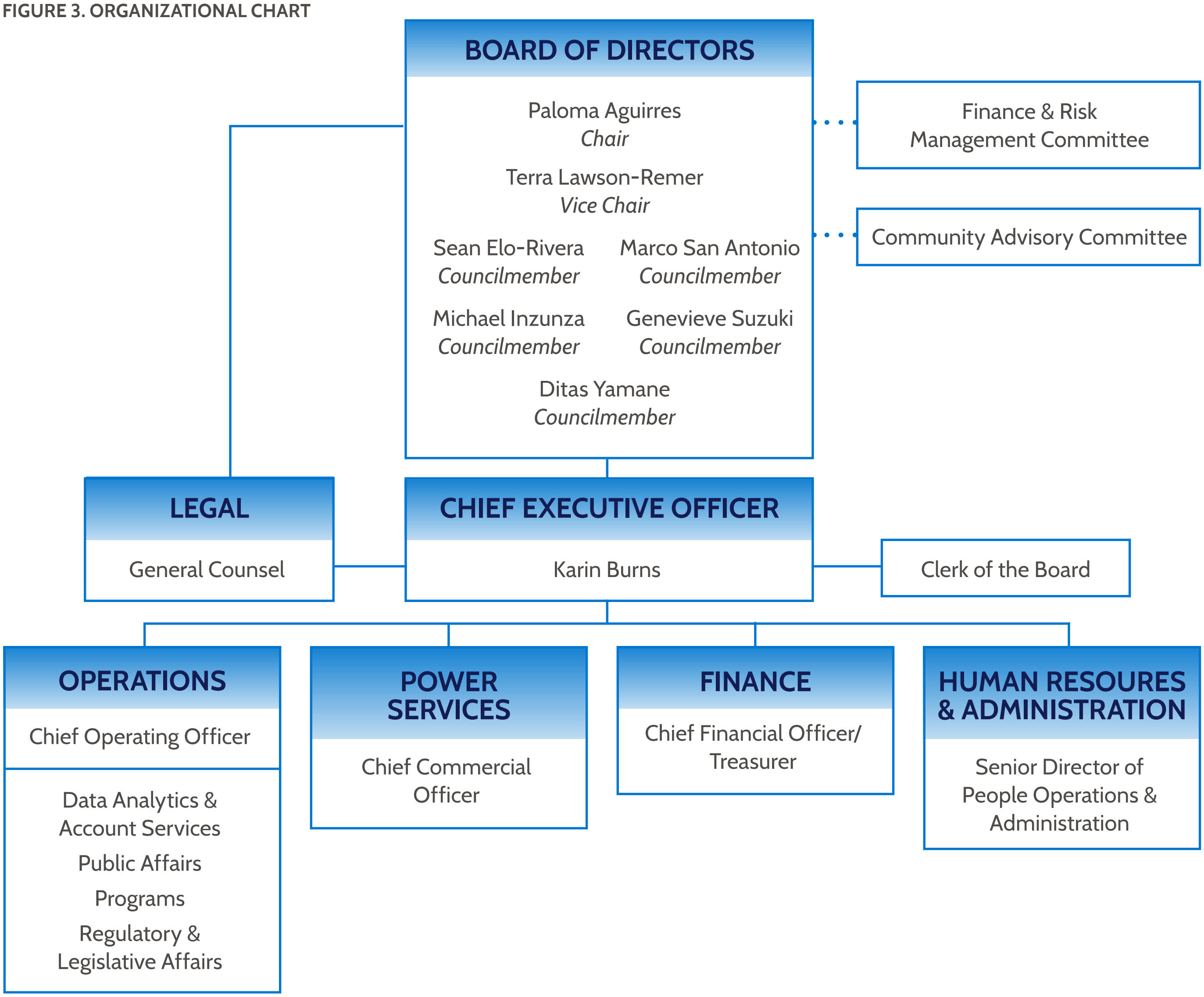
Community Power's Board of Directors is composed of an elected representative from each member jurisdiction, with each member having an alternate from the agency they represent. The Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it establishes policy, sets rates, determines power purchase options and maintains fiscal oversight.

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

FIGURE 2. COMMUNITY POWER MEMBER AGENCIES

Organizational Structure

FIGURE 3. ORGANIZATIONAL CHART



03

Capital Investment Plan

Capital Investment Plan (CIP)

About the CIP

The Community Power Fiscal Year 2026–2030 Capital ~~Improvement~~ Investment Plan (CIP) includes 21 projects that will receive funding in the five-year period, totaling ~~$304.3~~ $344.3 million in investments across ~~Community Power member jurisdictions~~ San Diego County. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows Community Power 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.

5-Year period | ~~$304.3~~ **$344.3** total investment | **21** projects to be funded

Across ~~Community Power member jurisdictions~~ San Diego County

This plan continues Community Power's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects compose a list that provides Community Power with the confidence to target a core set of program types focused on community needs. It also gives Community Power 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 this does not necessarily indicate that actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or drop out entirely.

Likewise, this list is not all inclusive. Unexpected requirements often cause unforeseen projects to be inserted into the design and execution process. Furthermore, funding sources identified in the CIP are potential funding sources that 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

Community Power will update the CIP annually during its budget development process. Programs and projects are included in the CIP based on alignment with Community Power's strategic goals and based on community engagement.

The proposed capital budget and CIP undergo a public outreach process comprising a wide range of stakeholder groups. Additionally, the CIP 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 Board for approval.

FIGURE 4. CIP DEVELOPMENT PROCESS

04

Strategic Planning

Strategic Planning

San Diego Community Power's budgeting process, including its CIP, is directly informed by its Strategic Plan — a document co-created by our Board, our CAC, our executives and our team — that translates community priorities into actionable goals. The Strategic Plan is a critical management tool, helping to align resources, guide operational decisions and drive long-term organizational focus across every department and initiative.

Now three years into our first strategic planning cycle, Community Power has reached a pivotal inflection point. Since the adoption of our 2023–2027 Strategic Plan in June 2022 and its subsequent update in April 2023, we've achieved many of the ambitious goals we set, made meaningful progress on others and thoughtfully recalibrated where needed. From October 2024 to March 2025, we embarked on a process of revising and updating our strategic plan, setting aggressive new goals while continuing to focus our efforts, build our organization and deliver on the promise of community choice.

What hasn't changed is our mission, vision and core values. These foundational statements continue to guide our work even as we refine our priorities and strategies to reflect new opportunities, challenges and lessons learned. With our team, customer base and clean energy infrastructure significantly expanded, we now turn toward a new two- to three-year horizon — one defined by sustained growth, increased financial responsibility and a deeper investment in the people and systems that power our organization.

As we evolve, we continue to ask a simple but powerful question: **Does this activity serve our purpose?** Every program, investment and initiative we pursue should answer "yes" to at least one of the following:

- Does it make energy more affordable for our customers?
- Does it make things easier for our customers?
- Does it make our energy more renewable?
- Does it maintain or improve the health of our organization?
- Does it build trust with our communities, stakeholders and local governments?

These questions — and the values underlying them — serve as a filter and a guidepost, helping to ensure that our Strategic Plan remains grounded in what matters most to our customers and communities.

FIGURE 5. SAN DIEGO COMMUNITY POWER MISSION STATEMENT

FIGURE 6. SAN DIEGO COMMUNITY POWER VISION STATEMENT

As part of this new planning phase, Community Power has identified four overarching themes to guide our work:

Fiscal Sustainability

We remain committed to building strong financial reserves, managing risk and pursuing strategies like clean energy prepay transactions that can reduce long-term costs for customers.

Infrastructure Investment

This includes both internal infrastructure, such as IT, legal, data and policy capacity, and external infrastructure, including local battery storage, distributed energy resources and virtual power plant development.

Customer Affordability

Affordability remains the top concern voiced by our community and is front of mind with every power purchase, financial hedge, compliance obligation or additional long-term power resource we contract with to support our short- and long-term procurement efforts. Our additional activities — ranging from the development of targeted rates like PowerBase to launching the San Diego Regional Energy Network — will continue to focus on reducing energy bills while meeting state policy goals.

People

As we grow, so does our responsibility to ensure a resilient and inclusive workplace culture. We are investing in management training, professional development and succession planning to ensure strong continuity and a high level of staff retention.

Together, these priorities inform the structure of our proposed FY 2025–2026 budget and the evolution of our Strategic Plan. That work is organized around seven long-term Strategic Goals that anchor the agency's planning and performance management. These goals guide not only how we invest our resources but also how we measure our progress as a public agency accountable to the communities we serve.

Core Strategic Goals

1. Fiscal Sustainability

Practice fiscal strategies to promote long-term organizational sustainability.

- Execute at least six clean prepayment transactions over the next three years to generate $30 million in annual power cost savings.
- Obtain a public investment-grade credit rating by November 2027.
- Grow reserves by $150 million to maintain 180 days' cash on hand by December 2027.
- Build a $70 million Rate Stabilization Reserve to mitigate cost volatility.
- Strengthen financial controls across contracting, risk management and procurement.

2. Energy Portfolio Development

Provide sufficient, affordable and clean electricity to our customers.

- Reach 100% renewable energy by 2035, with interim goals of 75% by 2027 and 85% by 2030.
- Support development of 1 gigawatt of new local clean energy capacity by 2035, including 300 MW of infill and distributed energy resources (DERs).
- Ensure reliable and cost-effective compliance with all regulatory requirements.
- Create good-paying local jobs in clean energy sectors.

3. Community Program Delivery

Implement programs that reduce greenhouse gas emissions, align energy supply and demand and benefit our diverse communities.

- Deliver 150 MW of local DER capacity (of the 300 MW total goal) by 2035 through programs like Solar Battery Savings.
- Launch all San Diego Regional Energy Network (SDREN) programs by FY 2026–2027.
- Implement a robust program evaluation framework by FY 2026–2027.
- Expand external funding for clean energy programs.

4. Legislative and Regulatory Advocacy

Advance policies that support Community Power's mission and customer goals.

- Educate policymakers and regulators to influence outcomes consistent with our policy platform.
- Support and sponsor legislation aligned with our values and needs.
- Remain an active participant in coalitions such as CalCCA to amplify our voice.
- Strategically pursue public funding aligned with agency goals.

5. Trusted Brand Building

Build a trusted brand that supports engagement, participation and program success.

- Position San Diego Community Power as a collaborative public agency rooted in transparency.
- Grow the Power Network of nonprofit and community-based partners to expand community reach.
- Elevate brand awareness through education and outreach.
- Empower customers to take advantage of savings and services through awareness, education and ongoing communication programs.

6. Customer Care

Ensure high customer satisfaction and retention.

- Refine rate structures to balance affordability, clean energy and fiscal prudence.
- Resolve SDG&E billing issues and improve customer experience.
- Explore options for a best-in-class customer service model.
- Address arrearages and connect customers with available resources.

7. Organizational Excellence

Foster an innovative, inclusive and resilient workplace.

- Transition into a learning organization by late 2026 with robust staff development.
- Maintain a high level of employee satisfaction through engagement and continuous feedback.
- Launch a new internship program for local college students by FY 2027

FIGURE 7. CORE STRATEGIC GOALS

05

Community Engagement

Community Engagement

Community Engagement Process

As a public agency with a deep commitment to transparency and community accountability, Community Power approaches outreach not as a one-time event, but as a continuous, year-round effort. Our financial planning, including the development of the Capital Investment Plan (CIP), is directly informed by ongoing engagement with customers, stakeholders and local leaders, ensuring our investments reflect the needs and priorities of the people we serve.

Community Power Plan (CPP)

A key milestone shaping Community Power's customer engagement and investment strategies is the Community Power Plan (CPP), adopted by the Board of Directors on May 25, 2023. The CPP provides strategic direction for customer energy program development over a five-year time frame and is instrumental in guiding CIP investments.

As a not-for-profit public agency, Community Power is committed to designing programs that are community-driven, with a particular focus on uplifting Communities of Concern. The CPP was built through extensive outreach and partnership building, helping Community Power strengthen ongoing relationships with residents, community-based organizations and stakeholders across the region. Between May and November 2022, Community Power engaged more than 3,450 community members through listening sessions, workshops, pop-up events and a customerwide survey — prioritizing equity and reaching harder-to-engage populations. The CPP's foundational community needs assessment shaped both short-term priorities and a longer-term framework for program evaluation and design.

Rather than treating outreach and partnership building as a one-time effort, the CPP established a foundation for ongoing dialogue and partnership between Community Power and the communities we serve — a commitment that continues through the CIP and program design. This community-centered approach informs all areas of our work, including public meetings, partnerships with local organizations and targeted outreach efforts to ensure clean energy opportunities are accessible, equitable and responsive to community needs.

Public Meetings and Oversight

Core to our transparency is the public nature of our governance. Per our Rate Development Policy, rate setting is conducted via a public process, developed by staff and approved by our Board of Directors — all through open meetings where the public is encouraged to participate. Our Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings where it not only sets rates, but also establishes policy, determines power options and maintains fiscal oversight. Similarly, our Board is informed by a subset of members on the Finance and Risk Management Committee (FRMC), and the Community Advisory Committee (CAC) advises the Board and provides a venue for ongoing citizen support and engagement in Community Power. These monthly forums create meaningful opportunities for public input and serve as a foundation for budget and investment planning.

Customer Notices and Transparency Tools

We also ensure customers have access to clear, timely information about their energy service. Our annual Joint Rate Comparison — published in coordination with SDG&E — provides a side-by-side rate and service overview. The Power Content Label offers transparency into the energy sources we procure, reinforcing our commitment to cleaner energy.

Our website is another key transparency tool, offering customers easy access to rate options, program details, meeting materials and more. Specifically, the bill comparison calculator offers customers an opportunity to evaluate Community Power rates alongside those of SDG&E. As part of our continued commitment to improving the customer experience, we are currently undertaking a website redesign to make resources easier to find, understand and apply.

Targeted Outreach and Engagement

Beyond formal governance, Community Power engages directly with the communities we serve. We regularly present agency updates to our member cities' elected bodies — including updates in early 2025 — and actively participate in community events across the region.

In 2024 alone, Community Power participated in more than 151 community events, resulting in 18,539 unique public interactions through in-person engagement.

Our outreach efforts are bolstered by strategic partnerships and media initiatives, such as the ongoing "Working for Our Communities" campaign with CBS 8, helping extend our reach and impact.

Through quarterly newsletters, targeted sponsorships, social media campaigns and our new comprehensive customer survey launched alongside our brand refresh, we continue to invite customers to shape Community Power's path forward. These efforts help maintain a strong feedback loop, ensuring that our Capital Investment Plan and broader strategic initiatives reflect not only fiscal responsibility but also community vision, equity and shared clean energy goals.

TABLE 3. 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	325
Unincorporated San Diego County Pop-up Events	100
Community Needs Survey	2,980
Total	3,450

Prioritizing Equity and Communities of Concern

Community Power is committed to making equity central to all outreach and investment planning. The Community Power Plan (CPP), adopted by the Board of Directors in 2023, was the foundation for many of the investments reflected in this Capital Investment Plan (CIP). As part of the CPP development process, Community Power prioritized meaningful and inclusive engagement with Communities of Concern to guide program and project priorities. This commitment continues to shape our work today.

To ensure authentic community participation, Community Power partnered with and compensated community-based organizations that work directly with underserved communities. The following engagement principles guided the development of the CPP and continue to inform our broader program and investment strategies.

Minimizing obstacles

Community Power designed outreach activities that met people in their communities, building trust by minimizing barriers such as time commitments, technology access and transportation. Flexibility and adaptability remained priorities throughout the process.

Valuing community input

Local and lived experiences were central focuses during the engagement process. Community Power gathered insights on community goals, priorities and challenges to inform future program design and investment decisions.

Building partnerships

Community Power built strong relationships with community-based organizations across the region. These partnerships provided critical input on outreach strategies and deepened our understanding of the communities we serve.

Recognizing real-world challenges

Community Power recognized that urgent issues like rising utility bill costs, economic pressures and service insecurity often take precedence for households. Engagement efforts were designed to respect and reflect these lived realities while still advancing clean energy and sustainability goals.

Promoting accessibility

Outreach materials and activities were developed with accessibility in mind, including considerations for language, technology access, physical ability and subject matter familiarity. Materials were presented using clear, non-technical language.

Upholding language access

Community Power employed a language justice approach to ensure participants could fully engage in the languages they felt most comfortable using. Multilingual engagement and culturally relevant materials fostered greater inclusivity and trust throughout the planning process.

06

Capital Program Areas

Capital Program Areas

Program Type Overview

The Community Power Plan (CPP) is the foundational document that informs the Capital Program areas. Utilizing the input received during the CPP community needs assessment and the other efforts conducted during the CPP development, strategies were developed for short-term, medium-term and long-term programs.

Given the significant influence that timing of available funding imposes on program delivery, this five-year Plan approached programs using the following phases.

- **Short-term (FY 2023–2024 – FY 2024–2025):** Program types that can be launched quickly with available funding and/or with a manageable amount of Community Power's revenues to address immediate needs identified in the community needs assessment.
- **Medium-term (FY 2025–2026 – FY 2026–2027) (current):** Community Power has transitioned from the short-term program strategy to the medium-term program strategy as additional projects are funded by one-time operating contributions. An overarching tenet of the medium-term program strategy is the flexible load program — a strategy that can be implemented across a range of programs. The strategy outlines target end-use technologies, key points of integration with existing/planned programs and a proposed software architecture to drive device dispatch and control as well as a framework to guide dispatch and device operations.

  The strategy is being designed to optimize customer energy usage around time-of-use rate schedules and customer preferences, directly reducing participants' bills while decreasing major Community Power cost drivers, such as energy and resource adequacy procurement, which directly benefits all ratepayers. The strategy also incorporates advanced analytics to predict peak demand periods, allowing for proactive adjustments to energy consumption that further enhance cost savings for ratepayers. Additionally, by promoting the adoption of renewable energy sources, the strategy supports Community Power's broader goals of sustainability and reduced environmental impact.
- **Long-term (FY 2027–2028+):** Program types that require more complex program design and development, are dependent on Community Power being more established and/or that support emerging clean energy technologies.

Short-Term Program Types (FY 2023–2024 – FY 2024–2025)

1. Energy Awareness and Education
2. Application Assistance
3. Disadvantaged Communities Green Tariff
4. Pilot Programs
5. Grant Programs

Medium-Term Program Types (FY 2025–2026 – FY 2026–2027)

1. Building Electrification: Heat Pump Technology
2. Planning and Studies
3. Distributed Energy Resources: Energy Storage Systems
4. Distributed Energy Resources: Demand Response
5. Energy Efficiency
6. Transportation Electrification: Infrastructure
7. Transportation Electrification: Light-Duty Vehicles
8. Transportation Electrification: Medium- and Heavy-Duty Vehicles
9. Information Technology: Upgrades

The list of medium-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, Community Power wants to be deliberate about which of the recommended program types to focus on, for which market sectors/customer types and in which order.

Program Type 1. Energy Awareness and Education

TABLE 4. ENERGY AWARENESS AND EDUCATION PROJECTS

Project	Scope of Work	Carry Forward	FY26
Civic Spark Fellows	Partnership with San Diego State University professor-led student cohorts to expand outreach for key Community Power initiatives and programs while providing workforce development opportunities	-	$40,000
Equitable Building Decarbonization	The Equitable Building Decarbonization Direct Install Program ("EBD Program") is a statewide initiative that offers no-cost installation of electric appliances, energy efficiency measures, basic health and safety improvements and electrical panel upgrades.	- $1,400,000	~~$466,667~~ -
Total		- $1,400,000	~~$506,667~~ $40,000

Description

Community Power offers energy awareness and education programs for its customers and workforce. Energy and bill education programs teach customers about how to understand their energy bill, how usage impacts costs, and the benefits of clean energy. Beyond energy bills and usage, educational efforts can provide customers with unbiased information about how to participate in the clean energy transition. For example, Community Power offers lists of qualified and vetted contractors and equipment installers from which to choose.

An educated workforce will be needed to support the development, installation and operation of many electrification technologies, especially with respect to building electrification programs. Providing education to contractors can ensure that workers are informed and knowledgeable about the latest electrification technology to support broad adoption and acceptance.

Benefits

As a significant barrier cited in the CPP community engagement process, building awareness about 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 participation in 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 in Communities of Concern. Education and awareness programs for contractors can help overcome these barriers and benefit customers.

Design Considerations

During the CPP community engagement process, many expressed a lack of awareness about 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.

Community Power may 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, Community Power should consider partnering with water agencies/authorities that offer water education programs to complement these programs and explain the water-energy nexus.

Program Type 2. Application Assistance

TABLE 5. APPLICATION ASSISTANCE PROJECTS

Project	Scope of Work	Carry Forward	FY26
Commercial Application Assistance Program	Community Power's Commercial Application Assistance Program 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 program aims to help customers become aware of and apply for publicly available and funded energy programs and, if needed, to provide project management and grant support.	~~-~~ $250,000	~~$250,000~~ -
Total		~~-~~ $250,000	~~$250,000~~ -

Description

There are many existing energy programs that Community Power customers may have access to through 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 and small businesses/organizations that serve Communities of Concern; therefore, an opportunity exists for Community Power 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, Community Power 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, Community Power may 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 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. Examples of 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 (DAC-SASH) 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.

Program Type 3. Disadvantaged Communities Green Tariff

TABLE 6. DISADVANTAGED COMMUNITIES GREEN TARIFF PROJECTS

Project	Scope of Work	Carry Forward	FY26
CPUC Green Tariff	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	~~$166,747~~ ($112,692)	~~$310,383~~ $589,822
Total		~~$166,747*~~ ($112,692)*	~~$310,383~~ $589,822

~~*$535,800 is the total carry forward amount through the agency but is subject to a true-up process with the CPUC in which the agency expects $166,747 in a resulting carry-forward amount.~~

*(112,692) is the total carry forward amount through the agency but is subject to a true-up process with the CPUC in which the agency expects $589,822 in a resulting carry-forward amount.

Description

The Disadvantaged Communities Green Tariff (DAC-GT) program provides the benefits of solar and provides 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 (CPUC)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 program is intended to further promote the installation of renewable energy generation among disadvantaged communities with a particular focus on low-income residents. The CPUC created the program 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 a CPUC program, many of the design elements of DAC-GT are already established and prescribed. Customers will be automatically enrolled in the program; 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. Community Power has also named the program Solar Advantage in customer-facing materials and will work to remove jargon so that participants understand the program and do not unsubscribe.

Program Type 4. Pilot Programs

TABLE 7. PILOT PROGRAMS PROJECTS

Project	Scope of Work	Carry Forward	FY26
Customer Pilot Programs	To test out program concepts and support implementation of high-impact projects that Community Power may be able to scale with more funding	~~$1,652,690~~ $2,330,672	-
Clean Energy Asset Feasibility Study	Community Power is undertaking a solar and storage feasibility study, which will assess the technical, economic and environmental viability of integrating solar generation and/or energy storage into Community Power'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.	$200,300	-
Total		~~$1,852,990~~ $2,530,702	-

Description

Pilot programs are small-scale, short-duration projects (6–18 months) that can provide Community Power and stakeholders data on program design, technology acceptance and other information helpful for broader program delivery. Pilot programs support Community Power staff's ability to properly and efficiently design and implement programs. Additionally, pilot programs can cover all customer segments (e.g., commercial residential) and a variety of technologies or activities (e.g., managed charging for electric vehicles, energy efficiency).

Benefits

Pilot programs broadly support the Program Department goal to create a 150 MW Virtual Power Plant (VPP). The VPP enables Community Power staff to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer devices. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when per-unit energy costs are the highest; and 2) reducing agency Resource Adequacy obligations and associated costs.

Pilot programs can provide a range of additional 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
- Providing data on real-world scenarios, 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 Community Power 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, Community Power will integrate opportunities to capture lessons learned throughout the process, whether that be through data capture, performance evaluation or ongoing stakeholder dialogue. Pilot programs can also provide the opportunity for Community Power to partner with, support and learn from community-based organizations. Community Power will work with community-based organizations, where feasible, to design and implement pilot programs.

Program Type 5. Grant Programs

TABLE 8. GRANT PROGRAMS PROJECTS

Project	Scope of Work	Carry Forward	FY26
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.	$6,667	-
Community Grants	To implement innovative program ideas from community-based organizations or specific clean energy projects that help Community Power's member agencies achieve their climate action goals	~~$662,421~~ $248,380	~~$837,579~~ $1,275,600
Total		~~$669,088~~ $255,047	~~$837,579~~ $1,275,600

Description

Grant programs allow Community Power 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 Community Power 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 strong trust and relationship-building opportunities among Community Power, its member agencies and community organizations.
- Increasing visibility of Community Power within the communities it serves.
- Helping to achieve Community Power and member agency sustainability goals by aligning grant programs with initiatives such as promoting clean energy, reducing carbon emissions and supporting local economic development.
- Exploring opportunities to develop the flex load strategy in areas of the community that may not otherwise have the opportunity, which can optimize customer energy usage around time-of-use rate schedules, and to directly reduce participant bills while decreasing costs for energy and resource adequacy procurement, which directly benefits all ratepayers.

Design Considerations

Community Power should consider creating grant programs to support both community organizations and its member agencies. Community Power could provide community grants focused on addressing the key priorities identified during the community engagement process for this Plan and provide member agency grants to support regional climate action goals. Community Power should consider partnering with trusted and proven regional organizations to streamline grant program development and implementation while easing administrative burden on staff.

Program Type 6. Building Electrification: Heat Pump Technology

TABLE 9. BUILDING ELECTRIFICATION HEAT PUMP TECHNOLOGY PROJECTS

Project	Scope of Work	Carry Forward	FY26
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 with installing separate systems. Heat pump technology can especially benefit older homes because it can introduce incredibly efficient cooling capacity that has not typically existed previously in the home — 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 it is 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 to electrification for many projects, as their cost can significantly increase project costs that may not be covered in other incentive programs.

Design Considerations

Community Power should consider supporting electrical panel upgrades in addition to the installation of heat pump technology. Community Power, like other CCAs, should also consider smart control requirements to enable demand response functionality because heat pump technology can be controlled to optimize its usage to save energy and lower costs.

To support income-qualified customers and owners of multi-family affordable housing, who may have challenges accessing up-front capital and have limited capacity to research and implement projects, Community Power should consider direct installation programs. These customers 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 be addressed before energy retrofits can be undertaken. As a result, they may not implement clean energy programs without significant financial support and technical assistance. Community Power should consider that residents of multi-family affordable housing may be overburdened by rent and utility costs and may be displaced if housing costs increase because of electrification.

Given the vulnerability of the occupants, programs should also include protections for renters. This may require Community Power 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 targeting 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. Community Power 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.

Program Type 7. Planning & Studies

TABLE 10. PLANNING & STUDIES PROJECTS

Project	Scope of Work	Carry Forward	FY26
Building and Housing Stock Analysis	Develop resources on existing building stock to inform program design	~~$52,000~~ $89,500	-
Local Development Feasibility Study	Developing local infill planning, including receiving feedback and guidance from Community Power Board, Community Advisory Committee and other stakeholders to confirm needs and goals, visiting with member agencies to evaluate potential sites and opportunities, and reviewing scope and schedule	~~$37,500~~ $24,778	~~$37,500~~ -
~~Building and Housing Stock Analysis~~	~~Develop resources on existing building stock to inform program design~~	~~$52,000~~	~~-~~
Program Evaluation	TBD	~~$250,000~~ -	$250,000
Total		~~$52,000~~ $114,278	~~$287,500~~ $250,000

Description

Program Department Planning and Studies are research activities typically resulting in a report or study that will inform future Program Department activity.

Benefits

Program Planning and Studies can provide a range of benefits, such as:

- Determining feasibility of future pilots and programs that could promote the agency's flexible load strategy and goals to reduce peak load consumption. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when per unit energy costs are the highest and 2) reducing agency Resource Adequacy obligations and associated costs.
- Enabling Community Power staff to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer battery systems.
- Providing valuable data sets used to evaluate or design future pilots and programs.
- Evaluating Program Department pilots and projects.
- Generally informing future Program Department activities.

Design Considerations

Program Department planning and studies should be done in consultation and collaboration with industry, community-based organizations, academia and other public agencies, as appropriate.

Program Type 8. Distributed Energy Resources: Energy Storage Systems

TABLE 11. DISTRIBUTED ENERGY RESOURCES: ENERGY STORAGE SYSTEMS PROJECTS

Project	Scope of Work	Carry Forward	FY26
Residential Solar Battery Savings Program	Community Power's Residential Solar Battery Savings Program is designed to help single-family homeowners in Community Power's service territory 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.	~~$2,697,382~~ $3,209,422	$18,750,000
Total		~~$2,697,382~~ $3,209,422	$18,750,000

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-generated electricity 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 some 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 customers who need to have power permanently available for medical devices, safety or emergency response.

The Solar Battery Savings program enables Community Power staff to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer battery systems. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when energy costs are the highest; and 2) reducing agency Resource Adequacy obligations and associated costs.

Design Considerations

Multiple program pathways exist to support energy storage market development, depending on the level of resources available. For example, Community Power could 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. Community Power may also provide technical support to customers to enable comprehensive energy retrofits, including energy storage systems.

Program Type 9. Distributed Energy Resources: Demand Response

TABLE 12. DISTRIBUTED ENERGY RESOURCES: DEMAND RESPONSE PROJECTS

Project	Scope of Work	Carry Forward	FY26
Distributed Energy Resources Management Systems Software Platform	Central to Community Power'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 Community Power to help customers reduce usage during high-cost on-peak periods, while managing portfolio-wide power procurement and resource adequacy costs and risk.	~~$158,321~~ $348,414	$300,000
Total		~~$158,321~~ $348,414	$300,000

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 also requires changing the time 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 energy use timing, helping customers control costs and making the best use of renewable energy when it is available. Additionally, demand response technologies can enable buildings to help increase overall grid resiliency by helping operators shift loads during peak times, reducing the likelihood of power outages during extreme heat events.

The DERMS platform enables Community Power staff to reduce peak load consumption via aggregated management of enrolled customer devices. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when per unit energy costs are the highest; and 2) reducing agency Resource Adequacy obligations and associated costs.

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. Community Power should require that incentivized equipment be grid interactive. By establishing technology requirements across other programs, Community Power could provide the most future-proofing and flexibility to enable customers to participate in demand response programs.

Program Type 10. Energy Efficiency

TABLE 13. ENERGY EFFICIENCY PROJECTS

Project	Scope of Work	Carry Forward	FY26
Regional Energy Network	The San Diego Regional Energy Network (SDREN) is an initiative of Community Power, 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 Community Power staff and all activities will be cost recoverable through CPUC funds. SDREN is approved by the CPUC. Program implementation for Phase 1 and Phase 2 is set to begin in Q4 2025.	~~$357,250~~ -	~~$31,845,256~~ $31,868,547
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.	~~$532,499~~ $690,845	-
Total		~~$889,749~~ $690,845	~~$31,845,256~~ $31,868,547

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, Community Power should develop complementary programs that fill gaps and avoid duplication. Community Power 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.

Community Power 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 Community Power to work closely with local housing departments or other agencies. While challenging, these considerations can help support Communities of Concern.

Program Type 11. Transportation Electrification: Infrastructure

TABLE 14. TRANSPORTATION ELECTRIFICATION: INFRASTRUCTURE PROJECTS

Project	Scope of Work	Carry Forward	FY26
N/A	N/A	-	-
Total		-	-

Description

Transportation electrification infrastructure programs support the deployment of electric vehicle (EV) charging stations and related technologies (e.g., Vehicle-to-Grid) to enable light-, medium- and heavy-duty vehicle transportation electrification.

Benefits

Expansion of the EV 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 EVs, especially for residents of multi-family buildings and in rural areas, as noted during the community needs assessment.

Design Considerations

Community Power 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 EV 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, Community Power should provide additional funding to residents to stack on 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, Community Power 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 more charging locations) relative to charging infrastructure on commercial properties. Community Power 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 Community Power 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.

Community Power 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 efforts to incentivize charging infrastructure. Lastly, Community Power can support member agencies in their efforts to seek funding through opportunities such as 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	Carry Forward	FY26
N/A	N/A	-	-
Total		-	-

Description

Light-duty vehicle electrification programs support customers in the transition from fossil fuel-powered cars to EVs. Examples of light-duty vehicles include sedans, sport utility vehicles and pickup trucks.

Benefits

The switch from fossil-fuel powered cars toward EVs has the dual benefit of locally reducing carbon emissions and air pollution. Compared to light-duty fossil-fuel cars, light-duty EVs are easier to maintain and have an overall lower lifetime cost of operation. With the right rate structures and technology, EVs also present the opportunity to serve as energy storage systems and help with grid resiliency.

Design Considerations

Community Power should prioritize expanding access to EVs for income-qualified customers, such as offering incentives for used EVs to increase affordability. Previously leased EVs can be good options for used EVs if they are in good condition. Community Power should consider partnering with car dealerships to offer point-of-sale incentives on used EVs. Community Power should avoid providing after-sale rebates because these require 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 Community Power will need to do additional work to support this type of delivery mechanism.

In addition, Community Power should focus on ways to reduce other barriers to EV adoption, such as providing favorable financing options. EV programs can be paired with support for charging infrastructure in Communities of Concern. Lastly, Community Power should consider designing programs that reduce other barriers to EV adoption by providing point-of-sale incentives or other types of up-front assistance instead of after-sale rebates. Community Power should also consider how best to fill in the gap of financing options for income-qualified customers.

Funding Considerations

Internal revenues may be required to create incentives to supplement available State funding for EV 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 Community Power 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	Carry Forward	FY26
N/A	N/A	-	-
Total		-	-

Description

Medium- and heavy-duty vehicle electrification programs encourage the transition away from fossil fuel-powered commercial vehicles and 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 places are also 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.

Design Considerations

Community Power 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.

Community Power should also create medium- and heavy-duty vehicle electrification programs targeting businesses that operate their fleets primarily in Communities of Concern. While some medium-duty EV types are now cost competitive, others are far more expensive and will require more support and resources to transition. In addition, because medium- and heavy-duty vehicles vary in the distance they can travel on each charge, Community Power should work with commercial customers to determine which vehicle options would work well based on their specific need, travel patterns and markets served. Community Power also needs to consider the need for appropriate charging infrastructure to support the conversion.

Funding Considerations

Community Power should consider working with customers to implement innovative business models that lower the cost of EVs. It should also consider leveraging internal funding to capture new funding opportunities and maximize impact.

Program Type 14. Information Technology: Upgrades

TABLE 17. INFORMATION TECHNOLOGY UPGRADES PROJECTS

Project	Scope of Work	Carry Forward	FY26
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 Community Power's service area and reduce long-term costs.	$750,000	-
Contact Center Enhancements	Community Power is exploring initiatives to enhance customer service operations to improve services responsiveness and increase customer satisfaction.	$200,000	-
Enterprise Data Platform	Community Power 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	$500,000
Amazon Web Services Infrastructure and Security Layer	Community Power 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 Community Power digital services, improving customer trust and service efficiency.	$250,000	-
Energy Trading Risk Management and Portfolio Analytics Implementation	Community Power has licensed and will be deploying an Energy Trading Risk Management (ETRM) system to help manage its power portfolio and financial and budget processes. This system will support various activities such as recording trades, monitoring positions, assessing value, generating reports, managing risks, processing settlements and integrating with the budget. The system is designed to manage diverse power agreements and contracts, ensuring comprehensive coverage of Community Power's energy dealings.	~~$162,843~~ $391,467	~~$567,157~~ $55,000

Enterprise Resource Planning (ERP)	The Enterprise Resource Planning (ERP) project aims to implement an ERP system for Community Power to streamline budgeting, enhance reporting, manage procurement and contracts and improve overall operational efficiency. The major deliverables of the ERP project include a fully implemented and functional ERP system; system documentation including configuration details, user manuals and training materials; trained staff capable of effectively using the ERP system; and a post-implementation review report.	$83,333	$916,667
Total		~~$2,296,177~~ $2,524,800	~~$1,483,823~~ $1,471,667

Description

Information Technology Upgrades 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 (IT) 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 of harnessing 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 to construct and manage robust data repositories, interactive dashboards and comprehensive visualizations to monitor objective key results.

Community Power 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 comprising a set of analytical tools built on a cloud-based platform that helps with customer management, load forecasting, rate design, program marketing and accounting.

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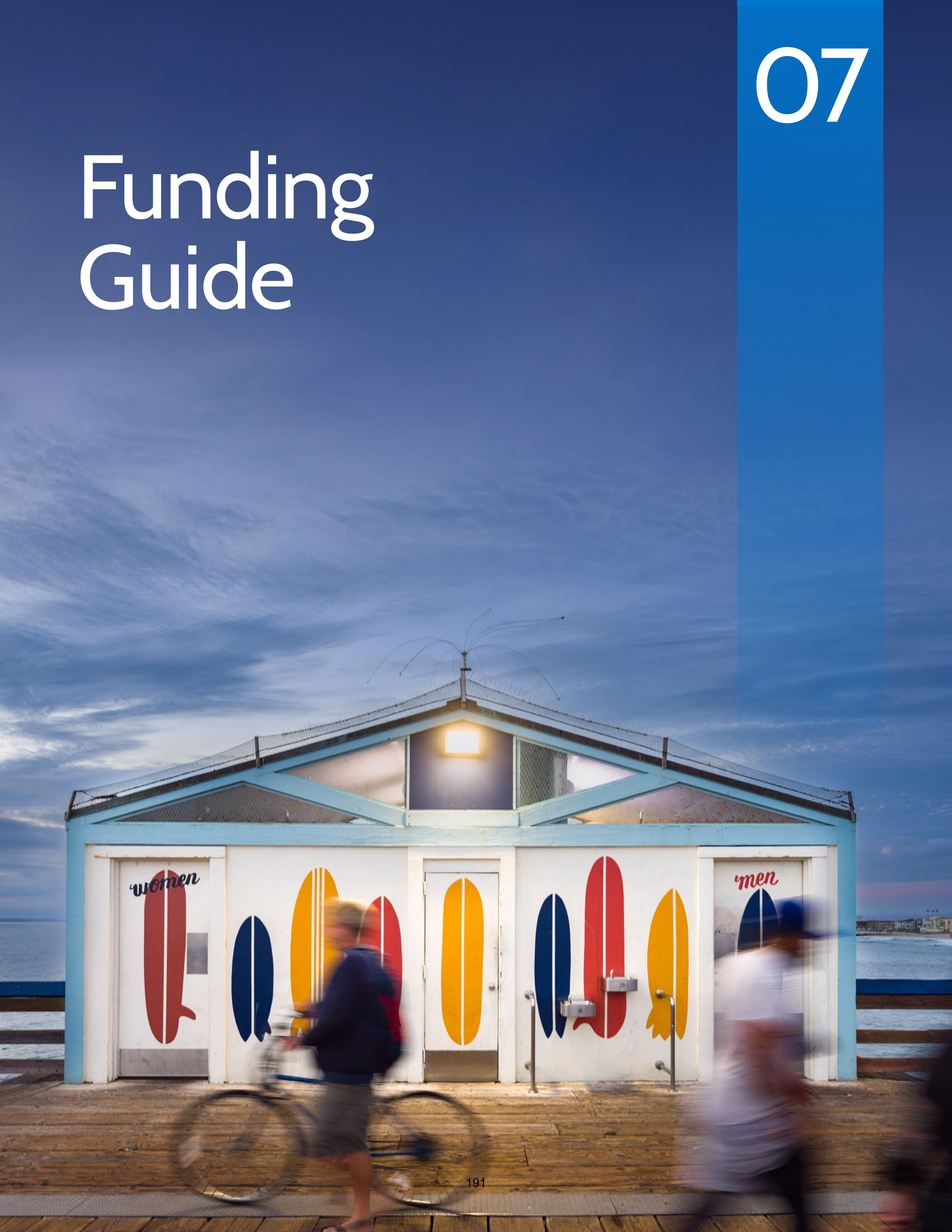


Funding Guide

San Diego Community Power can fund programs in two main ways — through its own internal revenues or by applying for external funding. Funding programs with internal revenues would provide the greatest amount of flexibility for Community Power to design programs in ways that specifically meet community needs; however, as a newer organization, Community Power must also balance building a strong financial foundation, meeting reserve targets, customer affordability and other organizational priorities. In the short term, the amount of revenue that Community Power can direct to customers in the form of programs will be limited, but this amount is expected to grow over time.

Furthermore, internal funding allows maximum flexibility in the planning phase of designing programs and projects, whereby the agency can focus on designing based on community and agency needs rather than the requirements of a funding agency. The planning phase of a program or project also requires less funding when compared with implementation or design and construction.

To maximize impact while building reserve funds, Community Power 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 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.

Internal versus External Funding

When considering funding for administering programs, Community Power 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 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 Community Power to administer programs.

External funding typically uses a competitive bid process, requiring additional resources for application writing and grant tracking 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 Community Power's equity commitments because external funding sources may have requirements that can make it difficult to effectively deliver programs 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, Community Power should prioritize finding a middle ground between these two options and adjust its strategy as the organization matures.

In the short term, Community Power has committed to building financial reserves of $575.8 million (180-days cash on hand based on its FY 2024-2025 amended budget), because 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 Community Power to effectively meet the long-term needs of the community. As reserve targets are met, the ability of Community Power to invest revenues back into communities through programs will increase.

Meeting financial reserve targets will give Community Power the ability to offer programs with larger budgets and provide financial incentives using internal revenues. Additionally, internal revenues can support increased external funding; for example, by developing pilot programs that can be expanded with external resources, or by supplementing external funding with additional funds to support full project needs. Doing so can make Community Power's internal dollars go farther.

External Sources

Community Power can apply for funds from a variety of sources to supplement its own investments in programs. These external sources vary in the level of funding resources they provide, the complexity of the application process and the flexibility they offer in how funds are distributed.

New funding opportunities will become available as the budget is allocated through state legislation. Community Power will monitor 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 beyond the short term. For some external funding opportunities, Community Power may be able to partner with other regional agencies and partners to share the administrative burden.

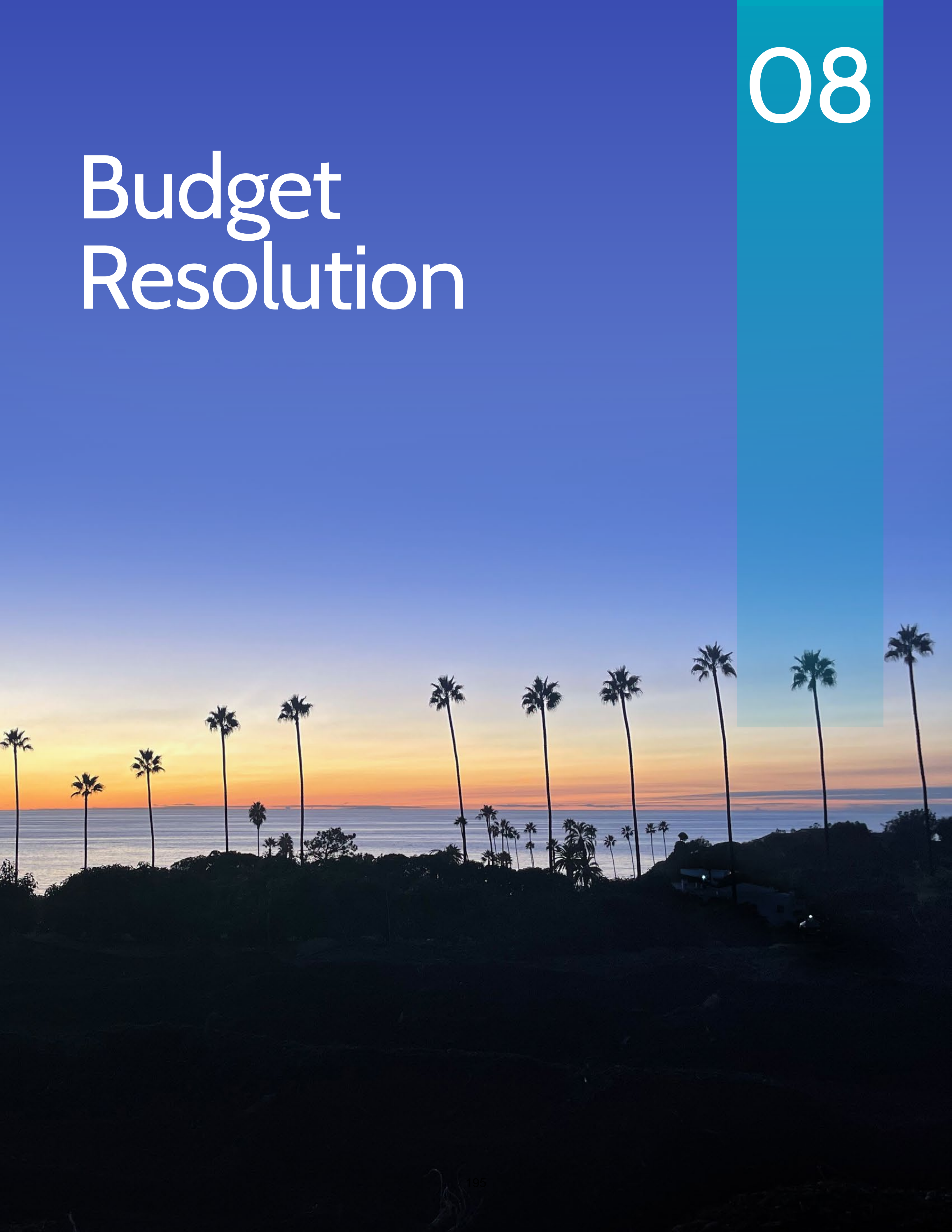
Community Power should explore the viability of capturing funding from the sources below.

Funding Guide

TABLE 18. COMMUNITY POWER FUNDING GUIDE

Funding Source	Description
Community Power Operating Transfers	Through the annual budget process, the Community Power Board may approve an appropriation of funds to be out of the operating budget and transferred into the CIP. These funds will remain in a Community Power continuing fund to be used across multiple fiscal years, given that CIP projects generally last longer than one year.
CPUC Apply to Administer (ATA)	Community Power 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.
CPUC DAC-GT	The Disadvantaged Communities Green Tariff (DAC-GT) program enables income-qualified residential customers in DACs who may be unable to install solar panels on their roof to benefit from utility-scale clean energy and receive a 20% bill discount. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.
CPUC Regional Energy Network (REN)	Public Purpose Program Surcharge funds are available for Regional Energy Networks (RENs). The San Diego Regional Energy Network (SDREN) is an initiative of Community Power, 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 Community Power staff and all activities will be cost recoverable through CPUC funds. SDREN is approved by the CPUC. Program implementation for Phase 1 and Phase 2 is set to begin in Q4 2025.
CEC Demand Side Grid Support Program	The Demand Side Grid Support Program is currently under development and will ultimately offer incentives to electricity customers who provide load reduction and back-up power generation to support the state's electric grid during extreme heat events.
Community Power Revenue Bond	Section 3.2.8 of the JPA states that Community Power at the discretion of the Board may issue revenue bonds and other forms of indebtedness. Upon receipt of an investment-grade credit rating, Community Power may have the ability to issue debt, such as a revenue bond, given that Community Power can demonstrate the ability to meet potential debt payment obligations through the credit rating. Under the Community Power Debt Policy, Community Power may issue a revenue bond in the next five years up to approximately $700 million that will be guided by planning and pilot projects and programs and that will require Board authorization.

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 various 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 Community Power in the future, from both a customer program perspective and potentially from an energy procurement perspective.
CDFA Healthy Refrigeration Grant	The California Department of Food and Agriculture (CDFA) awarded Community Power funding to support Community Power in providing technical assistance and refrigeration units to stock healthy foods in stores throughout Community Power's service territory.
Equitable Decarbonization Program	The Equitable Building Decarbonization ("EBD") Direct Install ("DI") Program is a Statewide initiative to accelerate large-scale residential building decarbonization efforts in a just and equitable transition for single-family homes, multifamily properties, manufactured housing and public housing in under-resourced communities in Community Focus Areas.
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. In 2024, the EPA announced $27 billion awarded in competitive grants and financial and technical assistance to enable communities to deploy or benefit from zero-emission technologies.
Other Federal Funds	Community Power is eligible to pursue forms of funding not available to for-profit entities such as traditional investor-owned utilities. Several funding opportunities are now clear to Community Power, and more may arise as details continue to emerge during program development.
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.
Distributed Energy Backup Assets (CEC)	The Distributed Electricity Backup Assets (DEBA) Program incentivizes the construction of cleaner and more efficient distributed energy assets that serve as on-call emergency supply or load reduction for the state's electrical grid during extreme events. Projects that may be eligible for incentives include efficiency upgrades, maintenance, and capacity additions to existing power generators, as well as new zero- or low-emission technologies, including, but not limited to, fuel cells or energy storage, at existing or new facilities. All funding recipients under the program shall participate as an on-call emergency resource for the state during extreme events.
Self-Generation Incentive Program—Residential Solar & Storage Equity (CPUC)	To support customer resiliency and grid reliability, the CPUC has authorized funding of $280 million for SGIP's Residential Solar and Storage Equity budget. This funding includes prioritization of low-income customers to provide bill savings. Paired with the IRA tax credit, the incentive is intended to cover the full system installation cost.
Enabling Electric Vehicles as Distributed Energy Resources (CEC)	The purpose of this solicitation is to fund studies and applied research and development (R&D) projects that support the approved Electric Program Investment Charge 2021–2025 (EPIC 4) Investment Plan's strategic objective to increase the value proposition of distributed energy resources to customers and the grid. This solicitation's research topics fall under the EPIC 4 Transportation Electrification Initiative.



08

Budget Resolution

Budget Resolution *Pending*

09

Acknowledgments

Acknowledgments

Finance Department

The San Diego Community Power (Community Power) Finance Department works to maintain a fiscally responsible budget in accordance with Community Power 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 Community Power 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 Community Power Board and staff informed of Community Power's fiscal condition and develops a budget that will ultimately prioritize people, transparency and our communities.

Board of Directors

Mayor Paloma Aguirre, Chair
Supervisor Terra Lawson-Remer, Vice Chair
Councilmember Sean Elo-Rivera, Director
Councilmember Marco San Antonio, Director
Councilmember Michael Inzunza, Director
Councilmember Genevieve Suzuki, Director
Councilmember Ditas Yamane, Director

Finance and Risk Management Committee

Councilmember Ditas Yamane, Chair
Councilmember Genevieve Suzuki, Vice Chair
Councilmember Michael Inzunza, Director

Community Advisory Committee

CHULA VISTA
- Anthony Sclafani
- (Vacant)

COUNTY OF SAN DIEGO
- Peter Andersen
- Ross Pike

ENCINITAS
- Gary L. Jahns
- Tara Hammond

IMPERIAL BEACH
- Ilian Sandoval
- Kenneth Hoyt

LA MESA
- David Harris
- Shaun Sumner

NATIONAL CITY
- Aida Castañeda, Secretary
- Larry Emerson, Vice Chair

SAN DIEGO
- Luis Montero-Adams
- Matthew Vasilakis, Chair

Community Power 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, Director of Finance
Christopher Stephens, Procurement Manager
Diana Gonzalez, Risk Manager
Mark Alfaro, Finance Manager
Jeb Spengler, Strategic Finance Manager
Christopher Do, Senior Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst

ITEM 6
ATTACHMENT 1

RESOLUTION NO. 2025-06

A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER ADOPTING THE FISCAL YEAR 2025-2026 OPERATING BUDGET, THE FISCAL YEAR 2025-2026 CAPITAL BUDGET, AND THE FISCAL YEAR 2026-2030 CAPITAL INVESTMENT PLAN.

A. San Diego Community Power ("Community Power") 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 Community Power'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 Community Power Board proposes to adopt the FY 2025-2026 Operating Budget and the FY 2025-2026 Capital Budget, attached hereto as Attachment A.

E. The SDCP Board further proposes to adopt the FY 2026-2030 Capital Investment Plan that provides comprehensive five-year plan for Community Power's capital investment expenditures, attached hereto as Attachment B.

F. The FY 2025-2026 Operating Budget, FY 2025-2026 Capital Budget, and the FY 2026-2030 Capital Investment Plan, are based on the reasonable and necessary costs incurred by Community Power to operate and provide electric services, programs, and other offerings to Community Power customers; that the services, programs, and other offerings are reasonable and necessary; and that the costs have a fair and reasonable relationship to the benefit, privilege, service or product provided to the customer.

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 2025-2026 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2025-2026 Capital Budget.

Section 3. The Board of Directors hereby adopts the FY 2026-2030 Capital Investment Plan.

Section 4. The Board of Directors finds that the FY 2025-2026 Operating Budget, FY 2025-2026 Capital Budget, and the FY 2026-2030 Capital Investment Plan, are based on the reasonable and necessary costs incurred by Community Power to operate and provide electric services, programs, and other offerings to Community Power customers; that the services, programs, and other offerings are reasonable and necessary; and that the costs have a fair and reasonable relationship to the benefit, privilege, service or product provided to the customer.

Section 5. 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 ___________________.

AYES:
NOES:
ABSTAINED:
ABSENT:

____
Paloma Aguirre, Chair
Board of Directors
San Diego Community Power

ATTEST:

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

APPROVED AS TO FORM:

____
Veera Tyagi, General Counsel
San Diego Community Power

EXHIBIT A

SAN DIEGO COMMUNITY POWER

FISCAL YEAR 2025 / 2026

SAN DIEGO COMMUNITY POWER

Operating Budget

Fiscal Year 2025–2026

Resolution 2025-XX

Final Proposed June 26, 2025

Contents

List of Figures

List of Tables

How to Use This Book

The San Diego Community Power (Community Power) Fiscal Year (FY) 2025–2026 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.

Overview

Provides a high-level overview of Community Power'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 Community Power'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 Community Power's budget development and implementation as well as high-level financial data summarizing Community Power's proposed budget. The tables detail changes over a two-year period: FY 2024–2025 Amended Budget and the proposed FY 2025–2026 Operational Budget. The variance column measures the dollar and position differences between fiscal years.

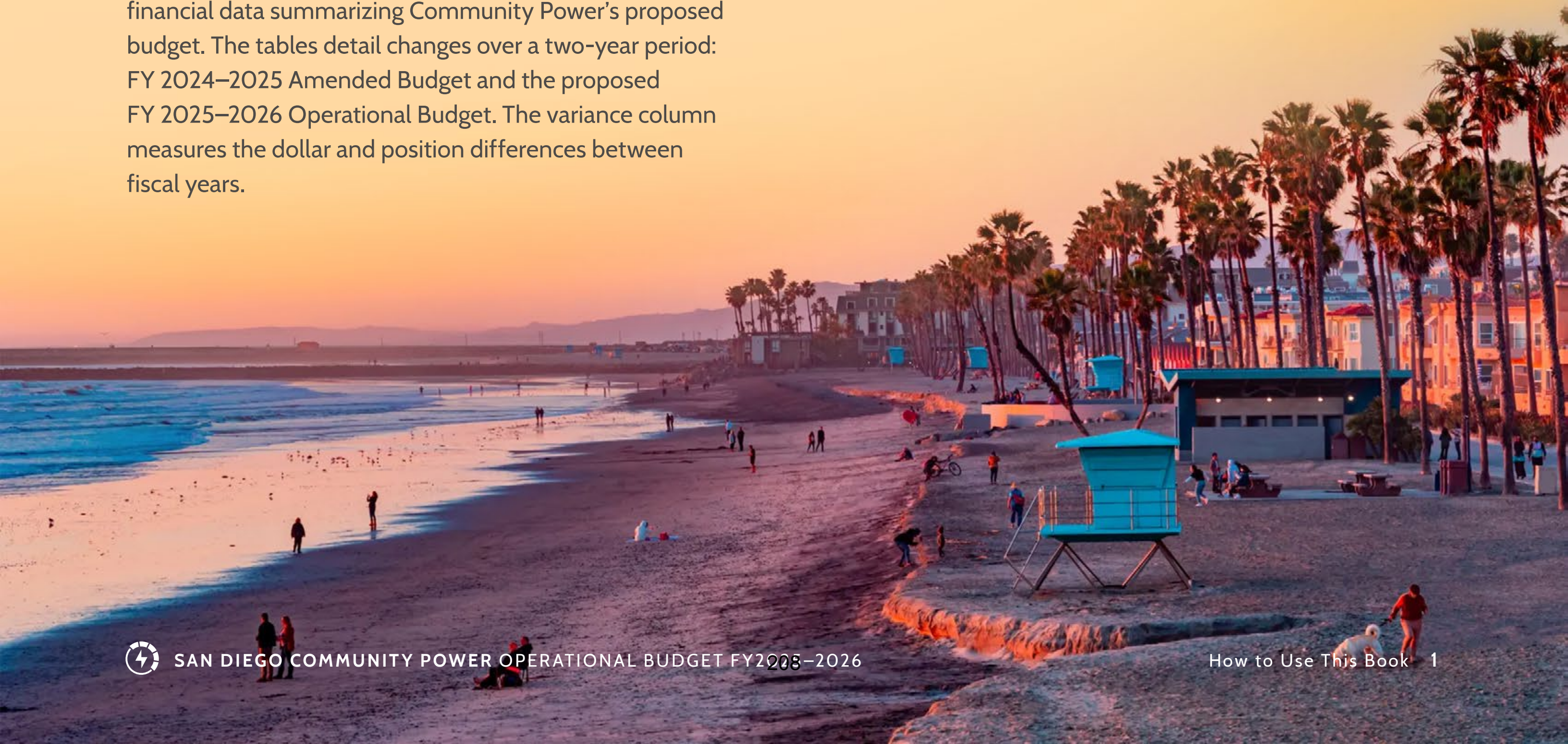
Operational Budgets

Provides budgetary information and operational priorities for each of Community Power'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, including applicable Community Power policies as well as a glossary of commonly used terms.



A Letter from the Chief Executive Officer

At San Diego Community Power, we are shaping a future that is both sustainable and equitable. As a not-for-profit public agency and Community Choice Aggregator (CCA), we were created to bring competition to the local energy marketplace, offering cleaner energy at competitive rates and reinvesting revenues back into our communities.

Since launching in 2021, we've grown significantly in both reach and impact. In 2024, we remained focused on our mission: delivering reliable, clean power at competitive rates while advancing programs that make a tangible difference for our customers.

Affordability and long-term value remain central to our strategy. In February 2025, we reduced rates for the second year in a row — thanks to prudent financial planning and favorable market conditions — providing most customers with a discount compared with San Diego Gas & Electric's electricity generation rates.

Every decision we make, from lowering rates to expanding service options, is grounded in the needs of our customers and communities. Last summer, we introduced two new service options: **Power100 Green+**, for commercial customers seeking the highest level of renewable energy, and **PowerBase**, a more affordable option that still meets California's clean energy standards

Even as we deliver near-term savings, we continue to plan for long-term energy security and stability. The broader power market remains volatile, shaped by a constrained statewide resource supply and uncertain federal tax credit and trade policies. Our Power Services team is navigating these challenges through disciplined procurement and long-range planning.

To date, we've executed 17 long-term power purchase and energy storage agreements that will deliver reliable, renewable electricity to nearly 1 million homes and businesses across our region. These investments not only support our goal of 100% renewable energy by 2035, but also help insulate customers from future price spikes.

In 2024, we marked a major milestone with the ribbon cutting of the **Vikings Solar and Storage Project** in Imperial County. Developed by Arevon, with Community Power as the offtaker, Vikings is more than just a solar generation site. As one of the first utility-scale solar peaker plants in the United States, the project is designed to keep the lights on and costs down when demand is at its highest — powering the equivalent of 50,000 San Diego homes with clean, affordable energy. It exemplifies our broader procurement strategy: securing long-term renewable power while creating local and regional economic opportunity.

In addition to expanding customer choice and value, we've made progress on delivering innovative solutions that support customers across the region. Last summer, we launched our largest customer program to date, **Solar Battery Savings**, which offers upfront and performance-based incentives for home battery systems that boost resilience and reduce grid demand during peak hours. The program was recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report* as a model for customer-centered innovation in distributed energy.

We also secured approval from the California Public Utilities Commission to launch the **San Diego Regional Energy Network (SDREN)** in partnership with the County of San Diego. SDREN will generate nearly $125 million in energy efficiency resources for the region through 2027 and marks the final major population area in California to establish a Regional Energy Network.

As we grow, we're also investing in the internal systems and strategic planning necessary to scale effectively, operate efficiently and remain accountable to the public.

The FY 2025–2026 proposed budget reflects these priorities, with a focus on smart investment and sustainable growth:

1. **Expanding Programs and Incentives** — Scaling Solar Battery Savings and launching the SDREN portfolio to support clean energy adoption, equity and resilience
2. **Capital Investment Planning** — Advancing our Capital Investment Plan to guide infrastructure development and ensure transparency
3. **Stable, Competitive Rates** — Maintaining affordability through disciplined operations, long-term procurement and financial foresight
4. **Customer-Centered Services** — Deepening engagement, broadening access and tailoring offerings to meet diverse community needs
5. **Organizational Sustainability** — Strengthening our internal capacity to support long-term strategy and service delivery
6. **Fiscal Sustainability** — Continuing to work toward our reserves goals to ensure long-term financial strength

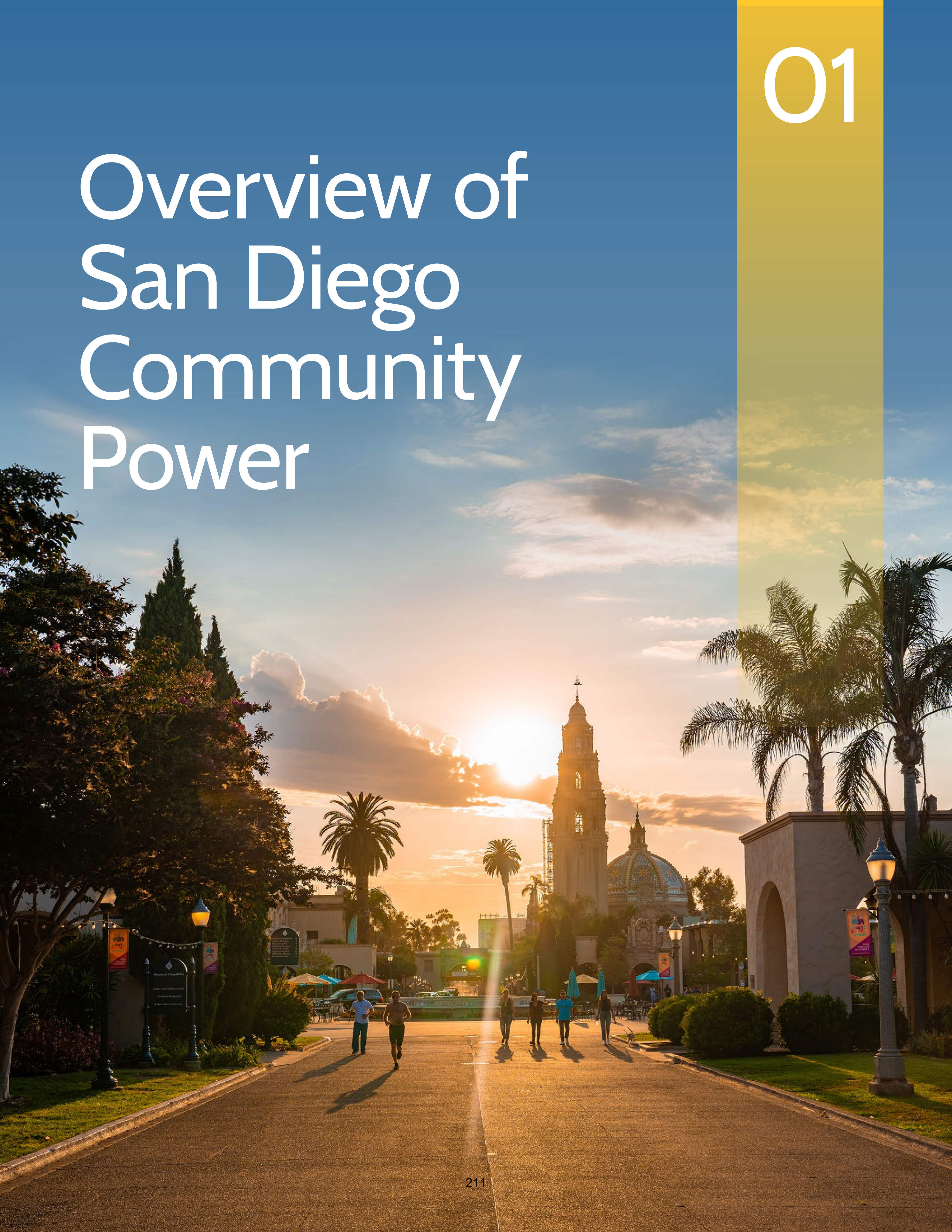
As we look ahead, our focus remains on driving measurable impact: accelerating the region's clean energy transition, supporting local climate goals and building a more just and resilient energy system. With the continued leadership of our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to power the path toward a cleaner, more resilient future — together.

Thank you for your continued trust and partnership.

Karin Burns
Chief Executive Officer
San Diego Community Power

01

Overview of San Diego Community Power



Overview of San Diego Community Power

Who We Are

San Diego Community Power is a Community Choice Aggregator (CCA) that gives customers an option to power their homes and businesses with significantly higher levels of renewable power at competitive rates. Since 2021, Community Power has grown to serve nearly 1 million residential, business and municipal power customers in the cities of San Diego, Chula Vista, Encinitas, Imperial Beach, La Mesa and National City as well as the unincorporated communities of San Diego County.

Community Power is a not-for-profit public agency that provides affordable clean energy and invests in its local communities to create an equitable and sustainable future for the San Diego region.

Learn more at [www.sdcommunitypower.org.](http://www.sdcommunitypower.org)

Our Story

FORMATION

With support from local communities, Community Power was established as a Joint Powers Authority by five cities within the San Diego region. Community Power submitted an implementation plan to the California Public Utilities Commission, outlining the intended organizational structure, operations and funding. Once approved, our Board of Directors began to meet regularly, and implementation activities began. In 2020, a sixth city and the County of San Diego elected to join Community Power.

ENROLLMENT 2021–2023

Through phased enrollment from 2021 through 2023, Community Power gradually became the official clean energy provider for our member agencies. Customers were automatically enrolled in our service and received two notices before and two notices after enrollment.

TODAY

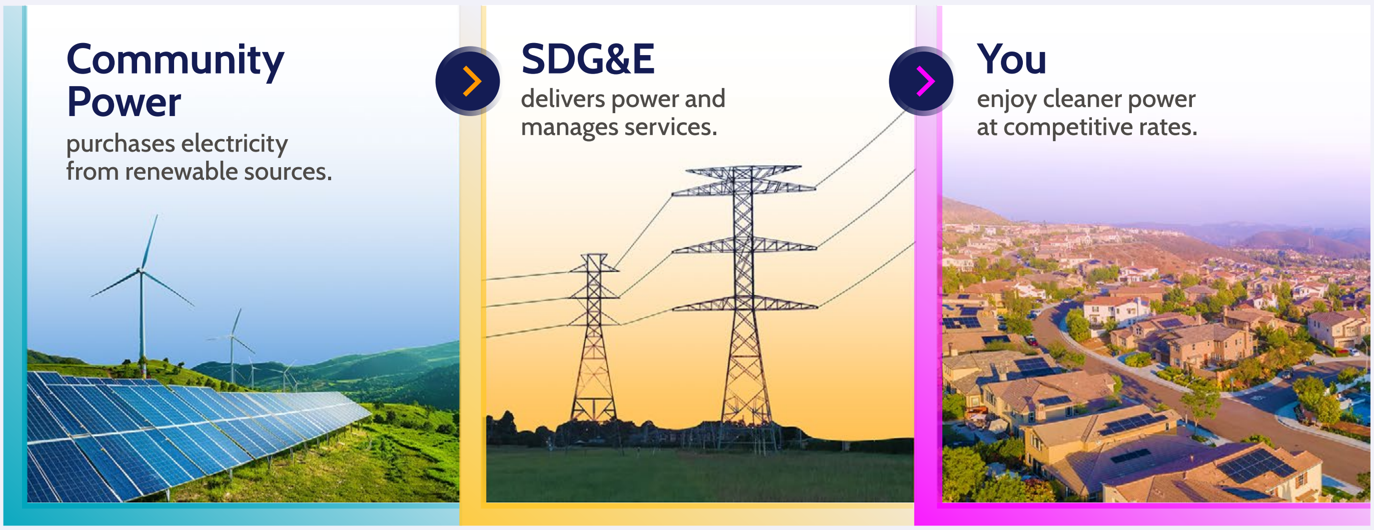
Community Power serves nearly 1 million customers with competitively priced clean energy; we are beginning to offer customer programs and rebates as well as supporting San Diego County's energy efficiency goals through the San Diego Regional Energy Network (SDREN).

About Community Choice

San Diego Community Power is a Community Choice Aggregator (CCA) — one of dozens that have formed throughout California over the past 20 years. There are currently 25 CCAs serving over 14 million customers in California.

Through CCAs, communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local clean energy projects and programs on behalf of their residents and businesses. CCAs like Community Power work in partnership with the region's existing investor-owned utilities (SDG&E in our case), which continue to deliver power and maintain the grid.

How It Works



CCAs are making good on their commitments to invest in new renewable energy facilities throughout California. To date, CCAs have contracted for more than 18,000 megawatts (MW) of new clean generation capacity through long-term power purchase agreements (PPAs) with terms of 10 years or more. CCA PPAs equate to:

- More than 18 gigawatts (GW) of new solar, wind, energy storage, geothermal and demand response resources
- Projects totaling more than 7,900 MW that are already operational and serving CCA customers
- More than $37 billion committed by CCAs to build and operate clean energy resources
- Support for more than 36,000 construction jobs

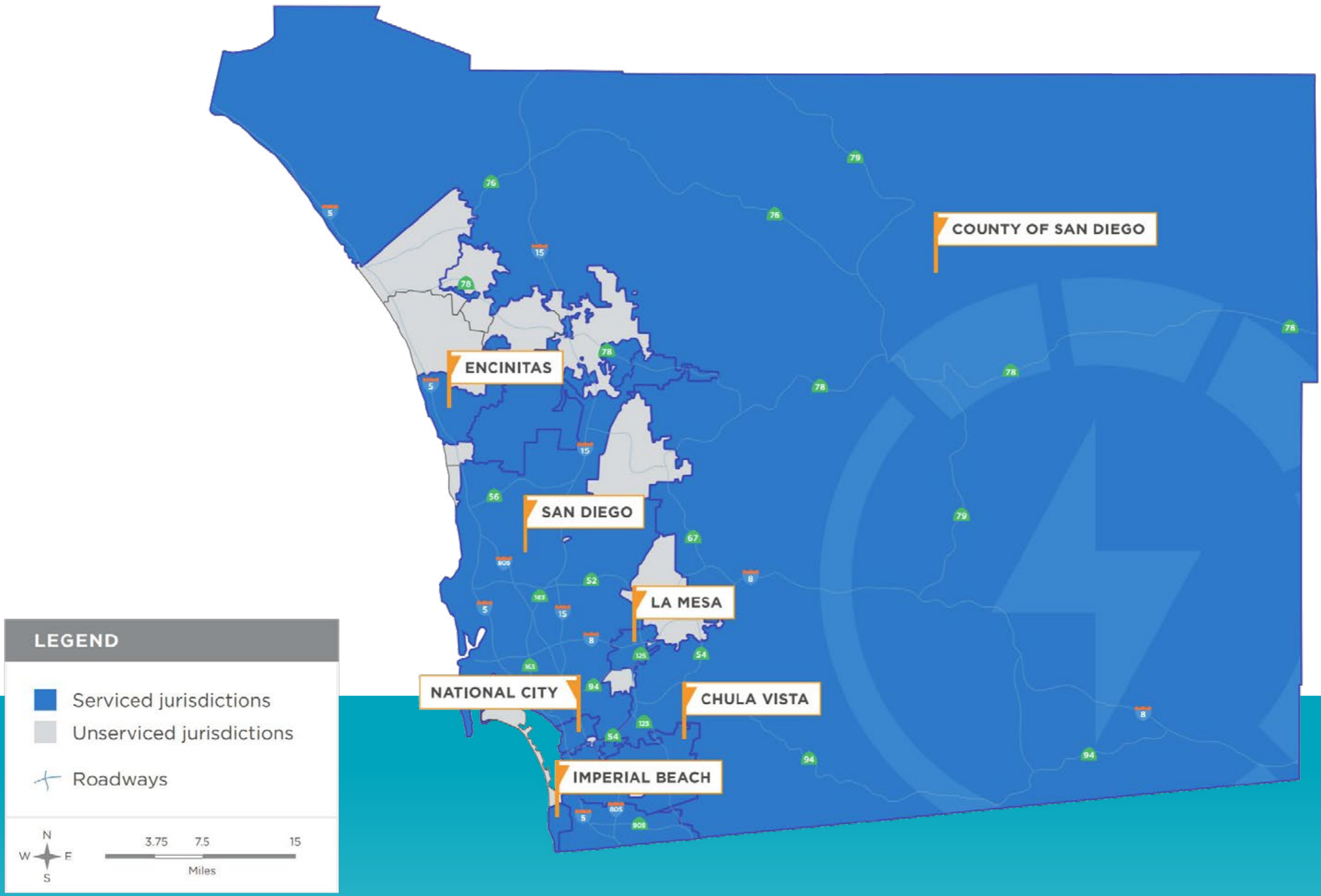
FIGURE 1. CCAS IN CALIFORNIA


02
Serviced
Communities

Serviced Communities

FIGURE 2. SAN DIEGO MAP IN SAN DIEGO COUNTY

SERVICE AREA MAP



County Population

San Diego County is the southernmost major metropolitan area in California and boasts a diverse and vibrant population. According to the State of California Department of Finance, as of May 2022, San Diego County's estimated population on January 1, 2022, stood at 3.29 million. This figure represents a decline of 0.85% (approximately 28,000 individuals) from the January 1, 2021, estimates reported in May 2021. San Diego County ranks as the second-largest California county by population and the fifth-largest county nationwide. 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% increase compared to the year 2000, or a 10.1% increase compared to the year 2022.

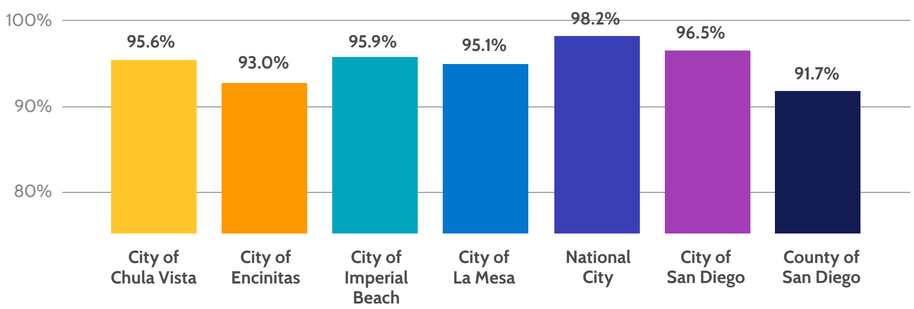
FIGURE 3. SAN DIEGO COUNTY POPULATION

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

Source: U.S. Census, 2010 data; California Department of Finance 2021 estimates as of May 2, 2021, and May 2, 2024.

Participation by Jurisdiction

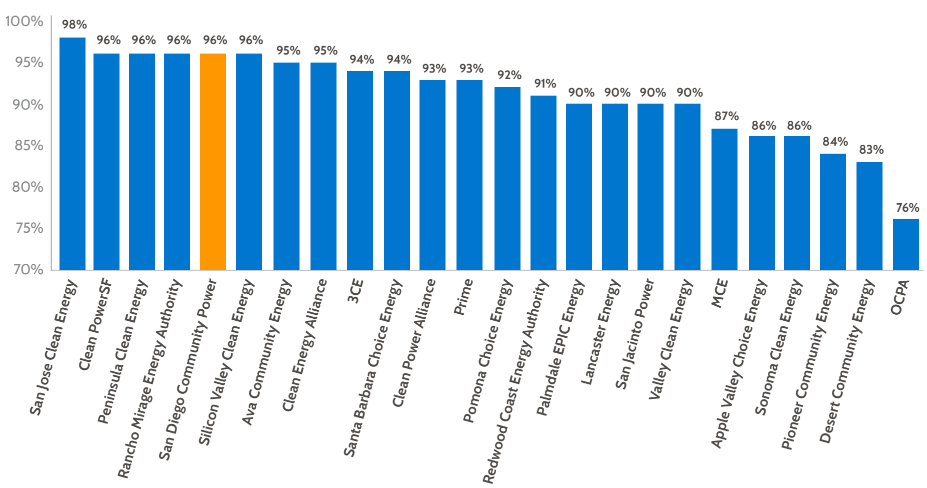
FIGURE 4. PARTICIPATION BY JURISDICTION



JURISDICTION	SERVICE OPTION DEFAULT	ELIGIBLE ACCOUNTS	ENROLLED ACCOUNTS	PARTICIPATION RATE
City of Chula Vista	PowerOn	98,635	94,255	95.6%
City of Encinitas	Power100	28,804	26,792	93%
City of Imperial Beach	PowerOn	10,852	10,403	95.9%
City of La Mesa	PowerOn	29,514	28,066	95.1%
National City	PowerOn	19,431	19,085	98.2%
City of San Diego	PowerOn	624,704	603,071	96.5%
County of San Diego	PowerOn	190,214	174,419	91.7%
Total		**1,002,154**	**956,091**	**95.4%**

Participation Rates Across CCAs

FIGURE 5. PARTICIPATION RATES ACROSS CCAS



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

FIGURE 6. COMMUNITY POWER MEMBER AGENCIES

Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, Imperial Beach and La Mesa adopted an ordinance and resolution to form San Diego Community Power, a California Joint Powers Authority (JPA). In 2021, National City and the County of San Diego voted to join Community Power.

Community Power's Board of Directors is composed of an elected representative from each member jurisdiction, with each member having an alternate from the agency they represent. The Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it establishes policy, sets rates, determines power purchase options and maintains fiscal oversight.

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

Organizational Structure

FIGURE 7. ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

Paloma Aguirres
Chair

Terra Lawson-Remer
Vice Chair

Sean Elo-Rivera
Councilmember

Marco San Antonio
Councilmember

Michael Inzunza
Councilmember

Genevieve Suzuki
Councilmember

Ditas Yamane
Councilmember

- Finance & Risk Management Committee
- Community Advisory Committee

LEGAL
General Counsel

CHIEF EXECUTIVE OFFICER
Karin Burns

Clerk of the Board

OPERATIONS
Chief Operating Officer
- Data Analytics & Account Services
- Public Affairs
- Programs
- Regulatory & Legislative Affairs

POWER SERVICES
Chief Commercial Officer

FINANCE
Chief Financial Officer/ Treasurer

HUMAN RESOURES & ADMINISTRATION
Senior Director of People Operations & Administration

Executive Team

FIGURE 8. EXECUTIVE TEAM

Karin Burns
Chief Executive Officer

Eric Washington
Chief Financial Officer and Deputy Chief Executive Officer/ Treasurer

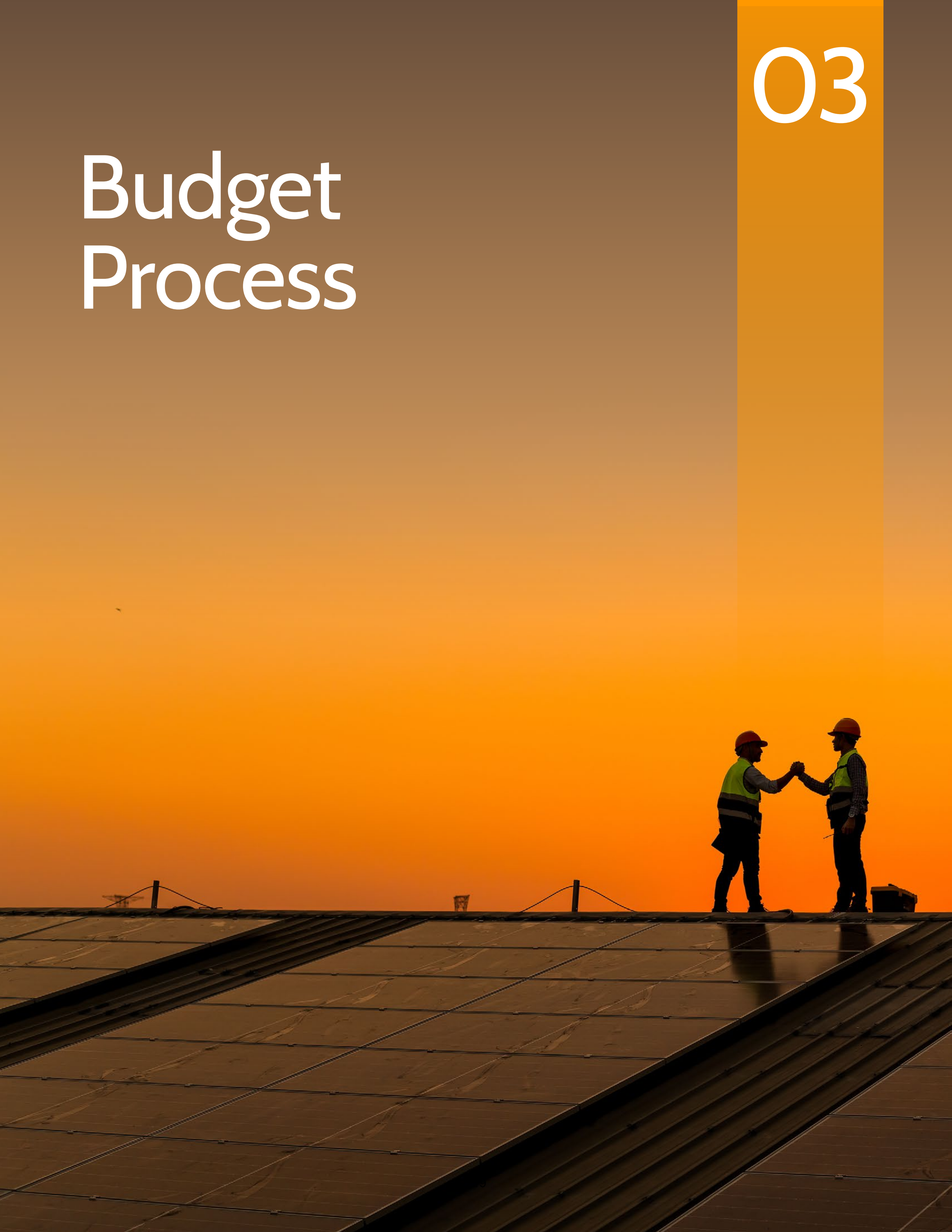
Jack Clark
Chief Operating Officer

Veera Tyagi
General Counsel

Vacant
Chief Commercial Officer

03

Budget Process



Budget Process

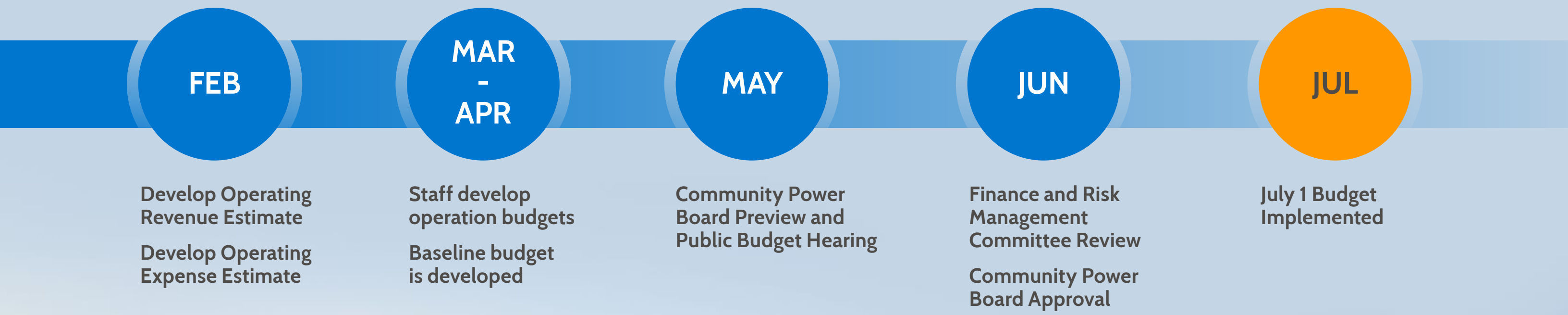
Annual Budget Cycle

On October 1, 2019, the Founding Members of San Diego Community Power 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 Community Power Board of Directors (Board) shall adopt an annual budget prior to the commencement of the fiscal year. The JPA further provides that Community Power's fiscal year runs from July 1 to June 30, unless changed by the Board. 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 Community Power Boards adopted the Community Power Budget Policy on July 28, 2022, which formally outlined the agency's budget preparation steps and timeline. The chief financial officer (CFO) begins the annual budget process in February of each year. The Finance Department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, Community Power staff develops and refines budget proposals in order to develop an initial budget baseline for the Agency's upcoming budget year. The budget is further refined through strategic planning sessions and through the Community Power Finance and Risk Management Committee (FRMC).

The CFO is then required to prepare and submit to the 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

FIGURE 10. BUDGET CALENDAR

DATE	MILESTONE
January 2025	Finance Department prepares for February launch of the annual budget cycle.
February 2025	Budget process begins. Initial revenue and expense estimates are developed.
March to April 2025	Departments propose unconstrained expense requests for review.
April 2025	Staff sets initial budget baseline.
May 22, 2025	FY 2025–2026 budget is reviewed by the Board of Directors as an information item.
June 12, 2025	Community Advisory Committee reviews the FY 2025–2026 budget and provides feedback.
June 12, 2025	Finance and Risk Management Committee reviews the FY 2025–2026 budget and provides final feedback.
June 26, 2025	FY 2025–2026 budget is potentially adopted by the Board of Directors as an action item.
July 1, 2025	FY 2025–2026 budget is implemented.

Strategic Planning

San Diego Community Power's budgeting process is directly informed by its Strategic Plan — a document co-created by our Board, our CAC, our executives and our team — that translates community priorities into actionable goals. The Strategic Plan is a critical management tool, helping to align resources, guide operational decisions and drive long-term organizational focus across every department and initiative.

Now three years into our first strategic planning cycle, Community Power has reached a pivotal inflection point. Since the adoption of our 2023–2027 Strategic Plan in June 2022 and its subsequent update in April 2023, we've achieved many of the ambitious goals we set, made meaningful progress on others and thoughtfully recalibrated where needed. From October 2024 to March of 2025 we embarked on a revision and update to our strategic plan, setting aggressive new goals while continuing to focus our efforts, build our organization and deliver on the promise of community choice.

What hasn't changed is our mission, vision and core values. These foundational statements continue to guide our work even as we refine our priorities and strategies to reflect new opportunities, challenges and lessons learned. With our team, customer base and clean energy infrastructure significantly expanded, we now turn toward a new two- to three-year horizon — one defined by sustained growth, increased financial responsibility and a deeper investment in the people and systems that power our organization.

As we evolve, we continue to ask a simple but powerful question: Does this activity serve our purpose? Every program, investment and initiative we pursue should answer "yes" to at least one of the following:

- Does it make energy more affordable for our customers?
- Does it make things easier for our customers?
- Does it make our energy more renewable?
- Does it maintain or improve the health of our organization?
- Does it build trust with our communities, stakeholders and local governments?

These questions — and the values underlying them — serve as a filter and a guidepost, helping to ensure that our Strategic Plan remains grounded in what matters most to our customers and communities.

FIGURE 11. SAN DIEGO COMMUNITY POWER MISSION STATEMENT

Mission Statement

To provide affordable clean energy and invest in the community to create an equitable and sustainable future for the San Diego region.

As part of this new planning phase, Community Power has identified four overarching themes to guide our work:

Fiscal Sustainability

We remain committed to building strong financial reserves, managing risk and pursuing strategies like clean energy prepay transactions that can reduce long-term costs for customers.

Infrastructure Investment

This includes both internal infrastructure, such as IT, legal, data and policy capacity, and external infrastructure, including local battery storage, distributed energy resources and virtual power plant development.

Customer Affordability

Affordability remains the top concern voiced by our community and is front of mind with every power purchase, financial hedge, compliance obligation or additional long-term power resource we contract with to support our short- and long-term procurement efforts. Our additional activities — ranging from the development of targeted rates like PowerBase to launching the San Diego Regional Energy Network — will continue to focus on reducing energy bills while meeting state policy goals.

People

As we grow, so does our responsibility to ensure a resilient and inclusive workplace culture. We are investing in management training, professional development and succession planning to ensure strong continuity and a high level of staff retention.

Together, these priorities inform the structure of our proposed FY 2025–2026 budget and the evolution of our Strategic Plan. That work is organized around seven long-term Strategic Goals that anchor the agency's planning and performance management. These goals guide not only how we invest our resources but also how we measure our progress as a public agency accountable to the communities we serve.

Core Strategic Goals

1. Fiscal Sustainability

Practice fiscal strategies to promote long-term organizational sustainability.

- Execute at least six clean prepayment transactions over the next three years to generate $30 million in annual power cost savings.
- Obtain a public investment-grade credit rating by November 2027.
- Grow reserves by $150 million to maintain 180 days' cash on hand by December 2027.
- Build a $70 million Rate Stabilization Reserve to mitigate cost volatility.
- Strengthen financial controls across contracting, risk management and procurement.

2. Energy Portfolio Development

Provide sufficient, affordable and clean electricity to our customers.

- Reach 100% renewable energy by 2035 with interim goals of 75% by 2027 and 85% by 2030.
- Support development of 1 gigawatt of new local clean energy capacity by 2035, including 300 MW of infill and distributed energy resources (DERs).
- Ensure reliable and cost-effective compliance with all regulatory requirements.
- Create good-paying local jobs in clean energy sectors.

3. Community Program Delivery

Implement programs that reduce greenhouse gas emissions, align energy supply and demand and benefit our diverse communities.

- Deliver 150 MW of local DER capacity (of the 300 MW total goal) by 2035 through programs like Solar Battery Savings.
- Launch all San Diego Regional Energy Network (SDREN) programs by FY 2026.
- Implement a robust program evaluation framework by FY 2026.
- Expand external funding for clean energy programs.

4. Legislative and Regulatory Advocacy

Advance policies that support Community Power's mission and customer goals.

- Educate policymakers and regulators to influence outcomes consistent with our policy platform.
- Support and sponsor legislation aligned with our values and needs.
- Remain an active participant in coalitions such as CalCCA to amplify our voice.
- Strategically pursue public funding aligned with agency goals.

5. Trusted Brand Building

Build a trusted brand that supports engagement, participation and program success.

- Position San Diego Community Power as a collaborative public agency rooted in transparency.
- Grow the Power Network of nonprofit and community-based partners to expand community reach.
- Elevate brand awareness through education and outreach.
- Empower customers to take advantage of savings and services through awareness, education and ongoing communication programs.

6. Customer Care

Ensure high customer satisfaction and retention.

- Refine rate structures to balance affordability, clean energy and fiscal prudence.
- Resolve SDG&E billing issues and improve customer experience.
- Explore options for a best-in-class customer service model.
- Address arrearages and connect customers to available resources.

7. Organizational Excellence

Foster an innovative, inclusive and resilient workplace.

- Transition into a learning organization by late 2026 with robust staff development.
- Maintain a high level of employee satisfaction through engagement and continuous feedback.
- Launch a new internship program for local college students by FY 2027.

FIGURE 12. SAN DIEGO COMMUNITY POWER VISION STATEMENT

Vision Statement

A global leader inspiring innovative solutions to climate change by powering our communities with 100% clean energy while prioritizing equity, sustainability and high-quality jobs.

Core Strategic Goals

1. Fiscal Sustainability
2. Energy Portfolio Development
3. Community Program Delivery
4. Trusted Brand Building
5. Legislative and Regulatory Advocacy
6. Customer Care
7. Organizational Excellence

Community Outreach Strategy

As a public agency with a deep commitment to transparency and community accountability, San Diego Community Power approaches outreach not as a one-time event, but as a continuous, year-round effort. Our budget process is informed by this ongoing engagement with customers, stakeholders and local leaders, ensuring our financial planning reflects the needs and priorities of the people we serve.

Public Meetings and Oversight

Core to our transparency is the public nature of our governance. Per our [Rate Development Policy](), rate setting is done via a public process, developed by staff and ultimately approved by our Board of Directors (Board) — all through open meetings where the public is invited to participate. Our Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it not only sets rates, but also establishes policy, determines power options and maintains fiscal oversight. Similarly, our Board is informed by a subset of members on the Finance and Risk Management Committee (FRMC), and the Community Advisory Committee (CAC) advises the Board and provides a venue for ongoing citizen support and engagement in Community Power. These monthly public forums offer meaningful opportunities for community input and serve as a foundation for budget development and agency decision-making.

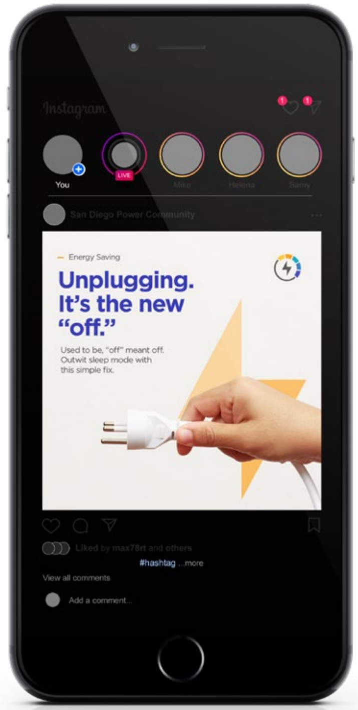
Customer Notices and Transparency Tools

We also ensure customers have access to clear and timely information about their energy service. The annual Joint Rate Comparison — published in coordination with SDG&E — provides side-by-side rate and service comparisons to help customers make informed choices. Similarly, our Power Content Label offers a breakdown of the energy sources we procure on behalf of our customers, highlighting our commitment to cleaner energy and sustainability.

Our website is another key transparency tool, offering customers easy access to rate options, program details, meeting materials and more. Specifically, the bill comparison calculator offers customers an opportunity to evaluate Community Power rates alongside those of SDG&E. As part of our continued commitment to improving the customer experience, we are currently undertaking a website redesign to make resources easier to find, understand and apply.

Targeted Outreach and Engagement

Beyond formal governance, Community Power regularly provides updates to our member agencies and their elected



FIGURES 13 & 14. SOCIAL MEDIA OUTREACH

bodies, including 2025 updates, which are currently underway. These presentations offer a transparent look at our progress, priorities and evolving initiatives.

We also continue to expand and refine our outreach efforts across the service territory to engage more residents and businesses. In 2024 alone, Community Power participated in more than 151 community events, resulting in 18,539 unique interactions with the public through in-person engagement. These efforts are bolstered by strategic partnerships, sponsorships and targeted media outreach, including our ongoing partnership with CBS 8's "Working for Our Communities" campaign, which helps us reach new audiences and share critical information about our programs and services.

Our quarterly newsletter provides regular updates on new initiatives, energy-saving tips and agency milestones. One of our more impactful recent engagement efforts has been the launch of a comprehensive customer feedback survey as part of our brand refresh and website redesign. This survey invites customers to share their priorities, service expectations and clean energy goals — insights that will help shape future programs and guide long-term planning.

Together, these efforts create a strong feedback loop between our agency and the public, ensuring our budget reflects both fiscal responsibility and community values and that every customer has a voice in building a clean, affordable and equitable energy future for our region.

FIGURES 15, 16 & 17. COMMUNITY OUTREACH AND EDUCATION

04

Budget Guidelines

Budget Guidelines

Joint Powers Agreement

On October 1, 2019, the Founding Members of Community Power adopted the Joint Powers Agreement (JPA), which was amended and restated on December 16, 2021. Several sections of the JPA guide the development and management of the budget.

Section 4.6 Specific Responsibilities of the Board. The specific responsibilities of the Board of Directors (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 Community Power 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 Community Power Board shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

On July 28, 2022, the Community Power Board adopted the Community Power 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 Community Power's Budget Level 2 categories as established and approved in the annual budget process by the Community Power 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 Community Power's rate-setting policy in which Community Power'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.

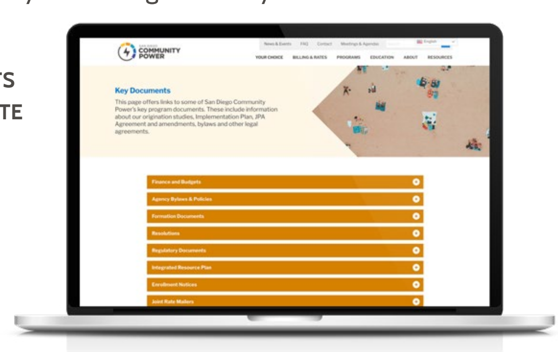
The Agency also maintains several policies posted to its Key Documents page on its website that provide further fiscal guidance.

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

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

- Energy Risk Management Policy
- Delegated Contract Authority
- Total Compensation Policy
- Board and Committee Compensation Reimbursement Policy
- Net Energy Metering (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 18.
KEY DOCUMENTS
PAGE ON WEBSITE



Budget Structure

Community Power's basis of budgeting is 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.

Community Power's basis of accounting, similarly, in its financial statements is 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

Community Power's budget is developed as a line-item budget and is organized by department to indicate the agency's organizational responsibility.

FIGURE 19. BUDGET STRUCTURE — DEPARTMENT HIERARCHY

DEPARTMENT

Executive
Finance
Power Services
Legal
Human Resources and Administration
Operations
Data Analytics & Customer Operations
Public Affairs
Programs
Regulatory & Legislative Affairs

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 completed. Assumptions include an overall 5% opt-out rate.

2. Operating Expenses

Community Power'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 Community Power's customers.

II. **Personnel** — Includes salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately seven new staff members during the FY 2025–2026 budget cycle.

III. **Professional services and consultants** — Includes 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 these Budget Level 3 categories:

   a. Data Management
   b. SDG&E Fees
   c. Technical Support
   d. Legal/Regulatory
   e. Other Services
   f. Programs Consultants

IV. **Marketing and Outreach** — Includes expenses for mandatory enrollment notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Marketing and outreach are further broken down into these 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 Expenses

Community Power's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs comprise repayment of loan principal associated interest costs as well as potential renewal fees on debt or letters of credit.

4. Capital Investment Plan (CIP)

Community Power's budget also includes non-operating expenses related to a Capital Investment Plan. These expenses may be paid with internal or external fund sources and are considered one-time projects or programs. The first year of the CIP is the agency's capital budget.

FIGURE 20. BUDGET STRUCTURE — BUDGET LEVEL HIERARCHY

BUDGET LEVEL 1	BUDGET LEVEL2	BUDGET LEVEL 3
Revenue	Gross Ratepayer Revenues	Gross Ratepayer Revenues
Revenue	(Less 1.75% Uncollectible Customer Accounts)	(Less 1.75% Uncollectible Customer Accounts)
Operating Expenses	Cost of Energy	Cost of Energy
Operating Expenses	Personnel Costs	Salaries
Operating Expenses	Personnel Costs	Benefits (retirement/health)
Operating Expenses	Personnel Costs	Payroll Taxes
Operating Expenses	Personnel Costs	Accrued PTO
Operating Expenses	Professional Services and Consultants	Legal/Regulatory
Operating Expenses	Professional Services and Consultants	Technical Support
Operating Expenses	Professional Services and Consultants	Programs Consultant
Operating Expenses	Professional Services and Consultants	Other Services
Operating Expenses	Professional Services and Consultants	SDG&E Fees
Operating Expenses	Professional Services and Consultants	Data Management
Operating Expenses	Professional Services and Consultants	Contingency
Operating Expenses	Marketing and Outreach	Communications Consultants
Operating Expenses	Marketing and Outreach	Printing
Operating Expenses	Marketing and Outreach	Sponsorships/Local Memberships
Operating Expenses	General and Administration	CalCCA Dues
Operating Expenses	General and Administration	Insurance
Operating Expenses	General and Administration	Rent
Operating Expenses	General and Administration	Other G & A
Operating Expenses	Programs	Programs
Non-Operating Expenses	Debt Service	Interest and Related Expenses
CIP	CIP	CIP

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. Community Power has two types of funds:

1. **Operating Fund** — Accounts for activities that are supported by ratepayer funds. All of Community Power's general operating activities are included in the Operating Fund, which functions very similarly to the enterprise fund of a city or county. The Operating Fund is the primary fund of Community Power 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. Community Power 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.

   Community Power offers four service levels to its customers that, taken together, ultimately comprise the source of ratepayer funds for the agency:

   1. **PowerOn**, our standard service offering that provides 55% renewable power (and 11.7% carbon free) and provides a 3% discount compared with SDG&E's rates
   2. **Power100**, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a $0.01/kWh added to the PowerOn service
   3. **Power100 Green+**, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, available only to commercial and industrial customers and currently priced at a $0.02/kWh adder to the PowerOn service
   4. **PowerBase**, our most affordable service option with renewable content that is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 5% discount compared with SDG&E's rates currently in effect as of February 1, 2025

2. **Continuing Fund** — Accounts for one-time activities in Community Power's Capital Investment Plan and that 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.

   Community Power's Continuing Fund is composed of the following revenue sources:

   - **Community Power Operating Transfers** — Through the annual budget process, the Community Power 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 a Community Power continuing fund to be used across multiple fiscal years given that CIP projects generally last longer than one year.
   - **California Public Utilities Commission (CPUC) DAC-GT** — 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. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.
   - **CPUC Regional Energy Network (REN)** — Public Purpose Program Surcharge funds are available for RENs. On August 7, 2024, the CPUC issued Decision 24-08-003, which approved and authorized Community Power's San Diego Regional Energy Network (SDREN) as a new Energy Efficiency Portfolio Administrator. This decision approved Community Power's application in its entirety, including 2024–2027 energy savings goals and funding, as well as a 2024–2031 Strategic Business Plan. SDREN will offer 10 energy-efficiency programs across San Diego County. These programs will be available, regardless of service provider and will focus on achieving energy savings, reducing emissions, enhancing grid reliability and educating customers on how to reduce energy usage.
   - **California Department of Food and Agriculture (CDFA) Healthy Refrigeration Grant** — The CDFA notified Community Power that it was awarded partial funding in the amount of $710,000 to support Community Power in providing technical assistance and refrigeration units to stock healthy foods at stores throughout Community Power's service territory.

FIGURE 21.
COMMUNITY POWER FUND STRUCTURE

FUND STRUCTURE
Operating Fund
Continuing Fund

FIGURE 22.
COMMUNITY POWER FUND AND BUDGET LEVEL HIERARCHY RELATIONSHIP

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

FY 2025-2026 Budget Principles

FIGURE 23. BUDGET PRINCIPLES

Fiscal Responsibility
Maintain a **fiscally responsible budget** in accordance with Community Power Budget Policy.

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.

Build Community Power Reserves
Build Community Power reserves and develop policies that **consider future economic conditions**.

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

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

Informed
Keep the Community Power Board of Directors and staff informed of Community Power's fiscal condition.

05

Budget Overview

Budget Overview

Budget in Brief

The proposed FY 2025–2026 Operating Budget is the second full fiscal year of full enrollment from Community Power's member jurisdictions, inclusive of net-energy metering customers, within the San Diego region. This budget therefore provides the second year of representation in anticipated full revenues and expenses, moving forward.

As Community Power has scaled to full enrollment, the agency has thoughtfully grown to 87 staff in the current fiscal year. Total staffing for the FY 2025–2026 period includes eight positions that are externally funded and in the Capital Investment Plan (CIP), and 86 positions supporting core operations. By the end of FY 2025–2026, Community Power is expected to have a similar operating budget and staffing levels compared to its peer CCAs of similar customer and load size. Additionally, by the end of FY 2025–2026, Community Power is likely to achieve its strategic goal of having 180 days' cash on hand, which will equip Community Power to earn and maintain a credit rating. This can translate to Community Power being better positioned to negotiate and secure better and more favorable terms in our Power Purchase Agreements that can help reduce electricity rates for customers in the long term while also protecting the long-term solvency of Community Power. Given the positive financial landscape, Community Power expects to maintain minimal, if any, debt during the fiscal year and does not anticipate needing to use its credit facility to finance operations in FY 2025–2026.

The Proposed FY 2025–2026 Operating Budget furthermore includes continued outreach through community events, sponsorships and advertising to inform customers about Community Power.

Lastly, this budget continues to include a 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.

Proposed Operating Budget

The Community Power FY 2025–2026 Proposed Operating Budget is presented in further detail in the following pages. The table below summarizes the revenue and expense budgets proposed for FY26 in comparison to the FY25 and FY24 Amended Budgets.

TABLE 1. OPERATING BUDGET OVERVIEW*

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Revenue	1,365.7	1,233.4	1,221.0
Less Uncollectible Accounts	(61.4)	(54.5)	(21.4)
Net Operating Revenues	1,304.3	1,177.9	1,199.6
Cost of Energy	1,020.8	1,073.7	956.7
Non-Energy Costs	43.8	53.8	54.3
Subtotal Operating Expense	1,064.6	1,127.5	1,010.9
Debt Service	2.4	1.3	1.9
Capital Investment Program (Transfer Out)	4.7	15.2	22.2
Total Expenses	1,071.0	1,143.9	1,035.0
Net Position	233.3	34.0	164.6

**Amounts displayed in millions of dollars*

Operating Revenue

San Diego Community Power operates as a Joint Powers Authority (JPA), providing clean energy to residents and businesses within its service area. Revenue is generated primarily through electricity sales, with a core financial principle of maintaining a balanced budget. This requires electricity sales revenue to cover power generation costs — especially from renewable sources — and operational expenses. Financial sustainability is also pursued through strategies like building reserves.

Generally, operating revenue through electricity sales is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying the Board-approved generation rates to the energy load; and 3) applying a 1.75% uncollectible rate based on revenue that Community Power does not expect to collect — the result is Community Power's operating revenue for the fiscal year.

As a JPA, Community Power functions under distinct governing principles, unlike investor-owned utilities. Its primary goal is to deliver affordable, renewable power to diverse customers, ranging from large commercial and industrial entities to individual residential customers, including those with financial constraints. Affordability for our communities is highly valued, significantly shaping operational and rate-setting decisions.

The latest financial projections, through January 2025, informed Community Power's rate-setting process. The staff-recommended rates were developed to reasonably and appropriately cover operational expenses and projected revenues for fiscal years 2024–2025 and 2025–2026. These rates aim to balance customer affordability with the need to generate sufficient revenue to cover annual power supply and operating costs, debt service and a planned reserve margin contribution, ultimately achieving a balanced budget. The rate recommendations also allow Community Power to balance affordability for customers while maintaining reserves and progressing toward its 180-day cash-on-hand and reserve stabilization goals. Achieving these reserve targets is not feasible with additional rate discounts beyond the proposed rates. Furthermore, the proposed rates and reserve targets enable Community Power to meet key metrics for achieving an investment-grade credit rating, which is crucial for rate competitiveness by securing favorable terms for power procurement and credit activities. Finally, the adopted rates ensure compliance with financial covenants in agreements with JP Morgan Chase Bank (Revolving Credit Agreement), River City Bank (Security Agreement) and various power purchase agreements.

Community Power's retail sales of electricity are composed of four rate products.

FIGURE 24. COMMUNITY POWER'S RATE PRODUCTS*

Power100 Green+	Power100	PowerOn	PowerBase
PowerOn + $0.02 per kWh	PowerOn + $0.01 per kWh	$0.163 per kWh**	$0.160 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 with SDG&E's service that is the default rate for most Community Power customers	45% renewable and 5% less expensive than SDG&E's default service

**Prices valid as of February 1, 2025*
***Average rate across all Community Power rate schedules*

FIGURE 25. COMMUNITY POWER REVENUE TREND

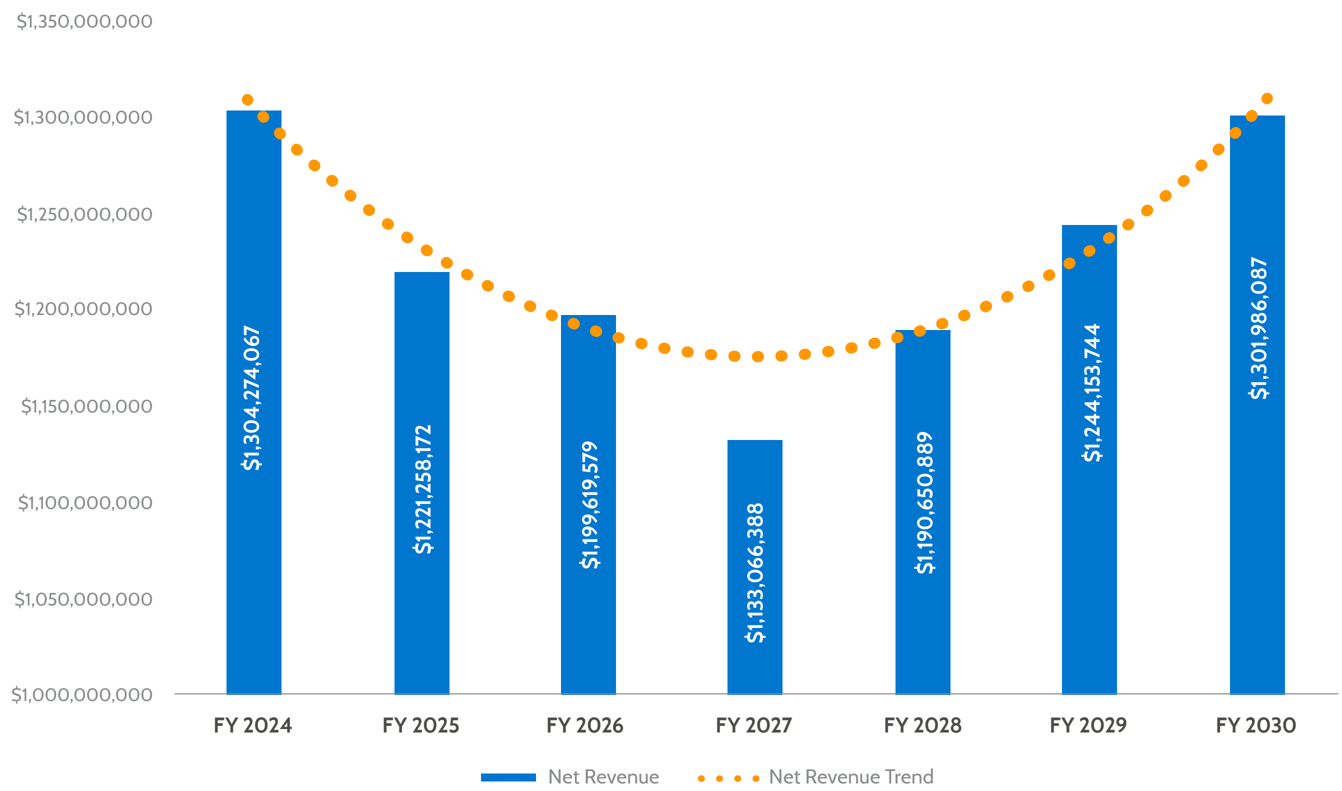


Table 2 summarizes the revenues for the FY24 Amended Budget, FY25 Amended Budget and FY26 Proposed Operating Budget.

TABLE 2. OPERATING REVENUE BY BUDGET LEVEL 2*

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Ratepayer Revenues	1,365.7	1,243.0	1,221.0
(FY24 Less 4.5% Uncollectible Customer Accounts; FY25 & FY26 Less 1.75%)	(61.4)	(21.8)	(21.4)
Net Operating Revenues	**1,304.3**	**1,221.2**	**1,199.6**

**Amounts displayed in millions of dollars*

Operating Expenses

Expenses in the Community Power 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.

Table 3, below, summarizes the expenses for the FY24 Amended Budget, FY25 Amended Operating Budget and FY26 Proposed Operating Budget.

TABLE 3. OPERATING EXPENSES BY BUDGET LEVEL 2*

	FY24 Amended	FY25 Amended	FY26 Proposed
Cost of Energy	1,020.8	1,116.8	956.7
Professional Services and Consultants	22.3	24.3	24.6
Personnel Costs	11.7	18.6	21.1
Marketing and Outreach	2.9	3.0	2.6
General and Administration	6.8	4.9	5.9
Programs	0.1	0.0	0.0
Subtotal Operating Expenses	**1,064.7**	**1,167.6**	**1,010.9**
Interest and Related Expenses	2.4	1.3	1.9
Capital Investment Program (Transfer Out)	4.6	18.2	22.2
Total Expenses	**1,071.7**	**1,147.1**	**1,035.0**

**Amounts displayed in millions of dollars*

Operating Expenses by Department

Table 4, below, summarizes the FY26 Proposed Operating Budget expenses by department. Several new departments were established as part of the development of the FY26 Proposed Operating Budget and therefore a comparison is not shown for the prior year.

TABLE 4. OPERATING EXPENSES BY DEPARTMENT

	FY24 Amended	FY25 Amended	FY26 Proposed
Power Services	1,022.4	1,118.9	958.6
Operations	16.3	20.6	22.6
Customer Operations	18.1	19.3	19.8
Finance	3.3	2.1	3.4
Public Affairs	1.5	1.8	1.9
IT and Data Analytics	1.0	1.4	1.6
Regulatory and Legislative Affairs	1.1	0.7	0.7
Human Resources and Administration	0.9	0.7	0.7
Legal	0.0	1.8	1.4
Programs	0.1	0.0	0.0
Executive Team	0.0	0.2	0.2
Total Expenses	**1,064.7**	**1,167.6**	**1,010.9**

Amounts displayed in millions of dollars

Personnel by Department

Table 5, below, summarizes the actual personnel at the end of FY25 and the full-time equivalent (FTE) personnel in the FY26 Proposed Operating Budget. While personnel may be authorized, they may not yet be filled. Detailed information showing filled and proposed FTE transfers by department is included in the following Section. All of the Personnel budget is included within the Operations department.

TABLE 5. PERSONNEL BY DEPARTMENT

	FY24 Amended	FY25 Amended	FY26 Proposed
Operating Fund			
Power Services	17.0	16.0	17.0
Executive	1.0	5.0	5.0
Public Affairs	11.0	12.0	13.0
Programs	6.0	12.0	14.0
Finance	7.0	9.0	10.0
Customer Operations	6.0	8.0	5.0
Operations	6.0	5.0	4.0
IT and Data Analytics	6.0	9.0	12.0
Regulatory and Legislative Affairs	5.0	5.0	5.0
Human Resources and Administration	3.0	4.0	6.0
Legal	1.0	2.0	3.0
Subtotal Operating FTEs	70.0	87.0	94.0
External Funding (CIP)			
Programs	1.0	3.8	5.0
Regulatory Affairs	-	0.5	0.7
Finance	-	1.0	1.0
Public Affairs	-	1.0	1.0
Power Services	-	-	0.3
Subtotal External Funding FTEs	1.0	6.3	8.0
Total FTEs	**70.0**[1]	**87.0**	**94.0**

[1] 14 FTEs were approved but not hired in FY24 and need to be reapproved in FY25.

FIGURE 26. COMMUNITY POWER'S DEPARTMENTS

Executive Team	Operations	Human Resources and Administration	Finance
Power Services	Programs	Regulatory and Legislative	Public Affairs
Legal	IT and Data Analytics	Customer Operations	

Proposed Capital Budget

Continuing in FY 2025–2026 is the Community Power Capital Investment Plan (CIP) for FY 2026–2030 that 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 FY 2026–2030 CIP represents the amended FY 2025–2026 capital budget.

The FY 2025–2026 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 2025–2026 capital budget totals $54.7 million and the FY 2026–2030 CIP total $344.3 million. Additionally, $11.2 million in unspent continuing funds was appropriated by the Board in prior fiscal years and is represented as Carry Forward revenue. The FY 2025–2026 proposed capital budget includes funding for 21 projects in all program areas in various geographic areas of San Diego County.

TABLE 6. FY 2025–2026 CAPITAL BUDGET OVERVIEW*

	Carry Forward[1]	FY26 Authorized Budget	FY26 Proposed Budget
Operating Transfer Out	9.2	-	22.2
Regional Energy Network[2]	-	31.9	-
DAC-GT	(0.1)	0.6	-
CDFA	0.7	-	-
Equitable Building Decarbonization	1.4	-	-
Other	-	-	-
CIP Revenue	11.2	32.5	22.2

**Amounts displayed in millions of dollars*

[1] The carry forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024-2025

[2] The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Year 2024–2027, and funded programs will be available across SDG&E service territory.

TABLE 6.1. FY 2026–2030 CIP PROGRAMS AND PROJECTS

	Beginning Bal.	Expenses	Carry Forward [1]	5-Year Budget					
	FY25	FY25	FY25	FY26	FY27	FY28	FY29	FY30	Total
External Funding									
Regional Energy Network[2]	2.1	2.1	-	31.9	59.5	51.4	42.0	43.7	228.6
DAC-GT	0.9	1.0	(0.1)	0.6	0.5	0.5	0.5	0.5	2.4
CDFA	0.7	-	0.7	-	-	-	-	-	0.7
Equitable Building Decarbonization	1.5	0.1	1.4	-	-	-	-	-	1.4
Other	-	-	-	-	-	-	-	-	-
Subtotal	**5.2**	**3.2**	**2.0**	**32.5**	**60.0**	**51.9**	**42.5**	**44.2**	**233.0**
Internal Funding									
Solar Battery Savings	10.6	7.4	3.2	18.8	11.1	10.4	8.3	8.5	60.3
Energy Efficiency	0.3	0.3	0.0	-	-	-	-	-	0.0
Pilot Programs	3.0	0.5	2.5	-	-	-	-	-	2.5
Grants	0.8	0.6	0.2	1.3	-	-	-	-	1.5
DER	0.1	0.1	0.0	-	-	-	-	-	0.0
Flexible Load	0.6	0.3	0.3	0.3	0.6	0.6	0.8	0.7	3.3
IT Projects	2.6	0.1	2.5	1.5	-	-	-	-	4.0
Community Education	0.1	0.1	-	0.0	-	-	-	-	0.0
Program Evaluation	-	-	-	0.3	-	-	-	-	0.3
Application Assistance	0.3	-	0.3	-	-	-	-	-	0.3
Other	-	-	-	-	7.4	8.7	11.2	11.7	39.1
Subtotal	18.4	9.2	9.2	22.2	19.1	19.7	20.3	20.9	111.3
CIP Expense Total	**23.6**	**12.5**	**11.2**	**54.7**	**79.1**	**71.6**	**62.8**	**65.1**	**344.3**

[1] The carry forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024–2025
[2] The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027, it is reflected in this table as anticipated spending by fiscal year.

Capital Investment Plan (CIP)

About the CIP

5-Year period | **$344.3M** total investment | **21** projects to be funded

Across San Diego County

The Community Power Fiscal Year 2026–2030 Capital Investment Plan (CIP) includes 21 projects that will receive funding in the five-year period, totaling $344.3 million in investments across San Diego County. More detail can be found within the companion FY 2026–2030 Capital Investment Plan book. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows Community Power 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 Community Power's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects compose a list that provides Community Power with the confidence to target a core set of program types focused on community needs. It also gives Community Power 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 this does not necessarily indicate that actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or drop out entirely.

Likewise, this list is not all inclusive. Unexpected requirements often cause unforeseen projects to be inserted into the design and execution process. Furthermore, funding sources identified in the CIP are potential funding sources that 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

Community Power will update the CIP annually during its budget development process. Programs and projects are included in the CIP based on alignment with Community Power's strategic goals and based on community engagement.

The proposed capital budget and CIP undergo a public outreach process comprising a wide range of stakeholder groups. Additionally, the CIP 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 Community Power Board for approval.

FIGURE 27. CIP DEVELOPMENT PROCESS

Operational Impact of Capital Projects

Projects outlined in Community Power's Capital Investment Plan and Budget are generally designed to address the needs of existing assets without significantly impacting operational costs. However, if a technology or any project was planned that had a significant operational impact, projected costs would be reflected in Community Power's Five-Year Financial Plan, issued annually. Additionally, staffing, building maintenance, equipment maintenance and utility costs associated with these facilities would be approved as part of the annual Budget Process. As a result, these costs would be specified within the Budget document and categorized under the "Budget by Department" section and attributed to the relevant department sponsoring the project.

Capital improvements are strategic investments made by Community Power to enhance its physical assets, technology and infrastructure. These improvements are not just about upgrading facilities or equipment but are also aimed at driving efficiency within our organization's operations over the long term. By investing in capital improvements, the organization seeks to optimize its processes, reduce costs and improve overall productivity.

Several projects driven by our IT and Data Analytics Department are at the forefront of these efforts. These projects are prioritized to leverage data and enable advanced data analytics techniques. The goal is to better understand the organization's operations and discover operational efficiencies. Here's how these projects contribute to long-term efficiency:

Data Collection and Integration — IT and Data Analytics focuses on collecting data from various sources within the organization. This includes data from production processes, supply chain activities, customer interactions and more. By integrating this data into a centralized system, the organization can gain a comprehensive view of its operations.

Advanced Data Analytics — With a robust data infrastructure in place, the IT and Data Analytics Department employs advanced data analytics techniques such as machine learning, predictive analytics and big data analysis. These techniques help in identifying patterns, trends and anomalies in the data that might not be apparent through traditional analysis methods.

Operational Insights — The insights gained from data analytics are used to understand the efficiency of current operations. For example, analytics can reveal bottlenecks in production, inefficiencies in supply chain management or areas where customer service can be improved. These insights are crucial for making informed decisions about where to focus improvement efforts.

Process Optimization — Based on the operational insights, the organization can implement changes to optimize processes. This might involve automating certain tasks, reallocating resources or redesigning workflows to eliminate inefficiencies. The goal is to streamline operations and enhance productivity.

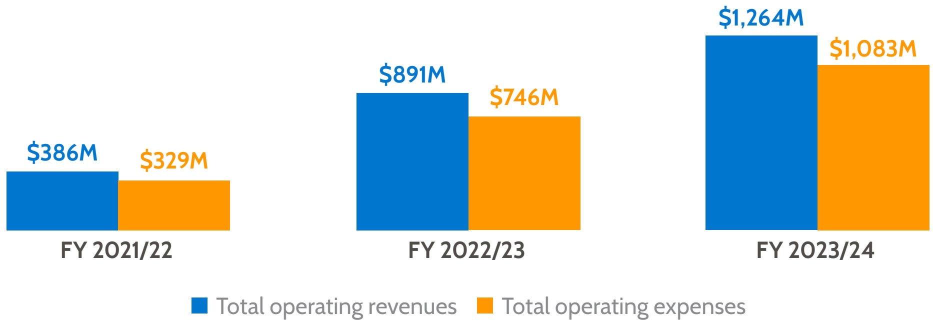
Continuous Improvement — Capital improvements driven by data analytics are not one-time efforts. The organization continuously monitors its operations and uses data to identify new opportunities for improvement. This ongoing process ensures that the organization remains agile and can adapt to changing market conditions and technological advancements.

Multiyear Trends

This section presents a multi-year financial trend report for Community Power, reviewing the actuals from Fiscal Years 2022, 2023 and 2024 and the Fiscal Year 2025 Amended Budget. The report includes visualizations that illustrate key financial trends and variances, providing a clear and comprehensive picture of the organization's fiscal trajectory over the past three years. By examining these figures, Community Power can gain insights into revenue patterns, expenditure changes and overall financial stability. This analysis is essential for understanding how past financial outcomes align with future budgetary goals, ensuring effective financial planning and management.

Community Power has experienced substantial growth in both operating revenues and expenditures from FY22 to FY24. In FY22, Community Power's operating revenues were $386 million, increasing to $891 million in FY23, and further rising to $1.1 billion in FY24. This growth is primarily driven by expanding electricity sales and an increased customer base. Concurrently, operating expenses have also escalated, from $329 million in FY22 to $746 million in FY23, and reaching $1.083 billion in FY24, reflecting higher costs associated with electricity procurement and use of contract services. Despite these rising costs, Community Power has consistently maintained a positive operating income, indicating effective financial management and strategic planning. The FY25 Amended Budget continued growth and stability, ensuring Community Power's ability to meet its operational goals and effectively serve the community.

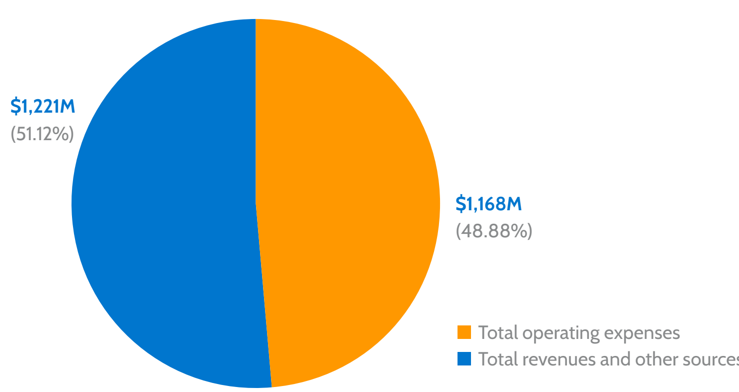
FIGURE 28. OPERATING REVENUES VS. EXPENDITURES



	FY 2021/22	FY 2022/23	FY 2023/24
OPERATING REVENUES			
Electricity sales, net	$383,800,198	$891,178,064	$1,252,787,768
Grant revenue	$0	$0	$983,500
Liquidated damages	$2,437,500	$0	$0
Other income	$0	$0	$10,598,252
Total operating revenues	**$386,237,698**	**$891,178,064**	**$1,264,369,520**
OPERATING EXPENSES			
Cost of electricity	$319,686,027	$720,327,704	$1,047,553,476
Contract services	$3,520,098	$15,957,376	$19,750,534
Staff compensation	$3,662,441	$6,726,270	$11,399,388
Other operating expense	$2,098,031	$2,866,222	$3,261,424
Depreciation and amortization	$0	$253,553	$727,567
Total operating expenses	**$328,966,597**	**$746,131,125**	**$1,082,692,389**
NET POSITION	**$57,271,101**	**$145,046,939**	**$181,677,131**

Community Power's FY25 amended budget reflects the organization's strong financial growth and stability observed in past fiscal years. The budget included total operating revenues of $1.22 billion and total expenses of $1.17 billion, maintaining a balanced approach similar to previous years. Revenue growth, driven by expanding electricity sales and an increasing customer base, aligns with the upward trend seen from FY22 to FY24. Increased costs in FY25 are primarily due to higher electricity procurement expenses and investments in the CIP. Despite these rising costs, the positive net operating income highlights effective financial management and strategic planning.

FIGURE 29. OPERATING BUDGET



Five-Year Financial Plan

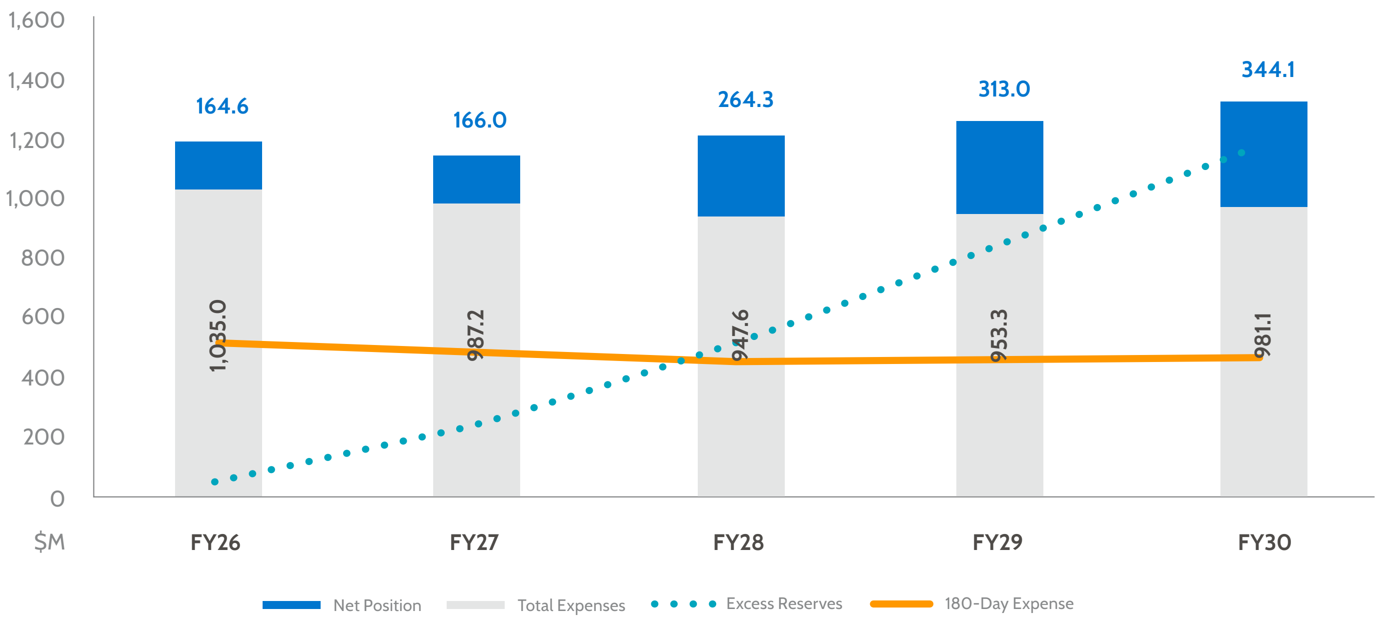
Community Power's five-year financial plan projects that the agency will meet its 180-days cash-on-hand reserve target in its Reserve Policy by October 2025. The current reserve policy supports the distribution of excess reserves for specific purposes, including funding a rate stabilization reserve. Additionally, the plan projects that Community Power will achieve its Strategic Plan goal of funding a Rate Stabilization Reserve by FY 2026–2027. The plan assumes that rates remain at the same level adopted by the Board on February 7, 2025, and are subject to change based on Community Power's rate-setting cycle.

The Community Power 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.

Key assumptions in Community Power's projections and five-year financial plan include:

- Full enrollment of customers is complete from all member jurisdictions
- A 95% participation rate across all jurisdictions
  - A 1.75% uncollectible rate, which maintains the same uncollectible rate from the fiscal year 2024–2025 amended budget approved by the board February 27, 2025
- Trifurcation of rates continues to ensure a fair, equitable and balanced rate structure across customers with differing vintage years
  - Rates in FY26 and beyond remain at the levels adopted by the Board on February 7, 2025. Further rate changes are subject to Board approval.

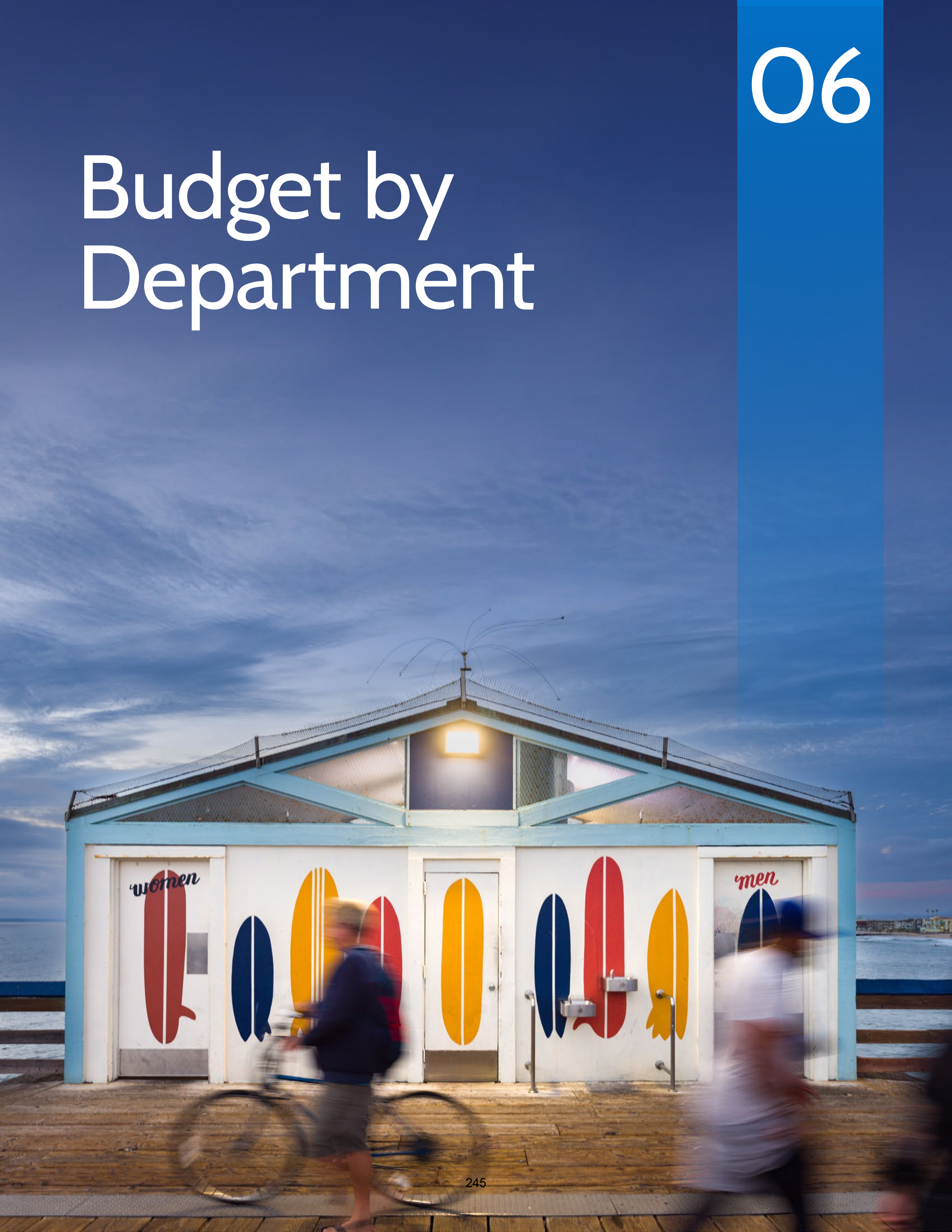
FIGURE 30. SAN DIEGO COMMUNITY POWER RESERVES



OPERATING BUDGET, $M	FY26	FY27	FY28	FY29	FY30
Net Revenue	1,119.6	1,133.1	1,190.7	1,244.2	1,302.0
Total Expense	1,035.0	967.0	926.4	931.1	957.9
Annual Reserve (Net Position)	164.6	166.0	264.3	313.0	344.1
Cumulative Net Position	574.1	740.1	1,004.4	1,317.5	1,661.6
180-Day Expense	510.4	486.8	467.3	470.1	483.8
Projected Excess Reserves	63.7	253.3	537.1	847.4	1,177.7

06

Budget by Department



Budget by Department

Executive

Providing strategic leadership to guide the agency and deliver on its mission

Mission and Services

The Executive team provides agency-wide leadership and strategic direction for Community Power. Led by the chief executive officer and supported by the executive team, the department ensures alignment across departments, cultivates an inclusive and accountable culture and oversees implementation of the strategic plan.

The Executive team represents Community Power in public forums, guides internal systems development and advances partnerships with local governments, stakeholders and industry peers. Through consistent engagement with member agencies, the Board of Directors and Community Advisory Committee, and regional coalitions, the team builds trust and helps position Community Power as a leading voice in California's clean energy transition.

Department Highlights

- Led development and rollout of the FY 2025–2026 strategic plan
- Continued engagement with CalCCA and participation in key state policy forums
- Oversaw internal management systems and staff training initiatives
- Supported cross-functional alignment through quarterly strategy check-ins
- Advanced initiatives to promote equity, transparency and operational integrity

Key Performance Indicators (KPIs)

- Strategic goals aligned across departments (target: seven)
- Annual rate setting via public process (target: effective Feb. 1)
- Reserve balance and days cash on hand (target: 180 days by FY 2027)
- Number of external events attended by executive staff (target: 60)

Department Organizational Structure

FIGURE 31. EXECUTIVE ORGANIZATIONAL STRUCTURE

Chief Executive Officer
KARIN BURNS

Chief Financial Officer and Deputy Chief Executive Officer/Treasurer
ERIC WASHINGTON

Chief Operating Officer
JACK CLARK

Chief Commercial Officer[1]
VACANT

General Counsel
VEERA TYAGI

[1] Formerly titled Managing Director Power Services

Operations

Improving internal operations and alignment to support strategic execution

Department Description: Mission and Services

Operations ensures that Community Power functions effectively and efficiently across all departments. Led by the chief operating officer and supported by senior directors and project management staff, Operations drives internal coordination, facilitates collaboration and operationalizes the agency's strategic objectives.

The team oversees internal governance, agencywide administrative systems and policy development. Operations is also responsible for engagement with the Community Advisory Committee (CAC), ensuring transparency and accountability. The newly created Project Management Office (PMO), housed within Operations, leads efforts to align project execution with strategic priorities, standardize workflows, create efficiencies and improve internal delivery.

Operations Highlights

- Supported growth to 80 full-time positions with strategic resource planning
- Launched agencywide project intake and documentation process through PMO
- Conducted internal process audits to identify operational bottlenecks
- Improved CAC and Board engagement through increased coordination and support
- Advanced internal efficiency through cross-departmental collaboration systems

FY 2025–2026 Priorities

- Enhance internal systems and tools to support cross-functional execution
- Improve agency-wide project visibility, reporting and governance
- Develop the internal infrastruct ure needed to scale efficiently as Community Power grows
- Strengthen alignment between agency goals, departmental workplans and staff resources

Key Performance Indicators (KPIs)

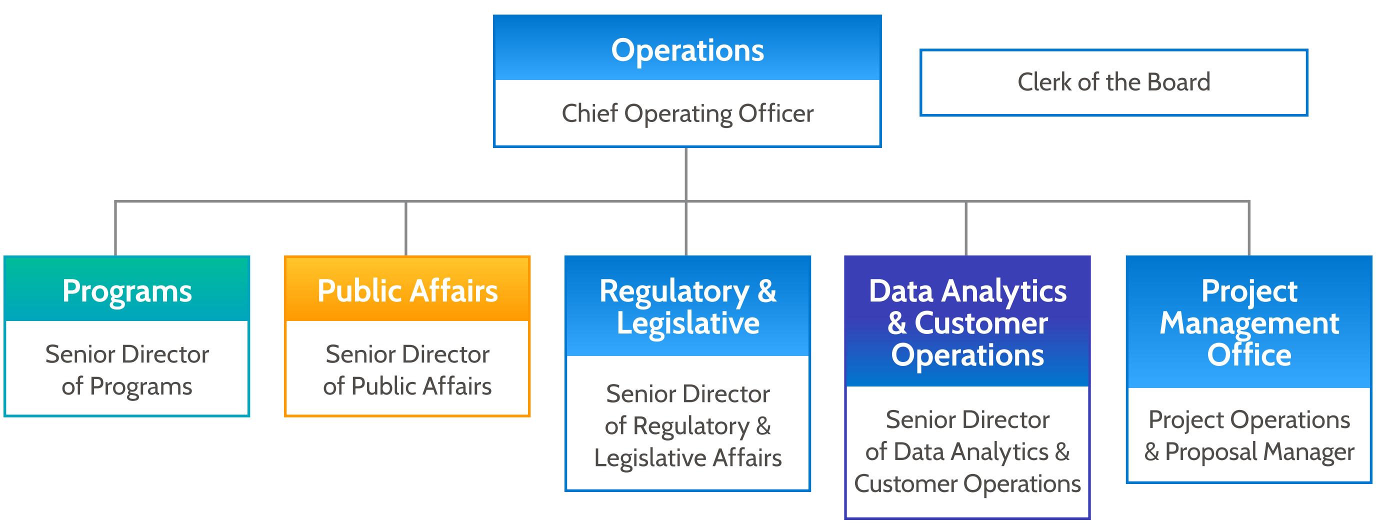
- Implement new project intake and tracking tools (target: Q2 FY 2025)
- Maintain a cross-functional project schedule (target: update quarterly)
- Implement a team utilization framework (target: Q3 FY 2025)
- Develop and launch a centralized internal dashboard for tracking project and policy updates (target: Q3 FY 2025)
- Conduct project reviews with the Executive team to ensure strategic alignment (target: review quarterly)

TABLE 7. OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Operations	5.0	4.0

Department Organizational Structure

FIGURE 32. OPERATIONS ORGANIZATIONAL STRUCTURE



Power Services

Developing a clean energy portfolio that is reliable, affordable and increasingly renewable

Department Description: Mission and Services

The Power Services Department is responsible for managing Community Power's energy procurement and delivery portfolio, ensuring that customers receive clean, reliable and competitively priced electricity. This includes all long- and short-term energy contracting, load forecasting, power scheduling, wholesale market participation, energy risk management and compliance with state regulatory mandates.

Under the leadership of the chief commercial officer, Power Services oversees competitive solicitations and negotiation of power purchase agreements (PPAs) and Energy Storage Service Agreements (ESSAs), working to meet state mandates and voluntary goals related to the Renewable Portfolio Standard (RPS) and Resource Adequacy (RA). The department also plays a key role in diversifying supply, expanding clean energy development and accelerating the build-out of local energy infrastructure, including distributed energy resources (DERs).

Department Highlights

- Expanded to 16 team members to manage procurement, forecasting and compliance functions
- Maintained energy hedging strategy to mitigate cost volatility and market exposure in FY 2026 and beyond
- Procured Energy Trading Risk Management (ETRM) system
- Worked with general counsel to bring transactional counsel in-house to support higher transaction volume and legal review of complex energy agreements
- Continued contracting for and managing developing long-term clean energy resources to meet Community Power's 100% renewable energy goals

FY 2025–2026 Priorities

- Manage portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing and staff training
- Advance toward a 100% renewable energy portfolio by 2035, with interim targets of 75% by 2027 and 85% by 2030
- Support development of 1 gigawatt of local clean energy capacity by 2035, including at least 300 megawatts from DERs enabled through programs, tariffs and procurement
- Ensure cost-effective compliance with RA and RPS requirements and all other state regulatory obligations
- Prioritize projects and partnerships that help create high-quality local jobs in the clean energy economy

Key Performance Indicators (KPIs)

- Maintain alignment with Community Power's energy risk management policy
- Ensure timely filing of all resource adequacy month-ahead filings as well as the year-ahead filing due in October 2025
- Submit annual Integrated Resource Plan, Renewable Portfolio Standard Plan and Mid-Term Reliability updates
- Finalize and implement Feed-In Tariff 2.0 and secure additional local energy contracts
- Implement and integrate an ETRM system to improve energy risk management and internal analytics by Q3 2025
- Bring online the first Power Purchase Agreement where SDCP has full control of scheduling coordinator responsibilities

TABLE 8: POWER SERVICES POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Power Services	16.0	*17.0

**0.3 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 33. POWER SERVICES ORGANIZATIONAL STRUCTURE

Power Services

Chief Commercial Officer

Director of Power Contracts
Director of Portfolio Management
Director of Origination
Associate Director-Load Forecast & Optimization
Principal Portfolio Manager
Senior Settlements Manager
Senior Local Development Manager
Senior Portfolio Manager
Senior Portfolio Manager
Origination Manager
Senior Settlements Analyst
Senior Quantitative Energy Analyst
Senior Compliance Analyst
Contract Management Associate
Contract Associate
*Portfolio Analyst Energy
*Senior Market and Modeling Analyst

**Positions authorized in FY26*

Finance

Promoting long-term organizational sustainability through sound fiscal management and strategic investment

Department Description: Mission and Services

The Finance Department ensures the long-term fiscal health of Community Power through sound financial planning, risk management and transparency. The department manages budgeting, accounting, cash flow, reserves, audits, financial policy implementation, debt financing including clean prepayment financing, and fiscal compliance.

Finance supports the organization's mission by maintaining strong financial controls, enabling informed decision-making and positioning the agency to invest in programs, infrastructure and operations that advance clean energy access and community benefits.

Department Highlights

- Continued focus on building reserves to meet the 180-day cash-on-hand goal
- Coordinated annual financial audit with no findings in FY 2023
- Developed internal financial controls and contracts tracking system
- Advanced implementation of the Capital Investment Plan
- Supported the execution of multiple clean energy prepay bond transactions

FY 2025–2026 Priorities

- Execute 3–5 clean prepay bond transactions to reduce power costs by up to $30 million annually
- Contribute $80 million toward the reserve goal by the end of FY 2025–26
- Build a Rate Stabilization Reserve to mitigate power market volatility
- Launch a vendor and contracts tracking system to strengthen fiscal controls
- Establish a Middle Office to enhance energy risk monitoring and oversight
- Maintain fiscal transparency through regular public reporting and committee updates

Key Performance Indicators (KPIs)

- Reserve balance and days cash on hand (target: 180 days by FY 2027)
- Number of clean energy prepay transactions executed and savings achieved
- Reviewing budget-to-actuals to identify financial efficiencies
- Achievement of investment-grade credit rating readiness benchmarks

TABLE 9. FINANCE POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Finance	9.0	*10.0

**1.0 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 34. FINANCE ORGANIZATIONAL STRUCTURE

Finance
Chief Financial Officer/Treasurer
Director of Finance Procurement Manager Risk Manager Finance Manager Strategic Finance Manager Senior Financial Analyst Financial Analyst Financial Analyst Procurement Analyst *Senior Risk Manager

**Position authorized in FY26*

Customer Operations

Ensuring high customer satisfaction and retention through responsive service, affordability and clear communication

Department Description: Mission and Services

The Customer Operations Department supports customer satisfaction and retention by ensuring clear, timely and accurate billing, analyzing usage trends and delivering exceptional account management. Under the guidance of the chief operating officer and leadership of the senior director of data analytics and customer operations, the team manages contact center operations, supports key accounts and provides analytical insights to guide rate setting, forecasting and customer service enhancements.

The department plays a central role in delivering Community Power's promise of clean, affordable energy through customer-focused strategies. It supports interagency coordination with SDG&E and Calpine to mitigate billing errors and maintains the tools and insights that drive high customer retention, satisfaction and service engagement.

Department Highlights

- Lowered electricity generation rates for the second consecutive year for Community Power customers
- Launched two new rate offerings — PowerBase and Power100 Green+ — to meet customer needs
- Oversaw more than $19 million in vendor service contracts, including Calpine and SDG&E
- Partnered closely with SDG&E and Calpine to improve billing accuracy and address customer concerns
- Continued enhancements to internal data tools that track opt actions, revenues and customer engagement
- Played a pivotal role in maintaining customers' participation rate of 95%+ over the last 3 years

FY 2025–2026 Priorities

- Evolve rate strategy to ensure competitiveness, affordability and fiscal sustainability
- Develop targeted strategies to increase customer retention and promote opt-ups to Power100
- Resolve outstanding billing and communication issues with SDG&E that affect customer satisfaction
- Identify and evaluate potential enhancements to customer service delivery, including a future Energy Advisor Center
- Implement measures to reduce customer arrearages and improve long-term account health
- Support contact center training and performance monitoring for consistent, high-quality service

Key Performance Indicators (KPIs)

- Customer retention rate (target: 90%+)
- Number of opt-ups to Power100 (target: 10% of total load by 2027)
- Customer satisfaction score via surveys (target: score 9/10)
- Rate of issue resolution and billing accuracy (target: 99%+ first-contact resolution)
- Close collaboration with SDG&E and the agency's collection vendor to reduce arrearages year over year
- Number of service enhancements implemented or piloted (target: 2–3 new initiatives in FY26)

TABLE 10. CUSTOMER OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Customer Operations	8.0	5.0

Department Organizational Structure

FIGURE 35. CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE

Customer Operations

Senior Director of Data Analytics and Customer Operations

Account Services Manager
Key Account Services Manager
Senior Account Services Analyst
Senior Key Account Analyst

IT and Data Analytics

Creating a secure and efficient environment that supports collaboration and innovation

Department Description: Mission and Services

The IT and Data Analytics Department empowers Community Power through secure, scalable and modern digital infrastructure. Reporting to the senior director of data analytics and customer operations and led by the associate director of IT and Data Analytics, the department manages enterprisewide systems, data and analytics platforms, and cybersecurity.

The team develops and maintains centralized, cloud-based tools that enable real-time, data-informed decisions across rate development, customer programs, marketing and operations. By implementing robust security protocols and IT governance, the department ensures business continuity, system resilience and a strong data-driven culture throughout the agency.

Department Highlights

- Launched agencywide managed IT services with cybersecurity protections
- Completed enterprise assessment to align systems with strategic goals
- Advanced development of an enterprise data platform (EDP) to centralize analytics
- Supported implementation of improved forecasting models that account for solar generation
- Partnered with the Project Management Office (PMO) to assess project management platforms

FY 2025–2026 Priorities

- Strengthen cybersecurity framework and conduct annual penetration testing
- Launch enterprise data platform with integration of critical data systems by Q4 FY 2025
- Finalize IT policies and governance procedures by Q2 FY 2025
- Select and implement a project management system with PMO support by Q2 FY 2025
- Expand in-house analytics support to additional Community Power departments by FY 2026

Key Performance Indicators (KPIs)

- Number of cybersecurity incidents reported (target: 0)
- Percentage of critical retail operations data systems integrated into EDP (target: ≥ 98%)
- Project management system implemented and training completed (target: Q3 FY 2025)
- Number of departments supported with internal analytics (target: ≥ four)
- Number of reporting dashboards deployed (target: four to six)
- Percentage of IT incidents resolved within service level agreement (SLA) (target: ≥ 98%)
- Adoption of IT policy and governance framework (target: approved by Q2 FY 2025)

TABLE 11. IT AND DATA ANALYTICS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
IT and Data Analytics	9.0	12.0

Department Organizational Structure

FIGURE 36. IT AND DATA ANALYTICS ORGANIZATIONAL STRUCTURE

IT and Data Analytics

Senior Director of Data Analytics and Customer Operations

Associate Director of IT and Data Analytics
Data Analytics Manager
Rate and Strategy Manager
IT Manager
Senior Cybersecurity Analyst
Data Scientist
IT Systems Engineer
Data Engineer
IT Systems Analyst
Senior Rates Analyst
Data Analyst
Senior Integration System Ops Developer

Public Affairs

Building a trusted public agency through strategic outreach, education and engagement

Department Description: Mission and Services

The Public Affairs Department connects Community Power with the people and communities it serves. Through strategic communications, local partnerships and public engagement, the team builds awareness of Community Power's mission, programs and benefits. The department also supports customer education, agency branding and transparency in all public-facing materials.

Led by the senior director of public affairs and reporting to the chief operating officer, the department includes three core focus areas: strategic partnerships, community engagement, and marketing and communications. Together, these teams advance Community Power's brand identity, foster connections with key audiences and ensure transparency through outreach, media engagement and public education. The department also supports the Community Advisory Committee (CAC) and helps ensure local priorities are reflected in agency decision-making.

Department Highlights

- Participated in 151 community outreach events in 2024, resulting in 18,539 unique interactions
- Achieved an estimated 1.2 million impressions through in-person outreach and strategic media and partner efforts, including CBS 8's "Working for Our Communities" partnership
- Supported the CAC and provided updates to member agency city councils
- Managed the agency's brand refresh and website redesign efforts
- Produced quarterly newsletters, social media content and other tools to increase customer understanding and transparency

FY 2025–2026 Priorities

- Expand public understanding of Community Power's clean energy programs and rate options
- Strengthen brand awareness and build community trust across diverse audiences with the launch of Community Power's new website
- Partner with member agencies and community-based organizations to reach underserved populations
- Support program launches and other resources through clear, multilingual and accessible messaging
- Ensure ongoing transparency through coordinated media outreach, digital engagement and community events

Key Performance Indicators (KPIs)

- Number of public events attended or hosted (target: 100 annually)
- Total impressions across digital and earned media (target: 1.2 million)
- Newsletter open rate and click-through metrics
- (target: 40% open, 10% click-through)
- Number of reinvestments in in member agencies through partnerships, sponsorships and engagements (target: partner, sponsor or fund at least four engagements in each member agency annually)
- Number of earned media opportunities (target: six annually)

TABLE 12. PUBLIC AFFAIRS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Public Affairs	12.0	*13.0

**1.0 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 37. PUBLIC AFFAIRS ORGANIZATIONAL STRUCTURE

Public Affairs

Senior Director of Public Affairs

Senior Manager Strategic Partnerships
Senior Manager Marketing & Communications
Senior Manager Community Engagement
Strategic Initiatives Manager
Local Government Affairs Manager
Marketing Manager
Marketing Manager
Community Engagement Associate
Communications Associate
Community Engagement Coordinator
Community Outreach Representative
*Communications Associate

**Position authorized in FY26*

Programs

Implementing energy projects and programs that reduce emissions, align supply and demand, and deliver community benefit

Department Description: Mission and Services

The Programs Department designs and implements initiatives that reduce customer bills, increase energy resilience and expand access to clean energy. Under the guidance of the chief operating officer and the leadership of the senior director of programs, the team manages incentive programs, pilots and partnerships that serve residential, commercial and public agency customers across the region.

Program area focus and design are guided by Community Power's Community Power Plan (CPP), Climate Action Plans from member agencies, and state and federal policy. From residential battery incentives to electric vehicle charging management, the department supports scalable, equitable decarbonization across sectors. The department works closely with community-based organizations, industry stakeholders and internal departments to ensure program design is equitable, cost-effective and scalable.

The department also leads the launch and administration of the San Diego Regional Energy Network (SDREN) in partnership with the County of San Diego, a transformative multi-year effort to deliver energy efficiency and demand-side management programs across San Diego County.

Department Highlights

- Launched the Solar Battery Savings program, recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report*, to create a 7 MW Virtual Power Plant via customer-owned residential battery storage
- Received approval for the San Diego Regional Energy Network (SDREN) application, generating nearly $125 million in program funding for the region through 2027
- Initiated customer-facing pilots in building decarbonization, flexible load management, healthy and efficient refrigeration and transportation electrification
- Built new strategies for vehicle-grid integration, virtual net billing and distributed energy resource deployment
- Executed state and federal grants, including the CDFA Healthy Refrigeration Grant and support for SANDAG's Climate Pollution Reduction Grant proposal
- Partnered in strong cross-departmental collaboration to integrate customer, regulatory and operational inputs into program design

FY 2025–2026 Priorities

- Deliver 150 megawatts of local capacity from distributed energy resources (DERs) and Community Power's Virtual Power Plant (VPP) portfolio by 2035, including expansion of the Solar Battery Savings program
- Launch all SDREN programs and make them available by the end of FY 2026
- Develop and implement a formal program evaluation framework for all programs and pilots by FY 2026
- Secure new program funding from external sources, including state, federal and philanthropic entities
- Integrate Distributed Energy Resources Management System (DERMS) software and flexible load strategies into program implementation
- Support electrification and resiliency through targeted customer offerings in solar + storage, demand response and energy efficiency

Key Performance Indicators (KPIs)

- DER capacity added through program implementation (target: 20 MW in FY 2025–26, 150 MW by FY 29–30)
- Ten SDREN programs launched and available (target: all core programs by FY 2025–26)
- Program evaluation framework completion and deployment (target: Q4 FY 2025–26)
- Equity-focused program participation from priority communities (target: 50% of total incentive funding)

TABLE 13. PROGRAMS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Programs	12.0	*14.0

**6.0 positions will be externally funded in FY26*

Department Organizational Structure

FIGURE 38. PROGRAMS ORGANIZATIONAL STRUCTURE

Customer Programs

Senior Director of Programs

Associate Director of Programs
Associate Director of Programs - Flex Load
Senior Program Manager
Senior Program Manager
Senior Program Manager
Senior Program Manager
Program Manager
Program Manager - Community Solar
Senior Program Associate
Senior Program Associate
Senior Program Associate
*Program Associate
*Senior Program Associate

**Positions authorized in FY26*

Regulatory and Legislative Affairs

Advocating for policies that advance Community Power's mission and protect local decision-making

Department Description/Mission and Services

The Legislative and Regulatory Affairs Department monitors, engages in and influences proceedings, proposed policies and legislation that directly or indirectly impact Community Power's operations and customers. Under the guidance of the chief operating officer and leadership of the senior director of Regulatory and Legislative Affairs, the department represents Community Power's interests before the California Public Utilities Commission (CPUC), California Energy Commission (CEC), California Air Resources Board (CARB), California Independent System Operator (CAISO), the state Legislature and Congress, as well as at the federal level with relevant federal agencies, including but not limited to the Department of Energy and Federal Energy Regulatory Commission (FERC).

The department also supports regulatory compliance across multiple state agencies, assists with agencywide understanding of policy impacts and develops strategies for securing external funding and favorable regulatory outcomes. Community Power participates in trade associations such as CalCCA and works collaboratively with member agencies, industry partners and stakeholders across the state to ensure community choice remains a resilient and effective tool for climate action and energy equity.

The department's work is guided by Community Power's Regulatory and Legislative Platform, which outlines the agency's values-based approach to policy and advocacy, anchored in accelerating deep decarbonization, promoting local development and stabilizing community choice energy. The platform provides clear guidance for consistent engagement at the local, state and federal levels and ensures that policy advocacy reflects Community Power's mission and customer priorities. View the platform here.

Department Highlights

- Monitored and/or engaged in over 60 regulatory proceedings and associated policy working groups
- Provided analysis on approximately 150 pieces of legislation per year affecting Community Choice Aggregators and issued letters of support on approximately 10 pieces of legislation per year (all legislative letters issued by Community Power can be viewed here)
- Participated in CalCCA's regulatory and legislative committees and tiger teams to advocate for inclusion of Community Power policy priorities in trade association filings and letters
- Developed Community Power's federal funding strategy and assisted with competitive grant applications
- Updated Community Power's Regulatory and Legislative Platform, available on Community Power's website

FY 2025–2026 Priorities

- Continually engage policymakers to ensure alignment with Community Power's strategic priorities
- Sponsor or support state and federal legislation that promotes affordability, equity and local clean energy
- Advance regulatory outcomes that uphold procurement and rate-making authority for Community Power
- Identify and pursue grant and funding opportunities that benefit customers and member agencies
- Actively participate in trade associations and multi-agency coalitions to shape the policy landscape
- Track and manage compliance obligations to ensure timely and accurate filings

Key Performance Indicators (KPIs)

- Number of regulatory proceedings tracked (target: 40+)
- Number of bills analyzed (target: 100+)
- Legislative positions advanced in alignment with platform (target: 10+)
- Number of unique interactions with state and federal policymakers (target: 50+)
- Grant or funding applications supported in coordination with internal and external partners (target: three or more)

TABLE 14. REGULATORY AND LEGISLATIVE AFFAIRS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Regulatory and Legislative Affairs	5.0	*5.0

**0.7 positions will be externally funded in FY26*

Department Organizational Structure

FIGURE 39. REGULATORY AND LEGISLATIVE AFFAIRS ORGANIZATIONAL STRUCTURE

Regulatory and Legislative Affairs

Senior Director of Regulatory and Legislative Affairs

Associate Director of Legislative Affairs
Senior Policy Manager
Senior Strategic Policy Manager
Regulatory Manager

Human Resources and Administration

Fostering a high-performing, inclusive workplace through strategic talent development and operational excellence

Department Description: Mission and Services

The Human Resources and Administration Department serves as a strategic partner to leadership and staff, building the internal systems needed to support a high-performing, mission-aligned organization. The department combines two core functions — human resources and administrative operations — under a unified team that enables employee success and ensures internal consistency and support across all departments.

Human Resources (HR) leads efforts in recruitment, onboarding, benefits administration, compliance, professional development and performance management. These services are delivered in alignment with Community Power's values of integrity, innovation, servant leadership and collaboration.

The administrative team supports agencywide operations by managing internal documentation, scheduling, communications, executive support and coordination across departments. This function plays a vital role in maintaining day-to-day efficiency and ensuring smooth execution of internal processes.

FY 2025–26 marks the first full year of operations with a fully in-house HR team. With the addition of the administrative function, the department is well-positioned to drive internal excellence and provide responsive, effective support to employees, leadership and the Board of Directors.

Department Highlights

- Brought the administrative team alongside the internal HR team
- Established internal HR systems for onboarding, hiring and staff support
- Partnered with Paychex and other vendors to streamline benefits administration
- Rolled out agencywide training programs and began design of a performance management framework
- Supported hiring and onboarding across the agency as Community Power reached 80 authorized FTEs

FY 2025–2026 Priorities

- Evolve into a learning organization with robust professional development by Q4 2026
- Ensure that all staff receives annual safety and workplace training
- Refine and launch internship program to attract students from local colleges and underrepresented communities interested in the clean energy industry
- Finalize and implement a three-year staffing plan and internal job board
- Fully integrate administrative functions into the larger People Operations team
- Maintain employee satisfaction levels above 80% through annual surveys and onboarding feedback
- Develop a cadence for internal and external team events and activities that intentionally shapes our culture in alignment with our mission, vision, values and goals (MVVGs)

Key Performance Indicators (KPIs)

- Headcount (78)
- Hired (22)
- Departed (four)
- Turnover Rate (target 5.6%)
- Time-to-fill for key positions (target: 78 days)

TABLE 15. HUMAN RESOURCES & ADMINISTRATION POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Human Resources and Administration	4.0	*6.0

**1 position will be externally funded in FY26*

Department Organizational Structure

FIGURE 40. HUMAN RESOURCES AND ADMINISTRATION ORGANIZATIONAL STRUCTURE

Human Resources and Administration

Senior Director of People Operations & Administration

Human Resources Manager
Talent Acquisition and Learning Specialist
Human Resources Coordinator
Senior Executive Assistant
Office Manager
Administrative Assistant

Legal

Providing legal guidance, ensuring compliance, transparency and accountability to support organizational integrity

Department Description: Mission and Services

The Legal Department is led by Community Power's general counsel, who reports directly to the Board of Directors and serves as a member of the Executive team. Under the leadership of the general counsel, the department provides legal guidance across a range of areas including public agency governance, regulatory compliance, contract law, employment law and risk management.

The department plays a critical role in supporting internal policy development, mitigating organizational risk and maintaining transparency in all agency actions. As Community Power expands in scale and complexity, the department ensures the agency's decisions and operations remain aligned with local, state and federal legal requirements and uphold public trust.

Department Highlights

- Established Community Power's first in-house Legal Department under general counsel leadership
- Hired two in-house attorneys to expand internal legal capacity
- Developed and implemented internal templates and review processes for contracting and risk mitigation
- Provided legal review and support for long-term power purchase agreements (PPAs) and clean energy prepay transactions
- Reviewed and updated internal policies and supported compliance with the Brown Act and other transparency laws

FY 2025–2026 Priorities

- Support execution of three to five clean energy prepay transactions and associated legal review
- Provide legal guidance on long-term PPAs and related procurement efforts
- Review and update Board policies, bylaws and internal procedures
- Provide support for the launch of major customer programs, including Solar Battery Savings and the San Diego Regional Energy Network (SDREN)
- Expand legal training and education for agency staff and elected officials

TABLE 16. LEGAL POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Proposed
Legal	2.0	3.0

Department Organizational Structure

FIGURE 41. LEGAL ORGANIZATIONAL STRUCTURE

Legal

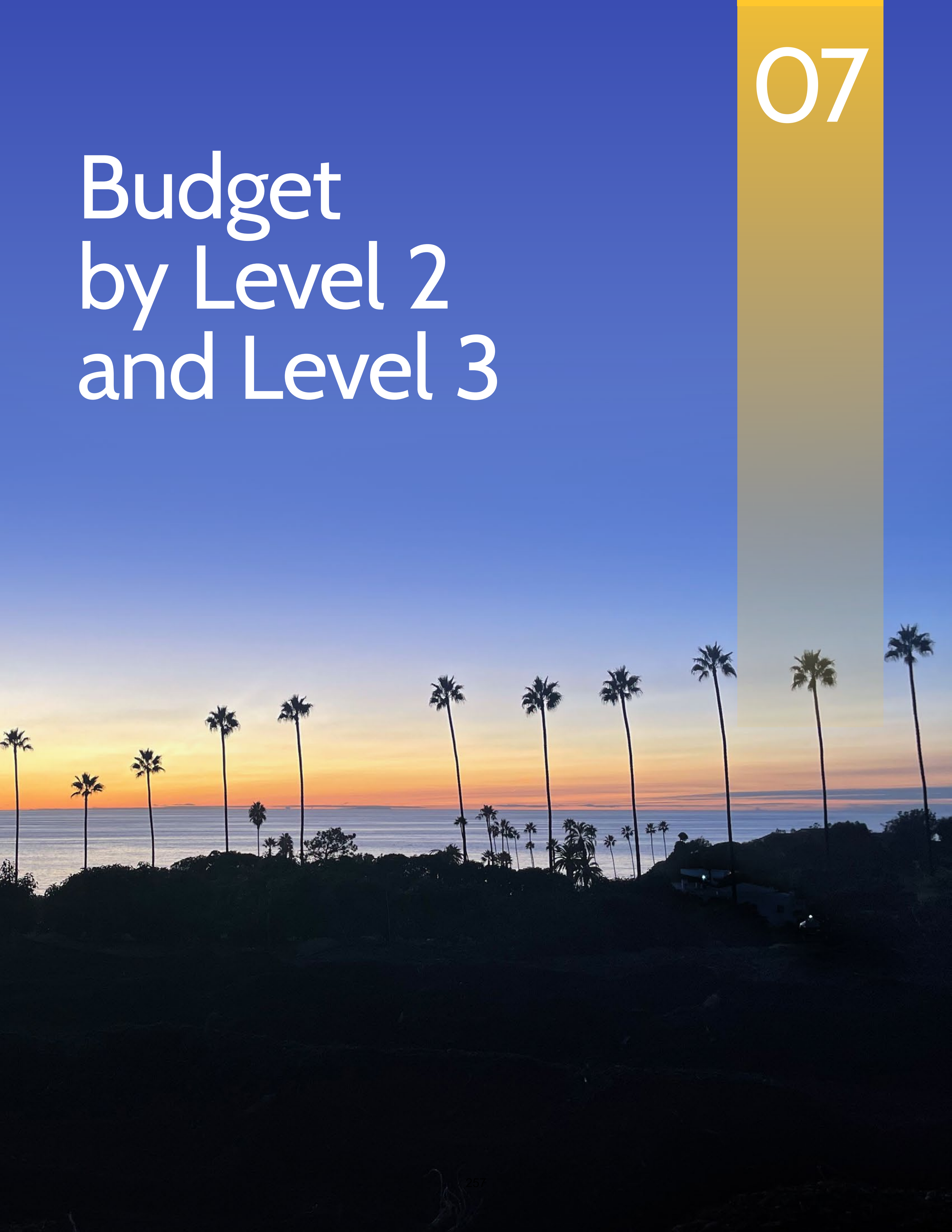
General Counsel

Assistant General Counsel
Senior Counsel
*Paralegal

**Position authorized in FY26*

07

Budget by Level 2 and Level 3



Budget by Level 2 and Level 3

Operating Revenue

Community Power's sole source of revenue currently is the retail sale of electricity to its customers. Revenue budgeted for FY 2025–2026 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base as well as the majority of the residential customer base.

Generally, operating revenue through the retail sale of electricity is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying the Board-approved generation rates to the energy load; and 3) applying a 1.75% uncollectible rate based on revenue that Community Power does not expect to collect — the result is Community Power's operating revenue for the fiscal year.

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

1. PowerOn, our standard service offering that provides 55% renewable power (and 11.7% carbon free) and provides a 3% discount compared with SDG&E's rates
2. Power100, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a $0.01/kWh added to the PowerOn service
3. Power100 Green+, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, available only to commercial and industrial customers and currently priced at a $0.02/kWh adder to the PowerOn service
4. PowerBase, our most affordable service option with renewable content that is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 5% discount compared with SDG&E's rates currently in effect as of February 1, 2025

Additional assumptions for net operating revenue include:

- Enrollment of customers is complete for all member jurisdictions
- A 95% participation rate across all jurisdictions
- A 1.75% uncollectible rate that is a decrease from the 4.5% uncollectible rate assumed in the prior year budget
- 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 February 7, 2025, retroactive to February 1, 2025. Any rate changes are subject to Board approval.

TABLE 17. OPERATING REVENUE BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Gross Ratepayer Revenues	1,365.7	1,243.0	1,221.0
(Less 1.75% Uncollectible Customer Accounts)	(61.5)	(21.8)	(21.4)
Net Operating Revenues	1,304.3	1,221.3	1,199.6

**Amounts displayed in millions of dollars*

Cost of Energy

The cost of energy is Community Power's largest expense. Generally, the cost of energy is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying energy already contracted for to the projected energy load; and 3) applying forward market prices to the remaining energy load that Community Power has not yet contracted for — the result is Community Power's cost of energy for the fiscal year.

Community Power prioritizes purchasing 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 this electricity through its existing power lines and continues to provide meter reading, billing and line maintenance to customers.

While Community Power emphasizes its commitment to clean energy, there are factors that can influence the cost of this energy for Community Power, 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, Community Power 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 of air conditioning. This can put a strain on renewable energy sources, forcing Community Power to supplement with power from the market, potentially at a premium, similar to market fluctuations.
- **Increased Load —** Community Power's customer base is projected to remain steady; however, the overall demand for electricity (load) is projected to increase as California transitions to sourcing from more renewable energy. To maintain grid reliability, Community Power may need to secure additional power sources, potentially impacting the cost of energy.

Beyond market-driven factors, regulations such as resource adequacy (RA) requirements play a role in Community Power's energy costs. The California Public Utilities Commission (CPUC) mandates RA requirements. These require Community Power to procure a predetermined amount of electricity based on its projected load. This ensures a consistently 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, Community Power's commitment to clean energy aligns with California's sustainability goals.

It's important to note Community Power strives to offer competitive rates compared with traditional energy providers. The agency achieves this through various strategies, including long-term power purchase agreements and a diverse renewable energy portfolio to mitigate market fluctuations.

TABLE 18. COST OF ENERGY BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Cost of Energy	1,020.8	1,116.8	956.7

**Amounts displayed in millions of dollars*

Professional Services and Consultants

Professional Services and Consultants includes SDG&E fees, data management fees from Calpine, technical support, legal/regulatory services and other general contracts related to IT services, audits and accounting services.

- **SDG&E Service Fees –** Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The roll out of all enrollment phases adds significant costs compared to FY 2025–2026. 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 –** This is a 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.
- **Technical Support –** Community Power engages consultants to assist with load forecast and scheduling our energy purchases. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electricity 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.
- **Legal/Regulatory Services –** Community Power retains legal counsel to assist with the complex aspects of the regulatory and compliance issues and 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 a federal lobbyist to support Community Power's legislative and regulatory efforts.
- **Other Services –** Community Power contracts or plans to contract for IT services, audit services (data and financial), accounting services and other services as needed. Community Power continues to examine if these services are more cost effective or efficient to bring in-house; in particular, Community Power is growing its internal IT function and expecting a reduction in its IT Services professional services agreement.

TABLE 19. PROFESSIONAL SERVICES AND CONSULTANTS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Data Management	13.5	14.6	14.8
SDG&E Fees	3.4	3.4	4.0
Legal/Regulatory	1.5	2.1	1.7
Other Services	2.1	2.1	2.0
Technical Support	1.3	2.1	2.1
Professional Services and Consultants	22.3	24.3	24.6

**Amounts displayed in millions of dollars*

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 increases.

The recruitment strategy includes the addition of approximately seven new staff members during the FY 2025–2026 budget cycle, growing the agency to 94 total staff.

TABLE 20. PERSONNEL COSTS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Salaries	9.1	14.1	15.4
Benefits (retirement/health)	1.8	2.6	3.3
Payroll Taxes	0.6	1.0	1.2
Accrued PTO	0.1	0.9	1.2
Personnel Costs	11.7	18.6	21.1

**Amounts displayed in millions of dollars*

Marketing and Outreach

Marketing and Outreach includes expenses for mandatory rate mailers, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Marketing and outreach are further broken down into the following 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.

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

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

TABLE 21. MARKETING AND OUTREACH BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Printing	2.4	1.2	0.8
Partnerships/Sponsorships/Local Memberships	1.2	1.2	1.1
Marketing and Communications	0.6	0.7	0.8
Marketing and Outreach	4.1	3.0	2.6

**Amounts displayed in millions of dollars*

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, professional development, etc.

TABLE 22. GENERAL AND ADMINISTRATION BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Other G & A	5.7	3.6	4.0
Cal CCA Dues	0.4	0.5	0.6
Rent	0.4	0.7	0.9
Partnerships/Sponsorships/Memberships	0.0	0.0	0.0
Insurance	0.1	0.1	0.3
General and Administration	6.6	4.9	5.9

**Amounts displayed in millions of dollars*

Programs

Given the small size of the Budget Level 2 category for Programs, Community Power is removing this budget category in FY 2025–2026.

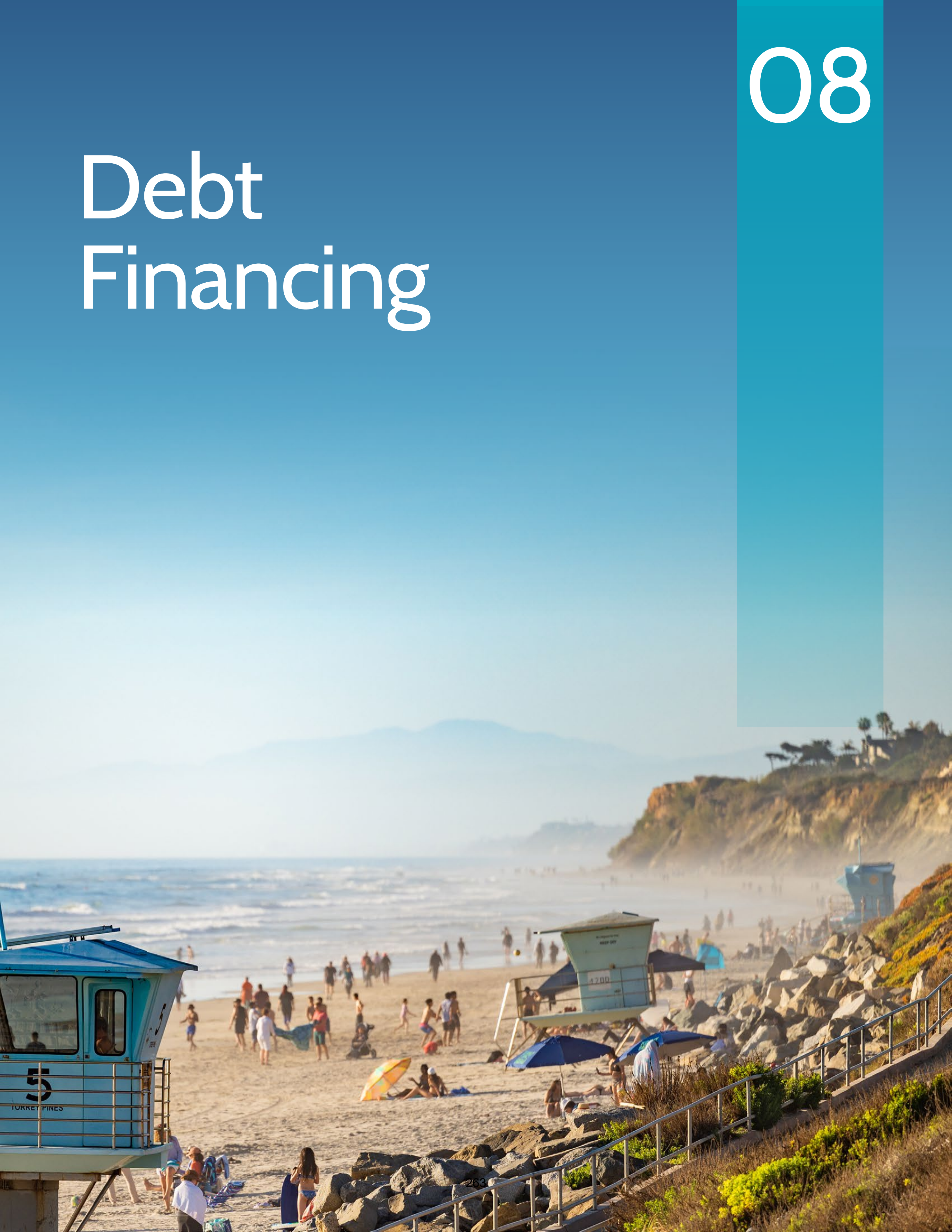
TABLE 23. PROGRAMS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY24 Amended	FY25 Amended	FY26 Proposed
Programs	0.7	0	0
Programs	0.7	0	0

**Amounts displayed in millions of dollars*

08

Debt Financing



Debt Financing

Credit Facility

On January 23, 2023, the Community Power Board approved a new credit agreement to implement a new line of credit of $150 million from a JP Morgan credit facility. Subsequently, on October 25, 2024, the Community Power Board approved an amendment to increase the credit facility to $250 million.

The Credit Agreement with JP Morgan provides for a $250 million multi-use revolving line of credit. This credit facility includes an up to 5-year term from the date of renewal. The funds are available for general corporate purposes including line-of-credit draws, collateral postings and postings for the provider of last resort collateral requirements.

Community Power does not anticipate needing to use its credit facility to finance operations in FY 2025–2026 but periodically may access the credit facility for one-time needs. In FY 2024–2025, Community Power accessed $47.0 million from the credit facility and satisfied the loan payment in December 2024. Currently, Community Power has zero debt. However, Community Power still pays debt service fees to maintain its $250 million credit facility and to satisfy fees related to standby letters of credit.

TABLE 24. DEBT PAYMENTS*

Year ended June 30, 2025	Beginnings	Additions	Payments	Ending
Bank note payable	-	47.0	47.0	-
Loans payable	-	-	-	-
Total	-	47.0	47.0	-

**Amounts displayed in millions of dollars*

Debt Considerations

The Community Power Board has taken several important steps to potentially achieve an investment-grade credit rating that includes, among many items:

- Developing a Reserve Policy to increase liquidity
- Establishing and funding an Operating Reserve
- Adopting strategic goals that build to 180 days' cash on hand, ultimately leading to an investment-grade credit rating
- Approving rates effective February 1, 2025, that potentially allow Community Power to achieve 180 days' cash on hand in calendar year 2025

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

Community Power'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 Community Power to issue bonds that will ultimately be subject to Board approval as a separate action. The Debt Policy will help Community Power take advantage of ownership opportunities that may arise, especially in conjunction with state or federal funding that might be available. To date, Community Power has not issued debt.

The Debt Policy articulates:

- The situations and steps necessary for the issuance of debt
- The types of debt that may be issued
- How the debt fits into Community Power's strategic plan and potential capital investment program

The Debt Policy also includes sections to:

- Facilitate decision making
- Establish basic parameters and principles
- Articulate and clarify other related aspects to guide future Boards, staff and consultants

FIGURE 42. COMMUNITY POWER'S DEBT 2020–2024

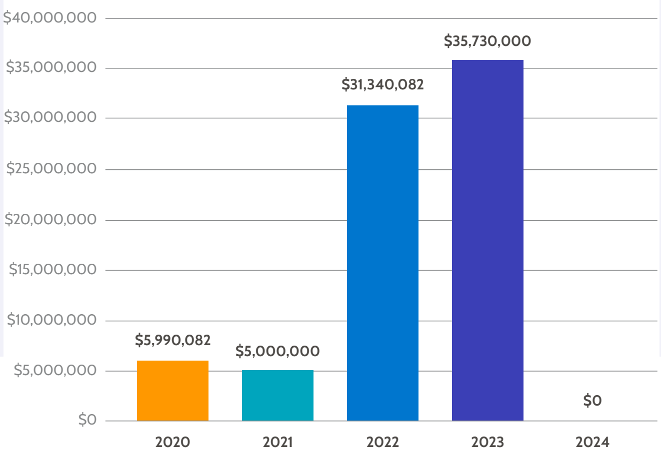
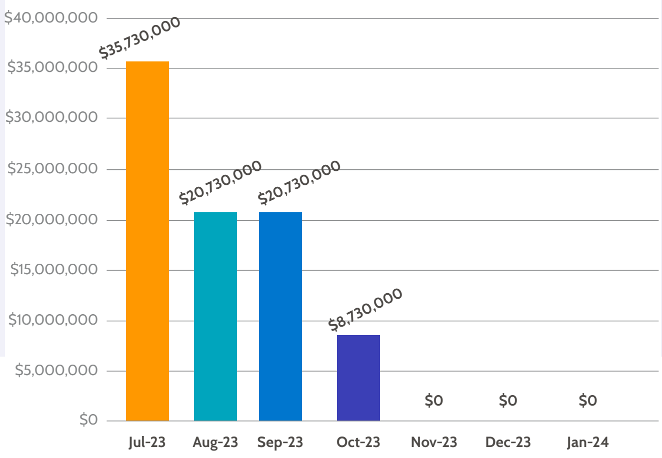


FIGURE 43. COMMUNITY POWER'S DEBT BY MONTH



The Community Power debt policy also includes additional requirements as follows:

- Green Bonds — To the extent possible, Community Power 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, Community Power will utilize an Additional Bonds Test that 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 — Community Power will also seek to maintain aggregate annual debt service on long-term debt at a level not to exceed 5% of Community Power's annual total operating expenses. The actual terms and conditions specific to each debt issue will be controlled by the applicable documents.

09

Financial Policies

Financial Policies

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	$10,391,801	$(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	$ -
Programs	$1,395,000	$1,395,000	$ -
Debt Service	$1,314,922	$1,314,922	$ -
Total Prof. Svcs. Expenses	**$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

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 ability 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:** unrestricted cash and cash equivalents x 365 / (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 to 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. Meet any margin or collateral posting requirements under energy supply contracts; and
    3. Provide resources to meet emergency expenditures.
- Any further use of reserves as necessary or desirable, must be recommended by the 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.

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

- **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.

  a. **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.

  b. **Informal Bidding Procedures.** The provisions below shall apply to all methods of procurement described above.

- 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.

- SDCP shall not be required to award a contract to purchase goods or services from the lowest responsible bidder, unless required by California law.
- No SDCP officer or employee shall split purchases into more than one purchase in order to avoid the Competitive Procurement Requirements in this Policy
- 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.

c. **Exceptions to Competitive Procurement Requirements.**

i. 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.

- 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.

ii. No competitive procurement shall be required for goods or services valued at less than $10,000 in any one contract term or contract year.

iii. No competitive procurement shall be required to rent or lease equipment.

- 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.

iv. 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**

- 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.

- 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.
- 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.
- 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.
- 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 Community Power's and its member agencies' goals. Community Power has adopted an Energy Risk Management Policy authorizing certain Community Power 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

Policy Guidelines

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 Community Power 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 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 SCDP 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, postissuance 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 longterm 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.

SDCP may consider the following types of fixed or variable rate debt:

- Revenue Bonds secured by general revenue 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.
- **Bond Counsel:** 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

Policy Guidelines

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 53600.3[2] 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."

[2] 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 with the 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. **U.S. 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 of better by at least one Nationally Recognized Statistical Rating Organization (NRSRO). 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-Through 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 U.S. 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 nonprofit 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 U.S. 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.
   - **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.
   - **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.
2. **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.
3. **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.
   - **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.
   - **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.
   - **Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.
   - **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 fees 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 **sdcommunitypower.org/billing-rates/residential-rates/** for residential rates or **sdcommunitypower.org/billing-rates/commercial-rates/** for commercial rates.

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.

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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 bill's house of origin in the Legislature. In California, it is common for legislation to be referred to by its house of origin number even after it becomes law. However, because bill numbers "reset" and start again from 1 in each legislative session, it is less confusing to include chapter and statute information when referring to a bill that has become law; for example, SB 350 (Chapter 547, Statutes of 2015).

AL - Advice Letter: An Advice Letter is a request by a California Public Utilities Commission (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 state 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 select public policy forums at the state level. AReM represents direct access providers such as Constellation NewEnergy and Direct Energy.

BayREN – Bay Area Regional Energy Network: BayREN offers regionwide 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 nonprofit public benefit corporation that oversees the operation of the California bulk electric power system, transmission lines and electricity market generated and transmitted by its members (approximately 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 the Federal Energy Regulatory Commission (FERC) and governed by a five-member governing board appointed by the governor.

CalCCA – California Community Choice Association: A statewide association, made up of Community Choice Aggregators (CCAs), that represents the interests of California's community choice electricity providers.

CALSEIA – California Solar Energy Industries Association: 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 represents the common interests of California's solar industry at the Legislature, Governor's Office and state and local agencies.

CALSLA – California City-County Street Light Association: A statewide association representing cities, counties and towns before the CPUC that is committed to maintaining fair and equitable streetlight electricity rates and facilities charges and disseminating streetlight-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: An 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, is an entity of local governments that 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: A nonprofit composed of U.S. 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; its members are in the cement, steel, industrial gas, pipeline, beverage, cold storage, food packaging and mining industries and their 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: A 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 Renewables Portfolio Standard (RPS) compliant, set by the California Public Utilities Commission (CPUC).

DA – Direct Access: An option that allows eligible customers to purchase their electricity directly from third-party providers known as Electric Service Providers (ESPs).

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 composed 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 that most suffer from a combination of economic, health and environmental burdens. These burdens include poverty, high unemployment, air and water pollution and the presence of hazardous wastes as well as high incidences of asthma and heart disease. One way that the state identifies these areas is by collecting and analyzing information from communities statewide. 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 and intended to identify optimal locations for the deployment of distributed resources.

DWR – Department of Water Resources: DWR is the state agency charged with managing 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% and up to 100% of their monthly electricity demand. The customer pays the developer for the subscribed output and receives 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 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 and 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 that 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 Pacific Gas and Electric (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 that can be recovered in rates. The utilities do not earn a rate of return on these costs and recover only 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: 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), which are gases that cause the atmosphere to trap heat radiating from the earth. The most common GHG is carbon dioxide.

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 for and the rate schedules for each class. Each large electric utility files a GRC application every three years for review by the Public Advocate's Office and interested parties and for 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 quantify 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.

IEPA – Independent Energy Producers Association: 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 that outlines an electric utility's resource needs in order to meet expected electricity demand long-term.

kW – Kilowatt: A measure of power where power (watts) = voltage (volts) x amperage (amps) and 1 kW = 1,000 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 composed 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 CPUC's electric procurement policies and programs.

MCE – Marin Clean Energy: The first CCA in California, which began serving customers in 2010. It serves 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: A megawatt hour (Mwh) is equal to 1,000 Kilowatt hours (Kwh) or 1,000 kilowatts of electricity used continuously for one hour.

MWH – Megawatt-hour: A 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: A nonprofit 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: An 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 the 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: A 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 Renewable Energy Certificate (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 Renewable Energy Certificate (REC) are from out of state and not dynamically scheduled to a CBA.

PCC3 – RPS Portfolio Content Category 3: Unbundled Renewable Energy Certificate (REC).

PCIA or "exit fee": The 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 (Chapter 313, Statutes of 2009) and SB 1305 (Chapter 796, 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: A CPUC hearing to discuss the scope of a proceeding, among other matters. Interested stakeholders can request party status during these conferences.

Pnode – Pricing Node: In the CAISO optimization model, this is a point where a physical injection or withdrawal of energy is modeled and for which an 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 (Chapter 547, Statutes of 2015).

PRRR – Progress on Residential Rate Reform: Pursuant to a CPUC decision, the IOUs must submit to the CPUC and other 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: A California statute that contains 33 divisions; the range of topics within this code includes natural gas restructuring, private energy producers, telecommunication services, and specific municipal utility districts and transit authorities; the primary statute for governance of utilities as well as CCAs in California.

PURPA – Public Utilities Regulatory Policy Act: A federal statute passed in 1978 by Congress in response to the 1973 energy crisis to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. It was intended to promote energy conservation (reduce demand) and promote greater use of domestic energy and renewable energy (increase supply).

RA – Resource Adequacy: Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities — investor-owned utilities, electricity service providers and CCAs — 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 megawatt-hour 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: A law that requires California utilities and other load-serving entities (including CCAs) to provide an escalating percentage of California 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: The CCA serving Sonoma County and surrounding areas in Northern California.

SDG&E – San Diego Gas & Electric: The IOU that serves San Diego County and owns the infrastructure that delivers Community Power energy to our customers.

SGIP – Self-Generation Incentive Program: A program that provides incentives to support existing, new and emerging distributed energy resources (storage, wind turbines, waste heat to power technologies, etc.).

SUE – Super User Electric: An electric surcharge intended to penalize consumers for excessive energy use.

SVCE – Silicon Valley Clean Energy: The CCA serving the communities in Santa Clara County.

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 and 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: A term that refers to the death of forest trees and provides a measure of forest health. In the context of energy, as part of the Governor's Tree Mortality Emergency Proclamation, 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 its renewable portfolio to Community Power and other LSEs within the service territory.

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Budget Resolution

Budget Resolution *Pending*

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Acknowledgments

Acknowledgments

Finance Department

San Diego Community Power's Finance Department works to maintain a fiscally responsible budget in accordance with Community Power's 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 Community Power's 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 Community Power Board, committees and staff informed of Community Power's fiscal condition and develops a budget that will ultimately prioritize people, transparency and our communities.

Board of Directors

Mayor Paloma Aguirre, Chair
Supervisor Terra Lawson-Remer, Vice Chair
Councilmember Sean Elo-Rivera, Director
Councilmember Marco San Antonio, Director
Councilmember Michael Inzunza, Director
Councilmember Genevieve Suzuki, Director
Councilmember Ditas Yamane, Director

Finance and Risk Management Committee

Councilmember Ditas Yamane, Chair
Councilmember Genevieve Suzuki, Vice Chair
Councilmember Michael Inzunza, Director

Community Advisory Committee

CHULA VISTA
- Anthony Sclafani
- (Vacant)

COUNTY OF SAN DIEGO
- Peter Andersen
- Ross Pike

ENCINITAS
- Gary L. Jahns
- Tara Hammond

IMPERIAL BEACH
- Ilian Sandoval
- Kenneth Hoyt

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- David Harris
- Shaun Sumner

NATIONAL CITY
- Aida Castañeda
- Larry Emerson

SAN DIEGO
- Luis Montero-Adams
- Matthew Vasilakis

Community Power 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, Director of Finance
Christopher Stephens, Procurement Manager
Diana Gonzalez, Risk Manager
Mark Alfaro, Finance Manager
Jeb Spengler, Strategic Finance Manager
Christopher Do, Senior Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst

**Formerly titled Managing Director Power Services*

EXHIBIT B

SAN DIEGO COMMUNITY POWER

Capital Investment Plan (CIP)

Fiscal Years 2026–2030

Resolution 2025-XX

Final Proposed June 26, 2025

Contents

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How to Use This Book

The San Diego Community Power (Community Power) proposed Fiscal Years (FY) 2026–2030 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 for 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.

Capital Investment Plan Overview

Describes the CIP in brief, including summary tables that reflect the operating transfer into the CIP as well as the list of projects planned for the next five years.

Overview

Provides a high-level overview of Community Power's governance, structure and agency values and priorities.

Strategic Plan

Describes Community Power'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 14 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 sources that fund the CIP as well as future potential funding sources that Community Power can leverage and apply for to bolster CIP funding amounts.

A Letter from the Chief Executive Officer

At San Diego Community Power, we are shaping a future that is both sustainable and equitable. As a not-for-profit public agency and Community Choice Aggregator (CCA), we were created to bring competition to the local energy marketplace, offering cleaner energy at competitive rates and reinvesting revenues back into our communities.

Since launching in 2021, we've grown significantly in both reach and impact. In 2024, we remained focused on our mission: delivering reliable, clean power at competitive rates while advancing programs that make a tangible difference for our customers.

Affordability and long-term value remain central to our strategy. In February 2025, we reduced rates for the second year in a row — thanks to prudent financial planning and favorable market conditions — providing most customers with a discount compared with San Diego Gas & Electric's electricity generation rates.

Every decision we make, from lowering rates to expanding service options, is grounded in the needs of our customers and communities. Last summer, we introduced two new service options: **Power100 Green+**, for commercial customers seeking the highest level of renewable energy, and **PowerBase**, a more affordable option that still meets California's clean energy standards

Even as we deliver near-term savings, we continue to plan for long-term energy security and stability. The broader power market remains volatile, shaped by a constrained statewide resource supply and uncertain federal tax credit and trade policies. Our Power Services team is navigating these challenges through disciplined procurement and long-range planning.

To date, we've executed 17 long-term power purchase and energy storage agreements that will deliver reliable, renewable electricity to nearly 1 million homes and businesses across our region. These investments not only support our goal of 100% renewable energy by 2035, but also help insulate customers from future price spikes.

In 2024, we marked a major milestone with the ribbon cutting of the **Vikings Solar and Storage Project** in Imperial County. Developed by Arevon, with Community Power as the offtaker, Vikings is more than just a solar generation site. As one of the first utility-scale solar peaker plants in the United States, the project is designed to keep the lights on and costs down when demand is at its highest — powering the equivalent of 50,000 San Diego homes with clean, affordable energy. It exemplifies our broader procurement strategy: securing long-term renewable power while creating local and regional economic opportunity.

In addition to expanding customer choice and value, we've made progress on delivering innovative solutions that support customers across the region. Last summer, we launched our largest customer program to date, **Solar Battery Savings**, which offers upfront and performance-based incentives for home battery systems that boost resilience and reduce grid demand during peak hours. The program was recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report* as a model for customer-centered innovation in distributed energy.

We also secured approval from the California Public Utilities Commission to launch the **San Diego Regional Energy Network (SDREN)** in partnership with the County of San Diego. SDREN will generate nearly $125 million in energy efficiency resources for the region through 2027 and marks the final major population area in California to establish a Regional Energy Network.

As we grow, we're also investing in the internal systems and strategic planning necessary to scale effectively, operate efficiently and remain accountable to the public.

The proposed FY 2026–2030 Capital Investment Plan (CIP), alongside the proposed FY 2025–2026 budget, reflects these priorities as we transition toward our mid-term program strategy, which focuses on optimizing customer energy use around time-of-use rate schedules and individual preferences. These efforts reduce participants' bills while lowering major cost drivers like energy procurement and resource adequacy — creating system-wide savings that benefit all ratepayers. In the years ahead, we will continue building the tools and incentives that align customer behavior with grid needs, helping make our clean energy system smarter, more affordable and more resilient.

As we look ahead, our focus remains on driving measurable impact: accelerating the region's clean energy transition, supporting local climate goals and building a more just and resilient energy system. With the continued leadership of our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to power the path toward a cleaner, more resilient future — together.

Thank you for your continued trust and partnership.

Karin Burns

Chief Executive Officer
San Diego Community Power

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Capital Investment Plan Overview

Capital Investment Plan Overview

San Diego Community Power developed its first Capital Investment Plan (CIP) for FY 2024–2028 and continues to grow it with the FY 2026–2030 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 2025–2026 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 Community Power CIP is largely funded by internal funding that 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 with implementation or design and construction. As Community Power builds reserve funds and endeavors to maximize impact, Community Power will leverage the CIP to aggressively pursue external funding from sources such as state and federal agencies.

TABLE 1. FY 2025–2026 CAPITAL BUDGET*

	Carry Forward [1]	FY26 Authorized Budget	FY26 Proposed Budget
Operating Transfer In	9.2	-	22.2
Regional Energy Network [2]	-	31.9	-
DAC-GT	(0.1)	0.6	-
CDFA	0.7	-	-
Equitable Building Decarbonization	1.4	-	-
Other	-	-	-
CIP Revenue	**11.2**	**32.5**	**22.2**

**Amounts displayed in millions of dollars*

[1] *The Carry Forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024–2025.*
[2] *The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027 and funded programs will be available across SDG&E service territory*

The first year of the CIP is appropriated as part of Community Power'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 2. FY 2026–2030 CIP PROGRAMS AND PROJECTS

	Beginning Bal.	Expenses	Carry Forward [1]	5-Year Budget					
	FY25	FY25	FY25	FY26	FY27	FY28	FY29	FY30	Total
External Funding									
Regional Energy Network[2]	2.1	2.1	-	31.9	59.5	51.4	42.0	43.7	228.6
DAC-GT	0.9	1.0	(0.1)	0.6	0.5	0.5	0.5	0.5	2.4
CDFA	0.7	-	0.7	-	-	-	-	-	0.7
Equitable Building Decarbonization	1.5	0.1	1.4	-	-	-	-	-	1.4
Other	-	-	-	-	-	-	-	-	-
Subtotal	**5.2**	**3.2**	**2.0**	**32.5**	**60.0**	**51.9**	**42.5**	**44.2**	**233.0**
Internal Funding									
Solar Battery Savings	10.6	7.4	3.2	18.8	11.1	10.4	8.3	8.5	60.3
Energy Efficiency	0.3	0.3	0.0	-	-	-	-	-	0.0
Pilot Programs	3.0	0.5	2.5	-	-	-	-	-	2.5
Grants	0.8	0.6	0.2	1.3	-	-	-	-	1.5
DER	0.1	0.1	0.0	-	-	-	-	-	0.0
Flexible Load	0.6	0.3	0.3	0.3	0.6	0.6	0.8	0.7	3.3
IT Projects	2.6	0.1	2.5	1.5	-	-	-	-	4.0
Community Education	0.1	0.1	-	0.0	-	-	-	-	0.0
Program Evaluation	-	-	-	0.3	-	-	-	-	0.3
Application Assistance	0.3	-	0.3	-	-	-	-	-	0.3
Other	-	-	-	-	7.4	8.7	11.2	11.7	39.1
Subtotal	18.4	9.2	9.2	22.2	19.1	19.7	20.3	20.9	111.3
CIP Expense Total	**23.6**	**12.5**	**11.2**	**54.7**	**79.1**	**71.6**	**62.8**	**65.1**	**344.3**

[1] The carry forward amount reviews actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024-2025.
[2] The Regional Energy Network was fully appropriated for $124M in January 2025 for Calendar Years 2024–2027, it is reflected in this table as anticipated spending by fiscal year.

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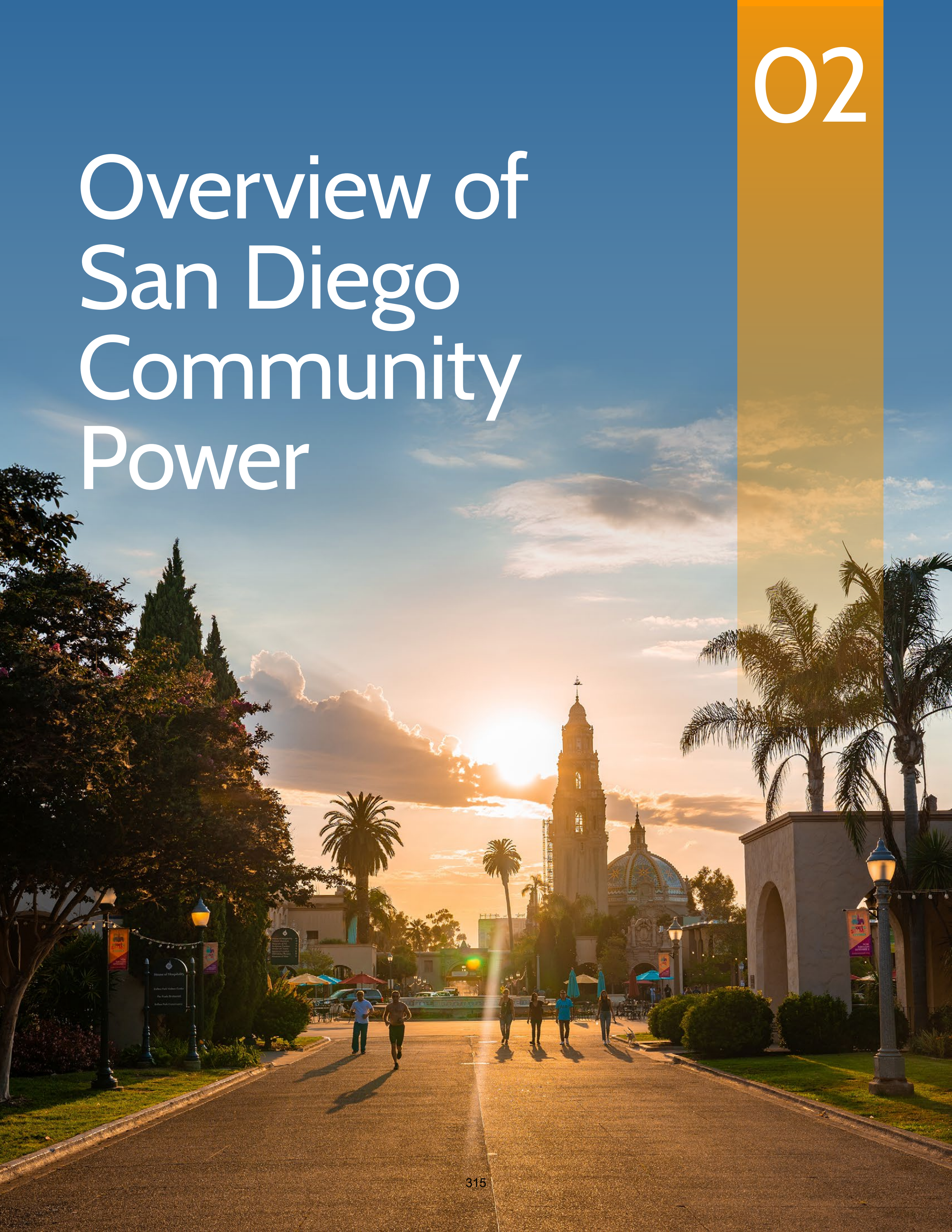
Overview of San Diego Community Power



Overview of San Diego Community Power

Who We Are

San Diego Community Power is a Community Choice Aggregator (CCA) that gives customers an option to power their homes and businesses with significantly higher levels of renewable power at competitive rates. Since 2021, Community Power has grown to serve nearly 1 million residential, business and municipal power customers in the cities of San Diego, Chula Vista, Encinitas, Imperial Beach, La Mesa and National City as well as the unincorporated communities of San Diego County.

Community Power is a not-for-profit public agency that provides affordable clean energy and invests in its local communities to create an equitable and sustainable future for the San Diego region.

Learn more at [www.sdcommunitypower.org.](http://www.sdcommunitypower.org)

Our Story

FORMATION

With support from local communities, Community Power was established as a Joint Powers Authority by five cities within the San Diego region. Community Power submitted an implementation plan to the California Public Utilities Commission, outlining the intended organizational structure, operations and funding. Once approved, our Board of Directors began to meet regularly, and implementation activities began. In 2020, a sixth city and the County of San Diego elected to join Community Power.

ENROLLMENT 2021–2023

Through phased enrollment from 2021 through 2023, Community Power gradually became the official clean energy provider for our member agencies. Customers were automatically enrolled in our service and received two notices before and two notices after enrollment.

TODAY

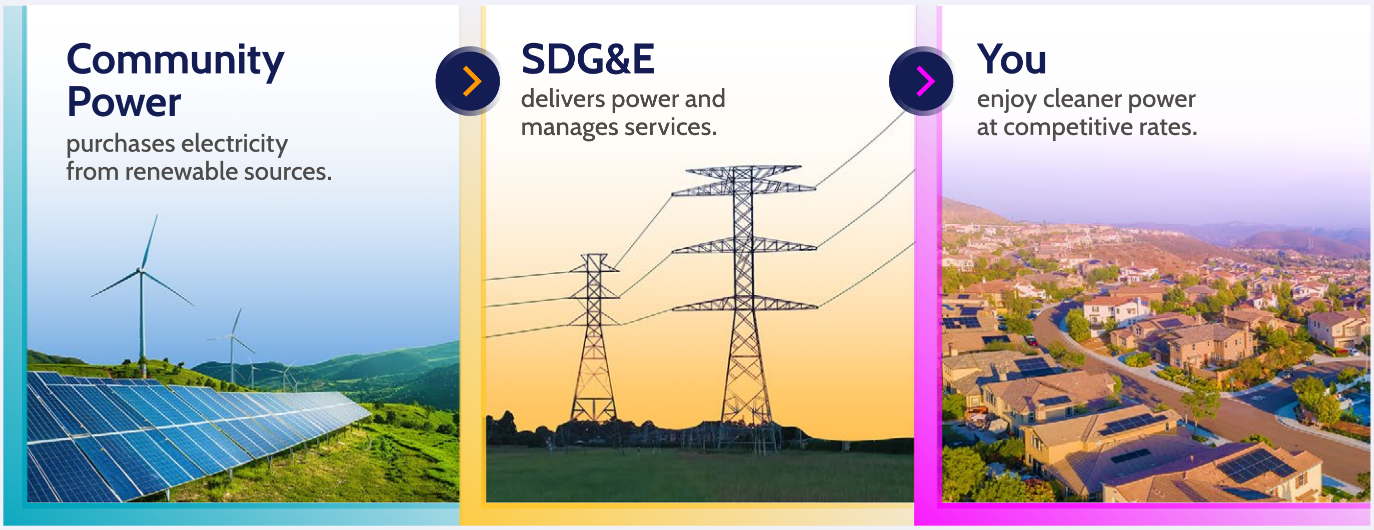
Community Power serves nearly 1 million customers with competitively priced clean energy; we are beginning to offer customer programs and rebates as well as supporting San Diego County's energy efficiency goals through the San Diego Regional Energy Network (SDREN).

About Community Choice

San Diego Community Power is a Community Choice Aggregator (CCA) — one of dozens that have formed throughout California over the past 20 years. There are currently 25 CCAs serving over 14 million customers in California.

Through CCAs, communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local clean energy projects and programs on behalf of their residents and businesses. CCAs like Community Power work in partnership with the region's existing investor-owned utilities (SDG&E in our case), which continue to deliver power and maintain the grid.

How It Works



CCAs are making good on their commitments to invest in new renewable energy facilities throughout California. To date, CCAs have contracted for more than 18,000 megawatts (MW) of new clean generation capacity through long-term power purchase agreements (PPAs) with terms of 10 years or more. CCA PPAs equate to:

- More than 18 gigawatts (GW) of new solar, wind, energy storage, geothermal and demand response resources
- Projects totaling more than 7,900 MW that are already operational and serving CCA customers
- More than $37 billion committed by CCAs to build and operate clean energy resources
- Support for more than 36,000 construction jobs

FIGURE 1. CCAS IN CALIFORNIA

Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, Imperial Beach and La Mesa adopted an ordinance and resolution to form San Diego Community Power, a California Joint Powers Authority (JPA). In 2021, National City and the County of San Diego voted to join Community Power.

Community Power's Board of Directors is composed of an elected representative from each member jurisdiction, with each member having an alternate from the agency they represent. The Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it establishes policy, sets rates, determines power purchase options and maintains fiscal oversight.

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

FIGURE 2. COMMUNITY POWER MEMBER AGENCIES

Organizational Structure

FIGURE 3. ORGANIZATIONAL CHART

BOARD OF DIRECTORS

Paloma Aguirres
Chair

Terra Lawson-Remer
Vice Chair

Sean Elo-Rivera
Councilmember

Marco San Antonio
Councilmember

Michael Inzunza
Councilmember

Genevieve Suzuki
Councilmember

Ditas Yamane
Councilmember

Finance & Risk Management Committee

Community Advisory Committee

LEGAL

General Counsel

CHIEF EXECUTIVE OFFICER

Karin Burns

Clerk of the Board

OPERATIONS

Chief Operating Officer

Data Analytics & Account Services

Public Affairs

Programs

Regulatory & Legislative Affairs

POWER SERVICES

Chief Commercial Officer

FINANCE

Chief Financial Officer/ Treasurer

HUMAN RESOURES & ADMINISTRATION

Senior Director of People Operations & Administration

03

Capital Investment Plan

Capital Investment Plan (CIP)

About the CIP

The Community Power Fiscal Year 2026–2030 Capital Investment Plan (CIP) includes 21 projects that will receive funding in the five-year period, totaling $344.3 million in investments across San Diego County. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows Community Power 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 Community Power's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects compose a list that provides Community Power with the confidence to target a core set of program types focused on community needs. It also gives Community Power 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 this does not necessarily indicate that actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or drop out entirely.

5-Year period | **$344.3** total investment | **21** projects to be funded

Across San Diego County

Likewise, this list is not all inclusive. Unexpected requirements often cause unforeseen projects to be inserted into the design and execution process. Furthermore, funding sources identified in the CIP are potential funding sources that 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

Community Power will update the CIP annually during its budget development process. Programs and projects are included in the CIP based on alignment with Community Power's strategic goals and based on community engagement.

The proposed capital budget and CIP undergo a public outreach process comprising a wide range of stakeholder groups. Additionally, the CIP 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 Board for approval.

FIGURE 4. CIP DEVELOPMENT PROCESS

04

Strategic Planning

Strategic Planning

San Diego Community Power's budgeting process, including its CIP, is directly informed by its Strategic Plan — a document co-created by our Board, our CAC, our executives and our team — that translates community priorities into actionable goals. The Strategic Plan is a critical management tool, helping to align resources, guide operational decisions and drive long-term organizational focus across every department and initiative.

Now three years into our first strategic planning cycle, Community Power has reached a pivotal inflection point. Since the adoption of our 2023–2027 Strategic Plan in June 2022 and its subsequent update in April 2023, we've achieved many of the ambitious goals we set, made meaningful progress on others and thoughtfully recalibrated where needed. From October 2024 to March 2025, we embarked on a process of revising and updating our strategic plan, setting aggressive new goals while continuing to focus our efforts, build our organization and deliver on the promise of community choice.

What hasn't changed is our mission, vision and core values. These foundational statements continue to guide our work even as we refine our priorities and strategies to reflect new opportunities, challenges and lessons learned. With our team, customer base and clean energy infrastructure significantly expanded, we now turn toward a new two- to three-year horizon — one defined by sustained growth, increased financial responsibility and a deeper investment in the people and systems that power our organization.

As we evolve, we continue to ask a simple but powerful question: **Does this activity serve our purpose?** Every program, investment and initiative we pursue should answer "yes" to at least one of the following:

- Does it make energy more affordable for our customers?
- Does it make things easier for our customers?
- Does it make our energy more renewable?
- Does it maintain or improve the health of our organization?
- Does it build trust with our communities, stakeholders and local governments?

These questions — and the values underlying them — serve as a filter and a guidepost, helping to ensure that our Strategic Plan remains grounded in what matters most to our customers and communities.

FIGURE 5. SAN DIEGO COMMUNITY POWER MISSION STATEMENT

FIGURE 6. SAN DIEGO COMMUNITY POWER VISION STATEMENT

As part of this new planning phase, Community Power has identified four overarching themes to guide our work:

Fiscal Sustainability

We remain committed to building strong financial reserves, managing risk and pursuing strategies like clean energy prepay transactions that can reduce long-term costs for customers.

Infrastructure Investment

This includes both internal infrastructure, such as IT, legal, data and policy capacity, and external infrastructure, including local battery storage, distributed energy resources and virtual power plant development.

Customer Affordability

Affordability remains the top concern voiced by our community and is front of mind with every power purchase, financial hedge, compliance obligation or additional long-term power resource we contract with to support our short- and long-term procurement efforts. Our additional activities — ranging from the development of targeted rates like PowerBase to launching the San Diego Regional Energy Network — will continue to focus on reducing energy bills while meeting state policy goals.

People

As we grow, so does our responsibility to ensure a resilient and inclusive workplace culture. We are investing in management training, professional development and succession planning to ensure strong continuity and a high level of staff retention.

Together, these priorities inform the structure of our proposed FY 2025–2026 budget and the evolution of our Strategic Plan. That work is organized around seven long-term Strategic Goals that anchor the agency's planning and performance management. These goals guide not only how we invest our resources but also how we measure our progress as a public agency accountable to the communities we serve.

Core Strategic Goals

1. Fiscal Sustainability

Practice fiscal strategies to promote long-term organizational sustainability.

- Execute at least six clean prepayment transactions over the next three years to generate $30 million in annual power cost savings.
- Obtain a public investment-grade credit rating by November 2027.
- Grow reserves by $150 million to maintain 180 days' cash on hand by December 2027.
- Build a $70 million Rate Stabilization Reserve to mitigate cost volatility.
- Strengthen financial controls across contracting, risk management and procurement.

2. Energy Portfolio Development

Provide sufficient, affordable and clean electricity to our customers.

- Reach 100% renewable energy by 2035, with interim goals of 75% by 2027 and 85% by 2030.
- Support development of 1 gigawatt of new local clean energy capacity by 2035, including 300 MW of infill and distributed energy resources (DERs).
- Ensure reliable and cost-effective compliance with all regulatory requirements.
- Create good-paying local jobs in clean energy sectors.

3. Community Program Delivery

Implement programs that reduce greenhouse gas emissions, align energy supply and demand and benefit our diverse communities.

- Deliver 150 MW of local DER capacity (of the 300 MW total goal) by 2035 through programs like Solar Battery Savings.
- Launch all San Diego Regional Energy Network (SDREN) programs by FY 2026–2027.
- Implement a robust program evaluation framework by FY 2026–2027.
- Expand external funding for clean energy programs.

4. Legislative and Regulatory Advocacy

Advance policies that support Community Power's mission and customer goals.

- Educate policymakers and regulators to influence outcomes consistent with our policy platform.
- Support and sponsor legislation aligned with our values and needs.
- Remain an active participant in coalitions such as CalCCA to amplify our voice.
- Strategically pursue public funding aligned with agency goals.

5. Trusted Brand Building

Build a trusted brand that supports engagement, participation and program success.

- Position San Diego Community Power as a collaborative public agency rooted in transparency.
- Grow the Power Network of nonprofit and community-based partners to expand community reach.
- Elevate brand awareness through education and outreach.
- Empower customers to take advantage of savings and services through awareness, education and ongoing communication programs.

6. Customer Care

Ensure high customer satisfaction and retention.

- Refine rate structures to balance affordability, clean energy and fiscal prudence.
- Resolve SDG&E billing issues and improve customer experience.
- Explore options for a best-in-class customer service model.
- Address arrearages and connect customers with available resources.

7. Organizational Excellence

Foster an innovative, inclusive and resilient workplace.

- Transition into a learning organization by late 2026 with robust staff development.
- Maintain a high level of employee satisfaction through engagement and continuous feedback.
- Launch a new internship program for local college students by FY 2027

FIGURE 7. CORE STRATEGIC GOALS

05

Community Engagement

Community Engagement

Community Engagement Process

As a public agency with a deep commitment to transparency and community accountability, Community Power approaches outreach not as a one-time event, but as a continuous, year-round effort. Our financial planning, including the development of the Capital Investment Plan (CIP), is directly informed by ongoing engagement with customers, stakeholders and local leaders, ensuring our investments reflect the needs and priorities of the people we serve.

Community Power Plan (CPP)

A key milestone shaping Community Power's customer engagement and investment strategies is the Community Power Plan (CPP), adopted by the Board of Directors on May 25, 2023. The CPP provides strategic direction for customer energy program development over a five-year time frame and is instrumental in guiding CIP investments.

As a not-for-profit public agency, Community Power is committed to designing programs that are community-driven, with a particular focus on uplifting Communities of Concern. The CPP was built through extensive outreach and partnership building, helping Community Power strengthen ongoing relationships with residents, community-based organizations and stakeholders across the region. Between May and November 2022, Community Power engaged more than 3,450 community members through listening sessions, workshops, pop-up events and a customerwide survey — prioritizing equity and reaching harder-to-engage populations. The CPP's foundational community needs assessment shaped both short-term priorities and a longer-term framework for program evaluation and design.

Rather than treating outreach and partnership building as a one-time effort, the CPP established a foundation for ongoing dialogue and partnership between Community Power and the communities we serve — a commitment that continues through the CIP and program design. This community-centered approach informs all areas of our work, including public meetings, partnerships with local organizations and targeted outreach efforts to ensure clean energy opportunities are accessible, equitable and responsive to community needs.

Public Meetings and Oversight

Core to our transparency is the public nature of our governance. Per our Rate Development Policy, rate setting is conducted via a public process, developed by staff and approved by our Board of Directors — all through open meetings where the public is encouraged to participate. Our Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings where it not only sets rates, but also establishes policy, determines power options and maintains fiscal oversight. Similarly, our Board is informed by a subset of members on the Finance and Risk Management Committee (FRMC), and the Community Advisory Committee (CAC) advises the Board and provides a venue for ongoing citizen support and engagement in Community Power. These monthly forums create meaningful opportunities for public input and serve as a foundation for budget and investment planning.

Customer Notices and Transparency Tools

We also ensure customers have access to clear, timely information about their energy service. Our annual Joint Rate Comparison — published in coordination with SDG&E — provides a side-by-side rate and service overview. The Power Content Label offers transparency into the energy sources we procure, reinforcing our commitment to cleaner energy.

Our website is another key transparency tool, offering customers easy access to rate options, program details, meeting materials and more. Specifically, the bill comparison calculator offers customers an opportunity to evaluate Community Power rates alongside those of SDG&E. As part of our continued commitment to improving the customer experience, we are currently undertaking a website redesign to make resources easier to find, understand and apply.

Targeted Outreach and Engagement

Beyond formal governance, Community Power engages directly with the communities we serve. We regularly present agency updates to our member cities' elected bodies — including updates in early 2025 — and actively participate in community events across the region.

In 2024 alone, Community Power participated in more than 151 community events, resulting in 18,539 unique public interactions through in-person engagement.

Our outreach efforts are bolstered by strategic partnerships and media initiatives, such as the ongoing "Working for Our Communities" campaign with CBS 8, helping extend our reach and impact.

Through quarterly newsletters, targeted sponsorships, social media campaigns and our new comprehensive customer survey launched alongside our brand refresh, we continue to invite customers to shape Community Power's path forward. These efforts help maintain a strong feedback loop, ensuring that our Capital Investment Plan and broader strategic initiatives reflect not only fiscal responsibility but also community vision, equity and shared clean energy goals.

TABLE 3. 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	325
Unincorporated San Diego County Pop-up Events	100
Community Needs Survey	2,980
Total	3,450

Prioritizing Equity and Communities of Concern

Community Power is committed to making equity central to all outreach and investment planning. The Community Power Plan (CPP), adopted by the Board of Directors in 2023, was the foundation for many of the investments reflected in this Capital Investment Plan (CIP). As part of the CPP development process, Community Power prioritized meaningful and inclusive engagement with Communities of Concern to guide program and project priorities. This commitment continues to shape our work today.

To ensure authentic community participation, Community Power partnered with and compensated community-based organizations that work directly with underserved communities. The following engagement principles guided the development of the CPP and continue to inform our broader program and investment strategies.

Minimizing obstacles

Community Power designed outreach activities that met people in their communities, building trust by minimizing barriers such as time commitments, technology access and transportation. Flexibility and adaptability remained priorities throughout the process.

Valuing community input

Local and lived experiences were central focuses during the engagement process. Community Power gathered insights on community goals, priorities and challenges to inform future program design and investment decisions.

Building partnerships

Community Power built strong relationships with community-based organizations across the region. These partnerships provided critical input on outreach strategies and deepened our understanding of the communities we serve.

Recognizing real-world challenges

Community Power recognized that urgent issues like rising utility bill costs, economic pressures and service insecurity often take precedence for households. Engagement efforts were designed to respect and reflect these lived realities while still advancing clean energy and sustainability goals.

Promoting accessibility

Outreach materials and activities were developed with accessibility in mind, including considerations for language, technology access, physical ability and subject matter familiarity. Materials were presented using clear, non-technical language.

Upholding language access

Community Power employed a language justice approach to ensure participants could fully engage in the languages they felt most comfortable using. Multilingual engagement and culturally relevant materials fostered greater inclusivity and trust throughout the planning process.

06

Capital Program Areas

Capital Program Areas

Program Type Overview

The Community Power Plan (CPP) is the foundational document that informs the Capital Program areas. Utilizing the input received during the CPP community needs assessment and the other efforts conducted during the CPP development, strategies were developed for short-term, medium-term and long-term programs.

Given the significant influence that timing of available funding imposes on program delivery, this five-year Plan approached programs using the following phases.

- **Short-term (FY 2023–2024 – FY 2024–2025):** Program types that can be launched quickly with available funding and/or with a manageable amount of Community Power's revenues to address immediate needs identified in the community needs assessment.
- **Medium-term (FY 2025–2026 – FY 2026–2027) (current):** Community Power has transitioned from the short-term program strategy to the medium-term program strategy as additional projects are funded by one-time operating contributions. An overarching tenet of the medium-term program strategy is the flexible load program — a strategy that can be implemented across a range of programs. The strategy outlines target end-use technologies, key points of integration with existing/planned programs and a proposed software architecture to drive device dispatch and control as well as a framework to guide dispatch and device operations.

  The strategy is being designed to optimize customer energy usage around time-of-use rate schedules and customer preferences, directly reducing participants' bills while decreasing major Community Power cost drivers, such as energy and resource adequacy procurement, which directly benefits all ratepayers. The strategy also incorporates advanced analytics to predict peak demand periods, allowing for proactive adjustments to energy consumption that further enhance cost savings for ratepayers. Additionally, by promoting the adoption of renewable energy sources, the strategy supports Community Power's broader goals of sustainability and reduced environmental impact.
- **Long-term (FY 2027–2028+):** Program types that require more complex program design and development, are dependent on Community Power being more established and/or that support emerging clean energy technologies.

Short-Term Program Types (FY 2023–2024 – FY 2024–2025)

1. Energy Awareness and Education
2. Application Assistance
3. Disadvantaged Communities Green Tariff
4. Pilot Programs
5. Grant Programs

Medium-Term Program Types (FY 2025–2026 – FY 2026–2027)

1. Building Electrification: Heat Pump Technology
2. Planning and Studies
3. Distributed Energy Resources: Energy Storage Systems
4. Distributed Energy Resources: Demand Response
5. Energy Efficiency
6. Transportation Electrification: Infrastructure
7. Transportation Electrification: Light-Duty Vehicles
8. Transportation Electrification: Medium- and Heavy-Duty Vehicles
9. Information Technology: Upgrades

The list of medium-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, Community Power wants to be deliberate about which of the recommended program types to focus on, for which market sectors/customer types and in which order.

Program Type 1. Energy Awareness and Education

TABLE 4. ENERGY AWARENESS AND EDUCATION PROJECTS

Project	Scope of Work	Carry Forward	FY26
Civic Spark Fellows	Partnership with San Diego State University professor-led student cohorts to expand outreach for key Community Power initiatives and programs while providing workforce development opportunities	-	$40,000
Equitable Building Decarbonization	The Equitable Building Decarbonization Direct Install Program ("EBD Program") is a statewide initiative that offers no-cost installation of electric appliances, energy efficiency measures, basic health and safety improvements and electrical panel upgrades.	$1,400,000	-
Total		$1,400,000	$40,000

Description

Community Power offers energy awareness and education programs for its customers and workforce. Energy and bill education programs teach customers about how to understand their energy bill, how usage impacts costs, and the benefits of clean energy. Beyond energy bills and usage, educational efforts can provide customers with unbiased information about how to participate in the clean energy transition. For example, Community Power offers lists of qualified and vetted contractors and equipment installers from which to choose.

An educated workforce will be needed to support the development, installation and operation of many electrification technologies, especially with respect to building electrification programs. Providing education to contractors can ensure that workers are informed and knowledgeable about the latest electrification technology to support broad adoption and acceptance.

Benefits

As a significant barrier cited in the CPP community engagement process, building awareness about 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 participation in 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 in Communities of Concern. Education and awareness programs for contractors can help overcome these barriers and benefit customers.

Design Considerations

During the CPP community engagement process, many expressed a lack of awareness about 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.

Community Power may 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, Community Power should consider partnering with water agencies/authorities that offer water education programs to complement these programs and explain the water-energy nexus.

Program Type 2. Application Assistance

TABLE 5. APPLICATION ASSISTANCE PROJECTS

Project	Scope of Work	Carry Forward	FY26
Commercial Application Assistance Program	Community Power's Commercial Application Assistance Program 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 program aims to help customers become aware of and apply for publicly available and funded energy programs and, if needed, to provide project management and grant support.	$250,000	-
Total		$250,000	-

Description

There are many existing energy programs that Community Power customers may have access to through 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 and small businesses/organizations that serve Communities of Concern; therefore, an opportunity exists for Community Power 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, Community Power 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, Community Power may 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 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. Examples of 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 (DAC-SASH) 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.

Program Type 3. Disadvantaged Communities Green Tariff

TABLE 6. DISADVANTAGED COMMUNITIES GREEN TARIFF PROJECTS

Project	Scope of Work	Carry Forward	FY26
CPUC Green Tariff	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	($112,692)	$589,822
Total		($112,692)*	$589,822

**(112,692) is the total carry forward amount through the agency but is subject to a true-up process with the CPUC in which the agency expects $589,822 in a resulting carry-forward amount.*

Description

The Disadvantaged Communities Green Tariff (DAC-GT) program provides the benefits of solar and provides 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 (CPUC)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 program is intended to further promote the installation of renewable energy generation among disadvantaged communities with a particular focus on low-income residents. The CPUC created the program 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 a CPUC program, many of the design elements of DAC-GT are already established and prescribed. Customers will be automatically enrolled in the program; 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. Community Power has also named the program Solar Advantage in customer-facing materials and will work to remove jargon so that participants understand the program and do not unsubscribe.

Program Type 4. Pilot Programs

TABLE 7. PILOT PROGRAMS PROJECTS

Project	Scope of Work	Carry Forward	FY26
Customer Pilot Programs	To test out program concepts and support implementation of high-impact projects that Community Power may be able to scale with more funding	$2,330,672	-
Clean Energy Asset Feasibility Study	Community Power is undertaking a solar and storage feasibility study, which will assess the technical, economic and environmental viability of integrating solar generation and/or energy storage into Community Power'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.	$200,300	-
Total		$2,530,702	-

Description

Pilot programs are small-scale, short-duration projects (6–18 months) that can provide Community Power and stakeholders data on program design, technology acceptance and other information helpful for broader program delivery. Pilot programs support Community Power staff's ability to properly and efficiently design and implement programs. Additionally, pilot programs can cover all customer segments (e.g., commercial residential) and a variety of technologies or activities (e.g., managed charging for electric vehicles, energy efficiency).

Benefits

Pilot programs broadly support the Program Department goal to create a 150 MW Virtual Power Plant (VPP). The VPP enables Community Power staff to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer devices. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when per-unit energy costs are the highest; and 2) reducing agency Resource Adequacy obligations and associated costs.

Pilot programs can provide a range of additional 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
- Providing data on real-world scenarios, 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 Community Power 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, Community Power will integrate opportunities to capture lessons learned throughout the process, whether that be through data capture, performance evaluation or ongoing stakeholder dialogue. Pilot programs can also provide the opportunity for Community Power to partner with, support and learn from community-based organizations. Community Power will work with community-based organizations, where feasible, to design and implement pilot programs.

Program Type 5. Grant Programs

TABLE 8. GRANT PROGRAMS PROJECTS

Project	Scope of Work	Carry Forward	FY26
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.	$6,667	-
Community Grants	To implement innovative program ideas from community-based organizations or specific clean energy projects that help Community Power's member agencies achieve their climate action goals	$248,380	$1,275,600
Total		$255,047	$1,275,600

Description

Grant programs allow Community Power 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 Community Power 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 strong trust and relationship-building opportunities among Community Power, its member agencies and community organizations.
- Increasing visibility of Community Power within the communities it serves.
- Helping to achieve Community Power and member agency sustainability goals by aligning grant programs with initiatives such as promoting clean energy, reducing carbon emissions and supporting local economic development.
- Exploring opportunities to develop the flex load strategy in areas of the community that may not otherwise have the opportunity, which can optimize customer energy usage around time-of-use rate schedules, and to directly reduce participant bills while decreasing costs for energy and resource adequacy procurement, which directly benefits all ratepayers.

Design Considerations

Community Power should consider creating grant programs to support both community organizations and its member agencies. Community Power could provide community grants focused on addressing the key priorities identified during the community engagement process for this Plan and provide member agency grants to support regional climate action goals. Community Power should consider partnering with trusted and proven regional organizations to streamline grant program development and implementation while easing administrative burden on staff.

Program Type 6. Building Electrification: Heat Pump Technology

TABLE 9. BUILDING ELECTRIFICATION HEAT PUMP TECHNOLOGY PROJECTS

Project	Scope of Work	Carry Forward	FY26
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 with installing separate systems. Heat pump technology can especially benefit older homes because it can introduce incredibly efficient cooling capacity that has not typically existed previously in the home — 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 it is 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 to electrification for many projects, as their cost can significantly increase project costs that may not be covered in other incentive programs.

Design Considerations

Community Power should consider supporting electrical panel upgrades in addition to the installation of heat pump technology. Community Power, like other CCAs, should also consider smart control requirements to enable demand response functionality because heat pump technology can be controlled to optimize its usage to save energy and lower costs.

To support income-qualified customers and owners of multi-family affordable housing, who may have challenges accessing up-front capital and have limited capacity to research and implement projects, Community Power should consider direct installation programs. These customers 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 be addressed before energy retrofits can be undertaken. As a result, they may not implement clean energy programs without significant financial support and technical assistance. Community Power should consider that residents of multi-family affordable housing may be overburdened by rent and utility costs and may be displaced if housing costs increase because of electrification.

Given the vulnerability of the occupants, programs should also include protections for renters. This may require Community Power 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 targeting 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. Community Power 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.

Program Type 7. Planning & Studies

TABLE 10. PLANNING & STUDIES PROJECTS

Project	Scope of Work	Carry Forward	FY26
Building and Housing Stock Analysis	Develop resources on existing building stock to inform program design	$89,500	-
Local Development Feasibility Study	Developing local infill planning, including receiving feedback and guidance from Community Power Board, Community Advisory Committee and other stakeholders to confirm needs and goals, visiting with member agencies to evaluate potential sites and opportunities, and reviewing scope and schedule	$24,778	-
Program Evaluation	TBD	-	$250,000
Total		$114,278	$250,000

Description

Program Department Planning and Studies are research activities typically resulting in a report or study that will inform future Program Department activity.

Benefits

Program Planning and Studies can provide a range of benefits, such as:

- Determining feasibility of future pilots and programs that could promote the agency's flexible load strategy and goals to reduce peak load consumption. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when per unit energy costs are the highest and 2) reducing agency Resource Adequacy obligations and associated costs.
- Enabling Community Power staff to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer battery systems.
- Providing valuable data sets used to evaluate or design future pilots and programs.
- Evaluating Program Department pilots and projects.
- Generally informing future Program Department activities.

Design Considerations

Program Department planning and studies should be done in consultation and collaboration with industry, community-based organizations, academia and other public agencies, as appropriate.

Program Type 8. Distributed Energy Resources: Energy Storage Systems

TABLE 11. DISTRIBUTED ENERGY RESOURCES: ENERGY STORAGE SYSTEMS PROJECTS

Project	Scope of Work	Carry Forward	FY26
Residential Solar Battery Savings Program	Community Power's Residential Solar Battery Savings Program is designed to help single-family homeowners in Community Power's service territory 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.	$3,209,422	$18,750,000
Total		$3,209,422	$18,750,000

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-generated electricity 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 some 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 customers who need to have power permanently available for medical devices, safety or emergency response.

The Solar Battery Savings program enables Community Power staff to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer battery systems. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when energy costs are the highest; and 2) reducing agency Resource Adequacy obligations and associated costs.

Design Considerations

Multiple program pathways exist to support energy storage market development, depending on the level of resources available. For example, Community Power could 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. Community Power may also provide technical support to customers to enable comprehensive energy retrofits, including energy storage systems.

Program Type 9. Distributed Energy Resources: Demand Response

TABLE 12. DISTRIBUTED ENERGY RESOURCES: DEMAND RESPONSE PROJECTS

Project	Scope of Work	Carry Forward	FY26
Distributed Energy Resources Management Systems Software Platform	Central to Community Power'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 Community Power to help customers reduce usage during high-cost on-peak periods, while managing portfolio-wide power procurement and resource adequacy costs and risk.	$348,414	$300,000
Total		$348,414	$300,000

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 also requires changing the time 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 energy use timing, helping customers control costs and making the best use of renewable energy when it is available. Additionally, demand response technologies can enable buildings to help increase overall grid resiliency by helping operators shift loads during peak times, reducing the likelihood of power outages during extreme heat events.

The DERMS platform enables Community Power staff to reduce peak load consumption via aggregated management of enrolled customer devices. Reducing peak load consumption benefits all ratepayers by: 1) reducing demand when per unit energy costs are the highest; and 2) reducing agency Resource Adequacy obligations and associated costs.

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. Community Power should require that incentivized equipment be grid interactive. By establishing technology requirements across other programs, Community Power could provide the most future-proofing and flexibility to enable customers to participate in demand response programs.

Program Type 10. Energy Efficiency

TABLE 13. ENERGY EFFICIENCY PROJECTS

Project	Scope of Work	Carry Forward	FY26
Regional Energy Network	The San Diego Regional Energy Network (SDREN) is an initiative of Community Power, 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 Community Power staff and all activities will be cost recoverable through CPUC funds. SDREN is approved by the CPUC. Program implementation for Phase 1 and Phase 2 is set to begin in Q4 2025.	-	$31,868,547
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.	$690,845	-
Total		$690,845	$31,868,547

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, Community Power should develop complementary programs that fill gaps and avoid duplication. Community Power 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.

Community Power 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 Community Power to work closely with local housing departments or other agencies. While challenging, these considerations can help support Communities of Concern.

Program Type 11. Transportation Electrification: Infrastructure

TABLE 14. TRANSPORTATION ELECTRIFICATION: INFRASTRUCTURE PROJECTS

Project	Scope of Work	Carry Forward	FY26
N/A	N/A	-	-
Total		-	-

Description

Transportation electrification infrastructure programs support the deployment of electric vehicle (EV) charging stations and related technologies (e.g., Vehicle-to-Grid) to enable light-, medium- and heavy-duty vehicle transportation electrification.

Benefits

Expansion of the EV 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 EVs, especially for residents of multi-family buildings and in rural areas, as noted during the community needs assessment.

Design Considerations

Community Power 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 EV 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, Community Power should provide additional funding to residents to stack on 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, Community Power 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 more charging locations) relative to charging infrastructure on commercial properties. Community Power 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 Community Power 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.

Community Power 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 efforts to incentivize charging infrastructure. Lastly, Community Power can support member agencies in their efforts to seek funding through opportunities such as 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	Carry Forward	FY26
N/A	N/A	-	-
Total		-	-

Description

Light-duty vehicle electrification programs support customers in the transition from fossil fuel-powered cars to EVs. Examples of light-duty vehicles include sedans, sport utility vehicles and pickup trucks.

Benefits

The switch from fossil-fuel powered cars toward EVs has the dual benefit of locally reducing carbon emissions and air pollution. Compared to light-duty fossil-fuel cars, light-duty EVs are easier to maintain and have an overall lower lifetime cost of operation. With the right rate structures and technology, EVs also present the opportunity to serve as energy storage systems and help with grid resiliency.

Design Considerations

Community Power should prioritize expanding access to EVs for income-qualified customers, such as offering incentives for used EVs to increase affordability. Previously leased EVs can be good options for used EVs if they are in good condition. Community Power should consider partnering with car dealerships to offer point-of-sale incentives on used EVs. Community Power should avoid providing after-sale rebates because these require 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 Community Power will need to do additional work to support this type of delivery mechanism.

In addition, Community Power should focus on ways to reduce other barriers to EV adoption, such as providing favorable financing options. EV programs can be paired with support for charging infrastructure in Communities of Concern. Lastly, Community Power should consider designing programs that reduce other barriers to EV adoption by providing point-of-sale incentives or other types of up-front assistance instead of after-sale rebates. Community Power should also consider how best to fill in the gap of financing options for income-qualified customers.

Funding Considerations

Internal revenues may be required to create incentives to supplement available State funding for EV 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 Community Power 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	Carry Forward	FY26
N/A	N/A	-	-
Total		-	-

Description

Medium- and heavy-duty vehicle electrification programs encourage the transition away from fossil fuel-powered commercial vehicles and 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 places are also 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.

Design Considerations

Community Power 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.

Community Power should also create medium- and heavy-duty vehicle electrification programs targeting businesses that operate their fleets primarily in Communities of Concern. While some medium-duty EV types are now cost competitive, others are far more expensive and will require more support and resources to transition. In addition, because medium- and heavy-duty vehicles vary in the distance they can travel on each charge, Community Power should work with commercial customers to determine which vehicle options would work well based on their specific need, travel patterns and markets served. Community Power also needs to consider the need for appropriate charging infrastructure to support the conversion.

Funding Considerations

Community Power should consider working with customers to implement innovative business models that lower the cost of EVs. It should also consider leveraging internal funding to capture new funding opportunities and maximize impact.

Program Type 14. Information Technology: Upgrades

TABLE 17. INFORMATION TECHNOLOGY UPGRADES PROJECTS

Project	Scope of Work	Carry Forward	FY26
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 Community Power's service area and reduce long-term costs.	$750,000	-
Contact Center Enhancements	Community Power is exploring initiatives to enhance customer service operations to improve services responsiveness and increase customer satisfaction.	$200,000	-
Enterprise Data Platform	Community Power 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	$500,000
Amazon Web Services Infrastructure and Security Layer	Community Power 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 Community Power digital services, improving customer trust and service efficiency.	$250,000	-
Energy Trading Risk Management and Portfolio Analytics Implementation	Community Power has licensed and will be deploying an Energy Trading Risk Management (ETRM) system to help manage its power portfolio and financial and budget processes. This system will support various activities such as recording trades, monitoring positions, assessing value, generating reports, managing risks, processing settlements and integrating with the budget. The system is designed to manage diverse power agreements and contracts, ensuring comprehensive coverage of Community Power's energy dealings.	$391,467	$55,000

Enterprise Resource Planning (ERP)	The Enterprise Resource Planning (ERP) project aims to implement an ERP system for Community Power to streamline budgeting, enhance reporting, manage procurement and contracts and improve overall operational efficiency. The major deliverables of the ERP project include a fully implemented and functional ERP system; system documentation including configuration details, user manuals and training materials; trained staff capable of effectively using the ERP system; and a post-implementation review report.	$83,333	$916,667
Total		$2,524,800	$1,471,667

Description

Information Technology Upgrades 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 (IT) 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.

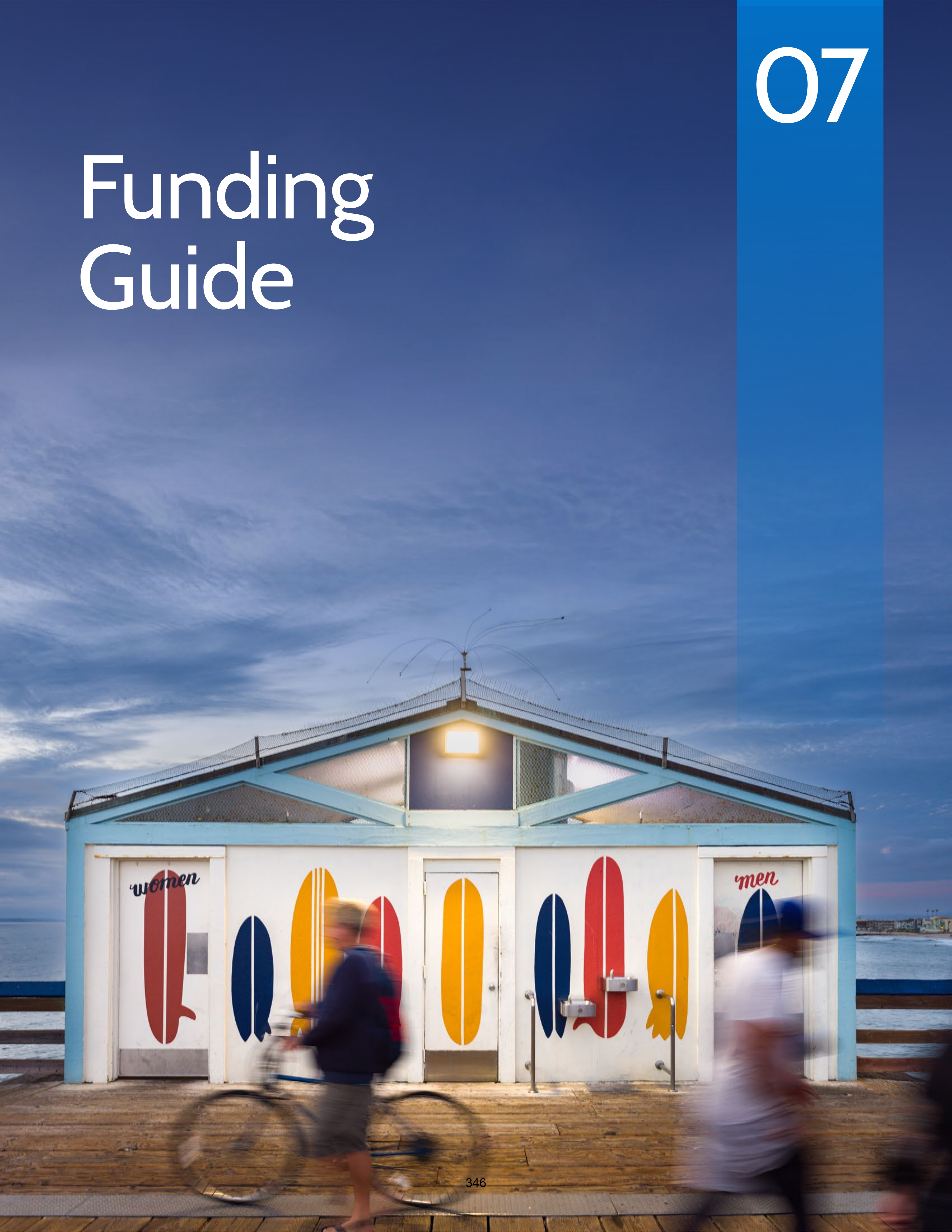
Design Considerations

Our organization is committed to creating a world-class IT and data ecosystem with the mission of harnessing 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 to construct and manage robust data repositories, interactive dashboards and comprehensive visualizations to monitor objective key results.

Community Power 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 comprising a set of analytical tools built on a cloud-based platform that helps with customer management, load forecasting, rate design, program marketing and accounting.

07

Funding Guide



Funding Guide

San Diego Community Power can fund programs in two main ways — through its own internal revenues or by applying for external funding. Funding programs with internal revenues would provide the greatest amount of flexibility for Community Power to design programs in ways that specifically meet community needs; however, as a newer organization, Community Power must also balance building a strong financial foundation, meeting reserve targets, customer affordability and other organizational priorities. In the short term, the amount of revenue that Community Power can direct to customers in the form of programs will be limited, but this amount is expected to grow over time.

Furthermore, internal funding allows maximum flexibility in the planning phase of designing programs and projects, whereby the agency can focus on designing based on community and agency needs rather than the requirements of a funding agency. The planning phase of a program or project also requires less funding when compared with implementation or design and construction.

To maximize impact while building reserve funds, Community Power 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 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.

Internal versus External Funding

When considering funding for administering programs, Community Power 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 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 Community Power to administer programs.

External funding typically uses a competitive bid process, requiring additional resources for application writing and grant tracking 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 Community Power's equity commitments because external funding sources may have requirements that can make it difficult to effectively deliver programs 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, Community Power should prioritize finding a middle ground between these two options and adjust its strategy as the organization matures.

In the short term, Community Power has committed to building financial reserves of $575.8 million (180-days cash on hand based on its FY 2024-2025 amended budget), because 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 Community Power to effectively meet the long-term needs of the community. As reserve targets are met, the ability of Community Power to invest revenues back into communities through programs will increase.

Meeting financial reserve targets will give Community Power the ability to offer programs with larger budgets and provide financial incentives using internal revenues. Additionally, internal revenues can support increased external funding; for example, by developing pilot programs that can be expanded with external resources, or by supplementing external funding with additional funds to support full project needs. Doing so can make Community Power's internal dollars go farther.

External Sources

Community Power can apply for funds from a variety of sources to supplement its own investments in programs. These external sources vary in the level of funding resources they provide, the complexity of the application process and the flexibility they offer in how funds are distributed.

New funding opportunities will become available as the budget is allocated through state legislation. Community Power will monitor 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 beyond the short term. For some external funding opportunities, Community Power may be able to partner with other regional agencies and partners to share the administrative burden.

Community Power should explore the viability of capturing funding from the sources below.

Funding Guide

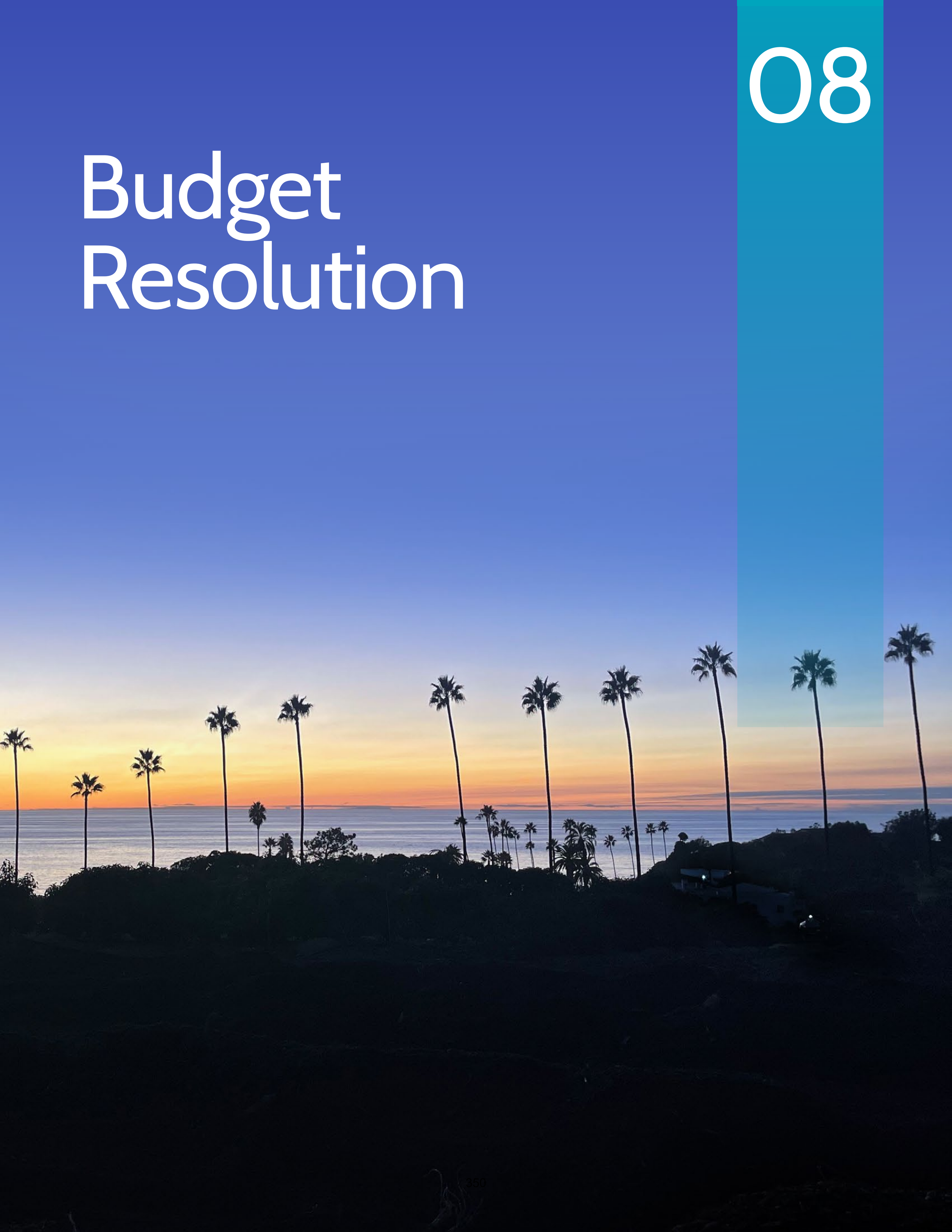
TABLE 18. COMMUNITY POWER FUNDING GUIDE

Funding Source	Description
Community Power Operating Transfers	Through the annual budget process, the Community Power Board may approve an appropriation of funds to be out of the operating budget and transferred into the CIP. These funds will remain in a Community Power continuing fund to be used across multiple fiscal years, given that CIP projects generally last longer than one year.
CPUC Apply to Administer (ATA)	Community Power 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.
CPUC DAC-GT	The Disadvantaged Communities Green Tariff (DAC-GT) program enables income-qualified residential customers in DACs who may be unable to install solar panels on their roof to benefit from utility-scale clean energy and receive a 20% bill discount. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.
CPUC Regional Energy Network (REN)	Public Purpose Program Surcharge funds are available for Regional Energy Networks (RENs). The San Diego Regional Energy Network (SDREN) is an initiative of Community Power, 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 Community Power staff and all activities will be cost recoverable through CPUC funds. SDREN is approved by the CPUC. Program implementation for Phase 1 and Phase 2 is set to begin in Q4 2025.
CEC Demand Side Grid Support Program	The Demand Side Grid Support Program is currently under development and will ultimately offer incentives to electricity customers who provide load reduction and back-up power generation to support the state's electric grid during extreme heat events.
Community Power Revenue Bond	Section 3.2.8 of the JPA states that Community Power at the discretion of the Board may issue revenue bonds and other forms of indebtedness. Upon receipt of an investment-grade credit rating, Community Power may have the ability to issue debt, such as a revenue bond, given that Community Power can demonstrate the ability to meet potential debt payment obligations through the credit rating. Under the Community Power Debt Policy, Community Power may issue a revenue bond in the next five years up to approximately $700 million that will be guided by planning and pilot projects and programs and that will require Board authorization.

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 various 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 Community Power in the future, from both a customer program perspective and potentially from an energy procurement perspective.
CDFA Healthy Refrigeration Grant	The California Department of Food and Agriculture (CDFA) awarded Community Power funding to support Community Power in providing technical assistance and refrigeration units to stock healthy foods in stores throughout Community Power's service territory.
Equitable Decarbonization Program	The Equitable Building Decarbonization ("EBD") Direct Install ("DI") Program is a Statewide initiative to accelerate large-scale residential building decarbonization efforts in a just and equitable transition for single-family homes, multifamily properties, manufactured housing and public housing in under-resourced communities in Community Focus Areas.
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. In 2024, the EPA announced $27 billion awarded in competitive grants and financial and technical assistance to enable communities to deploy or benefit from zero-emission technologies.
Other Federal Funds	Community Power is eligible to pursue forms of funding not available to for-profit entities such as traditional investor-owned utilities. Several funding opportunities are now clear to Community Power, and more may arise as details continue to emerge during program development.
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.
Distributed Energy Backup Assets (CEC)	The Distributed Electricity Backup Assets (DEBA) Program incentivizes the construction of cleaner and more efficient distributed energy assets that serve as on-call emergency supply or load reduction for the state's electrical grid during extreme events. Projects that may be eligible for incentives include efficiency upgrades, maintenance, and capacity additions to existing power generators, as well as new zero- or low-emission technologies, including, but not limited to, fuel cells or energy storage, at existing or new facilities. All funding recipients under the program shall participate as an on-call emergency resource for the state during extreme events.
Self-Generation Incentive Program—Residential Solar & Storage Equity (CPUC)	To support customer resiliency and grid reliability, the CPUC has authorized funding of $280 million for SGIP's Residential Solar and Storage Equity budget. This funding includes prioritization of low-income customers to provide bill savings. Paired with the IRA tax credit, the incentive is intended to cover the full system installation cost.
Enabling Electric Vehicles as Distributed Energy Resources (CEC)	The purpose of this solicitation is to fund studies and applied research and development (R&D) projects that support the approved Electric Program Investment Charge 2021–2025 (EPIC 4) Investment Plan's strategic objective to increase the value proposition of distributed energy resources to customers and the grid. This solicitation's research topics fall under the EPIC 4 Transportation Electrification Initiative.

08

Budget Resolution



Budget Resolution *Pending*

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Acknowledgments

Acknowledgments

Finance Department

The San Diego Community Power (Community Power) Finance Department works to maintain a fiscally responsible budget in accordance with Community Power 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 Community Power 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 Community Power Board and staff informed of Community Power'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
Councilmember Sean Elo-Rivera, Director
Councilmember Marco San Antonio, Director
Councilmember Michael Inzunza, Director
Councilmember Genevieve Suzuki, Director
Councilmember Ditas Yamane, Director

Finance and Risk Management Committee

Councilmember Ditas Yamane, Chair
Councilmember Genevieve Suzuki, Vice Chair
Councilmember Michael Inzunza, Director

Community Advisory Committee

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- Anthony Sclafani
- (Vacant)

COUNTY OF SAN DIEGO
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- Larry Emerson, Vice Chair

SAN DIEGO
- Luis Montero-Adams
- Matthew Vasilakis, Chair

Community Power 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, Director of Finance
Christopher Stephens, Procurement Manager
Diana Gonzalez, Risk Manager
Mark Alfaro, Finance Manager
Jeb Spengler, Strategic Finance Manager
Christopher Do, Senior Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst

SAN DIEGO COMMUNITY POWER
Staff Report – Item 7

TO: Finance and Risk Management Committee

FROM: Eric Washington, Chief Financial Officer
Jeb Spengler, Strategic Finance Manager

VIA: Karin Burns, Chief Executive Officer

SUBJECT: Recommend Board Approval of Resolution No. 2025-07, Authorizing Execution of an Energy Prepayment Transaction, Related Documents, and 'Form of' Documents Subject to Maximum Issuance Amount, Limitation on Fees, and Minimum Required Savings

DATE: June 12, 2025

RECOMMENDATION:

Recommend Board adoption of Resolution No. 2025-07, approving parameters under which an energy prepayment transaction can be completed; authorizing and approving documents or "form of" documents supporting the prepay transaction; and directing California Community Choice Financing Authority (CCCFA) to make payments to service providers for issuance costs from prepay bond proceeds.

BACKGROUND:

On October 1, 2019, the founding members of San Diego Community Power (Community Power) adopted the Joint Powers Agreement (JPA), amended and restated on December 16, 2021.

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

Further, section 3.2.7 of the JPA states that Community Power at the discretion of the Board may incur debts, liabilities, and obligations, including but not limited to loans from private lending sources under its temporary borrowing powers authorized by law under Government Code Section 53850 et seq. and authority under the Act.

Finally, section 3.2.8 of the JPA states that Community Power, at the discretion of the Board, may issue revenue bonds and other forms of indebtedness and, per section 3.2.9, may apply for, accept, and receive all licenses, permits, grants, loans, or other aids from any federal, state, or local public agency.

Municipal electric, gas utilities, and tax-exempt entities such as community choice aggregators (CCAs) in the United States (US) can prepay for a supply of electricity or natural gas from a taxable (corporate) entity and fund that prepayment with tax-exempt municipal bonds. These entities must sell that commodity to retail end-users within their traditional service area.

Prepayment transactions are legal and codified in US Tax Law. Since the first natural gas prepayments were made in the early 1990s, the Internal Revenue Service (IRS) issued rules allowing tax-exempt prepayments, and Congress enacted legislation specifically allowing the transactions (National Energy Policy Act of 2005; Section 1327).

Since then, over 90 municipal prepayment transactions totaling over $50 billion have been completed in the US—over 95% of these were for natural gas, which is easier to “prepay” because the commodity is homogenous and easy to store.

Prepayments have saved utility ratepayers (natural gas, electricity from gas-fired power plants, and energy from renewable power projects) billions of dollars in reduced rates and energy charges and are anticipated to continue to do so over the 30-year life of the transactions.

On November 7, 2023, Community Power requested bids from qualified and experienced firms to provide a full range of municipal advisory services necessary for Community Power to evaluate, structure, and execute prepayment transactions. Shortly after, on December 18, 2023, Community Power agreed with PFM Financial Advisors LLC (PFM) to provide these services.

Next, on February 15, 2024, the Finance and Risk Management Committee received a Clean Energy Prepayment Financing Presentation. It discussed Community Power’s interest in pursuing a prepayment transaction, given the potential savings it can generate. Subsequently, on February 22, 2024, the Board received a similar Presentation on Clean Energy Prepayment Financing.

Then, on April 19, 2024, Community Power issued two Requests for Proposals (RFPs) for the prepaid transaction for legal services related to bond, tax, and disclosure counsel and for underwriter services to structure an energy prepayment program.

On August 22, 2024, the Community Power Board of Directors approved Chapman and Cutler LLP to facilitate the capacity of Disclosure Counsel services.

Through the RFPs issued on April 19, 2024, Community Power also recommended Orrick, Herrington & Sutcliffe LLP to facilitate the capacity of Tax and Bond Counsel services. This agreement would be directly with the Bond Issuer.

On September 26, 2024, the Community Power Board of Directors approved Community Power's membership into the California Community Choice Finance Financing Authority (CCCFA) as an associate member to facilitate the CCCFA serving as the conduit issuer of prepaid bonds on Community Power's behalf.

On October 11, 2024, the CCCFA Board of Directors admitted Community Power as an associate member during a special meeting.

On October 24, 2024, the Community Power Board of Directors approved the prepay Resolution to authorize the prepay transaction parameters and documents.

On November 5, 2024, the prepay bonds were sold to investors and the prepaid agreement was executed. The transaction is estimated to save ratepayers $6.8 million annually through 2032.

On May 5, 2025, Community Power kicked off initial discussions for a follow-on transaction utilizing the same project participants in an effort to provide more energy cost savings through a second clean energy prepay transaction (subject to market conditions).

On May 22, 2025, the Community Power Board of Directors approved the VAMO Swap Agreements with Clean Power Alliance to be used for future prepayment transactions, including the proposed second clean energy prepay transaction.

ANALYSIS AND DISCUSSION:

TIMELINE

Staff is providing an update and presentation to the Board on the current timeline for a potential second clean energy prepayment bond financing. Below is a draft timeline, which is subject to change.

- **May 22, 2025:** Board approves VAMO Swap with Clean Power alliance
- **June 11, 2025:** Scheduled Kestrel Green Bond certification interview
- **June 12, 2025**: FRMC – Presentation and potential recommendation for Board approval on prepay Resolution to authorize a second prepay transaction with parameters and documents utilizing the same project participants as first transaction
- **June 26, 2025:** Board – Presentation and potential recommendation for Board approval on second prepay Resolution to authorize prepay transaction parameters and documents
- **July 8, 2025:** (Tentative) Bond Pricing (subject to change based on market conditions)
- **July 18, 2025:** (Tentative) Estimated bond closing date (subject to change based on bond pricing date)

- **September 2025:** (Tentative) Energy cost savings begin

REQUESTED ACTION:

The proposed Board Resolution No. 2025-07 encompasses the following approvals or authorizations relating to the execution of the prepay transaction:

- Defines the parameters under which the prepay transaction can be completed;
- Authorizes staff to execute or approve for distribution documents and “form of” documents supporting the prepay transaction.

The proposed Board Resolution will allow staff to act nimbly when market conditions are advantageous for issuing the prepay bonds.

PARAMETERS

Board Resolution No. 2025-07specifies parameters that must be satisfied to execute the prepay transaction. Those parameters are:

- That the aggregate bond principal will not exceed $1.5 billion. The final size of the transaction will be determined at the initial pricing date of the bonds in response to market conditions;
- That the minimum “Prepaid Discount” shall be at least 8%. This establishes the minimum cost savings;
- That the fees of the transaction will not exceed 1% of the bond issuance amount.

FISCAL IMPACT:

CCCFA will pay the cost of bond issuance out of bond proceeds, not exceeding 1% of the issuance. Community Power will not pay these costs. Accordingly, Community Power’s operating expense budget will have no fiscal impact. As a result of the prepay transaction, Community Power expects to realize average annual savings in excess of $4.5 million on its energy costs through the initial term of the bonds (typically 7-10 years).

The amount of the discount is dependent on market conditions. Community Power staff will work with the underwriter, Morgan Stanley, and its financial advisor, PFM, to determine the optimal time to market the bonds. Community Power is targeting savings of 8-10%.

ATTACHMENTS:

1. Resolution No. 2025-07 of the Board of Directors of San Diego Community Power Authorizing the Execution and Delivery of a Power Supply Contract and Certain Other Documents in Connection with the Issuance of California Community Choice Financing Authority (CCCFA) Clean Energy Project Revenue Bonds; and Certain Other Actions Required to Ensure the Reduction in the Costs of Renewable Energy Therewith.

    - Exhibit A:
        - Power Supply Contract between San Diego Community Power and the Issuer;
        - Master Custodial Agreement by and among San Diego Community Power, the Issuer, Morgan Stanley Capital Group (MSCG), the Prepaid Supplier, and a custodial bank to be named therein;
        - Form of Limited Assignment Agreement, by and among San Diego Community Power, the counterparty to the power purchase agreement described therein, and MSCG;
        - Letter Agreement by and among San Diego Community Power, the Prepaid Supplier, and MSCG regarding matters relating to Assignment Agreements;
        - Prepaid Energy Project Administration Agreement relating to the Project, by and between San Diego Community Power and the Issuer; and
        - Memorandum of Understanding between San Diego Community Power and the Issuer indemnifying the Issuer against specific rating fees.

    - Exhibit B:
        - Appendix A to the Preliminary Official Statement

ITEM 7
ATTACHMENT A

RESOLUTION NO. 2025-07

RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER, AUTHORIZING THE EXECUTION AND DELIVERY OF A POWER SUPPLY CONTRACT AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE ISSUANCE OF CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY (CCCFA) CLEAN ENERGY PROJECT REVENUE BONDS; AND CERTAIN OTHER ACTIONS REQUIRED TO ENSURE THE REDUCTION IN THE COSTS OF RENEWABLE ENERGY THEREWITH.

THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER DOES HEREBY FIND, RESOLVE, AND ORDER AS FOLLOWS:

WHEREAS San Diego Community Power ("**San Diego Community Power**" or "**SDCP**") was formed on October 1, 2019, under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code section 6500 *et seq*. (the "**JPA Law**"); and

WHEREAS San Diego Community Power is duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California, is duly authorized to transact business, having obtained all necessary filings, governmental licenses and approvals in the State of California, and has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage; and

WHEREAS San Diego Community Power is a community choice aggregator (as defined in Section 331.1 of the Public Utilities Code of the State of California (the "**Public Utilities Code**")), and is a public agency (as defined in the JPA Law) that has implemented a Community Choice Aggregation ("**CCA**") program pursuant to Section 366.2 of the Public Utilities Code, and possesses the power to purchase and sell electric energy and enter into related contracts for such purposes; and

WHEREAS San Diego Community Power, acting pursuant to the JPA Law, may enter into a joint exercise of powers agreement with one or more other public agencies pursuant to which such contracting parties may jointly exercise any power common to them and, pursuant to Government Code Section 6588, to exercise certain additional powers; and

WHEREAS pursuant to the provisions of the JPA Law, San Diego Community Power joined certain other California community choice aggregators by entering into the joint powers agreement (the "**Joint Powers Agreement**") pursuant to which the CCCFA (the "**Issuer**") was organized for the purpose, among other things, of entering into contracts and issuing bonds to assist community choice aggregators, including San Diego Community Power, in financing the acquisition of supplies of clean energy; and

WHEREAS the Issuer is authorized by its Joint Powers Agreement to acquire supplies of clean energy and to issue revenue bonds to finance the cost of acquisition of such supplies, and is vested with all powers necessary to accomplish the purposes for which it was created; and

WHEREAS San Diego Community Power has determined that it is desirable to acquire a long-term supply of clean energy from the Issuer pursuant to a clean energy prepayment transaction (the "**Prepayment Transaction**"); and

WHEREAS San Diego Community Power has determined to authorize pursuant to this Resolution the undertaking of a Prepayment Transaction with the Prepaid Supplier (defined below); and

WHEREAS in connection with the foregoing, San Diego Community Power is requesting the Issuer to agree to purchase on a prepaid basis certain quantities of clean energy from a Delaware limited liability company (the "**Prepaid Supplier**"), the sole member of which is Morgan Stanley Capital Group Inc., a Delaware corporation ("**MSCG**"), and to sell such clean energy to San Diego Community Power, as contemplated herein (the "**Project**"); and

WHEREAS San Diego Community Power is requesting that the Issuer finance the costs of the Project with the proceeds of its clean energy project revenue bonds, with a Series designation determined by the Issuer based on the timing and sequence of issuance (the "**Bonds**") and

WHEREAS San Diego Community Power has determined to authorize the representatives of San Diego Community Power to take all necessary action to accomplish the purchase of clean energy from the Issuer and to assist the Issuer in the issuance, sale and delivery of the Bonds; and

WHEREAS the forms of the following agreements to which San Diego Community Power is a party (collectively, the "**SDCP Documents**") have been submitted to this meeting for approval:

1. Power Supply Contract between San Diego Community Power and the Issuer;
2. Custodial Agreement by and among San Diego Community Power, the Issuer, MSCG, the Prepaid Supplier and a custodial bank to be named therein;
3. Form of Limited Assignment Agreement, by and among San Diego Community Power, the counterparty to the power purchase agreement described therein, and MSCG;
4. Letter Agreement by and among San Diego Community Power, the Prepaid Supplier and MSCG regarding matters relating to the Limited Assignment Agreements;

5. Prepaid Energy Project Administration Agreement relating to the Project, by and between San Diego Community Power and the Issuer; and
6. Memorandum of Understanding between San Diego Community Power and the Issuer indemnifying Issuer against certain ratings fees.

WHEREAS the forms of the following additional documents relating to the Project have also been submitted to this meeting:

1. Appendix A to the Preliminary Official Statement to be used in connection with the offering and sale of the Bonds (together with the SDCP Documents, the "**Project Documents**");

NOW, THEREFORE, IT IS HEREBY DETERMINED, AFFIRMED, AND ORDERED BY THE BOARD OF DIRECTORS OF THE SAN DIEGO COMMUNITY POWER as follows:

Section 1. **AUTHORIZED REPRESENTATIVES**. The following named individuals are the authorized representatives of San Diego Community Power with the respective titles specified below (collectively referred to as "**Authorized Representatives**" and individually referred to as an "**Authorized Representative**"):

NAMES	TITLES
Paloma Aguirre	Chair of the Board
Karin Burns	Chief Executive Officer
Eric Washington	Chief Financial Officer
Jack Clark	Chief Operating Officer
Veera Tyagi	General Counsel

Section 2. **SDCP Documents**. The proposed forms of the SDCP Documents, attached hereto as Exhibit A, are hereby approved. The form of Limited Assignment Agreement may be used, in a substantially similar form, for assignments of the initial or any additional SDCP power purchase agreements, as needed to maintain the transactions approved hereby, and any such Limited Assignment Agreements to be included in the SDCP Documents are hereby approved. Subject to the parameters set forth in Section 5 of this Resolution, any Authorized Representative is hereby authorized and directed, for and on behalf of San Diego Community Power, to execute and deliver the SDCP Documents in substantially similar form, with such changes and insertions therein as the Authorized Representatives executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. **Appendix A to the Preliminary Official Statement**. Appendix A to the Preliminary Official Statement is hereby approved. Any Authorized Representative is hereby authorized and directed, for and on behalf of San Diego Community Power, to execute and deliver a certificate as to the information regarding San Diego Community Power contained in such Appendix A, with such changes and insertions therein as the Authorized Representative approving the same may deem necessary or appropriate. San

Diego Community Power hereby authorizes the inclusion of such Appendix A in the Preliminary Official Statement and the final Official Statement, in each case with such changes as may be approved as aforesaid.

Section 4. **Actions Authorized**. The Authorized Representatives, each acting alone, are hereby authorized and directed, for and in the name and on behalf of San Diego Community Power, to execute and deliver any and all documents, including, without limitation, any tax certificate relating to its expected use of the energy to be purchased by it from the Project, any continuing disclosure certificate or similar agreement required for the offering or sale of the Bonds, and any and all closing certificates to be executed in connection with the issuance of the Bonds and to take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which San Diego Community Power has approved in this Resolution, for the issuance, sale and delivery of the Bonds, and to consummate by San Diego Community Power the transactions contemplated by the Power Supply Contract for the Project, the SDCP Documents approved hereby and the other Project Documents presented to the Board herewith, including any subsequent amendments, waivers or consents entered into or given under or in accordance with such documents.

Section 5. **Transaction Parameters**. The approvals provided for herein shall be subject to the following parameters:

(a) the Bonds will not be obligations of San Diego Community Power, but will be limited obligations of the Issuer payable solely from the revenues and other amounts pledged thereto, including amounts payable by San Diego Community Power under the Power Supply Contract;

(b) the aggregate principal amount of the related Series of Bonds shall not exceed $1,500,000,000;

(c) the “Monthly Discount” and “Minimum Discount” as provided for in the Power Supply Contract for the Project shall be at least 8% of the fixed cash flows or equivalent $ per MWh; and

(d) CCCFA total cost of issuance including all underwriting, legal and consultant fees for the Project will not exceed 1.00% of the amount of the proceeds of the Bonds issued by CCCFA with respect to such Project.

Section 6. Execution and delivery of the SDCP Documents by an Authorized Representative shall be conclusive evidence that the parameters set forth in Section 5 have been met, and all actions heretofore taken by the Authorized Representatives with respect to the issuance of the Bonds are hereby ratified, confirmed, and approved.

Section 7. If Section 5 and Section 6 listed herein have been met, an Authorized Representative may direct CCCFA to make payments to vendors that provided professional services to SDCP to complete the SDCP Documents and ultimately the issuance of the Bonds with respect to the Project. These professional services include legal counsel, bond counsel, tax counsel, municipal financial advisor, swap advisor, trustee and trustee counsel, underwriter of the bonds, underwriter's counsel, and any other vendor required to complete the issuance of the Bonds. Payment to these vendors is considered a cost of issuance and will be paid by CCCFA out of the proceeds of the sale of the Bonds.

IT IS HEREBY FURTHER DETERMINED AND ORDERED that the Authorized Representatives are duly elected, appointed, or employed by or for San Diego Community Power, as the case may be. This Resolution now stands of record on the books of San Diego Community Power, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

IT IS HEREBY FURTHER DETERMINED AND ORDERED that any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved.

IT IS HEREBY FURTHER DETERMINED AND ORDERED that this Resolution shall take effect upon its passage, shall be continuing and shall remain in full force and effect unless and until expressly revoked by further resolution of the Board of Directors.

ADOPTED AND APPROVED this ____ day of __________ 2025.

____
Paloma Aguirre
Chair of the Board of Directors
San Diego Community Power

ATTEST:

____
Maricela Hernandez, MMC, CPMC
Board Secretary/Clerk of the Board
San Diego Community Power

APPROVED AS TO FORM:

____
Veera Tyagi, General Counsel
San Diego Community Power

<u>EXHIBIT A</u>

SDCP Documents

(see attached)

EXHIBIT A1

POWER SUPPLY CONTRACT

between

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY

and

SAN DIEGO COMMUNITY POWER

Dated as of [____], 2025

<u>Exhibits</u>

POWER SUPPLY CONTRACT

This Power Supply Contract (hereinafter "Agreement") is made and entered into as of [____], 2025 (the "Execution Date"), by and between California Community Choice Financing Authority, a joint powers authority and a public entity of the State of California established pursuant to the provisions of the Joint Exercise of Powers Act (Article 1, Chapter 5, Division 7, Title 1, Section 6500 *et seq*. of the California Government Code, as amended) ("Issuer") and San Diego Community Power, a California joint powers authority ("Purchaser").

W I T N E S S E T H:

WHEREAS, Issuer has planned and developed a project to acquire long-term Energy supplies from Energy Prepay III, LLC ("Prepay LLC") pursuant to a Prepaid Energy Sales Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Prepaid Agreement") to meet a portion of the Energy supply requirements of Purchaser through an energy prepayment project (the "Clean Energy Project"); and

WHEREAS, Issuer will finance the prepayment under the Prepaid Agreement, and the other costs of, the Clean Energy Project by issuing the Bonds; and

WHEREAS, Purchaser is a joint powers authority organized pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 *et seq.*) of the California Government Code and a community choice aggregator pursuant to the provisions of Section 366.2 of the California Public Utilities Code with authority to sell electricity to retail electric consumers within its service area; and

WHEREAS, Purchaser is agreeable to purchasing a portion of its Energy requirements from Issuer under the terms and conditions set forth in this Agreement and Issuer is agreeable to selling to Purchaser such supplies of Energy under the terms and conditions set forth in this Agreement; and

WHEREAS, concurrently with the execution of this Agreement, Purchaser has assigned to Prepay LLC certain Assigned Rights and Obligations, including the right to receive Assigned Product, which Assigned Product will be delivered to Issuer under the Prepaid Agreement and then resold by Issuer hereunder; and

WHEREAS, as a condition precedent to the effectiveness of the Parties' obligations under this Agreement, Issuer shall have entered into the Prepaid Agreement and shall have issued the Bonds.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Issuer and Purchaser (the "Parties" hereto; each is a "Party") agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Defined Terms. The following terms, when used in this Agreement and identified by the capitalization of the first letter thereof, have the respective meanings set forth below, unless the context otherwise requires:

"Affiliate" means, with respect to either Party, any entity which is a direct or indirect parent or subsidiary of such Party or which directly or indirectly (i) owns or controls such Party, (ii) is owned or controlled by such Party, or (iii) is under common ownership or control with such Party. For purposes of this definition, "control" of an entity means the power, directly or indirectly, either to (a) vote 50% or more of the securities having ordinary voting power for the election of directors or Persons performing similar functions or (b) direct or cause the direction of the management and policies, whether by contract or otherwise.

"Agreement" has the meaning specified in the preamble and shall include exhibits, recitals and attachments referenced herein and attached hereto and all amendments, supplements and modifications hereto and thereto.

"Annual Quantity" means, with respect to each Contract Year of the Delivery Period, the quantity (in MWh) of Assigned Product for such Contract Year as set forth on Exhibit A-3; provided that the Annual Quantity for any Contract Year shall be reduced by the aggregate amount of any quantities of Base Energy required to be remarketed under this Agreement for any given Contract Year.

"Annual Refund" means the annual refund, if any, provided to Purchaser and calculated pursuant to the procedures specified in Section 3.2(b).

"Applicable Rating Agencies" means, at any given time, each Rating Agency then rating the Bonds.

"Assigned Delivery Point" has the meaning specified in the applicable Assignment Agreement.

"Assigned Energy" has the meaning specified in the applicable Assignment Agreement; provided that any Assigned Energy shall be EPS Compliant Energy as set forth in the Assignment Letter Agreement.

"Assigned Paygo Quantity" means any Assigned Products delivered under this Agreement in excess of the Annual Quantity for any Contract Year.

"Assigned PPA" has the meaning specified in the Participant Custodial Agreement.

"Assigned PPA Index Adder" means the amount (in $/MWh) specified in Exhibit A-2 for each Month of the Delivery Period.

"Assigned Product" means, as applicable, PCC1 Product, Long-Term PCC1 Product, PCC2 Product, Assigned Energy, Assigned RECs and any other product included in an Assignment Agreement.

"Assigned RECs" means any RECs to be delivered to MSCG or Prepay LLC pursuant to any Assigned Rights and Obligations.

"Assigned Rights and Obligations" means a portion of Purchaser's rights and obligations under a power purchase agreement assigned pursuant to an Assignment Agreement.

"Assignment Agreement" means the Initial Assignment Agreement and any subsequent assignment agreement entered into consistent with the Assignment Letter Agreement.

"Assignment Letter Agreement" means that certain Letter Agreement, dated as of the date hereof, by and among MSCG, Prepay LLC, Issuer and Purchaser.

"Assignment Period" has the meaning specified in the applicable Assignment Agreement.

"Available Discount" means, for each Reset Period, the amount, expressed in cents per MWh (rounded down to the nearest one-half cent), determined by the Calculation Agent pursuant to the Re-Pricing Agreement for such Reset Period. The Available Discount shall equal the sum of the Monthly Discount and any anticipated Annual Refunds for the applicable Reset Period.

"Balancing Authority" has the meaning specified in the CAISO Tariff.

"Base Energy" means Firm (LD) Energy.

"Billing Date" has the meaning specified in Section 14.1(b).

"Billing Statement" has the meaning specified in Section 14.1(b).

"Bond Closing Date" means the first date on which the Bonds are issued pursuant to the Bond Indenture.

"Bond Indenture" means (i) the Trust Indenture to be entered into prior to the commencement of the Delivery Period between Issuer and the Trustee, as supplemented and amended from time to time in accordance with its terms, and (ii) any trust indenture entered into in connection with the commencement of any Interest Rate Period after the initial Interest Rate Period between Issuer and the Trustee containing substantially the same terms as the indenture described in clause (i) and which is intended to replace the indenture described in clause (i) as of the commencement of such Interest Rate Period.

"Bonds" means the bonds issued pursuant to the Bond Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a Federal Reserve Bank Holiday, (iii) any other day on which commercial banks in either New York, New York or the State of California are authorized or required by Law to close, or (iv) any other day excluded pursuant to the Bond Indenture.

"CAISO" means California Independent System Operator or its successor.

"CAISO Tariff" means CAISO's FERC-approved tariff, as modified, amended or supplemented from time to time.

"Calculation Agent" has the meaning specified in the Re-Pricing Agreement.

"California Long-Term Contracting Requirements" means the long-term contracting requirement set forth in the Clean Energy and Pollution Reduction Act of 2015 (SB 350), California Public Utilities Code section 399.13(b), and CPUC Decision 17-06-026 and CPUC Decision 18-05-026, as may be modified by subsequent decision of the California Public Utilities Commission or by other Law.

"CCA Revenues" means all charges received for, and all other income and receipts derived by Purchaser from, the operation of its CCA System, including income derived from the sale of electric energy by its CCA System.

"CCA System" means Purchaser's community choice aggregation program that provides electric energy supply service to retail customers located with its service area.

"Claiming Party" has the meaning specified in Section 11.1.

"Claims" means all claims or actions, threatened or filed, that directly or indirectly relate to the indemnities provided herein, and the resulting losses, damages, expenses, attorneys' fees, experts' fees, and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.

"Clean Energy Project" has the meaning specified in the recitals.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercially Reasonable" or "Commercially Reasonable Efforts" means, with respect to any purchase or sale or other action required to be made, attempted or taken by a Party under this Agreement, such efforts as a reasonably prudent Person would undertake for the protection of its own interest under the conditions affecting such purchase or sale or other action, including without limitation, the amount of notice of the need to take such action, the duration and type of the purchase or sale or other action, the competitive environment in which such purchase or sale or other action occurs, and the risk to the Party required to take such action.

"Contract Price" means (i) with respect to Monthly Projected Quantities, (A) the Day-Ahead Average Price, minus (B) the Monthly Discount; and (ii) with respect to Monthly Excess Quantities and Assigned Paygo Quantities, the Day-Ahead Average Price. For the avoidance of doubt, the Contract Price for Assigned Energy is inclusive of any amounts due in respect of other Assigned Products.

"Contract Quantity" means (i) with respect to Assigned Energy, the Annual Quantity of Assigned Energy for each Contract Year of the Delivery Period; and (ii) with respect to Base Energy, the Hourly Quantity of Base Energy set forth in Exhibit A-1 for any Month, as such Exhibits A-1 and A-2 shall be updated from time to time in accordance with Section 6.2.

"Contract Year" means each period of 12 Months from [___] 1 until [____] [31] during the Delivery Period.[1]

"Day-Ahead Average Price" means, for any Assigned Energy in any EPS Energy Period, the result of (i) (x) the sum of the Day-Ahead Market Prices for each Pricing Interval in a Month divided by (y) the number of Pricing Intervals in such Month plus (ii) the Assigned PPA Index Adder for the relevant Month. As used in this definition, "Pricing Interval" means each unit of time for which CAISO establishes a separate price.

"Day-Ahead Market Price" means The Day Ahead Market or Locational Marginal Price for the Energy Delivery Point for each applicable hour as published by CAISO, or as such price may be corrected or revised from time to time by such independent system operator or other entity in accordance with its rules.

"Default Rate" means, as of any date of determination, the lesser of (a) the sum of (i) the rate of interest per annum quoted in The Wall Street Journal (Eastern Edition) under the "Money Rates" section as the "Prime Rate" for such date of determination, plus (ii) one percent per annum, or (b) if a lower maximum rate is imposed by applicable Law, such maximum lawful rate.

"Delivery Hours" means each Hour commencing at 00:00 (PPT) on the first day of the Delivery Period, and each Hour thereafter during the Delivery Period.

"Delivery Period" means the period beginning on [____] and ending on [____]; provided that the Delivery Period shall end immediately upon the effective termination date of the Prepaid Agreement or early termination of this Agreement pursuant to Article XVII hereof.

"Delivery Point" means (i) the applicable Assigned Delivery Point(s) for Assigned Energy and (ii) the applicable Energy Delivery Point for Base Energy (as set forth in Exhibits A-1 and A-2).

"Energy" means three-phase, 60-cycle alternating current electric energy, expressed in MWhs.

"Energy Delivery Point" has the meaning specified in Exhibit A-1.

"EPS" means California's Emissions Performance Standards, as set forth in Sections 8340 and 8341 of the California Public Utilities Code, as implemented and amended from time to time, and any successor Law.

[1] NTD: Parties to confirm.

"EPS Compliant Energy" means Energy that Purchaser can contract for and purchase in compliance with EPS requirements that are applicable to Purchaser.

"EPS Energy Period" means the Initial EPS Energy Period and any subsequent Assignment Period established by a future assignment of a power purchase agreement consistent with the Assignment Letter Agreement.

"Execution Date" has the meaning specified in the preamble.

"Federal Tax Certificate" means the executed Federal Tax Certificate delivered by Purchaser in the form attached as Exhibit D.

"FERC" means the Federal Energy Regulatory Commission and any successor thereto.

"Firm (LD)" means, with respect to the obligation to deliver Energy, that either Party shall be relieved of its obligations to sell and deliver or purchase and receive without liability only to the extent that, and for the period during which, such performance is prevented by Force Majeure.

"Force Majeure" means an event or circumstance which prevents one Party from performing its obligations under this Agreement, which event or circumstance was not anticipated as of the Execution Date, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of Purchaser's markets; (ii) Purchaser's inability economically to use or resell the Energy purchased hereunder; (iii) the loss or failure of Issuer's supply except if such loss or failure results from curtailment by a Transmission Provider; or (iv) Issuer's ability to sell the Energy at a higher price. Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by a Transmission Provider unless (a) such Party has contracted for firm transmission with such Transmission Provider for the Energy to be delivered to or received at the Delivery Point and (b) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff; *provided*, however, that existence of the foregoing factors shall not be sufficient to conclusively or presumptively prove the existence of Force Majeure absent a showing of other facts and circumstances which in the aggregate with such factors establish that Force Majeure as defined in the first sentence hereof has occurred. Notwithstanding the foregoing or anything to the contrary herein, (I) any invocation of Force Majeure by Prepay LLC under the Prepaid Agreement shall constitute Force Majeure in respect of Issuer hereunder; (II) to the extent that (x) a PPA Supplier fails to deliver any Assigned Energy and claims force majeure with respect to such failure to deliver or (y) a PPA Supplier otherwise is unable to deliver any portion of the Annual Quantity due to an event that would be considered Force Majeure under this Agreement if it affected Issuer directly, then such event shall be deemed to constitute Force Majeure in respect of Issuer hereunder; and (III) to the extent that an Assignment Agreement is terminated early, such termination shall constitute Force Majeure with respect to Issuer until the earlier of (A) the commencement of an "Assignment Period" under a replacement Assignment Agreement, (B) the commencement of the delivery of EPS Compliant Energy procured by MSCG consistent with the Assignment Letter Agreement or (C) the end of the second Month following the Month in which such early termination occurs.

"Government Agency" means the United States of America, any state thereof, any municipality, or any local jurisdiction, or any political subdivision of any of the foregoing, including, but not limited to, courts, administrative bodies, departments, commissions, boards, bureaus, agencies, or instrumentalities.

"Hour" means each 60-minute period commencing at 00:00 PPT during the Delivery Period. The term "Hourly" shall be construed accordingly.

"Hourly Quantity" means, with respect to each Delivery Hour during the Delivery Period, the quantity (in MWh) of Base Energy set forth on Exhibit A-1 for the Month in which such Delivery Hour occurs (as such Exhibit A-1 may be updated from time to time in accordance with Section 6.2).

"Initial Assignment Agreement" means that certain Limited Assignment Agreement, dated on or around the Bond Closing Date, by and among Purchaser, Prepay LLC and the Initial PPA Supplier.

"Initial EPS Energy Period" means the "Assignment Period" as defined in the Initial Assignment Agreement.

"Initial PPA Supplier" means MSCG.

"Initial Reset Period" means the period beginning on [____] and ending on [____].

"Interest Rate Period" has the meaning specified in the Bond Indenture.

"Issuer" has the meaning specified in the preamble.

"Issuer Default" has the meaning specified in Section 17.1.

"Law" means any statute, law, rule or regulation or any judicial or administrative interpretation thereof having the effect of the foregoing enacted, promulgated, or issued by a Government Agency whether in effect as of the Execution Date or at any time in the future.

"Long-Term PCC1 Product" means bundled renewable energy and RECs meeting the requirements of Portfolio Content Category 1, and the California Long-Term Contracting Requirements, to be delivered to MSCG, Prepay LLC or any successors thereto pursuant to any Assigned Rights and Obligations.

"Minimum Discount" means no less than $[____] per MWh for each Reset Period after the Initial Reset Period. Such amount is inclusive of any projected Annual Refund.

"Month" means, during the Delivery Period, a calendar month. The term "Monthly" shall be construed accordingly.

"Monthly Discount" means (i) for the Initial Reset Period, an amount (when taken together with any Annual Refund) that is not less than the Minimum Discount and is specified in Exhibit F, which Exhibit F shall be provided by Issuer to Purchaser on the Bond Closing Date, and (ii) for each subsequent Reset Period, a portion of the Available Discount for such Reset Period determined by the Calculation Agent pursuant to the Re-Pricing Agreement and set forth in an updated Exhibit F provided by Issuer after such determination.

"Monthly Excess Quantity" means, for any Month, the amount, if any, by which the total quantity (in MWh) of Assigned Product delivered under an Assigned PPA in such Month exceeds the Monthly Projected Quantity for such Assigned PPA for such Month.

"Monthly Projected Quantity" means, with respect to each Assigned PPA and each Month of the Assignment Period for each Assigned PPA, the quantity (in MWh) of Assigned Product for such Month as set forth on Exhibit A-2 for such Assigned PPA (as such Exhibit A-2 may be updated from time to time in accordance with Section 6.2).

"MSCG" means Morgan Stanley Capital Group Inc., a Delaware corporation.

"MWh" means megawatt-hour.

"Non-Priority Energy" means Energy that is not Priority Energy.

"Participant Custodial Agreement" means that certain Amended & Restated Custodial Agreement, dated as of the Bond Closing Date, by and among Purchaser, Issuer, Energy Prepay IV, LLC, MSCG and the Participant Custodian.

"Participant Custodian" means U.S. Bank Trust Company, National Association, a national banking association.

"Party" has the meaning specified in the recitals.

"PCC1 Product" means bundled renewable energy and RECs meeting the requirements of Portfolio Content Category 1 to be delivered to MSCG, Prepay LLC or any successors thereto pursuant to any Assigned Rights and Obligations.

"PCC2 Product" means bundled renewable energy and RECs meeting the requirements of Portfolio Content Category 2 to be delivered to MSCG, Prepay LLC or any successors thereto pursuant to any Assigned Rights and Obligations.

"Person" means any individual, limited liability company, corporation, partnership, joint venture, trust, unincorporated organization or Government Agency.

"Portfolio Content Category 1" means any Renewable Energy Credit associated with the generation of electricity from an "Eligible Renewable Energy Resource" consisting of the portfolio content set forth in California Public Utilities Code Section 399.16(b)(1), as may be amended from time to time or as further defined or supplemented by Law.

"Portfolio Content Category 2" means any Renewable Energy Credit associated with the generation of electricity from an Eligible Renewable Energy Resource consisting of the portfolio content set forth in California Public Utilities Code Section 399.16(b)(2), as may be amended from time to time or as further defined or supplemented by Law.

"Potential Remarketing Event" has the meaning specified in Section 3.4(b).

"PPA Supplier" means the Initial PPA Supplier and any subsequent supplier who enters into an Assignment Agreement consistent with the terms of the Assignment Letter Agreement.

"PPT" means Pacific Prevailing Time.

"Prepaid Agreement" has the meaning specified in the recitals.

"Prepay LLC" has the meaning specified in the recitals.

"Priority Energy" means the Contract Quantity to be purchased by Purchaser under this Agreement, together with Energy that Purchaser is obligated to take under a long-term agreement, which Energy either (i) has been purchased by Purchaser or a joint action agency in a prepayment transaction using the proceeds of bonds, notes, or other obligations, the interest on which is excluded from gross income for federal income tax purposes, or (ii) is generated using capacity that was constructed using the proceeds of bonds, notes, or other obligations, the interest on which is excluded from gross income for federal income tax purposes (provided that, with respect to clause (ii), Priority Energy shall not include Energy that is generated using capacity that was wholly or partially financed through the monetization of renewable tax credits, whether such monetization is accomplished through a tax equity investment or otherwise, or that is generated from federally owned and operated hydroelectric facilities, including through the United States Army Corps of Engineers and the United States Bureau of Reclamation, and marketed by the Bonneville Power Administration or the Western Area Power Administration).

"Project Participant" has the meaning specified in the Bond Indenture.

"Purchaser" has the meaning specified in the preamble.

"Purchaser Default" has the meaning specified in Section 17.2.

"Purchaser's Statement" has the meaning specified in Section 14.1(a).

"Qualifying Use Requirements" means, with respect to any Energy delivered under this Agreement, such Energy is used (i) for a "qualifying use" as defined in U.S. Treas. Reg. § 1.148-1(e)(2)(iii), (ii) in a manner that will not result in any "private business use" within the meaning of Section 141 of the Code, and (iii) in a manner that is consistent with the Federal Tax Certificate attached as Exhibit D.

"Rating Agency" has the meaning specified in the Bond Indenture.

"Re-Pricing Agreement" means the Re-Pricing Agreement, dated as of the Bond Closing Date, by and between Issuer and Prepay LLC.

"Remarketing Election Deadline" means, for any Reset Period, the last date and time by which the Purchaser may provide a Remarketing Election Notice, which shall be 4:00 p.m. PPT on the 10th day of the Month (or, if such day is not a Business Day, the next succeeding Business Day) prior to the first delivery Month of a Reset Period with respect to which a Potential Remarketing Event has occurred.

"Remarketing Election Notice" has the meaning specified in Section 3.4(b).

"Renewable Energy Credit" or "REC" has the meaning specified for "Renewable Energy Credit" in California Public Utilities Code Section 399.12(h), as may be amended from time to time or as further defined or supplemented by Law.

"Reset Period" means each "Reset Period" under the Re-Pricing Agreement.

"Reset Period Notice" has the meaning specified in Section 3.4(a).

"RPS" means the renewable energy program and policies established by California State Senate Bills 1038 (2002), 1078 (2002), 107 (2008), X-1 2 (2011), 350 (2015), and 100 (2018) as codified in, inter alia, California Public Utilities Code Sections 399.11 through 399.31 and California Public Resources Code Sections 25740 through 25751, as such provisions are amended or supplemented from time to time.

"Schedule", "Scheduled" or "Scheduling" means the actions of Issuer, Purchaser and/or their designated representatives, including each Party's Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity of Energy to be delivered during any given portion of the Delivery Period at a specified Delivery Point.

"Transmission Provider(s)" means any entity or entities transmitting or transporting Energy on behalf of Issuer or Purchaser to or from the Delivery Point.

"Trustee" means U.S. Bank Trust Company, National Association, a national banking association, and its successors as Trustee under the Bond Indenture.

"Voided Remarketing Election Notice" has the meaning specified in Section 3.4(b).

"WREGIS" means the Western Renewable Energy Generation Information System or its successor.

Section 1.2 Definitions; Interpretation. References to "Articles," "Sections," "Schedules" and "Exhibits" shall be to Articles, Sections, Schedules and Exhibits, as the case may be, of this Agreement unless otherwise specifically provided. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the scope of such general statement, term or matter. Any reference herein to any agreement or document includes all amendments, supplements or restatements to and of such agreement or document as may occur from time to time, and any reference to a party to any such agreement includes all successors and assigns of such party thereunder permitted by the terms hereof and thereof.

ARTICLE II
EXECUTION DATE AND DELIVERY PERIOD; NATURE OF CLEAN ENERGY PROJECT

Section 2.1 Execution Date; Delivery Period. Unless this Agreement is terminated pursuant to Article XVII, delivery of Energy under this Agreement shall commence and continue for the Delivery Period.

Section 2.2 Termination Due to Failure to Issue Bonds. Each Party shall have a right to terminate this Agreement with the effect that this Agreement shall be of no further force or effect and the Parties shall have no rights or obligations hereunder if the Bonds are not issued on or before the Prepayment Outside Date (as defined in the Prepaid Agreement).

Section 2.3 Nature of Clean Energy Project. Purchaser acknowledges and agrees that Issuer will meet its obligations to provide Energy to Purchaser under this Agreement exclusively through its purchase of long-term supplies of Energy from Prepay LLC pursuant to the Clean Energy Project and that Issuer is financing its purchase of such long-term supplies through the issuance of the Bonds.

Section 2.4 Pledge of this Agreement. Purchaser acknowledges and agrees that Issuer will pledge its right, title, and interest under this Agreement and the revenues to be received under this Agreement to secure Issuer’s obligations under the Bond Indenture.

ARTICLE III
SALE AND PURCHASE

Section 3.1 Sale and Purchase of Energy. Issuer agrees to sell and deliver or cause to be delivered to Purchaser, and Purchaser agrees to purchase and take or cause to be taken from Issuer, in each case, on a Firm (LD) basis, the Contract Quantity of Energy pursuant to the terms and conditions set forth in this Agreement. The Parties acknowledge and agree that Issuer’s delivery obligation for (i) Assigned Products will be measured on an annual basis and (ii) Base Energy will be measured on an Hourly basis, as reflected in the definition of Contract Quantity and further set forth in the terms of this Agreement.

Section 3.2 Payments.

(a) For each MWh of Assigned Product delivered to Purchaser, Purchaser shall pay Issuer the applicable Contract Price, provided that (x) Issuer shall owe a payment to Purchaser to the extent that the Contract Price for Energy delivered is negative and (y) Purchaser's payment of the Retained Payment Amount (as defined in the Participant Custodial Agreement) to the Participant Custodian consistent with the terms of the Participant Custodial Agreement shall satisfy Purchaser's obligations hereunder with respect to Monthly Excess Quantities and Assigned Paygo Quantities, as applicable.

(b) During the term of this Agreement, promptly following completion of the annual audit of Issuer's financial statements at the end of each fiscal year (currently the twelve-month period ending December 31), Issuer shall compare its revenues (as determined in accordance with the Bond Indenture) and expenses under the Clean Energy Project for that fiscal year. If this annual comparison demonstrates that such revenues exceeded such expenses during the applicable fiscal year and there are amounts on deposit in the fund established by the Bond Indenture available for such purpose, then Issuer shall make refunds to Purchaser in the amount available after making allowances for any necessary and appropriate reserves and contingencies (including but not limited to amounts deemed reasonably necessary by Issuer to fund any working capital reserve and to reserve or account for unfunded liabilities, including future sinking fund or other principal amortization of the Bonds). As of the Execution Date, the projected Annual Refund for (i) the period from [____] through and including [____] is $[___]/MWh and (ii) the period from [____] until the end of the Initial Reset Period is $[___]/MWh.

Section 3.3 <u>No Obligation to Take Base Energy</u>. Notwithstanding anything to the contrary in this Agreement, Purchaser shall not be required to purchase and receive any Base Energy hereunder, and Issuer shall cause Prepay LLC to remarket any portion of the Contract Quantity that is Base Energy pursuant to the provisions of Exhibit C to the Prepaid Agreement.

Section 3.4 <u>Reset Period Remarketing</u>.

(a) <u>Reset Period Notice</u>. For each Reset Period, Issuer shall provide to Purchaser, at least ten (10) days prior to the Remarketing Election Deadline, formal written notice setting forth (i) the duration of such Reset Period, (ii) the Estimated Available Discount (as defined in the Re-Pricing Agreement) for such Reset Period, and (iii) the applicable Remarketing Election Deadline (a "<u>Reset Period Notice</u>"). Issuer may thereafter update such notice at any time prior to the Remarketing Election Deadline and may extend the Remarketing Election Deadline in its sole discretion in any such update.

(b) <u>Remarketing Election</u>. If the Reset Period Notice (or any update thereto) indicates that the Available Discount in such notice is not at least equal to the Minimum Discount for that Reset Period, then: (i) a "<u>Potential Remarketing Event</u>" shall be deemed to exist, and (ii) Purchaser may, not later than the Remarketing Election Deadline, issue a written notice in the form attached hereto as <u>Exhibit C</u> (a "<u>Remarketing Election Notice</u>") to Issuer, Prepay LLC and the Trustee electing for all of Purchaser's Energy that would otherwise be delivered hereunder to be remarketed during the applicable Reset Period; *provided*, however, if the actual Available Discount, as finally determined under the Re-Pricing Agreement, is equal to or greater than the Minimum Discount, then Issuer may, in its sole discretion, elect by written notice to Purchaser to treat such Remarketing Election Notice as void (a "<u>Voided Remarketing Election Notice</u>"). For the avoidance of doubt, in the event that Purchaser issues a Remarketing Election Notice (other than a Voided Remarketing Notice), any rights and obligations assigned to Prepay LLC or MSCG, as applicable, under the Initial Assignment Agreement or a subsequent Assignment Agreement including, without limitation, the right to receive Assigned Energy, shall revert to Purchaser as of the end of the Initial Reset Period or the then-current Reset Period, as applicable.

(c) Final Determination of Available Discount. The Parties acknowledge and agree that the final Available Discount for any Reset Period following the Initial Reset Period will be determined on the applicable Re-Pricing Date (as defined in the Re-Pricing Agreement), and that such Available Discount may differ from the estimate or estimates of such Available Discount provided to Purchaser prior to the applicable Remarketing Election Deadline. Accordingly, the Parties agree that:

(i) the Available Discount for any Reset Period will not be less than the Minimum Discount applicable to such Reset Period, unless Issuer has provided notice of a Potential Remarketing Event to Purchaser in accordance with Section 3.4(b); and

(ii) if Purchaser receives notice of a Potential Remarketing Event and has not provided a Remarketing Election Notice prior to the applicable Remarketing Election Deadline, Purchaser shall be deemed to have elected to continue to purchase and receive its Contract Quantity at a Contract Price that reflects the Monthly Discount portion of the Available Discount as finally determined on the applicable Re-Pricing Date, plus Purchaser's right to its share of Annual Refunds, if any, and all delivery and purchase obligations under this Agreement shall continue in full force and effect for the applicable Reset Period.

(d) Resumption of Deliveries. Notwithstanding the issuance of any Remarketing Election Notice for a Reset Period, Purchaser will (i) remain obligated to purchase the Contract Quantities hereunder for each subsequent Reset Period, unless Purchaser issues a new valid Remarketing Election Notice (other than a Voided Remarketing Election Notice) for any such Reset Period in accordance with Section 3.4(b) and (ii) not make any new commitment to purchase Priority Energy during such Reset Period to the extent any such commitment could reasonably be expected to cause, during any portion of the Delivery Period after such Reset Period, Purchaser's aggregate obligations to purchase Priority Energy (including its obligation to purchase Priority Energy hereunder) to exceed Purchaser's expected aggregate requirements for Energy that will be used (A) for a "qualifying use" as defined in U.S. Treas. Reg. § 1.148-1(e)(2)(iii) and (B) in a manner that will not result in any "private business use" within the meaning of Section 141 of the Code.

(e) Reduction of Contract Quantity. The Parties recognize and agree that the Contract Quantity may be reduced in a Reset Period pursuant to the re-pricing methodology described in the Re-Pricing Agreement if necessary to achieve a successful remarketing of the Bonds. The Parties agree further that if, pursuant to the Re-Pricing Agreement, Issuer and the Calculation Agent determine in connection with the establishment of any new Reset Period that: (i) such Reset Period will be the final Reset Period and (ii) such Reset Period will end prior to the end of the original Delivery Period, then (A) Issuer will notify Purchaser, (B) the Delivery Period will be deemed to be modified so that it ends at the end of such Reset Period, and (C) the Contract Quantity for the last Month in such Reset Period may be reduced as provided in the Re-Pricing Agreement.

ARTICLE IV
FAILURE TO DELIVER OR TAKE ENERGY

Notwithstanding anything herein to the contrary, neither Purchaser nor Issuer shall have any liability or other obligation to one another for any failure to Schedule, take, or deliver Assigned Product.

ARTICLE V
TRANSMISSION AND DELIVERY; COMMUNICATIONS

Section 5.1 Delivery of Energy. All Assigned Energy delivered under this Agreement shall be Scheduled at the applicable Assigned Delivery Point and in accordance with the terms of the applicable Assignment Agreement. All other Assigned Product shall be delivered consistent with the terms of the applicable Assignment Agreement. Except as set forth in the two foregoing sentences, Purchaser and Issuer shall have no liability or obligations under this Article V with respect to Assigned Product.

Section 5.2 Scheduling. Scheduling of Assigned Energy shall be in accordance with the applicable Assignment Agreement.

Section 5.3 Title and Risk of Loss. Title to the Energy delivered under this Agreement and risk of loss shall pass from Issuer to Purchaser at the Assigned Delivery Point. The transfer of title and risk of loss for all Assigned Product other than Assigned Energy shall be in accordance with the applicable Assignment Agreement; provided that all Assignment Agreements shall provide for the transfer of Renewable Energy Credits in accordance with WREGIS.

Section 5.4 PCC1 Product, Long-Term PCC1 Product, and PCC2 Product. To the extent that any Assigned Product is PCC1 Product, Long-Term PCC1 Product, or PCC2 Product the following provisions apply:

(a) Eligibility. Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement that: (i) the Clean Energy Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource as such term is defined in Public Utilities Code Section 399.12 or Section 399.16; and (ii) the Clean Energy Project's output delivered to Buyer qualifies under the requirements of the California Renewables Portfolio Standard. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law. **[STC 6, Non-Modifiable. (Source: D.07-11-025, Attachment A.) D.08-04-009]**. As used above, "Seller" means "Issuer", Buyer means "Purchaser", and any other capitalized terms not otherwise defined herein shall have the meaning specified in the Assignment Agreement.

(b) Transfer of Renewable Energy Credits. Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public

Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law. **[STC REC-1, Non-modifiable. D.11-01-025]**. As used above, "Seller" means "Issuer", Buyer means "Purchaser", and any other capitalized terms not otherwise defined herein shall have the meaning specified in the Assignment Agreement.

(c) Tracking of RECs in WREGIS. Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System will be taken prior to the first delivery under the contract. **[STC REC-2, Non-modifiable. D.11-01-025].** As used above, "Seller" means "Issuer", Buyer means "Purchaser", and any other capitalized terms not otherwise defined herein shall have the meaning specified in the Assignment Agreement.

(d) Governing Law. This Agreement and the rights and duties of the Parties hereunder shall be governed by and construed, enforced and performed in accordance with the laws of the state of California, without regard to principles of conflicts of law. To the extent enforceable at such time, each Party waives its respective right to any jury trial with respect to any litigation arising under or in connection with this Agreement. **[STC 17, Non-Modifiable. (Source: D.07-11-025, Attachment A) D.08-04-009]**

(e) Issuer Representations and Warranties.

Issuer represents and warrants:

(i) Issuer has the right to sell the Assigned Product from the Applicable Project;

(ii) Issuer has not sold the Assigned Product or any REC or other attributes of the Assigned Product to be transferred to Purchaser to any other person or entity;

(iii) the Energy component of the Assigned Product produced by the Applicable Project for PCC2 Product and purchased by Issuer for resale to Purchaser hereunder is not being sold by Issuer back to the Applicable Project or PPA Supplier;

(iv) Assigned Energy and Assigned RECs to be purchased and sold pursuant to this Agreement are not committed to another party;

(v) the Assigned Product is free and clear of all liens or other encumbrances;

(vi) Issuer will deliver to Purchaser all Assigned Energy and associated RECs generated by the Applicable Project for PCC2 Product in compliance with the requirements set forth in California Public Utilities Code 399.16(b)(2) and the California RPS compliance requirements for Portfolio Content Category 2 as set forth in CPUC Decision 11-12-052, if applicable;

(vii) Issuer will deliver to Purchaser all Assigned Energy and associated RECs generated by the Applicable Project for PCC2 Product in compliance with the requirements set forth in California Public Utilities Code 399.16(b)(2) and the California RPS compliance requirements for Portfolio Content Category 2 as set forth in CPUC Decision 11-12-052, if applicable;

(viii) Issuer will deliver to Purchaser all Assigned Energy and associated RECs generated by the Applicable Project for Long-Term PCC1 Product in compliance with the California Long-Term Contracting Requirements, if applicable;

(ix) the Assigned Product supplied to Purchaser under this Agreement that is Long-Term PCC1 Product will be sourced solely from Applicable Projects that have an Assignment Period of ten (10) years or more in length, or otherwise in compliance with the California Long Term Contracting Requirements; and

(x) Issuer will cooperate and work with Purchaser, the CEC, and/or the CPUC to provide any documentation required by the CPUC or CEC to support the Product's classification as Portfolio Content Category 1 or Portfolio Content Category 2, as applicable, as set forth in California Public Utilities Code Section 399.16(b)(1) or 399.16(b)(2), as applicable, and compliance with the California Long-Term Contracting Requirements, if applicable.

Issuer further represents and warrants to Purchaser that, to the extent that the PCC1 Product sold by Issuer is a resale of part or all of a contract between Issuer and one or more third parties, Issuer represents, warrants and covenants that the resale complies with the following conditions in (i) through (iv) below during the Assignment Period and throughout the generation period:

(i) the original upstream third-party contract(s) meets the criteria of California Public Utilities Code Section 399.16(b)(1);

(ii) this Agreement transfers only electricity and RECs that have not yet been generated prior to the Assignment Period;

(iii) the electricity transferred by this Agreement is transferred to Purchaser in real time; and

(iv) if the Applicable Project has an agreement to dynamically transfer electricity to a California balancing authority, the transactions implemented under this Agreement are not contrary to any condition imposed by a balancing authority participating in the dynamic transfer arrangement.

Issuer further represents and warrants to Purchaser that, to the extent that the PCC2 Product sold by Issuer is a resale of part or all of a contract between Issuer and one or more third parties, Issuer represents, warrants and covenants that the resale complies with the following conditions in (i) through (v) below during the Assignment Period and throughout the generation period:

(i) the original upstream third-party contract(s) meets the criteria of California Public Utilities Code Section 399.16(b)(2);

(ii) this Agreement transfers only electricity and RECs that have not yet been generated prior to the Assignment Period;

(iii) this Agreement transfers the original arrangement for substitute electricity (e.g., source and quantity);

(iv) this Agreement retains the scheduling of the substitute electricity into a California balancing authority as set out in the original firming and shaping transaction; and

(v) this Agreement continues to provide incremental electricity scheduled into a California balancing authority.

(f) Subsequent Changes in Law. In the event that the qualifications or requirements of the RPS program, PCC1 Product, PCC2 Product or the California Long-Term Contracting Requirements change, Issuer shall take commercially reasonable actions to meet the amended qualifications or requirements of the RPS Law, PCC1 Product, PCC2 Product or the California Long-Term Contracting Requirements but will not be required to incur any unreimbursed costs to comply with the RPS Law, PCC1, PCC2 or the California Long-Term Contracting Requirements, collectively.

(g) Limitations. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge and agree as follows:

(i) Issuer has relied exclusively upon the representations and warranties of each respective seller set forth in the Assignment Agreements in making the representations and warranties set forth in this Section 5.4 and has not performed any independent investigation with respect thereto;

(ii) Prepay LLC has agreed under the Prepaid Agreement to terminate or cause MSCG to terminate the applicable Assignment Period in the event that any representation or warranty in this Section 5.4 proves to be incorrect in any respect; and

(iii) Purchaser agrees that its sole recourse for any breach of the provisions of this Section 5.4 shall be the termination of the applicable Assignment Period and Purchaser shall have no other recourse against Issuer or remedies under this Agreement.

Section 5.5 Deliveries within CAISO or Another Balancing Authority. The Parties acknowledge that Energy delivered by Issuer at a Delivery Point within CAISO or another Balancing Authority will be delivered in accordance with the CAISO Tariff and rules of the

Balancing Authority as applicable. Scheduling such Energy in accordance with the requirements of the applicable Energy into the applicable Balancing Authority shall constitute delivery of such Energy to Purchaser hereunder.

Section 5.6 Assigned Products. Notwithstanding anything to the contrary herein, the Parties shall have no liability under this Article V with respect to any Assigned Products.

ARTICLE VI
PARTIAL ASSIGNMENTS OF PPAS

Section 6.1 Future PPA Assignments. In connection with the expiration or termination of an EPS Energy Period, each of the Parties agrees to satisfy its obligations under the Assignment Letter Agreement, including but not limited to (a) Purchaser's obligation to exercise Commercially Reasonable Efforts to assign a portion of Purchaser's rights and obligations under a power purchase agreement under which Project Participant is purchasing EPS Compliant Energy to MSCG or Prepay LLC pursuant to an Assignment Agreement and (b) the Parties' obligations to cooperate in good faith with MSCG and Prepay LLC with respect to any proposed assignments.

Section 6.2 Updates to Exhibits A-1 and A-2.

(a) To the extent that an EPS Energy Period terminates early, the Parties shall update (i) Exhibit A-1 to reflect an increase in the Hourly Quantities and (ii) Exhibit A-2 to reflect a decrease in the Monthly Projected Quantities associated with the relevant Assigned PPA, in each case, in an amount equal to the Assigned Energy associated with the EPS Energy Period that terminated or expired. For the avoidance of doubt, any updates to Exhibits A-1 and A-2 due to an early termination of an EPS Energy Period shall be effective as of the earlier of (A) the commencement of an Assignment Period under a replacement Assignment Agreement or (B) the start of the third Month following the Month in which such early termination occurs.

(b) In connection with the execution of any subsequent Assignment Agreement, the Parties shall update Exhibits A-1 and A-2 to reflect any changes in the Hourly Quantities of Base Energy and Monthly Projected Quantities of Assigned Energy and any other changes in connection therewith.

ARTICLE VII
USE OF ENERGY

Section 7.1 Tax Exempt Status of the Bonds. Purchaser acknowledges that the Bonds will be issued with the intention that the interest thereon will be exempt from federal taxes under Section 103 of the Code. Accordingly, Purchaser agrees that it will (a) provide such information with respect to its CCA System as may be requested by Issuer in order to establish the tax-exempt status of the Bonds, and (b) act in accordance with such written instructions as Issuer may provide from time to time in order to maintain the tax-exempt status of the Bonds. Purchaser further agrees that it will not at any time take any action, or fail to take any action, that would adversely affect the tax-exempt status of the Bonds.

Section 7.2 Priority Energy. Subject to Section 7.5(a), Purchaser agrees to take the Contract Quantities to be delivered under this Agreement (a) in priority over and in preference to all Non-Priority Energy; and (b) on at least a *pari passu* and non-discriminatory basis with other Priority Energy.

Section 7.3 Remarketing Sales .

(a) Remarketing of Assigned Product. If notwithstanding Purchaser's compliance with Section 7.2, a quantity of Assigned Product less than the Annual Quantity is delivered hereunder in any Contract Year for any reason other than Force Majeure, then MSCG shall be deemed to remarket such undelivered quantity of Assigned Product consistent with Section 5(a) of Exhibit C to the Prepaid Agreement. For the avoidance of doubt, Purchaser will not have any payment obligation with respect to Assigned Energy that is remarketed pursuant to the foregoing sentence.

(b) Remarketing of Base Energy. Consistent with Section 3.3, to the extent any portion of the Contract Quantity is Base Energy, Issuer shall cause Prepay LLC to remarket or purchase such Energy for the account of Prepay LLC under the remarketing provisions of the Prepaid Agreement, and Issuer shall credit against the amount owed by Purchaser for such Contract Quantities the amounts received from Prepay LLC for such remarketing services, less all directly incurred costs or expenses, including but not limited to remarketing administrative charges paid to Prepay LLC under the Prepaid Agreement, but in no event shall the amount of such credit be more than the Contract Price. For the avoidance of doubt, Purchaser will not have any payment obligation with respect to Base Energy that is remarketed pursuant to the foregoing sentence.

(c) Prepay LLC Remarketing Fees. Purchaser shall not in any case have an obligation to make a payment to Issuer with respect to any Remarketing Fee (as defined in the Prepaid Agreement) charged by Prepay LLC under the Prepaid Agreement.

Section 7.4 Qualifying Use. Subject to Section 7.5, Purchaser agrees that, without limiting Purchaser's other obligations under this Article VII, it will use all of the Energy purchased under this Agreement in compliance with the Qualifying Use Requirements. Purchaser agrees that it will provide such additional information, records and certificates as Issuer may reasonably request to confirm Purchaser's compliance with this Section 7.4.

Section 7.5 Remediation. To the extent that (a) all or a portion of the Contract Quantity is remarketed under Section 7.3(a) or Section 7.3(b) and (b) Purchaser is not otherwise in default under this Agreement, then:

(a) Prepay LLC shall be obligated under the remarketing provisions of the Prepaid Agreement to purchase the remarketed Energy for its own account at the applicable price specified in Exhibit C to the Prepaid Agreement (the proceeds of any such purchases, "Disqualified Remarketing Proceeds"), which Disqualified Remarketing Proceeds are for the benefit of Purchaser in that such proceeds reduce its payment obligations hereunder;

(b) Purchaser shall (i) exercise Commercially Reasonable Efforts to use an amount equivalent to such Disqualified Remarketing Proceeds to purchase Non-Priority Energy and use such Non-Priority Energy in compliance with the Qualifying Use Requirements in order to remediate such Disqualified Remarketing Proceeds and (ii) apply its purchases of Non-Priority Energy to remediate Disqualified Remarketing Proceeds under this Agreement prior to remediating such proceeds under any other contract that provides for the purchase of Priority Energy;

(c) in order to track compliance with Purchaser's obligations under Section 7.5(b) above, Purchaser shall deliver a Remediation Certificate in the form of Exhibit H hereto to Issuer and Prepay LLC by the tenth (10^{th}) day of the Month subsequent to any relevant Non-Priority Energy purchases (which may include purchases of Energy from CAISO to the extent such Energy is used in compliance with the Qualifying Use Requirements);

(d) for Disqualified Remarketing Proceeds remediated under this Section 7.5, Issuer shall pay Purchaser any portion of Monthly Discount associated with such Disqualified Remarketing Proceeds and available for distribution under the Bond Indenture on the last Business Day of the Month following the Month in which Purchaser provides a certificate under clause (c) evidencing such remediation; and

(e) to the extent any Disqualified Remarketing Proceeds are not remediated within twelve (12) Months of the date on which such proceeds were received by Issuer, then Prepay LLC shall be obligated under the Prepaid Agreement to exercise Commercially Reasonable Efforts to remediate such Disqualified Remarketing Proceeds under the Prepaid Agreement and Purchaser's ability to remediate such remarketing proceeds shall be subject to Prepay LLC's successful remediation of such proceeds through sales to other purchaser(s);

provided that, for the avoidance of doubt, to the extent Special Tax Counsel (as defined in the Bond Indenture) determines at any time that Purchaser has failed to exercise Commercially Reasonable Efforts to obtain EPS Compliant Energy for delivery hereunder consistent with the Assignment Letter Agreement, then Purchaser shall not be entitled to remediate any Disqualified Remarketing Proceeds related to the resulting remarketing of Base Energy by Prepay LLC.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES; ADDITIONAL COVENANTS

Section 8.1 Representations and Warranties of the Parties. As a material inducement to entering into this Agreement, each Party, with respect to itself, hereby represents and warrants to the other Party as of the Execution Date as follows:

(a) for Issuer as the representing Party, Issuer is a is a joint powers authority organized pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 *et seq.*) of the California Government Code;

(b) for Purchaser as the representing Party, Purchaser is a joint powers authority organized pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 *et seq.*) of the California Government Code and a community choice aggregator pursuant to the provisions of Section 366.2 of the California Public Utilities Code, duly organized and validly existing under the Laws of the State of California;

(c) it has all requisite power and authority to conduct its business, to own its properties and to execute, deliver and perform its obligations under this Agreement;

(d) there is no litigation, action, suit, proceeding or investigation pending or, to the best of such Party's knowledge, threatened, before or by any Government Agency, which could reasonably be expected to materially and adversely affect the performance by such Party of its obligations under this Agreement or that questions the validity, binding effect or enforceability hereof, any action taken or to be taken by such Party pursuant hereto, or any of the transactions contemplated hereby;

(e) the execution, delivery and performance of this Agreement by such Party has been duly authorized by all necessary action on the part of such Party and does not require any approval or consent of any security holder of such Party or any holder (or any trustee for any holder) of any indebtedness or other obligation of such Party;

(f) this Agreement has been duly executed and delivered on behalf of such Party by an appropriate officer or authorized Person of such Party and constitutes the legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting creditors' rights generally and by general principles of equity;

(g) the execution, delivery and performance of this Agreement by such Party shall not violate any provision of any Law, decree or other legal or regulatory determination applicable to it;

(h) the execution, delivery and performance by such Party of this Agreement, and the consummation of the transactions contemplated hereby, including the incurrence by such Party of its financial obligations under this Agreement, shall not result in any violation of any term of any material contract or agreement applicable to it, or any of its charter or bylaws or of any license, permit, franchise, judgment, writ, injunction or regulation, decree, order, charter, Law or ordinance applicable to it or any of its properties or to any obligations incurred by it or by which it or any of its properties or obligations are bound or affected, or of any determination or award of any arbitrator applicable to it, and shall not conflict with, or cause a breach of, or default under, any such term or result in the creation of any lien upon any of its properties or assets, except with respect to Issuer, the lien of the Bond Indenture;

(i) to the best of the knowledge and belief of such Party, no consent, approval, order or authorization of, or registration, declaration or filing with, or giving of notice to, obtaining of any license or permit from, or taking of any other action with respect to, any Government Agency is required in connection with the valid authorization, execution, delivery and performance by such Party of this Agreement or the consummation of any of the transactions contemplated hereby other than those that have been obtained; and

(j) it enters this Agreement as a bona-fide, arm's-length transaction involving the mutual exchange of consideration and, once executed by both Parties, considers this Agreement a legally enforceable contract.

Section 8.2 Warranty of Title. Issuer warrants that it will have the right to convey and will transfer good and merchantable title to all Energy sold under this Agreement and delivered by it to Purchaser, free and clear of all liens, encumbrances, and claims.

Section 8.3 Disclaimer of Warranties. EXCEPT FOR THE WARRANTIES EXPRESSLY MADE BY ISSUER IN THIS ARTICLE VIII, ISSUER HEREBY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Section 8.4 Continuing Disclosure. Purchaser agrees to provide to Issuer: (a) such financial and operating information as may be requested by Issuer including its most recent audited financial statements for use in Issuer's offering documents for the Bonds; and (b) annual updates to such information and statements to enable Issuer to comply with its continuing disclosure undertakings under Rule 15(c)2-12 of the United States Securities and Exchange Commission. Failure by Purchaser to comply with its agreement to provide such annual updates shall not be a default under this Agreement, but any such failure shall entitle Issuer or an owner of the Bonds to take such actions and to initiate such proceedings as may be necessary and appropriate to cause Purchaser to comply with such agreement, including without limitation the remedies of mandamus and specific performance.

ARTICLE IX
TAXES

Issuer shall (i) be responsible for all ad valorem, excise and other taxes assessed with respect to Energy delivered pursuant to this Agreement upstream of the Delivery Point, and (ii) indemnify Purchaser and its Affiliates for any such taxes paid by Purchaser or its Affiliates. Purchaser shall (i) be responsible for all such taxes assessed at or downstream of the Delivery Point, and (ii) indemnify Issuer and its Affiliates for any such taxes paid by Issuer or its Affiliates.

ARTICLE X
DISPUTE RESOLUTION

Section 10.1 Arbitration. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope of this agreement to arbitrate, shall be determined by final, non-appealable binding arbitration in San Francisco, California before three arbitrators. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("JAMS") pursuant to its Comprehensive Arbitration Rules and Procedures. Within 15 days after the commencement of arbitration, each of the Parties shall select one person to act as arbitrator, and the two so-selected arbitrators shall select a third arbitrator (the "chairperson") within 30 days of the commencement of the arbitration. If either Party is unable or fails to select one person to act as arbitrator, such arbitrator shall be appointed by JAMS. If the Party-selected arbitrators are unable or fail to agree upon a chairperson, the chairperson shall be appointed by JAMS. The chairperson shall be a person who has experience in renewable energy-related transactions, and none of the arbitrators shall have been previously employed by either Party or have any direct pecuniary interest in either Party or the subject matter of the arbitration, unless such conflict is expressly acknowledged and waived in writing by each of the Parties. The Parties shall maintain the confidential nature of the arbitration proceeding and any award, including any hearing(s), except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator(s) shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. In any arbitration arising out of or related to this Agreement, the arbitrators shall award to the prevailing Party, if any, the costs and attorneys' fees reasonably incurred in seeking to enforce the application of this Section 10.1 and by the prevailing party in connection with the arbitration. Notwithstanding the foregoing provisions of this Section 10.1, any costs incurred by a Party in seeking judicial enforcement of any written decision of the arbitrators shall be chargeable to and borne exclusively by the Party against whom such court order is obtained. The award shall be final and binding on the Parties and judgment upon any award may be entered in any court of competent jurisdiction.

Section 10.2 Judicial Reference.

(a) Judicial Reference. Without limiting the provisions in Section 10.1, if Section 10.1 is ineffective or unenforceable, any dispute between the Parties arising out of or in connection with this Agreement or its performance, breach, or termination (including the existence, validity and interpretation of this Agreement and the applicability of any statute of limitation period) (each, a "Dispute") shall be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("CCP"), or their successor sections (a "Reference Proceeding"), which shall constitute the exclusive remedy for the resolution of any Dispute. As a condition precedent to initiating a Reference Proceeding with respect to any Dispute, the Parties shall comply with the provisions of Section 10.2(b).

(b) Notice of Dispute. Prior to initiating the Reference Proceeding, a Party (the "Disputing Party") shall provide the other Party (the "Responding Party") with a written notice of each issue in dispute, a proposed means for resolving each such issue, and support for such position (the "Notice of Dispute"). Within 10 days after receiving the Notice of Dispute, the Responding Party shall provide the Disputing Party with a written notice of each additional issue (if any) with respect to the dispute raised by the Notice of Dispute, a proposed means for resolving every issue in dispute, and support for such position (the "Dispute Response"). Thereafter, the Parties shall meet to discuss the matter and attempt in good faith to reach a negotiated resolution of the dispute. If the Parties do not resolve the dispute by mutual agreement within 60 days after receipt of the Dispute Response, (the "Negotiation Period"), then either Party may provide to the other Party written notice of intent for judicial reference (the "Impasse Notice") in accordance with the further provisions of this Section 10.2.

(c) Applicability; Selection of Referees.

(i) The Party that provides the Impasse Notice shall nominate one (1) referee at the same time it provides the Impasse Notice. The other Party shall nominate one referee within 10 days of receiving the Impasse Notice. The two (2) referees (the "Party-Appointed Referees") shall appoint a third referee (the "Third Referee", together with the Party-Appointed Referees, the "Referees"). The Party-Appointed Referees shall be competent and experienced in matters involving the electric energy business in the United States, with at least 10 years of electric industry experience as a practicing attorney. The Third Referee shall be an active or retired California state or federal judge. Each of the Party-Appointed Referees and the Third Referee shall be impartial and independent of either Party and of the other referees and not employed by any of the Parties in any prior matter.

(ii) If the Party-Appointed Referees are unable to agree on the Third Referee within 45 days from delivery of the Impasse Notice, then the Third Referee shall be appointed pursuant to CCP Section 640(b) in an action filed in the Superior Court of California, County of San Francisco (the "Court"), and with due regard given to the selection criteria above. A request for appointment of a referee may be heard on an ex parte or expedited basis, and the Parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP Section 170.6, each Party shall have one (1) peremptory challenge to the referee selected by the Court.

(d) Discovery; Proceedings.

(i) The Parties agree that time is of the essence in conducting the Reference Proceeding. Accordingly, the referees shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within 20 days after the date of selection of the Third Referee, (ii) if practicable, try all issues of law or fact within 180 days after the date of the conference, and (iii) report a statement of decision within 20 days after the matter has been submitted for decision.

(ii) Discovery and other pre-hearing procedures shall be conducted as agreed to by the Parties, or if they cannot agree, as determined by the Third Referee after discussion with the Parties regarding the need for discovery and other pre-hearing procedures.

(iii) Any matter before the Referees shall be governed by the substantive law of California, its Code of Civil Procedure, Rules of Court, and Evidence Code, except as otherwise specifically agreed by the Parties and approved by the Referees. Except as expressly set forth herein, the Third Referee shall determine the manner in which the Reference Proceeding is conducted, including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the Reference Proceeding. The Reference Proceeding, including the trial, shall be conducted at a neutral location selected by the Parties, or if not agreed by the Parties, by the Third Referee, in San Francisco, California.

(iv) All proceedings and hearings conducted before the referees, except for trial, shall be conducted without a court reporter, except that when any Party so requests, a court reporter will be used at any hearing conducted before the referees, and the referees will be provided a courtesy copy of the transcript. The Party making such a request shall have the obligation to arrange for and pay the court reporter.

(e) Decision. The referees shall render a written statement of decision setting forth findings of fact and conclusions of law. The decision shall be entered as a judgment in the court in accordance with the provisions of CCP Sections 644 and 645. The decision shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the Court. The Parties intend this general reference agreement to be specifically enforceable in accordance with the CCP.

(f) Expenses. Each Party shall bear the compensation and expenses of its respective Party-Appointed Referee, own counsel, witnesses, consultants and employees. All other expenses of judicial reference shall be split equally between the Parties.

ARTICLE XI
FORCE MAJEURE

Section 11.1 Applicability of Force Majeure. To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under this Agreement and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then the Claiming Party shall be excused from the performance of its obligations with respect to this Agreement (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall mitigate the Force Majeure with all reasonable dispatch. For the duration of the Claiming Party's non-performance (and only for such period), the non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.

Section 11.2 Settlement of Labor Disputes. Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the Party experiencing such disturbance, and the failure of a Party to settle such strikes, lockouts or other industrial disturbances shall not prevent the existence of Force Majeure or of reasonable dispatch to remedy the same.

ARTICLE XII
GOVERNMENTAL RULES AND REGULATIONS

Section 12.1 Compliance with Laws. This Agreement shall be subject to all present and future Laws of any Government Agency having jurisdiction over this Agreement or the transactions to be undertaken hereunder, and neither Party has knowingly undertaken or will knowingly undertake or knowingly cause to be undertaken any activity that would conflict with such Laws; *provided*, however, that nothing herein shall be construed to restrict or limit either Party's right to object to or contest any such Law, or its application to this Agreement or the transactions undertaken hereunder, and neither acquiescence therein or compliance therewith for any period of time shall be construed as a waiver of such right.

Section 12.2 Contests. Excluding all matters involving a contractual dispute between the Parties, no Party shall contest, cause to be contested or in any way actively support the contest of the equity, fairness, reasonableness or lawfulness of any terms or conditions set forth or established pursuant to this Agreement, as those terms or conditions may be at issue before any Government Agency in any proceeding, if the successful result of such contest would be to preclude or excuse the performance by either Party of this Agreement or any provision hereunder.

Section 12.3 Defense of Agreement. Excluding all matters involving a contractual dispute between the Parties, each Party shall hereafter defend and support this Agreement before any Government Agency in any proceeding, if the substance, validity or enforceability of all or any part of this Agreement is hereafter directly challenged or if any proposed changes in regulatory practices or procedures would have the effect of making this Agreement invalid or unenforceable or would otherwise materially affect the rights or obligations of the Parties under this Agreement.

ARTICLE XIII
ASSIGNMENT

The terms and provisions of this Agreement shall extend to and be binding upon the Parties and their respective successors, assigns, and legal representatives; *provided*, however, that, subject to Section 18.14, neither Party may assign this Agreement or its rights and interests, in whole or in part, under this Agreement without the prior written consent of the other Party. Prior to assigning this Agreement, Purchaser shall deliver to Issuer (i) written confirmation from each of the Applicable Rating Agencies, *provided* that such agency has rated and continues to rate the Bonds, that the assignment will not result in a reduction, qualification, or withdrawal of the then-current ratings assigned by the Applicable Rating Agencies to the Bonds; or (ii) written confirmation from each of the Applicable Rating Agencies, that the assignee has an outstanding long-term senior, unsecured, unenhanced debt rating equivalent to or higher than the ratings assigned by the Applicable Rating Agencies to the Bonds. Whenever an assignment or a transfer of a Party's interest in this Agreement is requested to be made with the written consent of the other Party, the assigning or transferring Party's assignee or transferee shall expressly agree to assume, in writing, the duties and obligations under this Agreement of the assigning or transferring Party. Upon the agreement of a Party to any such assignment or transfer, the assigning or transferring Party shall furnish or cause to be furnished to the other Party a true and correct copy of such assignment or transfer and assumption of duties and obligations.

ARTICLE XIV
PAYMENTS

Section 14.1 Monthly Statements.

(a) No later than the fifth (5^{th}) day of each Month during the Delivery Period (excluding the first (1^{st}) Month of the Delivery Period) and the first (1^{st}) Month following the end of the Delivery Period, Purchaser shall deliver to Issuer a statement (a "Purchaser's Statement") listing any amounts due to Purchaser in connection with this Agreement with respect to the prior Month(s).

(b) No later than the tenth (10th) day of each Month during the Delivery Period (excluding the first (1st) Month of the Delivery Period) and the first (1st) Month following the end of the Delivery Period (the "Billing Date"), Issuer shall deliver a statement (a "Billing Statement") to Purchaser indicating (i) the total amount due to Issuer for Energy delivered in the prior Month, (ii) any other amounts due to Issuer or Purchaser in connection with this Agreement with respect to the prior Month(s), and (iii) the net amount due to Issuer or Purchaser; provided that invoicing for Monthly Excess Quantities and Assigned Paygo Quantities shall occur under the Participant Custodial Agreement. Additionally, if a Participant Monthly Statement (as defined in the Participant Custodial Agreement) for an Assigned PPA has not been delivered by the tenth (10th) day of the Month following deliveries, Issuer shall provisionally prepare or cause to be prepared a Billing Statement for this Agreement that assumes all of the Monthly Projected Quantities were delivered under the applicable Assigned PPA for such Month, and any subsequent resettlements required with respect thereto shall occur under the Participant Custodial Agreement.

(c) Upon request by either Party, the other Party shall deliver such supporting documentation of the foregoing as such requesting Party may reasonably request.

Section 14.2 Payment.

(a) If the Billing Statement indicates an amount due from Purchaser, then Purchaser shall remit such amount to the Trustee for the benefit of the Issuer by wire transfer (pursuant to the Trustee's instructions for amounts due under this Agreement, provided that amounts due from Purchaser with respect to Monthly Excess Quantities and Assigned Paygo Quantities, as applicable, shall be paid pursuant to the terms of the Participant Custodial Agreement), in immediately available funds, on or before the twentieth (20th) day of the Month following the most recent Month to which such Billing Statement relates, or if such day is not a Business Day, the preceding Business Day. If the Billing Statement indicates an amount due from Issuer, then Issuer shall remit such amount to Purchaser by wire transfer (pursuant to Purchaser's instructions), in immediately available funds, on or before the twenty-eighth (28th) day of the Month following the most recent Month to which such Billing Statement relates, or if such day is not a Business Day, the following Business Day.

(b) If Purchaser fails to issue a Purchaser's Statement with respect to any Month, Issuer shall not be required to estimate any amounts due to Purchaser for such Month, provided that Purchaser may include any such amount on subsequent Purchaser's Statements issued within the next sixty (60) days. The sixty (60) day deadline in this subsection (b) replaces the two (2) year deadline in Section 14.5(b) with respect to any claim by any non-delivering Party of inaccuracy in any estimated invoice issued or payment made pursuant to this subsection (b).

Section 14.3 Payment of Disputed Amounts; Correction of Index Price.

(a) If Purchaser disputes any amounts included in the Issuer's Billing Statement, Purchaser shall (except in the case of manifest error) nonetheless pay any amount required by the Billing Statement in accordance with Section 14.2 without regard to any right of set-off, counterclaim, recoupment or other defenses to payment that Purchaser may have; *provided*, however, that Purchaser shall have the right, after payment, to dispute any amounts included in a Billing Statement or otherwise used to calculate payments due under this Agreement pursuant to Section 14.5. If Issuer disputes any amounts included in the Purchaser's Statement, Issuer may withhold payment to the extent of the disputed amount; *provided*, however, that interest shall be due at the Default Rate for any withheld amount later found to have been properly due.

(b) If a value published for any rate or index used or to be used in this Agreement is subsequently corrected and the correction is published or announced by the Person responsible for that publication or announcement within thirty (30) days after the original publication or announcement, either Party may notify the other Party of (i) that correction and (ii) the amount (if any) that is payable as a result of that correction. If, not later than thirty (30) days after publication or announcement of that correction, a Party gives notice that an amount is so payable, the Party that originally either received or retained such amount shall, not later than three (3) Business Days after the effectiveness of that notice, pay, subject to any other applicable provisions of this Agreement, to the other Party that amount, together with interest on that amount at the Default Rate for the period from and including the day on which a payment originally was (or was not) made to but excluding the day of payment of the refund or payment resulting from that correction.

Section 14.4 Late Payment. If Purchaser fails to remit the full amount payable within one (1) Business Day of when due, interest on the unpaid portion shall accrue from the date due until the date of payment at the Default Rate.

Section 14.5 Audit; Adjustments.

(a) A Party shall have the right, at its own expense, upon reasonable notice to the other Party and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other Party to the extent reasonably necessary, but only to such extent, to verify the accuracy of any statement, charge, payment, or computation made under this Agreement. This right to examine, audit, and obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Agreement.

(b) Each Purchaser's Statement and each Billing Statement shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such Purchaser's Statement or Billing Statement is objected to in writing, with adequate explanation and/or documentation, within two (2) years after the applicable Month of Energy delivery.

(c) All retroactive adjustments shall be paid in full by the Party owing payment within thirty (30) days of notice and substantiation of such inaccuracy. If the Parties are unable to agree upon any retroactive adjustments requested by either Party within the time period specified in Section 14.5(b), then either Party may pursue any remedies available with respect to such adjustments at law or in equity. Retroactive adjustments for payments made based on an incorrect Billing Statement shall bear interest at the Default Rate from the date such payment was made.

Section 14.6 Netting; No Set-Off. The Parties shall net all amounts due and owing, including any past due amounts (which, for the avoidance of doubt, shall include any accrued interest), arising under this Agreement such that the Party owing the greater amount shall make a single payment of the net amount to the other Party in accordance with this Article XIV. Notwithstanding the foregoing, payment for all amounts set forth in a Billing Statement provided to Purchaser shall be made without set-off or counterclaim of any kind.

Section 14.7 Source of Purchaser's Payments. Purchaser covenants and agrees to make payments due hereunder from CCA Revenues, and only from such CCA Revenues, as an operating expense of its CCA System; *provided*, however, that Purchaser may apply any legally available monies to the payment of amounts due hereunder.

Section 14.8 Rate Covenant. Purchaser hereby covenants and agrees that it will establish, fix, prescribe, maintain, and collect rates, fees, and charges from the customers of its CCA System so as to provide CCA Revenues sufficient to enable Purchaser to pay any other amounts legally payable from CCA Revenues, and to maintain any required reserves for Purchaser's CCA System. Purchaser further covenants and agrees that it shall not furnish or supply Energy services free of charge to any Person, except any such service free of charge that Purchaser is supplying on the date hereof as has been specifically identified by Purchaser to Issuer in writing, and it shall promptly enforce the payment of any and all accounts owing to Purchaser for the sale of Energy to its customers. Notwithstanding anything herein to the contrary, Purchaser shall not be obligated to make any payments hereunder except from CCA Revenues.

Section 14.9 Pledge of CCA Revenues. Purchaser shall not grant any lien on or security interest in, or otherwise pledge or encumber, the CCA Revenues if the terms or effect of such lien, pledge or other encumbrance results in such lien, pledge or other encumbrance having priority over the obligations of Purchaser to pay the Contract Price, which obligations constitute operating expenses of Purchaser.

Section 14.10 Financial Responsibility. In the event the Issuer receives notice from Prepay LLC pursuant to Section 2.12 of the Receivables Purchase Provisions that it requires adequate assurance of performance from the Issuer, Issuer shall provide notice thereof to Purchaser and Purchaser shall (a) notify the Issuer of its agreement to provide such adequate assurance within forty-eight (48) Hours but at least one (1) Business Day of Purchaser's receipt of such notice and (b) provide such adequate assurance to Issuer within seventy-two (72) Hours but at least two (2) Business Days of Purchaser's receipt of such notice. Adequate assurance shall mean sufficient security in the form and for a term reasonably specified by Prepay LLC pursuant to Section 2.12 of the Receivables Purchase Provisions, including but not limited to a standby irrevocable letter of credit, a prepayment, a deposit to an escrow account, or a performance bond or guaranty by a creditworthy entity. In the event Issuer is entitled to demand adequate assurance of performance under this Section 14.10, Issuer may demand at a minimum a prepayment by Purchaser of an amount equal to (i) the amount owed by Purchaser with respect to all Energy delivered by Issuer to Purchaser as of the date of the demand for adequate assurance of performance, plus (ii) the amount, as determined and adjusted from time to time by Issuer (with the input of Prepay LLC pursuant to the Receivables Purchase Provisions (as defined in the Bond Indenture)) in a Commercially Reasonable manner, expected to be owed by Purchaser with respect to the Energy to be delivered by Issuer to Purchaser during the remainder of the then-current Month and the following Month. The Parties agree that in the event Purchaser fails to provide such adequate assurance as demanded, Issuer shall have the right to suspend its performance under this Agreement, including the making of deliveries of Energy to Purchaser, immediately upon written notice and shall not be obligated to restore such performance until the later of (A) the first day of the Month after such demand has been satisfied, and (B) the completion of the term of deliveries to any replacement sales customer to which Prepay LLC has remarketed the Energy on behalf of Issuer.

ARTICLE XV
[RESERVED]

ARTICLE XVI
NOTICES

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to the other Party (or to a third party) shall be in writing and shall either be sent by electronic means, courier, or personally delivered (including overnight delivery service) to each of the notice recipients and addresses specified in Exhibit B for the receiving Party. Any such notice, demand, or request shall be deemed to be given (i) on the date it is delivered by electronic means or (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service). Each Party shall have the right, upon ten (10) days' prior written notice to the other Party, to change its list of notice recipients and addresses in Exhibit B. The Parties may mutually agree in writing at any time to deliver notices, demands or requests through alternate or additional methods. Notwithstanding the foregoing, a Party may at any time notify the other Party that any notice, demand, statement or request to it must be provided by email transmission for a specified period of time or until further notice, and any communications delivered by means other than email transmission during the specified period of time shall be ineffective.

ARTICLE XVII
DEFAULT; REMEDIES; TERMINATION

Section 17.1 Issuer Default. Each of the following events shall constitute an "Issuer Default" under this Agreement:

(a) any representation or warranty made by Issuer in this Agreement proves to have been incorrect in any material respect when made; or

(b) Issuer fails to perform, observe or comply with any covenant, agreement or term contained in this Agreement, and such failure continues for more than thirty (30) days following the earlier of (i) receipt by Issuer of notice thereof or (ii) an officer of Issuer obtaining actual knowledge of such default.

Section 17.2 Purchaser Default. Each of the following events shall constitute a "Purchaser Default" under this Agreement:

(a) Purchaser fails to pay when due any amounts owed to Issuer pursuant to this Agreement and such failure continues for one (1) Business Day following the earlier of (i) receipt by Purchaser of notice thereof or (ii) an officer of Purchaser becoming aware of such default;

(b) Purchaser (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency Law or other similar Law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets; (vii) has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its of assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter; (viii) causes or is subject to any event with respect to it which, under the applicable Laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) through (vii); or (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(c) any representation or warranty made by Purchaser in this Agreement proves to have been incorrect in any material respect when made; or

(d) Purchaser fails to perform, observe or comply with any covenant, agreement or term contained in this Agreement, and such failure continues for more than fifteen (15) days following the earlier of (i) receipt by Purchaser of notice thereof or (ii) an officer of Purchaser becoming aware of such default.

Section 17.3 Remedies Upon Default.

(a) Termination. If at any time an Issuer Default or a Purchaser Default has occurred and is continuing, then the non-defaulting Party may do any or all of the following (i) by notice to the defaulting Party specifying the relevant Issuer Default or Purchaser Default, as applicable, terminate this Agreement effective as of a day not earlier than the day such notice is deemed given under Article XVI and/or (ii) declare all amounts due to the non-defaulting Party under this Agreement or any part thereof immediately due and payable, and the same shall thereupon become immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of intent to demand, protest or other formalities of any kind, all of which are hereby expressly waived by the defaulting Party; *provided*, however, this Agreement shall automatically terminate and all amounts due to the non-defaulting Party hereunder shall immediately become due and payable as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition that upon the occurrence of a Purchaser Default specified in Section 17.2(b)(iv) or, to the extent analogous thereto, Section 17.2(b)(viii). In addition, during the existence of an Issuer Default or a Purchaser Default, as applicable, the non-defaulting Party may exercise all other rights and remedies available to it at Law or in equity, including without limitation mandamus, injunction and action for specific performance, to enforce any covenant, agreement or term of this Agreement.

(b) Additional Remedies. In addition to the remedies set forth in Section 17.3(a) (and without limiting any other provisions of this Agreement), during the existence of any Purchaser Default, Issuer may suspend its performance hereunder and discontinue the supply of all or any portion of the Energy otherwise to be delivered to Purchaser by it under this Agreement. If Issuer exercises its right to suspend performance under this Section 17.3(b), Purchaser shall remain fully liable for payment of all amounts in default and shall not be relieved of any of its payment obligations under this Agreement. Deliveries of Energy may only be reinstated, at a time to be determined by Issuer, upon (i) payment in full by Purchaser of all amounts then due and payable under this Agreement and (ii) payment in advance by Purchaser at the beginning of each Month of amounts estimated by Issuer to be due to Issuer for the future delivery of Energy under this Agreement for such Month. Issuer may continue to require payment in advance from Purchaser after the reinstatement of Issuer's supply services under this Agreement for such period of time as Issuer in its sole discretion may determine is appropriate. In addition, and without limiting any other provisions of or remedies available under this Agreement, if Purchaser fails to accept from Issuer any Energy tendered for delivery under this Agreement, Issuer shall have the right to sell such Energy to third parties on any terms that Issuer, in its sole discretion, determines are appropriate.

(c) Effect of Early Termination. As of the effectiveness of any termination date in accordance with clause (i) of Section 17.3(a), (i) the Delivery Period shall end, (ii) the obligation of Issuer to make any further deliveries of Energy to Purchaser under this Agreement shall terminate, and (iii) the obligation of Purchaser to receive deliveries of Energy from Issuer under this Agreement will terminate. Neither this Agreement nor the Delivery Period may be terminated for any reason except as specified in this Article XVII. Without prejudice to any payment obligation in respect of periods prior to termination, no payments will be due from either Party in respect of periods occurring after the effective termination date of this Agreement.

Section 17.4 Termination of Prepaid Agreement. Purchaser acknowledges and agrees that (i) in the event an Energy Delivery Termination Event occurs under and as defined in the Prepaid Agreement for any reason prior to the end of the Delivery Period, this Agreement shall terminate on the Energy Delivery Termination Date (which date shall be the last date upon which deliveries are required under the Prepaid Agreement, subject to all winding up arrangements) and (ii) Issuer's obligation to deliver Energy under this Agreement shall terminate upon the termination of deliveries of Energy to Issuer under the Prepaid Agreement. Issuer shall provide notice to Purchaser of any early termination date of the Prepaid Agreement. The Parties recognize and agree that, in the event that the Prepaid Agreement terminates because of a Failed Remarketing (as defined in the Bond Indenture) of the Bonds that occurs in the first Month of a Reset Period, Issuer shall deliver Energy under this Agreement for the remainder of such first Month, and, notwithstanding anything in this Agreement to the contrary, no Monthly Discount or

Annual Refunds shall be associated with such deliveries and the Contract Price shall be adjusted accordingly.

Section 17.5 Limitation on Damages. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS HEREIN PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION, OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING WITHOUT LIMITATION THE NEGLIGENCE OF EITHER PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID UNDER THIS AGREEMENT ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT, AND THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS. IN DETERMINING THE APPROPRIATE MEASURE OF DAMAGES THAT WOULD MAKE THE PARTIES WHOLE, THE PARTIES HAVE THOROUGHLY CONSIDERED, INTER ALIA, THE UNCERTAINTY OF FLUCTUATIONS IN COMMODITY PRICES, THE ABILITY AND INTENTION OF THE PARTIES TO HEDGE SUCH FLUCTUATIONS, THE BARGAINED-FOR ALLOCATION OF RISK, THE KNOWLEDGE, SOPHISTICATION AND EQUAL BARGAINING POWER OF THE PARTIES, THE ARMS-LENGTH NATURE OF THE NEGOTIATIONS, THE SPECIAL CIRCUMSTANCES OF THIS TRANSACTION, THE ACCOUNTING AND TAX TREATMENT OF THE TRANSACTION BY THE PARTIES, AND THE ENTERING INTO OF OTHER TRANSACTIONS IN RELIANCE ON THE ENFORCEABILITY OF THE LIQUIDATED DAMAGES PROVISIONS CONTAINED HEREIN.

ARTICLE XVIII
MISCELLANEOUS

Section 18.1 Indemnification Procedure. With respect to each indemnification included in this Agreement, the indemnity is given to the fullest extent permitted by applicable Law and the following provisions shall be applicable. The indemnified Party shall promptly notify the indemnifying Party in writing of any Claim and the indemnifying Party shall have the right to assume its investigation and defense, including employment of counsel, and shall be obligated to pay related court costs, attorneys' fees and experts' fees and to post any appeals bonds; *provided*, however, that the indemnified Party shall have the right to employ at its expense separate counsel and participate in the defense of any Claim. The indemnifying Party shall not be liable for any settlement of a Claim without its express written consent thereto. In order to prevent double recovery, the indemnified Party shall reimburse the indemnifying Party for payments or costs incurred in respect of an indemnity with the proceeds of any judgment, insurance, bond, surety or other recovery made by the indemnified Party with respect to a covered event.

Section 18.2 Deliveries. Contemporaneously with this Agreement (unless otherwise specified): Each Party shall deliver to the other Party evidence reasonably satisfactory to it of (i) such Party's authority to execute, deliver and perform its obligations under this Agreement and (ii) the appropriate individuals who are authorized to sign this Agreement on behalf of such Party;

(a) as of the date hereof, Purchaser shall deliver to Issuer a fully executed Federal Tax Certificate in the form attached hereto as Exhibit D;

(b) on the Bond Closing Date, Purchaser shall deliver to Issuer an opinion of counsel to Purchaser in the form attached hereto as Exhibit E;

(c) on the Bond Closing Date, Purchaser shall deliver to Issuer a Closing Certificate in substantially the form set forth hereto as Exhibit G.

Section 18.3 Entirety; Amendments. This Agreement, including the exhibits and attachments hereto, constitutes the entire agreement between the Parties and supersedes all prior discussions and agreements between the Parties with respect to the subject matter hereof. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those expressed herein. Except for any matters that, in accordance with the express provisions of this Agreement, may be resolved by oral agreement between the Parties, no amendment, modification, supplement or change hereto shall be enforceable unless reduced to writing and executed by both Parties.

Section 18.4 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLE THAT WOULD DIRECT THE APPLICATION OF ANOTHER JURISDICTION'S LAW.

Section 18.5 Non-Waiver. No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is in writing and signed by the Party against whom such waiver is claimed. No waiver of any breach shall be deemed a waiver of any other subsequent breach.

Section 18.6 Severability. If any provision of this Agreement, or the application thereof, shall for any reason be invalid or unenforceable, then to the extent of such invalidity or unenforceability, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected thereby, but rather shall be enforced to the maximum extent permissible under applicable Law, so long as the economic and legal substance of the transactions contemplated hereby is not affected in any materially adverse manner as to either Party.

Section 18.7 Exhibits. Any and all Exhibits referenced in this Agreement are hereby incorporated herein by reference and shall be deemed to be an integral part hereof.

Section 18.8 Winding Up Arrangements. All indemnity and confidentiality obligations, audit rights, and other provisions specifically providing for survival shall survive the expiration or termination of this Agreement. The expiration or termination of this Agreement shall not relieve either Party of (a) any unfulfilled obligation or undischarged liability of such Party on the date of such termination or (b) the consequences of any breach or default of any warranty or covenant contained in this Agreement. All obligations and liabilities described in the preceding sentence of this Section 18.8, and applicable provisions of this Agreement creating or relating to such obligations and liabilities, shall survive such expiration or termination.

Section 18.9 Relationships of Parties. The Parties shall not be deemed to be in a relationship of partners or joint venturers by virtue of this Agreement, nor shall either Party be an agent, representative, trustee or fiduciary of the other. Neither Party shall have any authority to bind the other to any agreement. This Agreement is intended to secure and provide for the services of each Party as an independent contractor.

Section 18.10 Immunity. Each Party represents and covenants to and agrees with the other Party that it is not entitled to and shall not assert the defense of sovereign immunity or governmental immunity with respect to its obligations or any Claims under this Agreement, and each hereby waives any such defense of sovereign or governmental immunity to the full extent permitted by Law.

Section 18.11 Rates and Indices. If the source of any publication used to determine the index or other price used in the Contract Price should cease to publish the relevant prices or should cease to be published entirely, an alternative index or other price will be used based on the determinations made by Issuer and Prepay LLC under Section 18.11 of the Prepaid Agreement. Issuer shall provide Purchaser the opportunity to provide its recommendations and other input to Issuer for Issuer's use in the process for selecting such alternative index or other price under Section 18.11 of the Prepaid Agreement.

Section 18.12 Limitation of Liability. Notwithstanding anything to the contrary herein, all obligations of Issuer under this Agreement, including without limitation all obligations to make payments of any kind whatsoever, are special, limited obligations of Issuer, payable solely from the Trust Estate (as such term is defined in the Bond Indenture) as and to the extent provided in the Bond Indenture, including with respect to Operating Expenses (as such term is defined in the Bond Indenture). Issuer shall not be required to advance any moneys derived from any source other than the Revenues (as such term is defined in the Bond Indenture) and other assets pledged under the Bond Indenture for any of the purposes in this Agreement mentioned. Neither the faith and credit of Issuer nor the taxing power of the State of California or any political subdivision thereof is pledged to payments pursuant to this Agreement. Issuer shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reasons of or in connection with this Agreement, except solely to the extent Revenues (as such term is defined in the Bond Indenture) are received for the payment thereof and may be applied therefor pursuant to the terms of the Bond Indenture.

Section 18.13 Counterparts. This Agreement may be executed and acknowledged in multiple counterparts and by the Parties in separate counterparts, each of which shall be an original and all of which shall be and constitute one and the same instrument.

Section 18.14 Third Party Beneficiaries; Rights of Trustee. Purchaser acknowledges and agrees that (a) Issuer will pledge and assign its rights, title and interest in this Agreement and the amounts payable by Purchaser under this Agreement to secure Issuer's obligations under the Bond Indenture, (b) the Trustee shall be a third-party beneficiary of this Agreement with the right to enforce Purchaser's obligations under this Agreement, (c) the Trustee or any receiver appointed under the Bond Indenture shall have the right to perform all obligations of Issuer under this Agreement, and (d) in the event of any Purchaser Defaults under Section 17.2(a), (i) Prepay LLC may, to the extent provided for in, and in accordance with, the Receivables Purchase Provisions (as defined in the Bond Indenture), take assignment from Issuer of receivables owed by Purchaser to Issuer under this Agreement, and shall thereafter have all rights of collection with respect to such receivables, and (ii) if such receivables are not so assigned, the Commodity Swap Counterparty (as defined in the Bond Indenture) shall have the right to pursue collection of such receivables to the extent of any non-payment by Issuer to the Commodity Swap Counterparty that was caused by Purchaser's payment default. Pursuant to the terms of the Bond Indenture, Issuer has irrevocably appointed the Trustee as its agent to issue notices and as directed under the Bond Indenture, to take any other actions that Issuer is required or permitted to take under this Agreement. Purchaser may rely on notices or other actions taken by Issuer or the Trustee and Purchaser has the right to exclusively rely on any notices delivered by the Trustee, regardless of any conflicting notices that it may receive from Issuer.

Section 18.15 Waiver of Defenses. Purchaser waives all rights to set-off, counterclaim, recoupment and any other defenses that might otherwise be available to Purchaser with regard to Purchaser's obligations pursuant to the terms of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Power Supply Contract to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

[Separate Signature Page(s) Attached]

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY

By: ________________________________
Name: ________________________________
Title: ________________________________

SAN DIEGO COMMUNITY POWER

By: ________________________________
Name: ________________________________
Title: ________________________________

EXHIBIT A-1
BASE ENERGY HOURLY QUANTITIES

[To be attached.]

EXHIBIT A-2
EPS ENERGY PERIOD MONTHLY PROJECTED QUANTITIES

[To be attached.]

EXHIBIT A-3
ANNUAL QUANTITY

[To be attached.]

EXHIBIT B
NOTICES

IF TO ISSUER:	California Community Choice Financing Authority 1125 Tamalpais Avenue San Rafael, CA 94901 notices@cccfa.org and invoices@cccfa.org
IF TO PURCHASER:	Eric Washington Chief Financial Officer & Treasurer 815 E Street, Suite 12716 San Diego, CA 92112 Email: ewashington@sdcommunitypower.org

EXHIBIT C
FORM OF REMARKETING ELECTION NOTICE

[_____], 20[_]

Energy Prepay III, LLC
c/o Morgan Stanley & Co.
[1585 Broadway
New York, NY 10036-9203]
Email: SDCP_2025[X]_ms_notices@morganstanley.com
With a mandatory copy to:
Email: msdoc-misc-notices@morganstanley.com

U.S. Bank Trust Company, National Association
2 Concourse Parkway, Suite 800
Atlanta, Georgia 30328
Attention: Mark Hallam

To the Addressees:

The undersigned, duly authorized representative of San Diego Community Power, a California joint powers authority (the "Purchaser"), is providing this notice (the "Remarketing Election Notice") pursuant to the Power Supply Contract, dated as of [____], 2025 (the "Supply Contract"), between California Community Choice Financing Authority and the Purchaser. Capitalized terms used herein shall have the meanings set forth in the Supply Contract.

Pursuant to Section 3.4(b) of the Supply Contract, the Purchaser has elected to have its Contract Quantity for the applicable Reset Period remarketed beginning as of the commencement of such Reset Period. The resumption of deliveries in any future Reset Period shall be in accordance with Section 3.4(d) of the Supply Contract.

Given this [___] day of [_________], 20[__].

SAN DIEGO COMMUNITY POWER

By: ______________________
Printed Name:
Title:

EXHIBIT D

FORM OF FEDERAL TAX CERTIFICATE

This Federal Tax Certificate is executed in connection with the Power Supply Contract dated as of [____], 2025 (the "Supply Contract"), by and between California Community Choice Financing Authority ("Issuer") and San Diego Community Power, a California joint powers authority ("Purchaser"). Capitalized terms used and not otherwise defined herein shall have the meanings given to them in the Supply Contract or in the Bond Indenture.

WHEREAS Purchaser acknowledges that Issuer is issuing the Bonds to fund the prepayment price under the Prepaid Agreement; and

WHEREAS the Bonds are intended to qualify for tax exemption under Section 103 of the Internal Revenue Code of 1986, as amended; and

WHEREAS Purchaser's use of Energy acquired pursuant to the Supply Contract and certain funds and accounts of Purchaser will affect the Bonds' qualification for such tax exemption.

NOW, THEREFORE, PURCHASER HEREBY CERTIFIES AS FOLLOWS:

1. Purchaser is a community choice aggregator organized as a joint powers authority under the laws of the State of California. As a community choice aggregator, the Purchaser is a load-serving entity providing electricity to customers within the boundaries of cities and/or counties that have elected to participate in Purchaser's community choice aggregation program. For purposes of this Certificate, the term "service area" of the Purchaser means the boundaries of the cities and/or counties that have elected to participate in the Purchaser's community choice aggregation program, as well as any other area recognized as the service area of the Purchaser under state or federal law.

2. Purchaser will resell all of the Energy acquired pursuant to the Supply Contract to its retail Energy customers within its service area, with retail sales in all cases being made pursuant to regularly established and generally applicable tariffs or under authorized requirements contracts.

3. From [___, __] to [____, 202_] the annual average amount of Energy purchased (other than for resale) by customers of Purchaser who are located within the service area of Purchaser is [________] MWh. Over the term of the Supply Contract, the Purchaser expects the annual average amount of Energy purchased (other than for resale) by customers of the Purchaser who are located within the service area of the Purchaser to be at least [_____] MWh. The maximum annual amount of Energy in any year being acquired pursuant to the Supply Contract is [_______] MWh. The annual average amount of Energy which Purchaser otherwise has a right to acquire as of the Bond Closing Date (including rights to capacity to generate electricity, whether owned, leased or otherwise contracted for) is [________] MWh. The sum of (a) the maximum amount of Energy in any year being acquired pursuant to the Supply Contract, and (b) the amount of Energy that Purchaser otherwise has a right to acquire (including rights to capacity to generate electricity, whether owned, leased or otherwise contracted for) in the year described in the foregoing clause

(a), is [________] MWh. Accordingly, the amount of Energy to be acquired under the Supply Contract by Purchaser, supplemented by the amount of Energy otherwise available to Purchaser as of the Bond Closing Date, during any year does not exceed [___]% of the expected annual average amount of Energy to be purchased (other than for resale) by customers of Purchaser who are located within the service area of Purchaser.

3. In the event of the expiration or termination of an EPS Energy Period, Purchaser agrees to comply with its obligations under the Assignment Letter Agreement, including but not limited to its obligations to (a) exercise Commercially Reasonable Efforts to assign a portion of Purchaser's rights and obligations under a power purchase agreement under which Purchaser is purchasing EPS Compliant Energy to MSCG or Prepay LLC pursuant to an Assignment Agreement and (b) cooperate in good faith with Issuer, MSCG and Prepay LLC with respect to any proposed assignments.

4. Purchaser expects to pay for Energy acquired pursuant to the Supply Contract solely from funds derived from its operations as a community choice aggregator. Purchaser expects to use current CCA Revenues of its CCA System to pay for current Energy acquisitions. Neither the Purchaser nor any person who is a related party to the Purchaser will hold any funds or accounts in which monies are set aside and invested and which are reasonably expected to be used to pay for Energy more than one year after such monies are set aside. No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of Purchaser or any persons who are related Persons to Purchaser that are or were intended to be used for the purpose for which the Bonds were issued.

_______________, 2025

By: ________________________________
[Name]
[Title]

EXHIBIT E
FORMS OF OPINION OF COUNSEL TO PURCHASER

[INSERT SDCP LETTERHEAD]

[_________], [____], 2025

California Community Choice Financing Authority
San Rafael, California

Morgan Stanley & Co. LLC
New York, NY

Re: California Community Choice Financing Authority Clean Energy Project Revenue Bonds, 2025 Series [X]

Ladies and Gentlemen:

I am general counsel to San Diego Community Power, a California joint powers authority ("SDCP"). This opinion is being provided in connection with the issuance by the California Community Choice Financing Authority (the "Issuer") of its Clean Energy Project Revenue Bonds, 2025 Series [X]. This opinion is rendered in connection with the Bond Purchase Contract, dated [____], 2025 (the "Bond Purchase Contract"), by and between Morgan Stanley & Co. LLC, as underwriter, and the Issuer. Capitalized terms used herein shall have the meanings given to them in the Bond Purchase Contract.

In rendering this opinion, I have examined or reviewed copies of such records and other documents as I have deemed necessary and relevant for purposes of this opinion. In my examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, and the conformity of all original documents submitted to me as copies. In basing the opinion set forth in this letter on "my knowledge", the words "my knowledge" signify that no facts have come to my attention that would give me actual knowledge or actual notice that such opinion is not accurate. Except as otherwise stated in this opinion, I have undertaken no investigation or verification of such matters.

The opinion or conclusions herein may be affected by actions taken or omitted or events occurring after the date hereof. I have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to my attention after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. In reviewing the documents and matters referred to above, I have assumed the due and legal execution and delivery thereof by, and the validity against, any parties other than SDCP. I have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in such documents. I have further assumed compliance with all covenants and agreements contained in such documents.

Based upon and subject to the foregoing and in reliance thereon, as of the date hereof, to my knowledge, after due inquiry, there is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to my knowledge, threatened against SDCP, affecting the existence of SDCP or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the execution and delivery of the Power Supply Contract, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of SDCP or any authority for the execution and delivery of the Power Supply Contract, nor, to my knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Power Supply Contract.

I express no opinion as to any matter other than as expressly set forth above, and I express no opinion on the laws of any jurisdiction other than the State of California and the United States of America. I disclaim any obligation to update this letter.

Very truly yours,

[_____________________]
General Counsel

[__________], 2025

To the Addressees on
Schedule I attached hereto

We have acted as counsel to San Diego Community Power, a California joint powers authority (the "Project Participant") in connection with the issuance by the California Community Choice Financing Authority (the "Issuer") of its Clean Energy Project Revenue Bonds, 2025 Series [X] (the "Bonds"). This opinion is rendered pursuant to the Bond Purchase Contract, dated [____], 2025 (the "Bond Purchase Contract"), by and between Morgan Stanley & Co. LLC, as underwriter (the "Underwriter") and the Issuer.

In rendering this opinion, we have examined executed copies of the following documents in the form approved by the Board of Directors of the Project Participant pursuant to Project Participant Resolution (collectively, the "Project Participant Documents"):

(a) Resolution No. 2025-[__] adopted by the Board of Directors of the Project Participant on [__], 2025 (the "Project Participant Resolution");

(b) Power Supply Contract between the Project Participant and the Issuer;

(c) Custodial Agreement by and among the Project Participant, Energy Prepay III, LLC (the "Energy Supplier"), Morgan Stanley Capital Group Inc. ("MSCG") and U.S. Bank Trust Company, National Association, as custodian;

(d) Limited Assignment Agreement by and among the Project Participant, the Energy Supplier and MSCG, as seller under the power purchase agreement to which such assignment relates;

(e) Letter Agreement by and among the Project Participant, the Issuer, the Energy Supplier and MSCG regarding matters relating to Limited Assignment Agreements; and

(f) Project Administration Agreement relating to the Clean Energy Project, by and between the Project Participant and the Issuer;

We have also reviewed copies of such records and other documents as we have deemed necessary and relevant for purposes of this opinion. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity of all original documents submitted to us as copies.

As to factual matters, we have relied solely upon our review of the foregoing, the representations and warranties of the Project Participant contained in the Project Participant Documents, the Preliminary Official Statement, the Official Statement, the joint powers agreement of the Project Participant, and various certificates and other documents furnished to us by authorized officers of the Project Participant. In basing the opinions set forth in this letter on "our knowledge", the words "our knowledge" signify that, in the course of our representation, no facts have come to our attention that would give us actual knowledge or actual notice that any such opinions or other matters are not accurate. Except as otherwise stated in this opinion, we have undertaken no investigation or verification of such matters.

We are of the opinion that:

1. The Project Participant is a joint powers authority created and existing under the laws of the State of California (the "State"), specifically the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended and supplemented from time to time (the "Act"), and has full legal right, power and authority under the Act to (a) enter into, execute and deliver the Project Participant Documents, and (b) carry out and consummate the transactions contemplated by the Project Participant Documents.

2. By all necessary official action, the Project Participant has duly authorized all necessary action to be taken by it for (a) the adoption of the Project Participant Resolution, (b) the approval, execution and delivery of, and the performance by the Project Participant of the obligations on its part, contained in the Project Participant Documents, and (c) the consummation by it of all other transactions contemplated by the Preliminary Official Statement, the Official Statement and the Project Participant Documents.

3. The Project Participant Resolution was duly and validly adopted by the Project Participant in compliance with all applicable procedural requirements of the Project Participant and in compliance with the Act, and the Project Participant Resolution is in full force and effect and has not been amended.

4. The Project Participant Documents have been duly authorized, executed and delivered by the Project Participant, and constitute legal, valid and binding obligations of the Project Participant enforceable against the Project Participant in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights.

5. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Project Participant of its obligations under the Project Participant Documents have been obtained.

6. The execution and delivery of the Project Participant Documents and compliance by the Project Participant with the provisions thereof, under the circumstances contemplated therein, will not conflict with or constitute on the part of the Project Participant a material breach of or a default under any agreement or instrument to which the Project Participant is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the Project Participant is subject.

7. To our knowledge, the statements contained in the Preliminary Official Statement as of its date and in the Official statement under the captions ["INTRODUCTION – THE PROJECT PARTICIPANT," "COMMUNITY CHOICE AGGREGATORS," in the second paragraph under the caption "LITIGATION," and in Appendix A – "THE PROJECT PARTICIPANT – San Diego Community Power"] are true and correct in all material respects.

Notwithstanding anything to the contrary contained above, the foregoing opinion is expressly made subject to the following exceptions, qualifications, and assumptions:

(i) We express no opinion with respect to the validity or enforceability of any provisions of the Project Participant Documents or any other documents that may be read to require the Project Participant to indemnify any party.

(ii) We express no opinion with respect to regulatory compliance by the Project Participant under any applicable law, including the California Public Utilities Code, as amended or supplemented from time to time, as determined by any governmental authority, including the California Public Utilities Commission, regarding the purchase of Energy by the Project Participant under the Power Supply Contract.

(iii) We express no opinion as to the enforceability of provisions waiving, directly or indirectly, expressly or impliedly, defenses to obligations or rights granted by law, where such waivers are prohibited by law or are against public policy.

(iv) Our opinion as to enforceability is limited by standards of good faith, fair dealing, materiality, and reasonableness that may be applied by a court to the exercise of certain rights and remedies; limitations based on statutes or on public policy limiting a person's right to waive the benefit of statutory provisions or of a common law right; and limitations releasing a party from or indemnifying a party against liability for its own wrongful or negligent act when such release or indemnification is contrary to public policy.

(v) Our opinion is limited to the matters stated herein and no opinion may be inferred or implied beyond the matters expressly stated herein. The opinions expressed in this letter are given solely for your use and benefit in connection with the transactions referred to herein and no other person may use or rely on this opinion letter, nor may it be used or relied upon in any other transaction which is not related to transactions referred to herein, without our prior express written consent. This opinion is provided to you as a legal opinion only and not as a warranty or guarantee with respect to the matter described herein or in the documents referred to herein.

(vi) The scope of this opinion is limited to those issues and parties specifically considered herein and no further or more expansive opinion is implied or should be inferred from any opinion expressed herein. On such basis, any variation or difference in the facts upon which this opinion is based might affect our conclusions in an adverse manner and make them inaccurate.

This opinion is rendered solely for the use and benefit of the parties listed on Schedule I hereto and may not be relied upon other than in connection with the transactions contemplated by the Project Participant Documents, or by any other person or entity for any purpose whatsoever, nor may this opinion be quoted in whole or in part or otherwise referred to in any document or delivered to any other person or entity, without the prior written consent of the undersigned.

Respectfully submitted,

[_____]

EXHIBIT F

MONTHLY DISCOUNT

Monthly Discount:	From [____] through and including [____]: $[____] per MWh and from [____] until the end of the Initial Reset Period: $[___]/MWh.

EXHIBIT G
FORM OF CLOSING CERTIFICATE

CLOSING CERTIFICATE OF PURCHASER

__________, 2025

Re: California Community Choice Financing Authority
Clean Energy Project Revenue Bonds

The undersigned ______________________________ of San Diego Community Power, a California joint powers authority (the *"Purchaser"*), hereby certifies as follows in connection with the Power Supply Contract dated as of [____], 2025 (the *"Agreement"*) between the Purchaser and California Community Choice Financing Authority ("*Issuer*") and the issuance and sale by Issuer of the above-referenced bonds (the *"Bonds"*) (capitalized terms used and not defined herein shall have the meanings given to them in the Agreement):

1. Purchaser is a community choice aggregator, duly created and validly existing as a joint powers authority, and is in good standing, under the laws of the State of California (the *"State"*), and has the corporate power and authority to enter into and perform its obligations under the Agreement.

2. By all necessary official action on its part, the Purchaser has duly authorized and approved the execution and delivery of, and the performance by the Purchaser of the obligations on its part contained in the Agreement, and such authorization and approval has not been amended, supplemented, rescinded or modified in any respect since the date thereof.

3. The Agreement constitutes the legal, valid and binding obligation of the Purchaser.

4. The authorization, execution and delivery of the Agreement and compliance with the provisions on the Purchaser's part contained therein (a) will not conflict with or constitute a breach of or default under (i) any instrument relating to the organization, existence or operation of Purchaser, (ii) any ruling, regulation, ordinance, judgment, order or decree to which Purchaser (or any of its officers in their respective capacities as such) is subject or (iii) any provision of the laws of the State relating to Purchaser and its affairs, and (b) will not result in, or require the creation or imposition of, any lien on any of the properties or revenues of Purchaser pursuant to any of the foregoing.

5 The Purchaser is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Purchaser is a party or to which the Purchaser or any of its property or

assets are subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Purchaser under any of the foregoing.

6. Payments to be made by the Purchaser under the Agreement shall constitute operating expenses of the Purchaser's CCA System (as defined in the Agreement) payable solely from the revenues and other available funds of Purchaser's CCA System as a cost of purchased electricity. The application of the revenues and other available funds of the Purchaser's CCA System to make such payments is not subject to any prior lien, encumbrance or other restriction.

7. No litigation, proceeding or tax challenge is pending or, to its knowledge, threatened, against the Purchaser in any court or administrative body which would (a) contest the right of the officials of the Purchaser to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Purchaser, (c) contest the validity, due authorization and execution of the Agreement or (d) attempt to limit, enjoin or otherwise restrict or prevent the Purchaser from executing, delivering and performing the Agreement, nor to the knowledge of the Purchaser is there any basis therefor.

8. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Purchaser of its obligations under the Agreement have been duly obtained.

9. The representations and warranties of the Purchaser contained in the Agreement were true, complete and correct on and as of the date thereof and are true, complete and correct on and as of the date hereof.

10. The statements and information with respect to the Purchaser contained in the Official Statement dated ___________, 2025 with respect to the Bonds, including Appendix B thereto (the *"Official Statement"*), fairly and accurately describe and summarize the financial and operating position of the Purchaser for the periods shown therein, and such statements and information did not as of the date of the Official Statement and do not as of the date hereof contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements and information, in the light of the circumstances under which they were made, not misleading.

11. No event affecting the Purchaser has occurred since the date of the Official Statement which should be disclosed therein in order to make the statements and information with respect to the Purchaser contained therein, in light of the circumstances under which they were made, not misleading in any material respect.

IN WITNESS WHEREOF the undersigned has executed this Certificate on and as of the date first written above.

SAN DIEGO COMMUNITY POWER

By____

Name:

Title:

EXHIBIT H

FORM OF REMEDIATION CERTIFICATE

[_____], 20__

[_____]

Energy Prepay III, LLC
c/o Morgan Stanley & Co.
[1585 Broadway
New York, NY 10036-9203]
Email: SDCP_2025[X]_ms_notices@morganstanley.com
With a mandatory copy to:
Email: msdoc-misc-notices@morganstanley.com

Re: Power Supply Contract with California Community Choice Financing Authority: Section 7.5 Remediation

To the addressees:

The undersigned, duly authorized representative of San Diego Community Power, a California joint powers authority ("Purchaser"), hereby certifies as follows in connection with the Power Supply Contract, dated as of [____], 2025 (the "Contract"), between Purchaser and California Community Choice Financing Authority and remediation of Disqualified Remarketing Proceeds pursuant to Section 7.5 of the Contract. Capitalized terms used herein shall have the meanings set forth in the Contract.

Set forth as Attachment 1 hereto is a copy of Purchaser's invoice for the Month of [____] for purchases of Energy from [____] ***[NOTE: Insert reference to supplier.]*** pursuant that certain [____] ***[NOTE: Insert reference to applicable supply agreement.]***, and all of such Energy was used in compliance with the Qualifying Use Requirements.

In witness whereof the undersigned has executed this Certificate on and as of the date first written above.

SAN DIEGO COMMUNITY POWER

By ___________________________________
[Name]
[Title]

EXHIBIT A2

MASTER CUSTODIAL AGREEMENT

This Master Custodial Agreement (this "Agreement") is made and entered into as of [____], 2025, by and among Energy Prepay III, LLC, a Delaware limited liability company ("Prepay LLC"), Morgan Stanley Capital Group Inc., a Delaware corporation ("MSCG"), California Community Choice Financing Authority, a joint powers authority and a public entity of the State of California established pursuant to the provisions of the Joint Exercise of Powers Act (Article 1, Chapter 5, Division 7, Title 1, Section 6500 *et seq*. of the *California Government Code*, as amended) ("Issuer"), and The Bank of New York Mellon, a New York banking corporation, in its capacity as custodian hereunder (in such capacity, the "Master Custodian").

RECITALS:

WHEREAS, Issuer is issuing its [Clean Energy Project Revenue Bonds, 2025 Series [X]] (the "Bonds") pursuant to the Trust Indenture, dated as of [____], 2025 (the "Bond Indenture") between the Issuer and U.S. Bank Trust Company, National Association, in its capacity as trustee under the Bond Indenture (the "Trustee"); and

WHEREAS, Prepay LLC and Issuer are entering into a Prepaid Energy Sales Agreement, dated as of [____], 2025 (the "Prepaid Agreement"); and

WHEREAS, in connection with the execution of the Prepaid Agreement, Prepay LLC and MSCG are entering into an Energy Management Agreement, dated as of the date hereof (the "Energy Management Agreement"); and

WHEREAS, in connection with the execution of the Prepaid Agreement, [____], a [____] (along with its successors and permitted assignees, "Funding Recipient") are entering into a [____], dated as of [____], (as may be amended, supplemented, or otherwise replaced), (the "Funding Agreement") pursuant to which Funding Recipient is the borrower and Prepay LLC is the lender; and

WHEREAS, Royal Bank of Canada (the "Swap Counterparty"), and Prepay LLC are entering into a commodity price swap transaction pursuant to an ISDA Master Agreement, dated as of [____], 2025, together with the Schedule, Credit Support Annex(s) and a Confirmation, dated as of [____], 2025 (such ISDA Master Agreement, Schedule, Credit Support Annex(s), Confirmation and any other confirmation entered into consistent with the terms thereof, the "Back-End Commodity Swap"); and

WHEREAS, in connection with the execution of the Back-End Commodity Swap, Prepay LLC and the Trustee are entering into a Custodial Agreement with Swap Counterparty, dated as of [____], 2025 (the "Seller Swap Custodial Agreement"), pursuant to which the parties will establish a custodial account for payment of amounts due by Prepay LLC to the Swap Counterparty under the Back-End Commodity Swap (the "Swap Payments Account"); and

WHEREAS, to enable Prepay LLC to perform certain of its obligations in connection with the Clean Energy Project, (i) Prepay LLC and MSCG are entering into a Subordinated Note Purchase Agreement, dated as of [____], 2025 and may enter into additional subordinated note purchase agreements in connection with the establishment of future Interest Rate Periods (the "Subordinated Note Purchase Agreement"), pursuant to which MSCG is the investor and Prepay LLC is the issuer of a Subordinated Note (the "Subordinated Note") and (ii) Prepay LLC and Morgan Stanley Capital Services LLC ("MSCS") are entering into a credit default swap transaction pursuant to that certain Confirmation, dated as of [____], 2025 (the "Credit Default Swap"); and

WHEREAS, Prepay LLC, MSCG, the Issuer and the Master Custodian propose to enter into this Agreement in order to administer payments to be (a) received by Prepay LLC under (i) the Funding Agreement, (ii) the Energy Management Agreement, (iii) the Prepaid Agreement, (iv) the Back-End Commodity Swap consistent with the terms of the Seller Swap Custodial Agreement, (v) the Subordinated Note Purchase Agreement and (vi) the Credit Default Swap, and (b) paid by Prepay LLC (i) under the Prepaid Agreement, (ii) under the Energy Management Agreement, (iii) under the Back-End Commodity Swap consistent with the terms of the Seller Swap Custodial Agreement, (iv) under the Credit Default Swap, (v) as a distribution to MSCG in its capacity as the sole member of Prepay LLC and (vi) on the Subordinated Note.

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

Section 1. Defined Terms; Interpretation. Any capitalized term used herein and not otherwise defined herein (including in the recitals) shall have the meaning assigned to such term in the Bond Indenture. Any reference herein to any agreement or document includes all amendments, supplements or restatements to and of such agreement or document as may occur from time to time, and any reference to a party to any such agreement includes all successors and assigns of such party thereunder permitted by the terms thereof.

Section 2. Appointment of Master Custodian. Prepay LLC, MSCG and the Issuer hereby appoint The Bank of New York Mellon as the Master Custodian under this Agreement, with such rights and obligations as are specifically set forth herein. The Master Custodian hereby accepts such appointment under the terms and conditions set forth herein.

Section 3. Payment Instructions to Custodian.

(a) No later than the 9th day of each Month, Prepay LLC shall deliver written payment instructions to the Master Custodian detailing the amounts owed to and to be paid by Prepay LLC under the Back-End Commodity Swap, the Prepaid Agreement and the Energy Management Agreement for such Month and the Master Custodian shall make any payments owed by Prepay LLC by wire transfer to the account specified in Exhibit A hereto; provided that, if Prepay LLC fails to deliver such instructions, the Master Custodian may request and rely upon instructions from Issuer. The parties hereto acknowledge and agree that such instructions may be provided by MSCG as Prepay LLC's agent in the form of a consolidated statement, setting forth (i) the Buyer's Statement (as defined in the Prepaid Agreement) delivered by Issuer under the Prepaid Agreement, (ii) the Buyer's Statement (as defined in the Energy Management Agreement), (ii) the Billing Statement (as defined in the Prepaid Agreement) delivered by Prepay LLC under the Prepaid Agreement, (iv) the Billing Statement (as defined in the Energy Management Agreement) delivered by MSCG under the Energy Management Agreement, (v) Prepay LLC's settlement calculations under the Back-End Commodity Swap, (vi) Prepay LLC's principal and interest payment obligations under the Subordinated Note, (vii) Prepay LLC's principal and interest payment obligations under the Credit Default Swap, (viii) Prepay LLC's payment obligations, if any, under any Assignment Agreement (as defined in the Energy Management Agreement) pursuant to which MSCG is the PPA Supplier (as defined in the Energy Management Agreement) and (ix) the amounts, if any, to be paid as distributions to MSCG in its capacity as the sole member of Prepay LLC; provided that, for the avoidance of doubt, Issuer shall still have the obligation to deliver its Buyer's Statement under the Prepaid Agreement and MSCG as Prepay LLC's agent then will reflect such amounts in a consolidated statement delivered hereunder. Additionally, in the event that an Early Termination Payment Date has occurred under the Prepaid Agreement, Prepay LLC shall promptly notify the Master Custodian thereof by delivering a notice substantially in the form of Exhibit B attached hereto, and Prepay LLC's payment instructions delivered in the Month of the Early Termination Payment Date shall specify (A) the amounts to be paid under Section 4(c), which will reflect ordinary course settlements due for the preceding Month and may be based upon reasonable estimates of the amounts due for such Month if any such amounts are unknown, and (B) the amounts due on the Early Termination Payment Date under Section 4(e), which will reflect the amounts due in relation to the occurrence of the Early Termination Payment Date.

(b) Prepay LLC on a daily basis shall provide written instructions to the Master Custodian regarding payments to the Swap Counterparty pursuant to the collateral posting obligations of Prepay LLC under the Credit Support Annex to the Back-End Commodity Swap; provided that, if Prepay LLC fails to provide such instructions, the Master Custodian is authorized to receive and rely upon written instructions provided by the Swap Counterparty.

Section 4. Prepay LLC Revenue Account.

(a) With respect to payments required to be made to Prepay LLC under the Funding Agreement, the Energy Management Agreement, the Prepaid Agreement and the Back-End Commodity Swap, there is hereby established with the Master Custodian at its offices located at 240 Greenwich Street, New York, NY 10286, a payments account designated as the "ENERGY PREPAY III LLC REVENUE ACCOUNT", bearing Master Custodian's Account No. [____] (the "Prepay LLC Revenue Account"); and (A) any and all payments payable by the Funding Recipient to Prepay LLC pursuant to the Funding Agreement, (B) any and all payments payable by MSCG to Prepay LLC pursuant to the Energy Management Agreement, (C) any and all net payments payable by Issuer to Prepay LLC pursuant to the Prepaid Agreement, and (D) any and all net payments payable by the Swap Counterparty to Prepay LLC pursuant to the Back-End Commodity Swap shall be paid by wire transfer to and deposited in the Prepay LLC Revenue Account.

THE BANK OF NEW YORK MELLON
ABA# 021000018
A/C #: [____]
Name: PREPAY III LLC REVENUE ACCOUNT

(b) Amounts deposited in the Prepay LLC Revenue Account shall be held in trust for the benefit of Prepay LLC until applied as set forth in Section 4(c) and Section 4(d) below. Without limiting the proviso contained in Section 3(b) hereof or the provisions of Section 15 hereof, the Master Custodian shall not be required to comply with any orders, demands, or other instructions from Issuer (or the Trustee on behalf of Issuer), MSCG or the Swap Counterparty with respect to the Prepay LLC Revenue Account, including, without limitation, items presented for payment, or any order or instruction directing the disposition of funds or other assets held in or credited to the Prepay LLC Revenue Account and each of the parties hereto agree that prior to the termination of this Agreement in accordance with the terms hereof, they shall have no right to direct the disposition of funds or other assets held in or credited to the Prepay LLC Revenue Account, or to withdraw or otherwise obtain funds or other assets held in or credited to the Prepay LLC Revenue Account, whether by order or instruction to the Master Custodian or otherwise, except to the extent that amounts on deposit in the Prepay LLC Revenue Account are payable (i) to the Swap Payments Account in accordance with the terms hereof, the Back-End Custodial Agreement and the Back-End Commodity Swap, (ii) to Issuer in accordance with the terms hereof and of the Prepaid Agreement and (iii) to MSCG in accordance with the terms hereof and of the Energy Management Agreement.

(c) Subject to Section 4(d) and Section 4(e) below, the Master Custodian shall withdraw amounts on deposit in the Prepay LLC Revenue Account on behalf of Prepay LLC to be applied as follows:

(i) First: To the extent amounts are then-available in the Prepay LLC Revenue Account, to the Swap Payments Account on the 23rd of each Month, but if such day is not a Business Day (as defined in the Back-End Commodity Swap), the immediately preceding Business Day, in satisfaction of any net amounts or any unpaid portion thereof owed by Prepay LLC to the Swap Counterparty under the Back-End Commodity Swap as set forth in the instructions delivered under Section 3(a).

(ii) Second: To the extent of any remaining funds then-available in the Prepay LLC Revenue Account, to the Issuer on the 24th of each Month, in satisfaction of any amounts owed by Prepay LLC to Issuer under the Prepaid Agreement (other than amounts owed by Prepay LLC to Issuer under Section 17.3 of the Prepaid Agreement (Payments Following a Ledger Event), which shall be paid in accordance with Section 4(d)) as set forth in the instructions delivered under Section 3(a).

(iii) Third: To the extent of any remaining funds then-available in the Prepay LLC Revenue Account, to MSCG on or after the 25th of each Month, in satisfaction of (A) any amounts owed by Prepay LLC to MSCG under the Energy Management Agreement as set forth in the instructions delivered under Section 3(a) and (B) any amounts owed by Prepay LLC to MSCG under an Assignment Agreement (as defined in the Energy Management Agreement) pursuant to which MSCG is the PPA Supplier (as defined in the Energy Management Agreement).

(iv) Fourth: To the extent of any remaining funds then-available in the Prepay LLC Revenue Account following the application of funds pursuant to the foregoing clauses (i) - (iii) in any Month, to the Prepay LLC Capital Account.

(d) Notwithstanding Section 4(c), the parties acknowledge and agree that:

(i) the Prepayment (as defined in the Prepaid Agreement) shall be paid by Issuer to Prepay LLC pursuant to the Prepaid Agreement on the Initial Issue Date and such amount shall be (A) paid by wire transfer to the Prepaid LLC Revenue Account and (B) transferred promptly by the Master Custodian to the Funding Recipient on behalf of Prepay LLC pursuant to Prepay LLC's written instructions (which may include standing instructions) in accordance with the Funding Agreement;

(ii) any payment by MSCG to Prepay LLC with respect to a Ledger Event pursuant to [Section 17.6(b)] of the Energy Management Agreement shall be (A) paid by wire transfer to the Prepaid LLC Revenue Account and (B) transferred promptly by the Master Custodian pursuant to Prepay LLC's written instructions (which may include standing instructions) to an account specified by the Trustee in satisfaction of Prepay LLC's corresponding obligation to the Issuer under Section 17.3 of the Prepaid Agreement.

(e) Following receipt of notice from Prepay LLC in accordance with Section 3(a) that an Early Termination Payment Date has occurred, then, on the Early Termination Payment Date and thereafter, the Master Custodian shall withdraw amounts on deposit in the Prepay LLC Revenue Account on behalf of Prepay LLC to be applied as follows:

(i) First: To the extent amounts are then-available in the Prepay LLC Revenue Account, to the Swap Payments Account in satisfaction of the Termination Fee (as defined in the Back-End Commodity Swap), if any, and any net amounts or any unpaid portion thereof owed by Prepay LLC to the Swap Counterparty under the Back-End Commodity Swap as set forth in the instructions delivered under Section 3(a).

(ii) Second: If MSCS has paid all amounts due under the Credit Default Swap on or before the Early Termination Payment Date, then, to the extent of any remaining funds then-available in the Prepay LLC Revenue Account, to MSCG in satisfaction of any amounts owed by Prepay LLC to MSCG under the Energy Management Agreement as set forth in the instructions delivered under Section 3(a).

(iii) Third: To the extent of any remaining funds then-available in the Prepay LLC Revenue Account, any indemnity or potential indemnity obligations owed by Prepay LLC to either the Independent Director or the Director appointed by the Issuer (such Directors, the "Covered Directors") to (A) the LLC Agreement or (B) any director services agreement entered into with an Independent Director (as defined in the LLC Agreement); provided that any Prepay LLC's obligations with respect thereto shall not in any case exceed $500,000 per Covered Director; provided furthermore that, to the extent that (I) any potential indemnity claim by a Covered Director remains unresolved as of the Early Termination Payment Date and (II) a Covered Director has notified the Master Custodian of such a potential indemnity claim prior to the Early Termination Payment Date, then the Master Custodian shall set aside $500,000.00 for each Covered Director with a potential indemnity claim to be held in the Revenue Account until resolution of such potential indemnity claim and applied pursuant to this Section 4(d) once resolved. Capitalized terms used in this clause (iii) and not otherwise defined herein shall have the meaning specified in the that certain Amended and Restated Limited Liability Company Agreement of Prepay LLC, dated as of [____], 2025 (the "LLC Agreement").

(iv) Fourth: To the extent of any remaining funds then-available in the Prepay LLC Revenue Account, to the Issuer (A) first, in satisfaction of any amounts owed by Prepay LLC to Issuer under the Prepaid Agreement on account of any Receivables (as defined in the Prepaid Agreement) and (B) thereafter, in satisfaction of any other amounts owed by Prepay LLC to Issuer under the Prepaid Agreement as set forth in the instructions delivered under Section 3(a).

(v) Fifth: If MSCS has not paid all amounts due under the Credit Default Swap on or before the Early Termination Payment Date, then, to the extent of any remaining funds then-available in the Prepay LLC Revenue Account, to MSCG in satisfaction of any amounts owed by Prepay LLC to MSCG under the Energy Management Agreement as set forth in the instructions delivered under Section 3(a).

(vi) Sixth: To the extent of any remaining funds then-available in the Prepay LLC Revenue Account following the application of funds pursuant to the foregoing clauses (i) - (v), to the Prepay LLC Capital Account.

Section 5. Prepay LLC Capital Account.

(a) With respect to (i) any capital contributions to Prepay LLC pursuant to the LLC Agreement, which capital contributions may be in the form of cash or other Cash Equivalents, and certain other amounts that may be paid to Prepay LLC, (ii) any payment by MSCG to Prepay LLC pursuant to the Subordinated Note Purchase Agreement and (iii) any payment by MSCS to Prepay LLC pursuant to the Credit Default Swap, there is hereby established with the Master Custodian at its office located at 240 Greenwich Street, New York, NY 10286, a deposit account designated as the "ENERGY PREPAY III LLC CAPITAL ACCOUNT", bearing Master Custodian's Account No. [____] (the "Prepay LLC Capital Account").

THE BANK OF NEW YORK MELLON
ABA# 021000018
A/C #: [____]
Name: PREPAY III LLC CAPITAL ACCOUNT

(b) Amounts deposited in the Prepay LLC Capital Account shall be held in trust for the benefit of Prepay LLC until (i) applied as set forth below or (ii) withdrawn by Prepay LLC at Prepay LLC's written request to the extent permitted under Section 5(f); provided, however, that the Master Custodian shall have a lien, security interest and right of set-off against the Prepay LLC Capital Account. The Master Custodian shall not be required to comply with any orders, demands, or other instructions from any Person other than Prepay LLC (or MSCG as Prepay LLC's agent), including, without limitation, items presented for payment, or any order or instruction directing the disposition of funds or other assets held in or credited to the Prepay LLC Capital Account.

(c) Pursuant to the written instructions received under Section 3(b) regarding Prepay LLC's collateral posting obligations, the Master Custodian shall withdraw the required amounts from the Prepay LLC Capital Account and pay them by wire transfer to the account designated by the Swap Counterparty pursuant to the Back-End Commodity Swap.

(d) To the extent funds on deposit in the Prepay LLC Revenue Account are insufficient for Prepay LLC to make the payments specified in Section 4(c) for any given Month or Section 4(e) in connection with the occurrence of an Early Termination Payment Date, the Master Custodian shall promptly provide notice of the deficiency via e-mail to the Trustee, the Swap Counterparty and each of the parties hereto and Prepay LLC hereby directs the Master Custodian to withdraw the required amounts from the Prepay LLC Capital Account and deposit such amounts in the Prepay LLC Revenue Account.

(e) At Prepay LLC's written direction, the Master Custodian shall withdraw amounts on deposit in the Prepay LLC Capital Account on behalf of Prepay LLC for the payment of any fees or other amounts due to (i) the Master Custodian under this Agreement and (ii) the Independent Director (as defined in the LLC Agreement).

(f) To the extent that the amounts on deposit in the Prepay LLC Capital Account (including any amounts posted by Prepay LLC as collateral under the Back-End Commodity Swap pursuant to Section 5(c)) at any time exceed the greater of (i) the amount specified in Exhibit C of this Agreement as the "Capital Account Minimum Amount" for the then-current calendar month or (ii) $[____] (the greater of the amounts specified in clauses (i) and (ii), (the "Minimum Deposit Amount") after the payments specified in Section 4(c) each Month and Section 4(e) if an Early Termination Payment Date occurs, Prepay LLC directs the Master Custodian to withdraw amounts on deposit in the Prepay LLC Capital Account to be applied first to the payment of amounts due under the Credit Default Swap, second as a distribution to MSCG in its capacity as the sole member of Prepay LLC and third to the payment of amounts due, if any, under the Subordinated Note for any given Month (as such amounts are specified in the written payment instructions delivered by MSCG pursuant to Section 3(a)), which may be updated by Prepay LLC from time to time. for any given Month; provided that the Master Custodian shall not transfer any amount from the Prepay LLC Capital Account pursuant to the foregoing clauses (A) and (B) to the extent the remaining balance in the Prepay LLC Capital Account following such transfer will be less than the Minimum Deposit Amount.

(g) Additionally, subject to the prior satisfaction in full of any amounts payable under Section 4(c) or Section 4(e), as applicable, Prepay LLC hereby directs the Master Custodian to apply any available amounts in the Prepay LLC Capital Account to repayment of the outstanding balance under the Subordinated Note (as such amount is specified in the written payment instructions delivered by MSCG pursuant to Section 3(a)) to MSCG on the earlier of (1) the first Business Day of the Month following an Early Termination Payment Date and (2) the Maturity Date (as defined in the Subordinated Note) to the extent amounts are then-available in the Prepay LLC Capital Account.

(h) Amounts deposited in the Prepay LLC Capital Account in the form of cash or other Cash Equivalents shall, at Prepay LLC's written request and direction, be invested by the Master Custodian in Cash Equivalents as specifically directed (which may include standing instructions), subject to any investment cut-offs of any Cash Equivalent investments directed by Prepay LLC. The Master Custodian shall have no duty to determine whether any investment or reinvestment of monies in the Prepay LLC Capital Account satisfies the criteria set out in the definition of "Cash Equivalents". The Master Custodian shall not be liable for any loss resulting from any investment in any Cash Equivalents or the sale, disposition, redemption or liquidation of such investment or by reason of the fact that the proceeds realized in respect of such sale, disposition, redemption or liquidation were less than that which might otherwise have been obtained.

(i) In the event that any invested amounts held by the Master Custodian are required to be liquidated in order to make any transfer, disbursement or withdrawal in accordance with this Agreement, the Master Custodian shall cause such investments to be sold or otherwise liquidated into cash (without regard to maturity) as and to the extent necessary in order to make such transfers, disbursements or withdrawals required pursuant to this Agreement. The Master Custodian shall comply with any written instruction from Prepay LLC with respect to the liquidation of such Cash Equivalents. In the event any such investments are redeemed prior to the maturity thereof, the Master Custodian shall not be liable for any loss or penalties relating thereto.

As used herein, "Cash Equivalents" means, at any time:

(i) any direct obligation of (or unconditionally guaranteed by) the United States (or any agency or political subdivision thereof, to the extent such obligations are supported by the full faith and credit of the United States) maturing not more than two years from the date of acquisition thereof;

(ii) any certificate of deposit, time deposit, or bankers acceptance, maturing not more than one year after its date of acquisition, or any demand deposit account which, in any case, is issued by or established at any bank or trust company organized under the laws of the United States (or any state thereof) and any country that is a member of the Organization for Economic Cooperation and Development or any political subdivision thereof, and which: (A) has: (I) a long term debt credit rating of A2 or higher from Moody's or A or higher from S&P (or, if at any time neither S&P nor Moody's shall be rating such obligations, an equivalent rating from another nationally recognized rating service); or (II) a combined capital and surplus greater than $250,000,000; or (C) is the Master Custodian;

(iii) money market funds that: (A) comply with the criteria set forth in Rule 2a-7 under the Investment Company Act of 1940; (B) are rated A or higher by S&P and A2 or higher by Moody's; or (C) a combined capital and surplus of at least $500,000,000;

(iv) demand deposits, including interest bearing money market accounts, time deposits, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances of depository institutions rated in the AA/Aa2 long-term ratings category or higher by S&P or Moody's or which are fully FDIC-insured; or

(v) cash.

Section 6. Master Custodian.

(a) The Master Custodian shall have (a) no liability under any agreement other than this Agreement and (b) no duty to inquire as to the provisions of any agreement other than this Agreement, the Funding Agreement, the Prepaid Agreement, the Energy Management Agreement, the Subordinated Note Purchase Agreement, Subordinated Note, the Credit Default Swap and the

Back-End Commodity Swap; provided however, that the Master Custodian shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement. The Master Custodian may rely upon and shall not be liable for acting or refraining from acting upon any written notice, document, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Master Custodian shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document, notice, instruction or request. The Master Custodian shall have no duty to solicit any payments which may be due it. The Master Custodian shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines that the Master Custodian's gross negligence or willful misconduct was the primary cause of any loss to any party hereto. In connection with the execution of any of its powers or the performance of any of its duties hereunder, the Master Custodian may consult with counsel, accountants and other skilled persons selected and retained by it. The Master Custodian shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons, provided the Master Custodian exercised due care and good faith in the selection of such person. The permissive rights of the Master Custodian to take actions enumerated under this Agreement shall not be construed as duties. Notwithstanding anything to the contrary in this Agreement, the Funding Agreement, the Prepaid Agreement, the Energy Management Agreement, the Subordinated Note Purchase Agreement, the Subordinated Note, the Credit Default Swap and the Back-End Commodity Swap, the Master Custodian shall not be required to exercise any rights or remedies under this Agreement or otherwise take any action or refrain from taking any action, unless it shall have been directed to do so in a writing by Prepay LLC, the Issuer or the Trustee which is authorized or permitted to be given under this Agreement. So long as the Master Custodian has requested instructions from one or more of Prepay LLC, the Issuer or the Trustee in a timely manner regarding a matter or determination for which such party has the right to provide instructions hereunder, the Master Custodian shall not be liable for any delay in acting that is attributable to a delay or failure by Prepay LLC, the Issuer or the Trustee in providing such instructions to the Master Custodian, and the Master Custodian shall be fully protected in, and shall incur no liability whatsoever to Prepay LLC, the Issuer, the Trustee or any other Person in connection with, acting (or failing to act) pursuant to such instructions, provided that such instructions (i) are reasonably believed to have been given by an Authorized Officer and (ii) are authorized or permitted to be given under this Agreement. In the event that the Master Custodian shall be uncertain as to its duties or rights hereunder or shall receive instructions, claims or demands from any party hereto which, in its opinion, conflict with any of the provisions of this Agreement, it shall be entitled to refrain from taking any action and its sole obligation shall be to keep safely all property held in escrow until it shall be directed otherwise in writing by all of the other parties hereto or by a final order or judgment of a court of competent jurisdiction. The Master Custodian may interplead all of the assets held hereunder into a court of competent jurisdiction or may seek a declaratory judgment with respect to certain circumstances, and thereafter be fully relieved from any and all liability or obligation with respect to such interpleaded assets or any action or non-action based on such declaratory judgment. Anything in this Agreement to the contrary notwithstanding, in no event shall the Master Custodian be liable for special, indirect, incidental or consequential damages, losses or penalties of any kind whatsoever (including but not limited to lost profits), regardless of the form of action.

(b) The parties hereto acknowledge and agree that the Master Custodian is not a fiduciary by virtue of accepting and carrying out its obligations under this Agreement and has not accepted any fiduciary duties, responsibilities or liabilities with respect to its services hereunder. The Master Custodian shall not be required to risk or expend its own funds in performing its obligations under this Agreement. If and to the extent that Prepay LLC instructs the Master Custodian to settle transactions in the Prepay LLC Revenue Account, Prepay LLC (i) shall cause all such transactions to be fully funded by depositing with the Master Custodian sufficient immediately available funds (provided that this requirement shall be satisfied if sufficient funds are available in the Prepay LLC Capital Account for transfer to the Prepay LLC Revenue Fund consistent with Section 5(d) hereof), (ii) shall not rely on the Master Custodian to extend credit in order to settle any such transaction, and (iii) acknowledges that any transactions not fully funded by Prepay LLC may fail to settle. Subject to the requirements of Section 5(d) of this Agreement, if the Master Custodian, in its sole discretion, permits an overdraft in the Prepay LLC Revenue Account or if Prepay LLC is for any other reason indebted to the Master Custodian, Prepay LLC shall immediately deliver for credit to the Prepay LLC Revenue Account sufficient cash to eliminate such debit balance, plus accrued interest at a rate then charged by the Master Custodian to its institutional custody clients in the relevant currency, which rate shall be supplied by the Master Custodian to Prepay LLC from time to time.

Section 7. [Reserved.]

Section 8. Removal, Resignation and Succession.

(a) The Master Custodian may be removed with 30 days' prior written notice by Prepay LLC, with a copy to each of the other parties hereto. Notwithstanding the foregoing, any such removal of the Master Custodian shall not be effective until a successor Master Custodian has been appointed pursuant to this Section 8. The Master Custodian's rights under this Agreement to indemnity and any amounts due and payable to the Master Custodian shall survive any such removal.

(b) The Master Custodian may resign and be discharged from its duties or obligations hereunder by giving not less than 30 days' advance notice in writing of such resignation to the other parties hereto specifying a date when such resignation shall take effect; and such resignation shall take effect upon the day specified in such notice unless a successor shall not have been appointed by the other parties to this Agreement on such date, in which event such resignation shall not take effect until a successor is appointed.

(c) In case at any time the Master Custodian shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Master Custodian, or of its property, shall be appointed, or if any public officer shall take charge or control of the Master Custodian, or of its property or affairs, Prepay LLC, Issuer and MSCG shall use their commercially reasonable efforts to appoint a successor custodian in a timely fashion, provided that any custodian appointed in succession to the Master Custodian shall be a bank or trust company organized under the laws of any state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least $50,000,000 and shall be a bank with trust powers or trust company willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Agreement. Any corporation or association into which the Master Custodian may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the Master Custodian's corporate trust line of business may be transferred, shall be the Master Custodian under this Agreement without further act. Notwithstanding the foregoing, if no appointment of a successor Master Custodian shall be made pursuant to the foregoing provisions of this Section 8 within 30 days after (i) Prepay LLC has given notice to the Master Custodian and the other parties hereto of the Master Custodian's removal as provided in this Section 8 or (ii) the Master Custodian has given to the other parties hereto written notice of its resignation as provided in this Section 8, the Master Custodian may apply to any court of competent jurisdiction to appoint a successor Master Custodian. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Master Custodian.

Section 9. Fees. Prepay LLC agrees to (a) pay the Master Custodian reasonable compensation for the services to be rendered hereunder, which compensation shall be $[____] for each year that this Agreement is in effect, and (b) pay or reimburse the Master Custodian upon request for all expenses, disbursements and advances, including reasonable attorney's fees and expenses, incurred or made by it in connection with the preparation, execution, performance, delivery, modification and termination of this Agreement.

Section 10. Reimbursement. Prepay LLC agrees to reimburse the Master Custodian and its directors, officers, agents and employees for any and all loss, liability or expense (including the fees and expenses of in-house or outside counsel and experts and their staffs and all expense of document location, duplication and shipment) arising out of or in connection with (a) its acting as the Master Custodian under this Agreement, except to the extent that such loss, liability or expense is finally adjudicated to have been caused primarily by the gross negligence or willful misconduct of the Master Custodian or such director, officer, agent or employee seeking reimbursement, or (b) its following any instructions or other directions from Prepay LLC, except to the extent that such instruction or direction is not authorized or permitted to be given under this Agreement; provided, however, that any amounts due under this Section 10 shall not duplicate any other amounts due under this Agreement, including without limitation amounts due under Section 17 hereof. The parties hereto acknowledge that this provision shall survive the resignation or removal of the Master Custodian or the termination of this Agreement.

Section 11. Taxpayer Identification Numbers; Tax Matters. Prepay LLC represents that its correct taxpayer identification number assigned by the Internal Revenue Service or any other taxing authority is set forth on the signature page hereof. Any tax returns or reports required to be prepared and filed in connection with the Prepay LLC Revenue Account and the Prepay LLC Capital Account will be prepared and filed by Prepay LLC and the Master Custodian shall have no responsibility for the preparation and/or filing of any tax return with respect to any income earned on the Prepay LLC Revenue Account and the Prepay LLC Capital Account. In addition, any tax or other payments required to be made pursuant to such tax return or filing shall be paid by Prepay LLC. The Master Custodian shall have no responsibility for making such payment unless directed to do so by the appropriate authorized party.

Section 12. Notices. All communications hereunder shall be in writing and shall be deemed to be duly given and received (a) upon delivery if delivered personally, upon confirmed transmittal if by facsimile (provided that in the case of the Master Custodian, communications hereunder may not be transmitted by facsimile) and as set forth in the final paragraph of this Section 12 if by e-mail transmission; (b) on the next Business Day if sent by overnight courier; or (c) four (4) Business Days after mailing if mailed by prepaid registered mail, return receipt requested, to the appropriate notice address for each of the parties set forth in Exhibit A.

Any party may provide a new or different address for such notices or its wire instructions set forth in Exhibit A if furnished to the other parties in writing by registered mail, return receipt requested, provided furthermore that Prepay LLC may provide updated wire instructions pursuant to the foregoing for any of its contractual counterparties who are not party to this Agreement. Notwithstanding the above provisions of this Section 12, in the case of communications delivered to the Master Custodian pursuant to clause (b) or clause (c) of this Section 12, such communications shall be deemed to have been given on the date received by the Master Custodian. In the event that the Master Custodian, in its sole discretion, shall determine that an emergency exists, the Master Custodian may use such other means of communication as the Master Custodian deems appropriate.

Notwithstanding anything else in this Agreement to the contrary, the Master Custodian shall have the right to accept and act upon instructions or directions provided by a party pursuant to this Agreement, or any other document reasonably relating to the Bonds, if delivered using Electronic Means (as defined below); provided, however, that the applicable party shall provide to an officer of the Master Custodian who has responsibility with respect to the administration of this Agreement ("Responsible Officer") an incumbency certificate listing designated persons with the authority to provide such instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended, with written notice to a Responsible Officer of the Master Custodian, whenever an individual is to be added or deleted from the listing. If a party elects to give the Master Custodian directions or instructions using Electronic Means and the Master Custodian in its discretion elects to act upon such directions, the Master Custodian's understanding of such directions shall be deemed controlling. The party giving such instructions to the Master Custodian understands and agrees that the Master Custodian cannot determine the identity of the actual sender of such directions and that the Master Custodian shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to a Responsible Officer of the Master Custodian have been sent by such Authorized Officer. The party giving such instructions shall be solely responsible for ensuring that only Authorized Officers of such party transmit such directions to the Master Custodian and that the party and all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Master Custodian shall not be liable for any losses, costs or expenses arising directly or indirectly from its reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The party giving such instructions to the Master Custodian agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Master Custodian, including without limitation the risk of the Master Custodian acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Master Custodian and that there may be more secure methods of transmitting directions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances, (iv) to notify the Master Custodian immediately upon learning of any compromise or unauthorized use of the security procedures; and (v) to indemnify and hold harmless the Master Custodian against any and all claims, losses, damages, liabilities, judgments, costs and expenses (including reasonable attorneys' fees) incurred or sustained by the Master Custodian as a result of or in connection with the Master Custodian's reliance upon and compliance with instructions or directions given by Electronic Means, except for any claim, damage or loss resulting from the gross negligence or willful misconduct of the Master Custodian (provided that, for the avoidance of doubt, any amounts due under clause (v) of this Section 12 shall not duplicate any other amounts due under this Agreement, including without limitation amounts due under Section 10 or Section 17 hereof).

As used herein, "Electronic Means" shall mean instructions sent by S.W.I.F.T, e-mail and other similar secure electronic transmission platform containing applicable authorization codes, passwords and/or authentication keys issued by the Master Custodian ("Secure Platform") or another method or system specified by a Responsible Officer of the Master Custodian as available for use in connection with the Master Custodian's services hereunder. Access to and use of the Master Custodian's systems shall be subject to the terms and conditions contained in a separate written agreement. Prepay LLC, MSCG and the Issuer shall be responsible for requesting access to any such system of the Master Custodian and completing the documentation required for such access and nothing herein shall obligate the Master Custodian to ensure any such access and the Master Custodian shall have no responsibility or liability should such parties fail to, or elect not to, avail itself of such access. If the parties elect to use an on-line communications system owned or operated by a third party, the Master Custodian shall have no responsibility or liability for the reliability or availability of any such service. All funds transfer instructions shall be sent utilizing a Secure Platform unless otherwise agreed by the Master Custodian. When instructed to credit or pay a party by both name and a unique numeric or alpha-numeric identifier (e.g. ABA number or account number), the Master Custodian, and any other bank participating in the funds transfer, may rely solely on the unique identifier, even if it identifies a party different than the party named. This applies to beneficiaries as well as any intermediary bank. The parties hereto agree to be bound by the rules of any funds transfer network used in connection with any payment order accepted by the Master Custodian hereunder.

To the extent that any Cash Equivalents afford to the owner thereof the ability to exercise any rights or discretionary actions, the Master Custodian agrees, as promptly as practicable under the circumstances, to notify Prepay LLC thereof, provided that the Master Custodian, in its capacity as custodian of such Cash Equivalents, has actually received notice of such right or discretionary action from the relevant issuer, transfer agent or depository. Without actual receipt of such notice by the Master Custodian, the Master Custodian shall have no liability for failing to so notify Prepay LLC. Prepay LLC or its designee shall be solely responsible for making any decisions relating thereto and for directing the Master Custodian to act. In order for the Master Custodian to act, it must receive Prepay LLC's Corporate Action Instructions (defined below) by such time as the Master Custodian shall advise Prepay LLC or its designee. If the Master Custodian does not receive such Corporate Action Instructions by such deadline, the Master Custodian shall not be liable for failure to take any action relating to or to exercise any rights conferred by such Cash Equivalents. For the avoidance of doubt, any instruction given to the Master Custodian relating to the exercise of rights or discretionary actions pursuant to this paragraph, must be given exclusively by Corporate Action Instructions.

As used herein "Corporate Action Instructions" shall mean instructions delivered to Master Custodian by Electronic Means, other than e-mail.

Notwithstanding anything to the contrary herein, a party may at any time notify the other parties in accordance with this Agreement that any subsequent notice or other communication hereunder must be provided to it by e-mail transmission for a specified period of time or until further notice, and any notices or other communications delivered by means other than e-mail transmission during such time shall be ineffective. Such notice will not be effective unless it includes a valid e-mail address for the party requesting that notices and other communications be delivered by e-mail transmission. Such party will take reasonable steps to ensure the continued availability of such e-mail address for the receipt of notices and other communications hereunder and will promptly notify the other parties in accordance with this Agreement of a change or modification as to the e-mail address or its availability to receive notices and other communications. Notices or other communications sent by e-mail transmission will be deemed to have been delivered when sent, if sent during the recipient's business hours, or upon the commencement of the recipient's business hours, if sent outside of recipient's business hours; provided that (i) any such notice by e-mail shall not be effective if a "bounce-back", system error message or other notification of non-delivery is received by the sender and (ii) in such case the noticing party may provide notices and communications by any other means permitted under this Agreement or may attempt providing notice again by e-mail (and any such follow-up e-mail notice shall be effective under the terms set forth above so long as a non-delivery notice is not received with respect thereto).

Section 13. Miscellaneous.

(a) The provisions of this Agreement may be waived, altered, amended or supplemented, in whole or in part, only by a writing signed by all of the parties hereto.

(b) Neither this Agreement nor any right or interest hereunder may be assigned in whole or in part by any party, except as provided in Section 8, without the prior consent of the other parties; provided that, notwithstanding the foregoing, the parties acknowledge and agree that Prepay LLC shall assign all of its right, title and interest in, to and under this Agreement in connection with any assignment by Prepay LLC of its right, title and interest in, to and under the Prepaid Agreement consistent with the terms thereof to the same assignee, which assignment shall constitute a novation and shall not require the consent of the other parties hereto. It is acknowledged and agreed that the Master Custodian may require any assignee to furnish to the Master Custodian certain requested information to allow the Master Custodian to complete its "Know Your Customer" procedures and such assignment is subject to the satisfactory completion by the Master Custodian of its applicable customer identification procedures as in effect from time to time.

(c) This Agreement and the rights and duties of the parties hereunder shall be governed by and construed, enforced, and performed in accordance with the laws of the State of New York, without regard to any conflicts of law principle that would direct the application of the laws another jurisdiction; provided that the authority of the Issuer to enter into and perform its obligations shall be determined in accordance with the laws of the State of California.

(d) Each party hereto irrevocably waives any objection on the grounds of venue, forum non-conveniens or any similar grounds and irrevocably consents to service of process by mail or in any other manner permitted by applicable law and consents to the exclusive jurisdiction of (A) the courts of the State of New York located in the Borough of Manhattan, (B) the federal courts of the United States of America for the Southern District of New York or (C) the federal courts of the United States of America in any other state. The parties further hereby waive any right to a trial by jury with respect to any lawsuit or judicial proceeding arising or relating to this Agreement.

(e) No party to this Agreement shall be liable to any other party hereto for losses due to, or if it is unable to perform its obligations under the terms of this Agreement because of, strikes, work stoppages, acts of war or terrorism, insurrection, revolution, epidemics, pandemics, nuclear or natural catastrophes or acts of God, or interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, or other causes reasonably beyond its control; provided that a party affected by any such event shall exercise commercially reasonable efforts to resume performance as quickly as possible.

(f) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. All signatures of the parties to this Agreement may be transmitted by digital pdf transmission (provided that in the case of the Master Custodian, this Agreement may not be transmitted by facsimile) and such pdf will, for all purposes, be deemed to be the original signature of such party whose signature it reproduces, and will be binding upon such party.

(g) The Bank of New York Mellon Corporation is a global financial organization that operates in and provides services and products to clients through its affiliates and subsidiaries located in multiple jurisdictions (the "BNY Mellon Group"). The BNY Mellon Group may (i) centralize in one or more affiliates and subsidiaries certain activities (the "Centralized Functions"), including audit, accounting, administration, risk management, legal, compliance, sales, product communication, relationship management, and the compilation and analysis of information and data regarding Prepay LLC (which, for purposes of this provision, includes the name and business contact information for Prepay LLC's employees and representatives) and the accounts established pursuant to this Agreement (the "Prepay LLC Information") and (ii) use third party service providers to store, maintain and process the Prepay LLC Information ("Outsourced Functions"). Notwithstanding anything to the contrary contained elsewhere in this Agreement and solely in connection with the Centralized Functions and/or Outsourced Functions, Prepay LLC consents to the disclosure of, and authorizes the Master Custodian to disclose, the Prepay LLC Information to (i) other members of the BNY Mellon Group (and their respective officers, directors and employees) and to (ii) third-party service providers (but solely in connection with Outsourced Functions), in each case, who are required to maintain the confidentiality of the Prepay LLC Information. In addition, the BNY Mellon Group may aggregate information regarding Prepay LLC and its accounts ("Prepay LLC-Related Data") with other data collected and/or calculated by the BNY Mellon Group (the "Aggregated Data"). The BNY Mellon Group will own all such Aggregated Data, provided that the Aggregated Data shall not identify, in any way, Prepay LLC or any of its assets, financial or trading information, or other proprietary information, and the BNY

Mellon Group agrees that it shall not distribute the Aggregated Data in a format that identifies Prepay LLC-Related Data (whether separately or with Aggregated Data) with Prepay LLC. Prepay LLC represents that it is authorized to consent to the foregoing and that the disclosure of the Prepay LLC Information in connection with the Centralized Functions and/or Outsourced Functions does not violate any relevant data protection legislation. Prepay LLC also consents to the disclosure of the Prepay LLC Information to the extent required by law.

Section 14. Compliance with Court Orders. In the event that any amount held by the Master Custodian hereunder shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court affecting the property deposited under this Agreement, the Master Custodian is hereby expressly authorized, in its sole discretion, to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing are binding upon it, whether with or without jurisdiction, and in the event that the Master Custodian obeys or complies with any such writ, order or decree it shall not be liable to any of the parties hereto or to any other person, firm or corporation, by reason of such compliance notwithstanding that such writ, order or decree may be subsequently reversed, modified, annulled, set aside or vacated.

Section 15. Term; Winding Up. This Agreement will expire concurrently with the receipt of written notice from Prepay LLC, with a copy to the other parties, that either (a) the Prepaid Agreement, the Energy Management Agreement and the Back-End Commodity Swap have each been performed in accordance with their terms and there are no remaining obligations with respect thereto or (b) the Prepaid Agreement, the Energy Management Agreement and the Back-End Commodity Swap have each been terminated and any claims relating thereto have been resolved. If there is any remaining balance in the Prepay LLC Revenue Account or the Prepay LLC Capital Account at such time, then such amounts shall be paid to an account specified by MSCG as the sole member of Prepay LLC following written confirmation from (i) the Swap Counterparty that all required payments to the Swap Counterparty under the Back-End Swap have been paid to the Swap Payments Account, (ii) the Trustee that all required payments to Issuer under the Prepaid Agreement have been paid; and (iii) MSCG that all required payments under the Energy Management Agreement and the Subordinated Note have been paid.

Section 16. Third Party Beneficiaries. The Swap Counterparty shall be a third-party beneficiary of this Agreement with the right to enforce the provisions hereof relating to the Swap Payments Account. The Directors of Prepay LLC shall be third-party beneficiaries of this Agreement with the right to enforce the provisions hereof related to (a) any indemnity claim against Prepay LLC by a Director and (b) payment of any other amounts due to an Independent Director. Except as provided in the two immediately preceding sentences, it is specifically agreed that there are no other third-party beneficiaries of this Agreement and that this Agreement shall not impart any rights enforceable by any other person not a party to this Agreement.

Section 17. Indemnification. Prepay LLC agrees to protect, indemnify, defend and hold harmless, the Master Custodian, and affiliates, and each person who controls the Master Custodian from and against all claims, losses, liabilities, actions, suits, costs, judgments and expenses (including court costs and reasonable attorneys' fees) arising from its acting as Master Custodian hereunder, except for any claim, damage or loss resulting from the gross negligence or willful misconduct of the Master Custodian; provided, however, that any amounts due under this Section 17 shall not duplicate any other amounts due under this Agreement, including without limitation amounts due under Section 10 hereof. The obligations of this Section 17 shall survive any resignation or removal of the Master Custodian and the termination of this Agreement. Prepay LLC hereby grants the Master Custodian a lien, right of set-off and security interest in the Prepay LLC Capital Account for the payment of any claim by the Master Custodian for compensation, reimbursement or indemnity under this Agreement. In this regard, the Master Custodian shall be entitled to all the rights and remedies of a pledgee and secured creditor under applicable laws, rules or regulations as then in effect.

Section 18. USA PATRIOT Act. The parties acknowledge that the Master Custodian is subject to federal laws, including the Prepay LLC Identification Program ("CIP") requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Master Custodian must obtain, verify and record information that allows the Master Custodian to identify Prepay LLC. Accordingly, prior to opening the Prepay LLC Revenue Account described in Section 4 of this Agreement, the Master Custodian will ask Prepay LLC to provide certain information including but not limited to name, physical address, tax identification number and other information that will help the Master Custodian identify and verify Prepay LLC's identity, such as organizational documents, certificate of good standing, license to do business, or other pertinent identifying information. Prepay LLC agrees that the Master Custodian cannot open any account hereunder unless and until the Master Custodian verifies Prepay LLC's identity in accordance with its CIP.

Section 19. Resolution Stay Protocols. (a) In the event that the Master Custodian, MSCG or any of their affiliates (each, a "Covered Entity") become subject to a proceeding under a U.S. special resolution regime, the transfer of this Agreement (and any interest and obligation in or under, and any property securing, this Agreement) from such Covered Entity will be effective to the same extent as the transfer would be effective under the U.S. special resolution regime if this Agreement (and any interest and obligation in or under, and any property securing, this Agreement) were governed by the laws of the United States or a state of the United States; and

(b) In the event any Covered Entity becomes subject to a proceeding under a U.S. special resolution regime, default rights with respect to this Agreement that may be exercised against such Covered Entity are permitted to be exercised to no greater extent than the default rights could be exercised under the U.S. special resolution regime if this Agreement were governed by the laws of the United States or a state of the United States.

Section 20. Agents.

(a) Pursuant to the terms of the Bond Indenture, Issuer has irrevocably appointed the Trustee as its agent to issue notices and, as directed under the Bond Indenture, to take any other actions that Issuer is required or permitted to take under this Agreement. The Master Custodian may rely on notices or other actions taken by Issuer or the Trustee.

(b) Pursuant to the terms of the Energy Management Agreement, Prepay LLC has irrevocably appointed MSCG as its agent to issue notices and to take any other actions that Prepay

LLC is required or permitted to take under this Agreement. The Master Custodian may rely on notices or other actions taken by Prepay LLC or MSCG.

Section 21. Sanctions.

(a) Throughout the term of this Agreement, MSCG agrees that it (i) will have in place and will implement policies and procedures designed to prevent violations of Sanctions (defined below), including measures to accomplish effective and timely scanning of all relevant data with respect to its clients and with respect to incoming or outgoing assets or transactions relating to this Agreement; (ii) shall exercise commercially reasonable efforts to ensure that neither it nor any of its affiliates, directors, officers, employees is an individual or entity that is, or is owned or controlled by an individual or entity that is: (A) the target of Sanctions; or (B) located, organized or resident in a country or territory that is, or whose government is, the target of Sanctions.

(b) MSCG and Prepay LLC shall not, directly or indirectly, use the services and/or the Prepay LLC Revenue Account or the Prepay LLC Capital Account in any manner that would result in its violation of Sanctions.

(c) Prepay LLC and MSCG will promptly provide to the Master Custodian such information as the Master Custodian reasonably requests in connection with the matters referenced in this Section 21, including information regarding Prepay LLC and MSCG and the Prepay LLC Revenue Account and the Prepay LLC Capital Account and the cash or Cash Equivalents held, therein in relation to which services are to be provided hereunder and the source thereof, and the identity of any individual or entity having or claiming an interest therein. The Master Custodian may decline to act or provide services in respect of an account, and take such other actions as it, in its reasonable discretion, deems necessary or advisable, in connection with the matters referenced in this Section 21. If the Master Custodian declines to act or provide services as provided in the preceding sentence, except as otherwise prohibited by applicable law or official request, the Master Custodian will inform the other parties hereto as soon as reasonably practicable.

As used herein, "Sanctions" means all economic sanctions laws, rules, regulations, executive orders and requirements administered by any governmental authority of the United States (including the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury) or any other applicable domestic or foreign authority.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date first written above.

ENERGY PREPAY III, LLC
By: Morgan Stanley Capital Group Inc.,
its Manager

By:_________________________________
Name: ______________________________
Title: _______________________________
Taxpayer ID Number:________________

MORGAN STANLEY CAPITAL GROUP INC.

By:_________________________________
Name: ______________________________
Title: _______________________________

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY

By:_________________________________
Name: ______________________________
Title: _______________________________

THE BANK OF NEW YORK MELLON, as
Master Custodian

By:_________________________________
Name: ______________________________
Title: _______________________________

EXHIBIT A

NOTICE ADDRESSES AND WIRE INSTRUCTIONS

[To be completed post-closing.]

EXHIBIT B

NOTICE OF EARLY TERMINATION PAYMENT DATE

[Date]

The Bank of New York Mellon (the "Master Custodian")
Corporate Trust – Dealing & Trading
240 Greenwich Street
New York, NY 10286
Attention: [____]

Re: Master Custodial Agreement, dated as of [____], 2025 (the "Custodial Agreement"), by and among Energy Prepay III, LLC ("Prepay LLC"), Morgan Stanley Capital Group Inc. ("MSCG"), California Community Choice Financing Authority ("Issuer") and The Bank of New York Mellon ("Master Custodian").

Capitalized terms used herein and not otherwise defined shall have the meaning assigned in the Custodial Agreement.

Pursuant to and in accordance with Section 3(a) of the Custodial Agreement, Prepay LLC hereby delivers this notice that an Early Termination Payment Date has been designated as of [DATE] and the Master Custodian is hereby directed, beginning on the Early Termination Payment Date and thereafter, to withdraw amounts on deposit in the Prepay LLC Revenue Account in accordance with Section 4(e) of the Custodial Agreement.

ENERGY PREPAY III, LLC
By: Morgan Stanley Capital Group Inc., its Manager

____

Name:

Title:

EXHIBIT C

PREPAYMENT BALANCE

[To be attached.]

EXHIBIT A3

FORM OF LIMITED ASSIGNMENT AGREEMENT

This Limited Assignment Agreement (this "**Agreement**") is entered into as of [____] (the "**Assignment Agreement Effective Date**") by and among Clean Power Alliance of Southern California, a California joint powers authority ("**PPA Seller**"), San Diego Community Power, a California joint powers authority ("**PPA Buyer**"), and Morgan Stanley Capital Group Inc., a Delaware corporation ("**MSCG**").

RECITALS

WHEREAS, PPA Buyer and PPA Seller are parties to that certain PPA identified on Appendix 1 hereto;

WHEREAS, in connection with one or more prepaid Energy transactions entered into between the Issuer, and a Prepay Seller, and with effect from and including the Assignment Period Start Date, PPA Buyer wishes to transfer by limited assignment to MSCG, and MSCG wishes to accept the transfer by limited assignment of, the Assigned Rights and Obligations (as defined below) with respect to any and all Assignment Appendices (as defined below) during the Assignment Period (as defined below);

WHEREAS, pursuant to this Agreement, during the Assignment Period, MSCG will receive the Assigned Product specified in any and all Assignment Appendices in effect from time to time and MSCG will deliver such Assigned Product to Prepay Seller(s), which will redeliver such Assigned Product to Issuer for ultimate redelivery to PPA Buyer; and

WHEREAS, pursuant to this Agreement, during the Assignment Period, MSCG will assume responsibility for the Delivered Product Payment Obligation with respect to any and all Assignment Appendices then in effect.

THEREFORE, in consideration of the premises above and the mutual covenants and agreements herein set forth, PPA Seller, PPA Buyer and MSCG (the "**Parties**" hereto; each is a "**Party**") agree as follows:

AGREEMENT

1. Definitions.

Unless the context otherwise specifies or requires, or defined below, capitalized terms used but not defined in this Agreement have the meanings set forth in the PPA. The following terms, when used in this Agreement and identified by the capitalization of the first letter thereof, have the respective meanings set forth below, unless the context otherwise requires:

"**Agreement**" has the meaning specified in the first paragraph above.

"**Assigned Product**" means the [Product] under and as defined in the PPA.

“**Assigned Rights and Obligations**” means (i) the rights of PPA Buyer under the PPA to receive the Assigned Product in each Month as specified in any and all Assignment Appendices then in effect during the Assignment Period, as such rights may be limited or further described in the “Further Information” section on Appendix 1, and (ii) the Delivered Product Payment Obligation, which right and obligation are transferred and conveyed to MSCG hereunder, but which shall not relieve PPA Buyer of its obligations under the PPA in any respects.

“**Assignment Agreement Effective Date**” has the meaning set forth in the first paragraph above.

“**Assignment Appendix**” means each Assignment Appendix in the form attached hereto as Appendix 2 and delivered by MSCG hereunder pursuant to Section 11(f).

“**Assignment Appendix End Date**” has, with respect to each Assignment Appendix, the meaning specified therein.

“**Assignment Appendix Period**” means, with respect to each Assignment Appendix, the period from the Assignment Appendix Start Date to the Assignment Appendix End Date; provided that no Assignment Appendix Period may commence prior to the Assignment Period Start Date and no Assignment Appendix Period may extend beyond the Assignment Period End Date.

“**Assignment Appendix Start Date**” has, with respect to each Assignment Appendix, the meaning specified therein.

“**Assignment Early Termination Date**” has the meaning specified in Section 5(b).

“**Assignment Period**” has the meaning specified in Section 5(a).

“**Assignment Period End Date**” means 11:59:59 p.m. pacific prevailing time on [____].

“**Assignment Period Start Date**” means [_____].

“**Claims**” means all claims or actions, threatened or filed, and the resulting losses, damages, expenses, attorneys’ fees, experts’ fees, and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, in each case arising under, in respect of or related in any way to the PPA or any transaction thereunder, except for the Delivered Product Payment Obligation.

“**Custodian**” has, with respect to each Assignment Appendix, the meaning specified therein.

“**Custody Agreement**” has, with respect to each Assignment Appendix, the meaning specified therein.

“**Delivered Product Payment Obligation**” has the meaning specified in Section 3(a).

“**Issuer**” has, with respect to each Assignment Appendix, the meaning specified therein.

"**Month**" means a calendar month.

"**Monthly Gross Amount**" has the meaning specified in Section 3(c).

"**MSCG**" has the meaning specified in the first paragraph of this Agreement.

"**PPA Buyer**" has the meaning specified in the first paragraph of this Agreement.

"**PPA Seller**" has the meaning specified in the first paragraph of this Agreement.

"**Prepaid Agreement**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Prepay Power Supply Contract**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Prepay Seller**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Receivables**" has the meaning given to such term in Section 3(f).

"**Retained Rights and Obligations**" has the meaning specified in Section 3.

2. Transfer and Undertakings.

(a) PPA Buyer hereby assigns, transfers and conveys to MSCG all right, title and interest in and to the rights of PPA Buyer under the PPA to receive delivery of the Assigned Product specified in any and all Assignment Appendices then in effect during the Assignment Period. In connection with this assignment, PPA Buyer hereby delegates to MSCG the Assigned Rights and Obligations during the Assignment Period.

(b) PPA Seller hereby consents and agrees to PPA Buyer's assignment, transfer and conveyance of all right, title and interest in and to the Assigned Product specified in any and all Assignment Appendices then in effect and, subject to Section 3, the delegation of the Assigned Rights and Obligations to MSCG and the exercise and performance by MSCG of the Assigned Rights and Obligations during the Assignment Period.

(c) MSCG hereby accepts such assignment, transfer and conveyance of PPA Buyer's right, title and interest in and to the Assigned Product specified in any and all Assignment Appendices then in effect during the Assignment Period, and PPA Buyer's delegation of the Assigned Rights and Obligations during the Assignment Period and agrees to perform any such Assigned Rights and Obligations due from it during the Assignment Period to the extent expressly set forth in this Agreement.

3. **Limited Assignment**.

The Parties acknowledge and agree that (i) the Assigned Rights and Obligations include only a portion of PPA Buyer's and PPA Seller's rights and obligations under the PPA, and that all rights and obligations (including without limitation obligations with respect to payment for any Product not included in the Assigned Product and any other amounts owed under the PPA) arising under the PPA that are not expressly included in the Assigned Rights and Obligations shall be "**Retained Rights and Obligations**" that are retained solely by PPA Buyer, and (ii) the Retained Rights and Obligations include all rights and obligations of PPA Buyer and PPA Seller arising during the Assignment Period except the rights and obligations expressly included in the Assigned Rights and Obligations. In this regard:

(a) **Limited to Delivered Product Payment Obligation**. MSCG's sole obligation hereunder will be to pay the Floating Price Payments into the Custodial Account as such terms are defined in and described on <u>Appendix 1</u> (the "**Delivered Product Payment Obligation**"). MSCG and PPA Buyer each agree to instruct the Custodian in accordance with <u>Section 3(c)</u> hereof to pay PPA Seller for the Assigned Product delivered during each Month of the Assignment Period specified in any and all Assignment Appendices then in effect on each applicable payment date under Section [_] of the PPA. PPA Buyer shall remain responsible for any payment obligations under the PPA during the Assignment Period, and shall remain so responsible to make such payments by the times and on the terms set out in the PPA in the event that either (i) MSCG does not make the payments into the Custodial Account as described above or (ii) the Custodian does not make the payments to the PPA Seller from the Custodial Account as described above.

(b) **Retained Rights and Obligations**. Any Claims (other than the Delivered Product Payment Obligation or a failure to perform the same) arising or existing in connection with or related to the PPA, whether related to performance by PPA Seller, PPA Buyer or MSCG, and whether arising before, during or after the Assignment Period, in each case excluding the Delivered Product Payment Obligation, will be included in the Retained Rights and Obligations, and any such Claims will be resolved exclusively between PPA Seller and PPA Buyer in accordance with the PPA.

(c) **Invoicing**. During the Assignment Period specified in any and all Assignment Appendices then in effect, PPA Seller shall continue to provide PPA Buyer a monthly invoice of amounts owing under the PPA, which invoice shall show the total amount due to PPA Seller under the PPA for such Month (the "**Monthly Gross Amount**"). Promptly following PPA Buyer's receipt of each monthly invoice from PPA Seller during the Assignment Period specified in any and all Assignment Appendices then in effect and, in any event, no later than seven (7) days thereafter, PPA Buyer shall deliver (i) a copy of such monthly invoice and the related supporting data to MSCG and (ii) a statement to each of MSCG and the Custodian indicating (A) the Monthly Gross Amount; (B) the Delivered Product Payment Obligation; and (C) the "**Retained Payment Obligation**", which shall be an amount equal to the Monthly Gross Amount minus the Delivered Product Payment Obligation. PPA Buyer and MSCG covenant and agree to instruct the Custodian to pay the Monthly Gross Amount to PPA Seller on or before the applicable payment date in the PPA; provided that (x) the liability of MSCG hereunder to PPA Seller is limited as described on <u>Appendix 1</u> and (y) the Monthly Gross Amount payable to PPA Seller shall be reduced to the extent that PPA Buyer disputes any of the invoiced amounts pursuant to Section [_] of the PPA. PPA Buyer and MSCG may agree in a separate writing as to the allocation of the Monthly Gross Amount between PPA Buyer and MSCG of amounts paid by the Custodian to PPA Seller hereunder. At all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA. For the avoidance of doubt, the Parties acknowledge and agree that any invoice adjustments or reconciliations occurring after the initial settlement of amounts due under a monthly invoice shall be resolved exclusively between PPA Seller and PPA Buyer pursuant to the terms of the PPA.

(d) **Scheduling**. All scheduling of Assigned Product and other communications related to the PPA shall take place between PPA Buyer and PPA Seller pursuant to the terms of the PPA; provided that during any Assignment Period specified in any and all Assignment Appendices then in effect (i) title to Assigned Product specified in any and all Assignment Appendices then in effect will pass to MSCG upon delivery by PPA Seller at the Delivery Point in accordance with the PPA; (ii) immediately thereafter, title to such Assigned Product will pass to one or more Prepay Sellers (as set forth in the applicable Assignment Appendix), Issuer (as set forth in the applicable Assignment Appendix) and then to PPA Buyer upon delivery by MSCG at the same point where title is passed to MSCG pursuant to clause (i) above; (iii) PPA Buyer will be deemed to be acting as MSCG's agent with regard to scheduling Assigned Product; and (iv) PPA Buyer will provide copies to MSCG of (A) any notice of a Force Majeure Event delivered under the PPA, (B) any notice of a default or of a breach or other event that, if not cured within an applicable grace period, could result in an Event of Default, (C) annual forecasts and monthly forecasts with respect to the Assigned Product delivered by PPA Seller under [Section __] of the PPA, (D) invoices delivered by PPA Seller under [Section __ of the PPA] (with a copy to the Custodian if and to the extent retained by PPA Buyer and MSCG), and (E) any other information reasonably requested by MSCG relating to Assigned Product.

(e) **Amendments**. PPA Buyer will provide written notice (including copies thereof) of any proposed or actual amendment, waiver, supplement, modification, or other changes to the PPA to MSCG relating to the Assigned Rights and Obligations, and the Parties hereby acknowledge and agree that an amendment, waiver, supplement, modification or other change will not have any effect on MSCG's rights or obligations under this Agreement unless MSCG receives prior written notice thereof. No amendment, modification, or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile or electronic transmission) and executed by each of the Parties.

(f) **Setoff of Receivables**. Pursuant to the applicable Prepaid Agreement(s), Prepay Seller(s) may purchase the rights to payment of the net amounts owed by PPA Buyer under the applicable Prepay Power Supply Contract ("**Receivables**") in the case of non-payment by PPA Buyer. To the extent any such Receivables relate to Assigned Product purchased by MSCG pursuant to the Assigned Rights and Obligations, the applicable Prepay Seller may sell such Receivables to MSCG and MSCG may transfer such Receivables (excluding any penalties, late payment fees, late payment interest or other fees, costs or interest included in such Receivables) to PPA Seller and apply the face amount of such Receivables (excluding any penalties, late payment fees, late payment interest or other fees, costs or interest included in such Receivables) as a reduction to any Delivered Product Payment Obligations. To effect such transfer, MSCG shall deliver to PPA Seller a notice of intent to transfer Receivables not later than the payment due date for the Delivered Electricity Payment Obligations and shall deliver to PPA Seller a bill of sale signed by MSCG not later than five (5) Business Days thereafter.

4. Forward Contract.

The Parties acknowledge and agree that this Agreement constitutes a "forward contract" and that the Parties shall constitute "forward contract merchants" within the meaning of the United States Bankruptcy Code.

5. Assignment Period; Assignment Early Termination.

(a) **Assignment Period**. The "**Assignment Period**" under an Assignment Appendix shall begin on the Assignment Appendix Start Date and extend until the Assignment Appendix End Date or as otherwise terminated early pursuant to Section 5(b); provided that in no event shall the Assignment Period extend past an Assignment Early Termination Date with respect to such Assignment Appendix; provided further that the Assignment Period under each Assignment Appendix will automatically terminate upon the expiration or early termination of either the [Delivery Term (as defined in the PPA)] or the PPA.

(b) **Early Termination**. An "**Assignment Early Termination Date**" will occur under the following circumstances and as of the dates and for the applicable Assignment Appendices specified below:

i. delivery of a written notice of termination by either MSCG or PPA Buyer to each of the other Parties hereto, which Assignment Early Termination Date shall occur under the Assignment Appendices specified in such written notice and on the date set forth in a written notice of such election delivered by PPA Seller to MSCG and PPA Buyer; or

ii. the election of PPA Seller in its sole discretion to declare an Assignment Early Termination Date if MSCG fails to pay when due any amounts owed to PPA Seller in respect of any Delivered Product Payment Obligation and such failure continues for five Business Days following receipt by MSCG of written notice thereof, which Assignment Early Termination Date shall occur under all Assignment Appendices then in effect upon the date set forth in a written notice of such election delivered by PPA Seller to MSCG and PPA Buyer; or

iii. the election of PPA Seller in its sole discretion to declare an Assignment Early Termination Date if either (a) an involuntary case or other proceeding is commenced against MSCG seeking liquidation, reorganization or other relief with respect to it or its debts under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar law now or hereafter in effect or seeking the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed, or an order or decree approving or ordering any of the foregoing is entered and continued unstayed and in effect, in any such event, for a period of 60 days, or (b) MSCG commences a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar law or any other case or proceeding to be adjudicated as bankrupt or insolvent, or MSCG consents to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, files a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or consents to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of MSCG or any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, which Assignment Early Termination Date shall occur under all Assignment Appendices then in effect immediately on the date of PPA Seller's delivery of notice of its election to MSCG and PPA Buyer.

(c) **Reversion of Assigned Rights and Obligations**. The applicable Assignment Period(s) will end at the end of the last delivery hour on the date specified in any termination notice specified pursuant to Section 5(b). The Parties acknowledge and agree that upon the occurrence of an Assignment Early Termination Date, early termination pursuant to Section 5(d) and at the expiration of any Assignment Period the Assigned Rights and Obligations under each applicable Assignment Appendix will revert from MSCG to PPA Buyer. Any Assigned Rights and Obligations under an Assignment Appendix that would become due for payment or performance on or after such Assignment Early Termination Date or early termination pursuant to Section 5(d) with respect to such Assignment Appendix shall immediately and automatically revert from MSCG to PPA Buyer; provided that (i) MSCG shall remain responsible for the Delivered Product Payment Obligation with respect to any Assigned Product delivered to MSCG prior to the Assignment Early Termination Date or prior to the expiration of an Assignment Period, and (ii) any legal restrictions on the effectiveness of such reversion (whether arising under bankruptcy law or otherwise) shall not affect the occurrence of the Assignment Early Termination Date or expiration of the Assignment Period.

6. Representations and Warranties.

(a) **Copy of PPA**. As of the Assignment Agreement Effective Date, PPA Seller and PPA Buyer represent and warrant to MSCG that a true, complete, and correct copy of the PPA as of such date is attached hereto as Appendix 3.

(b) **No Default**. As of the Assignment Agreement Effective Date, PPA Seller and PPA Buyer represent and warrant to MSCG that no event or circumstance exists (or would exist with the passage of time or the giving of notice) that would give either of them the right to terminate the PPA or suspend performance thereunder.

(c) **Other**. Each of PPA Buyer and PPA Seller represents and warrants to each other and to MSCG that:

i. It has made no prior transfer (whether by way of security or otherwise) of any interest in the Assigned Rights and Obligations; and

ii. All obligations of PPA Buyer and PPA Seller under the PPA required to be performed on or before the Assignment Period Start Date have been fulfilled.

(d) **Representations**. Each Party represents to each of the other Parties as of the Assignment Agreement Effective Date:

i. **Status**. It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.

ii. **Powers**. It has the power to execute, this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance.

iii. **No Violation or Conflict**. Such execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the incurrence by such Party of its obligations under this Agreement, will not result in any violation of, or conflict with: (i) any term of any material contract or agreement applicable to it; (ii) any of its charter, bylaws, or other constitutional documents; (iii) any determination or award of any arbitrator applicable to it; or (iv) any license, permit, franchise, judgment, writ, injunction or regulation, decree, order, charter, law, ordinance, rule or regulation of any Government Agency presently in effect, applicable to it or any of its assets or properties or to any obligations incurred by it or by which it or any of its assets or properties or obligations are bound or affected, and shall not cause a breach of, or default under, any such term or result in the creation of any lien upon any of its properties or assets.

iv. **Consents**. All consents, approvals, orders or authorizations of, registrations, declarations, filings or giving of notice to, obtaining of any licenses or permits from, or taking of any other action with respect to, any Person or Government Agency that are required to have been obtained by such Party with respect to this Agreement and the transactions contemplated hereby, including the due authorization of such Party and its governing body and any approval or consent of any security holder of such Party or any holder (or any trustee for any holder) of any indebtedness or other obligation of such Party, have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

v. **Obligations Binding**. Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

vi. **Non-Reliance**. It is acting for its own account, and it has made its own independent decisions to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other Parties as investment advice or as a recommendation to enter into this Agreement; it being understood that information and explanations related to the terms and conditions of this Agreement shall not be considered investment advice or a recommendation to enter into this Agreement. It is entering into this Agreement as a bona-fide, arm's-length transaction involving the mutual exchange of consideration and, once executed by all Parties, considers this Agreement a legally enforceable contract. No communication (written or oral) received from any of the other Parties shall be deemed to be an assurance or guarantee as to the expected results of this Agreement.

vii. **Assessment and Understanding**. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement.

viii. **Status of Parties**. None of the other Parties is acting as a fiduciary for or an adviser to it in respect of this Agreement.

7. Miscellaneous.

Article [__] (Confidential Information), [__] (No Consequential Damages), [__] (Amendments), [__] (No Agency, Partnership, Joint Venture or Lease), Sections [__] (Severability), [__] (Electronic Delivery), [__] (Counterparts), Section [__] (Binding Effect) and [__] (Forward Contract) of the PPA are incorporated by reference into this Agreement, *mutatis mutandis*, as if fully set forth herein.

8. Costs and Expenses.

The Parties shall each pay their own costs and expenses (including legal fees) incurred in connection with this Agreement and as a result of the negotiation, preparation, and execution of this Agreement.

9. Notices.

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be delivered in accordance with [Section ___] of the PPA and to the addresses of each of PPA Seller and PPA Buyer specified in the PPA. PPA Buyer agrees to notify MSCG of any updates to such notice information, including any updates provided by PPA

Seller to PPA Buyer. Notices to MSCG shall be provided to the address set forth in Appendix 3. Each Party may update its address from time to time by notice to the other Parties.

10. Governing Law; Dispute Resolution.

(a) Governing Law. This Agreement and the rights and duties of the Parties under this Agreement will be governed by and construed, enforced and performed in accordance with the laws of the state of New York, without reference to any conflicts of laws provisions that would direct the application of another jurisdiction's laws; *provided*, however, that the authority of PPA Buyer to enter into and perform its obligations under this agreement shall be determined in accordance with the laws of the state of California.

(b) Arbitration. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope of this Agreement to arbitrate, shall be determined by final, non-appealable binding arbitration in San Francisco, California before three (3) arbitrators. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") pursuant to its Comprehensive Arbitration Rules and Procedures. Within fifteen (15) days after the commencement of arbitration, each of MSCG and PPA Buyer shall select one person to act as arbitrator, and the two so-selected arbitrators shall select a third arbitrator (the "**chairperson**") within thirty (30) days of the commencement of the arbitration. If either MSCG or PPA Buyer is unable or fails to select one person to act as arbitrator, such arbitrator shall be appointed by JAMS. If the MSCG and PPA Buyer-selected arbitrators are unable or fail to agree upon a chairperson, the chairperson shall be appointed by JAMS. The chairperson shall be a person who has experience in renewable energy-related transactions, and none of the arbitrators shall have been previously employed by any Party or have any direct pecuniary interest in any Party or the subject matter of the arbitration, unless such conflict is expressly acknowledged and waived in writing by all of the Parties. The Parties shall maintain the confidential nature of the arbitration proceeding and any award, including any hearing(s), except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator(s) shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. The responsibility for compensation and expenses of the three arbitrators and all other expenses charged by JAMS shall be equally split in one-third (1/3) shares by each of MSCG, PPA Buyer, and PPA Seller. In any arbitration arising out of or related to this Agreement, the arbitrators shall award to the prevailing Party or Parties, if any, the costs and attorney's fees reasonably incurred in seeking to enforce the application of this Section 10(b) and by the prevailing party in connection with the arbitration. Notwithstanding the foregoing provisions of this Section 10(b), any costs incurred by a Party in seeking judicial enforcement of any written decision of the arbitrators shall be chargeable to and borne exclusively by the Party against whom such court order is obtained. The award shall be final and binding on the Parties and judgment upon any award may be entered in any court of competent jurisdiction.

(c) Judicial Reference. Without limiting the provisions in Section 10(b), if Section 10(b) is deemed ineffective or unenforceable in any respect, any dispute between the Parties arising out of or in connection with this Agreement or its performance, breach, or termination (including the existence, validity and interpretation of this Agreement and the applicability of any statute of limitation period) (each, a "**Dispute**") shall be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections (a "**Reference Proceeding**"), which shall constitute the exclusive remedy for the resolution of any Dispute. As a condition precedent to initiating a Reference Proceeding with respect to any Dispute, the Parties shall comply with the provisions of Section 10(c)(i).

i. Notice of Dispute. Prior to initiating the Reference Proceeding, a Party (the "**Disputing Party**") shall provide the other Parties (the "**Responding Parties**") with a written notice of each issue in dispute, a proposed means for resolving each such issue, and support for such position (the "**Notice of Dispute**"). Within 10 days after receiving the Notice of Dispute, the Responding Parties shall provide the Disputing Party with a written Notice of each additional issue (if any) with respect to the dispute raised by the Notice of Dispute, a proposed means for resolving every issue in dispute, and support for such position (the "**Dispute Response**"). Thereafter, the Parties shall meet to discuss the matter and attempt in good faith to reach a negotiated resolution of the dispute. If the Parties do not resolve the dispute by unanimous agreement within fifteen (15) days after receipt of the Dispute Response, (the "**Negotiation Period**"), then any Party may provide to the other Parties written notice of intent for judicial reference (the "**Impasse Notice**") in accordance with the further provisions of this Section 10(c).

ii. Applicability; Selection of Referees. Within 10 days of the delivery of an Impasse Notice, each of MSCG and PPA Buyer shall nominate one (1) referee. The two (2) referees (the "**Party-Appointed Referees**") shall appoint a third referee (the "**Third Referee**", together with the Party-Appointed Referees, the "**Referees**"). The Party-Appointed Referees shall be competent and experienced in matters involving the electric energy business in the United States, with at least ten (10) years of electric energy industry experience as a practicing attorney. The Third Referee shall be an active or retired California state or federal judge. Each of the Party-Appointed Referees and the Third Referee shall be impartial and independent of each of the Parties and of the other referees and not employed by any of the Parties in any prior matter.

iii. Inability to Agree upon Third Referee. If the Party-Appointed Referees are unable to agree on the Third Referee within 45 days from delivery of the Impasse Notice, then the Third Referee shall be appointed pursuant to CCP Section 640(b) in an action filed in the Superior Court of California, County of San Francisco (the "**Court**"), and with due regard given to the selection criteria above. A request for appointment of a referee may be heard on an ex parte or expedited basis, and the Parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP Section 170.6, each of PPA Buyer and MSCG shall have one (1) peremptory challenge to the referee selected by the Court.

iv. Discovery; Proceedings.

(A) The Parties agree that time is of the essence in conducting the Reference Proceeding. Accordingly, the Referees shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within 20 days after the date of selection of the Third Referee, (ii) if practicable, try all issues of law or fact within 180 days after the date of the conference, and (iii) report a statement of decision within 20 days after the matter has been submitted for decision.

(B) Discovery and other pre-hearing procedures shall be conducted as agreed to by the Parties, or if they cannot agree, as determined by the Third Referee after discussion with the Parties regarding the need for discovery and other pre-hearing procedures.

(C) Except as expressly set forth herein, the Third Referee shall determine the manner in which the Reference Proceeding is conducted, including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the Reference Proceeding. The Reference Proceeding, including the trial, shall be conducted at a neutral location selected by the Parties, or if not agreed by the Parties, by the Third Referee, in San Francisco, California.

(D) All proceedings and hearings conducted before the Referees, except for trial, shall be conducted without a court reporter, except that when any Party so requests, a court reporter will be used at any hearing conducted before the Referees, and the Referees will be provided a courtesy copy of the transcript. The Party making such a request shall have the obligation to arrange for and pay the court reporter.

v. Decision. The Referees shall render a written statement of decision setting forth findings of fact and conclusions of law. The Referees shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. The decision shall be entered as a judgment in the court in accordance with the provisions of CCP Sections 644 and 645. The decision shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the Court. The Parties intend this general reference agreement to be specifically enforceable in accordance with the CCP.

vi. Expenses. Each of MSCG, PPA Seller and PPA Buyer shall bear the compensation and expenses of its respective own counsel, witnesses, consultants and employees. The responsibility for compensation and expenses of the Referees and all other expenses of judicial reference shall be equally split in one-third (1/3) shares by each of MSCG, PPA Buyer, and PPA Seller

(d) **Assignment Appendix Prepaid Transaction Details**. From time to time, MSCG may deliver one or more completed Assignment Appendices to the other Parties hereto completing the terms that are currently bracketed therein, and each such Assignment Appendix shall be binding upon each of the Parties hereto; provided that the aggregate sum of the Assigned Product under all Assignment Appendices then in effect will not exceed the Contract Quantity under and as defined in the PPA. As set forth in Appendix 1 hereto, MSCG's payment obligations are limited to any Assigned Product delivered pursuant to the Assignment Appendices then in effect. Each Assignment Appendix will set forth certain details relating to the commodity prepayment transaction pursuant to which all or a portion of the Assigned Product shall be delivered; provided that MSCG may, by written notice to PPA Seller and PPA Buyer, at any time and without the consent of PPA Seller or PPA Buyer, (i) rescind any Assignment Appendix or (ii) update or amend any Assignment Appendix to change any or all of the terms specified therein, including: an increase or decrease of the volume of Assigned Product to be delivered into the applicable commodity prepayment transaction (including without limitation a change thereto to reflect that all MWh of Assigned Product delivered in accordance with the PPA by PPA Seller shall be delivered into one commodity prepayment transaction, subject only the aggregate quantity limit specified above); a change in the relevant commodity prepayment transaction (i.e., the "Prepaid Agreement") pursuant to which the Assigned Product shall be delivered; a change in the identity of the Prepay Seller; or a change to the Assignment Appendix Start Date and / or the Assignment Appendix End Date. For the avoidance of doubt, (I) more than one Assignment Appendix may be in effect at any time, and (II) at any given time, less than one hundred percent (100%) of the Contract Quantity under and as defined in the PPA may be assigned pursuant to the Assignment Appendices then in effect.

10. **U.S. Resolution Stay Protocol.** The Parties hereby confirm that they are adherents to the ISDA 2018 U.S. Resolution Stay Protocol ("**ISDA U.S. Stay Protocol**"), the terms of the ISDA U.S. Stay Protocol are incorporated into and form a part of this Agreement, and this Agreement shall be deemed a Protocol Covered Agreement for purposes thereof. For purposes of incorporating the ISDA U.S. Stay Protocol, MSCG shall be deemed to be a Regulated Entity, and PPA Buyer and PPA Seller each shall be deemed to be an Adhering Party. In the event of any inconsistences between this Agreement and the ISDA U.S. Stay Protocol, the ISDA U.S. Stay Protocol will prevail.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date first set forth above.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

By: ______________________________
Name:_________________________
Title:__________________________

SAN DIEGO COMMUNITY POWER

By: ______________________________
Name:_________________________
Title:__________________________

MORGAN STANLEY CAPITAL GROUP INC.

By: ______________________________
Name:_________________________
Title:__________________________

Appendix 1
Assigned Rights and Obligations

PPA: [____]

Delivery Point: [____]

Further Information: [____]

Limitation of MSCG Liability. MSCG has separately agreed with PPA Buyer and Custodian pursuant to the Custody Agreement to pay the "Day-Ahead Average Price" as defined below into the custodial account specified in the Custody Agreement (the "**Custodial Account**") for a specified portion of the Assigned Product delivered to the Delivery Point during each Month of the Assignment Period pursuant to all Assignment Appendices then in effect (the "**Floating Price Payments**"). MSCG agrees for the benefit of the PPA Seller to pay the Floating Price Payments into the Custodial Account, and MSCG's payment obligations under this Agreement are limited to making such payments into the Custodial Account, for application as provided in the Custody Agreement. PPA Buyer and PPA Seller each acknowledge and agree that the making of Floating Price Payments into the Custodial Account by MSCG shall not entitle (i) PPA Seller for payments in excess of the [Contract Price] for Assigned Product delivered hereunder or (ii) PPA Buyer to pay less than the [Contract Price] for Assigned Product delivered hereunder. PPA Buyer and MSCG each acknowledge and agree that the making of Floating Price Payments into the Custodial Account by MSCG shall not entitle (i) MSCG to any payments from PPA Seller or (ii) affect the Custodian's obligation to pay the Monthly Gross Amount to PPA Seller on or before the applicable payment date in the PPA. At all times the PPA Buyer shall remain obligated for the payment of all amounts owing under the terms of the PPA including the Monthly Gross Amount under each invoice. At all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA. For the avoidance of doubt, MSCG's obligations hereunder are limited to only the Assignment Appendices then in effect.

"Day-Ahead Average Price" means the result of (i) (x) the sum of the Day-Ahead Market Prices for each Pricing Interval in a Month divided by (y) the number of Pricing Intervals in such Month plus (ii) the Index Adder (as set forth in the table immediately below) for the relevant Month. As used in this definition, "Pricing Interval" means the unit of time for which [______] establishes a separate price. As used in this definition "Day-Ahead Market Price" means the Day Ahead Market or Locational Marginal Price for [_________________] for each applicable hour as published by [_______], or as such price may be corrected or revised from time to time by [_____] in accordance with its rules. For the avoidance of doubt, the Day-Ahead Average Price can be a negative number.

Month	Index Adder ($/MWh)
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]

Month	Index Adder ($/MWh)
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]

Appendix 2

Assignment Appendix - [A][B][C]

Date: [____]

"**Assignment Appendix End Date**" means 11:59:59 p.m. pacific prevailing time on [____], 20[_].

"**Assignment Appendix Start Date**" means [____] 1, 20[_].

"**Custodian**" means U.S. Bank Trust Company, National Association a national banking association.

"**Custody Agreement**" means the [Amended & Restated Custodial Agreement] dated as of [____], among the Issuer, PPA Buyer, MSCG, each applicable Prepay Seller and the Custodian, as from time to time amended, restated, supplemented or otherwise modified.

"**Issuer**" means California Community Choice Financing Authority, a joint powers authority and a public entity of the State of California established pursuant to the provisions of the Joint Exercise of Powers Act (Article 1, Chapter 5, Division 7, Title 1, Section 6500 *et seq*. of the California Government Code, as amended).

"**Prepaid Agreement**" means that certain Prepaid Energy Sales Agreement, dated as of [____], 20[_] by and between Prepay Seller and Issuer, as from time to time amended, restated, supplemented or otherwise modified.

"**Prepay Power Supply Contract**" means that certain Power Supply Contract, dated as of [____], 20[_] by and between Prepay Seller and Issuer, as from time to time amended, restated, supplemented or otherwise modified.

"**Prepay Seller**" means [_____], a [_____], or any other Person that is the prepay seller under the terms of the Prepaid Agreement from time to time.

Assigned Product subject to this Assignment Appendix: As set forth immediately below, [the percentage of Assigned Product]/[the monthly quantities of Assigned Product] delivered to the Delivery Point: [____]

Appendix 3

MSCG Notice Information

[To be completed before signing.]

Appendix 4

Copy of PPA

[To be attached.]

EXHIBIT A4

LETTER AGREEMENT

[____], 2025

Eric Washington
Chief Financial Officer & Treasurer
815 E Street, Suite 12716
San Diego, CA 92112
Email: ewashington@sdcommunitypower.org

California Community Choice Financing Authority
1125 Tamalpais Avenue
San Rafael, CA 94901
Email: [____]

Re: PPA Assignments for Delivery under Prepay Energy Agreements

Ladies and Gentlemen:

This Letter Agreement (this "Letter Agreement") confirms our mutual agreement with respect to the matters set forth below and relates to (i) that certain Power Supply Contract (the "Power Supply Contract"), dated as of the date hereof, by and between California Community Choice Financing Authority ("Issuer") and San Diego Community Power ("Project Participant"), (ii) that certain Prepaid Energy Sales Agreement (the "Prepaid Agreement"), dated as of the date hereof, by and between Energy Prepay III, LLC, a Delaware limited liability company ("Prepay LLC") and Issuer, and (iii) that certain Energy Management Agreement (the "Energy Management Agreement") (together with the Power Supply Contract and the Prepaid Agreement, the "Prepay Energy Agreements"), dated as of the date hereof, by and between Morgan Stanley Capital Group Inc. ("MSCG") and Prepay LLC. Any capitalized term used in this Letter Agreement and not otherwise defined herein shall have the meaning assigned to such term in the Power Supply Contract. In consideration of each party's execution of the respective Prepay Energy Agreements, as well as the premises above and the mutual covenants and agreements set forth herein, Issuer, Project Participant, Prepay LLC and MSCG (collectively, the "Parties") agree as follows:

1. **PPA Assignments for Delivery under Prepay Energy Agreements**.

(a) Initial Assignment. Concurrently with the execution of the Prepay Energy Agreements, Project Participant has assigned and Prepay LLC has agreed to assume a portion of Project Participant's rights and obligations under the Initial Assigned PPA.

(b) Replacement Assignments. Commencing (i) six months prior to the expiration of any EPS Energy Period or the resumption of deliveries in a new Reset Period following Participant's issuance of a Remarketing Election Notice pursuant to Section 3.4 of the Power Supply Contract or (ii) otherwise immediately upon the early termination or anticipated early termination of an EPS Energy Period, Project Participant shall exercise Commercially Reasonable Efforts to assign a portion of Project Participant's rights and obligations (the "Assigned Rights and Obligations") under one or more power purchase agreements under which Project Participant is purchasing EPS Compliant Energy pursuant to an Assignment Agreement substantially in the form of (A) the Limited Assignment Agreement set forth as Exhibit A hereto if the PPA Supplier is an unrelated third party or (B) the Limited Assignment Agreement set forth as Exhibit B hereto if the PPA Supplier is MSCG (each, an "Assignment Agreement"), and the Parties shall cooperate in good faith with respect to any proposed assignments; provided that

(1) any subsequent Assignment Agreement shall provide (I) for the assignment by Project Participant to either (a) Prepay LLC if MSCG is the PPA Supplier or (b) MSCG if the PPA Supplier is an unrelated third party of its right to receive all of the Energy (and any associated products set forth in the Assignment Agreement) delivered under the applicable power purchase agreement for each Month of the applicable EPS Energy Period and (II) for payment by Prepay LLC or MSCG as applicable to the PPA Supplier under such subsequent power purchase agreement of the Day-Ahead Average Price for each Month of the applicable EPS Energy Period, with such amounts to be credited in the PPA Supplier's monthly invoice to Project Participant against other amounts owed by Project Participant under the Assigned PPA during the EPS Energy Period;

(2) any third party PPA Supplier must satisfy MSCG's internal credit and approval requirements and other requirements applied on a nondiscriminatory basis, including any "know your customer" rules, policies and procedures, anti-money laundering rules and regulations, Dodd-Frank Act, Commodity Exchange Act, Patriot Act and similar rules, regulations, requirements and corresponding policies;

(3) any such assignment must be agreed and consented to by Project Participant, Prepay LLC and MSCG in their reasonable discretion; and

(4) the Parties recognize that MSCG will be obligated to sell and deliver Assigned Product it receives from a third-party PPA Supplier to Prepay LLC under the Energy Management Agreement; Prepay LLC will be obligated to deliver Assigned Product that it acquires to Issuer under the terms of the Prepaid Agreement; and Issuer will be obligated to deliver Assigned Product that it acquires to Project Participant under the terms of the Power Supply Contract.

(c) MSCG Procurement of EPS Compliant Energy. To the extent that (i) Project Participant, Prepay LLC and MSCG have not agreed upon a replacement assignment of a power purchase agreement by the date that is seventy-five (75) days prior to (A) the end of any EPS Energy Period or (B) the resumption of deliveries in a new Reset Period following Participant's issuance of a Remarketing Election Notice pursuant to Section 3.4 of the Power Supply Contract, or (ii) an early termination of an EPS Energy Period has occurred and Project Participant, Prepay LLC and MSCG have not agreed upon a replacement assignment of a power purchase agreement, then MSCG shall exercise Commercially Reasonable Efforts to obtain EPS Compliant Energy for ultimate redelivery to Project Participant, provided that:

(1) Project Participant must consent to MSCG's procurement of any such EPS Compliant Energy for ultimate redelivery to Project Participant, with such consent not to be unreasonably withheld;

(2) the Parties shall act in good faith and in a Commercially Reasonable manner to negotiate any necessary amendments to the Prepay Energy Agreements to facilitate the delivery of such EPS Compliant Energy; and

(3) the period of delivery for any such EPS Compliant Energy (any such period, a "MSCG EPS Energy Period") shall not exceed the length, as applicable, of (A) the then-current Reset Period if such EPS Compliant Energy is obtained for delivery for the remainder of a Reset Period and (B) the length of the next succeeding Reset Period if such EPS Compliant Energy is obtained for delivery commencing in a subsequent Reset Period.

(d) Tax Opinion. The Parties acknowledge and agree that their ability to enter into a new Reset Period will be contingent on obtaining an Opinion of Bond Counsel (as defined in the Bond Indenture), which will be dependent on the availability of EPS Compliant Energy for delivery in such Reset Period.

2. **Failure to Obtain EPS Compliant Energy**. To the extent an EPS Energy Period terminates or expires and Project Participant and MSCG have been unable to obtain EPS Compliant Energy for delivery under the Prepay Energy Agreements pursuant to the provisions of Paragraph 1, then Prepay LLC shall remarket the Base Energy pursuant to the provisions of Exhibit C to the Prepaid Agreement, subject to the following:

(a) the Parties' obligations set forth in Paragraph 1 shall continue to apply;

(b) Project Participant shall not make any new commitment to purchase Priority Energy during such a remarketing; and

(c) consistent with Section 7.5 of the Power Supply Contract, Project Participant shall exercise Commercially Reasonable Efforts to remediate any Disqualifed Remarketing Proceeds resulting from Prepay LLC's remarketing.

3. **Assignment Early Termination**. With respect to any Assignment Agreement entered into among MSCG, Project Participant and a PPA Seller (as defined in the form of Assignment Agreement set forth as Exhibit A hereto), each of MSCG and Project Participant agree that it shall only exercise its right under an at will termination provision of an Assignment Agreement (as set forth in Section 5(b)(i) of Exhibit A hereto) to deliver a written notice of termination of an Assignment Period under an Assignment Agreement (or an Assignment Appendix under and as defined in an Assignment Agreement) consistent with the following:

(a) either MSCG or Project Participant may deliver a notice of termination under the Assignment Agreement if any of the following occur:

i. the assignment of the Prepay Power Supply Contract by Project Participant or Issuer pursuant to Article XIII thereof, with respect to which the Assignment Early Termination Date shall occur immediately as of the time of such assignment;

ii. termination or suspension of deliveries for any reason other than force majeure under the Prepaid Agreement or Prepay Power Supply Contract, with respect to which the Assignment Early Termination Date shall occur immediately as of the time of the last deliveries under the relevant contract following such suspension or termination; or

iii. to the extent that MSCG and Project Participant have mutually agreed upon a replacement Assignment Agreement (as defined in the Prepay Power Supply Contract) that will replace the Assigned Rights and Obligations under the Assignment Agreement immediately following the termination thereof, with respect to which the Assignment Early Termination Date shall occur effective as of the end of the Month preceding the commencement of the "Assignment Period" under the replacement Assignment Agreement as specified in the notice from MSCG or Project Participant to the PPA Seller and the other Party hereto;

(b) MSCG may, in its sole discretion, deliver a notice of termination of the Assignment Agreement if any of the following occur:

i. the suspension, expiration, or termination of performance of the PPA by either Project Participant or PPA Seller for any reason other than the occurrence of a Force Majeure Event under and as defined in the PPA, with respect to which the Assignment Early Termination Date shall occur immediately as of the time of PPA Seller's or Project Participant's (as applicable) last performance under the PPA following such suspension, expiration, or termination;

ii. (A) any event or circumstance occurs that would either give either Project Participant or PPA Seller the right to terminate or suspend performance under the PPA (regardless of whether Project Participant or PPA Seller exercises such right), or (B) the execution of an amendment, waiver, supplement, modification or other change to the PPA that adversely affects the Assigned Rights and Obligations or MSCG's rights or obligations under the Assignment Agreement (provided that MSCG shall not have a right to terminate under this clause (B) to the extent that MSCG (I) receives prior notice of such change and (II) provides its written consent thereto), with respect to which the Assignment Early Termination Date shall occur upon the date set forth in a written notice of such election as determined by MSCG;

(c) Project Participant may, in its sole discretion, deliver a notice of termination of the Assignment Agreement if any of the following occur:

i. if MSCG fails to pay when due any amounts owed under the Assignment Agreement in respect of any Delivered Product Payment Obligation and such failure continues for three (3) Business Days following receipt by MSCG of written notice thereof, with respect to which the Assignment Early Termination Date shall occur upon the date set forth in a written notice of such election delivered by Project Participant;

ii. if any change, event or effect occurs, including but not limited a change in applicable laws or regulations, any issues with PPA Seller or the PPA, a dispute under the PPA or other similar circumstance, that individually or collectively have or are reasonably expected by Project Participant to have a material adverse effect upon (A) Project Participant, (B) its rights and obligations under the Assignment Agreement, the Prepay Power Supply Contract, or the PPA, or (C) the benefit Project Participant is receiving by assigning the Assigned Rights and Obligations, with respect to which the Assignment Early Termination Date shall be the date set forth in a written notice delivered by Project Participant to the PPA Seller and MSCG; provided that (x) Project Participant will provide notice to the PPA Seller and MSCG as soon as is reasonably possible that Project Participant anticipates exercising this termination right, and (y) Project Participant shall exercise commercially reasonable efforts to propose and agree with MSCG upon a replacement Assignment Agreement prior to exercising this termination right.

Any such notice sent in accordance with the foregoing provisions of this Section 3 shall specify therein the Assignment Early Termination Date.

For the avoidance of doubt, each of the Parties agrees that it shall not terminate an Assignment Agreement pursuant to the at will termination provision thereof (as set forth in Section 5(b)(i) of Exhibit A hereto) except as set forth immediately above.

4. **Representations**. Each Party represents to each of the other Parties:

(a) **Status**. It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.

(b) **Powers**. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance.

(c) **No Violation or Conflict**. Such execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the incurrence by such Party of its obligations under this Agreement, will not result in any violation of, or conflict with: (i) any term of any material contract or agreement applicable to it; (ii) any of its charter, bylaws, or other constitutional documents; (iii) any determination or award of any arbitrator applicable to it; or (iv) any license, permit, franchise, judgment, writ, injunction or regulation, decree, order, charter, law, ordinance, rule or regulation of any Government Agency, applicable to it or any of its assets or properties or to any obligations incurred by it or by which it or any of its assets or properties or obligations are bound or affected, and shall not cause a breach of, or default under, any such term or result in the creation of any lien upon any of its properties or assets.

(d) **Consents**. All consents, approvals, orders or authorizations of, registrations, declarations, filings or giving of notice to, obtaining of any licenses or permits from, or taking of any other action with respect to, any Person or Government Agency that are required to have been obtained by such Party with respect to this Agreement and the transactions contemplated hereby, including the due authorization of such Party and its governing body and any approval or consent of any security holder of such Party or any holder (or any trustee for any holder) of any indebtedness or other obligation of such Party, have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

(e) **Obligations Binding**. Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(f) **Non-Reliance**. It is acting for its own account, and it has made its own independent decisions to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other Parties as investment advice or as a recommendation to enter into this Agreement; it being understood that information and explanations related to the terms and conditions of this Agreement shall not be considered investment advice or a recommendation to enter into this Agreement. It is entering into this Agreement as a bona-fide, arm's-length transaction involving the mutual exchange of consideration and, once executed by all Parties, considers this Agreement a legally enforceable contract. No communication (written or oral) received from any of the other Parties shall be deemed to be an assurance or guarantee as to the expected results of this Agreement.

(g) **Assessment and Understanding**. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement.

(h) **Status of Parties**. None of the other Parties is acting as a fiduciary for or an adviser to it in respect of this Agreement.

5. **Counterparts**. This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile or electronic transmission), each of which will be deemed an original.

6. **Costs and Expenses**. The Parties will each pay their own costs and expenses (including legal fees) incurred in connection with this Agreement and as a result of the negotiation, preparation, and execution of this Agreement.

7. **Amendments**. No amendment, modification, or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile or electronic transmission) and executed by each of the Parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

8. **Notices**. Any notice, demand, statement or request required or authorized by this Agreement to be given by one Party to another shall be in writing, except as otherwise expressly provided herein. It shall be sent by email transmission, courier, or personal delivery (including overnight delivery service) to each of the notice recipients and addresses for each of the other Parties designated in Appendix 2 hereto. Any such notice, demand, or request shall be deemed to be given (i) when delivered by email transmission, or (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service). Each Party shall have the right, upon written 10 days' prior written notice to the other Parties, to change its address at any time, and to designate that copies of all such notices be directed to another person at another address. The Parties may mutually agree in writing at any time to deliver notices, demands or requests through alternate or additional methods. Notwithstanding the foregoing, any Party may at any time notify the other Parties that any notice, demand, statement or request to it must be provided by email transmission for a specified period of time or until further notice, and any communications delivered by means other than email transmission during such time shall be ineffective.

9. **Dispute Resolution**.

(a) **Governing Law**. This Agreement and the rights and duties of the Parties under this Agreement will be governed by and construed, enforced and performed in accordance with the laws of the state of New York, without reference to any conflicts of laws provisions that would direct the application of another jurisdiction's laws; *provided*, however, that the authority of Project Participant and Issuer to enter into and perform their obligations under this Agreement shall be determined in accordance with the laws of the State of California.

(b) **Arbitration**. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope of this agreement to arbitrate, shall be determined by final, non-appealable binding arbitration in San Francisco, California before three (3) arbitrators. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") pursuant to its Comprehensive Arbitration Rules and Procedures. Within fifteen (15) days after the commencement of arbitration, each of MSCG and Project Participant shall select one person to act as arbitrator, and the two so-selected arbitrators shall select a third arbitrator (the "**chairperson**") within thirty (30) days of the commencement of the arbitration. If either MSCG or Project Participant is unable or fails to select one person to act as arbitrator, such arbitrator shall be appointed by JAMS. If MSCG and Project Participant-selected arbitrators are unable or fail to agree upon a chairperson, the chairperson shall be appointed by JAMS. The chairperson shall be a person who has experience in renewable energy-related transactions, and none of the arbitrators shall have been previously employed by any Party or have any direct pecuniary interest in any Party or the subject matter of the arbitration, unless such conflict is expressly acknowledged and waived in writing by all of the Parties. The Parties shall maintain the confidential nature of the arbitration proceeding and any award, including any hearing(s), except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator(s) shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. In any arbitration arising out of or related to this Agreement, the arbitrators shall award to the prevailing Party or Parties, if any, the costs and attorneys' fees reasonably incurred in seeking to enforce the application of this Section 9(b)1(b) and by the prevailing party in connection with the arbitration. Notwithstanding the foregoing provisions of this Section 9(b), any costs incurred by a Party in seeking judicial enforcement of any written decision of the arbitrators shall be chargeable to and borne exclusively by the Party against whom such court order is obtained. The award shall be final and binding on the Parties and judgment upon any award may be entered in any court of competent jurisdiction.

(c) **Judicial Reference.** Without limiting the provisions in Section 9(b), if Section 9(b) is deemed ineffective or unenforceable in any respect, any dispute between the Parties arising out of or in connection with this Agreement or its performance, breach, or termination (including the existence, validity and interpretation of this Agreement and the applicability of any statute of limitation period) (each, a "**Dispute**") shall be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections (a "**Reference Proceeding**"), which shall constitute the exclusive remedy for the resolution of any Dispute. As a condition precedent to initiating a Reference Proceeding with respect to any Dispute, the Parties shall comply with the provisions of Section 9(c)i.

i. Notice of Dispute. Prior to initiating the Reference Proceeding, a Party (the "**Disputing Party**") shall provide the other Parties (the "**Responding Parties**") with a written notice of each issue in dispute, a proposed means for resolving each such issue, and support for such position (the "**Notice of Dispute**"). Within ten (10) Days after receiving the Notice of Dispute, the Responding Parties shall provide the Disputing Party with a written Notice of each additional issue (if any) with respect to the dispute raised by the Notice of Dispute, a proposed means for resolving every issue in dispute, and support for such position (the "**Dispute Response**"). Thereafter, the Parties shall meet to discuss the matter and attempt in good faith to reach a negotiated resolution of the dispute. If the Parties do not resolve the dispute by unanimous agreement within sixty (60) Days after receipt of the Dispute Response, (the "**Negotiation Period**"), then any Party may provide to the other Parties written notice of intent for judicial reference (the "**Impasse Notice**") in accordance with the further provisions of this Section 9(c).

ii. Applicability; Selection of Referees.

(A) Within ten days of the delivery of an Impasse Notice, each of MSCG and Project Participant shall nominate one (1) referee. The two (2) referees (the "**Party-Appointed Referees**") shall appoint a third referee (the "**Third Referee**"). The Party-Appointed Referees shall be competent and experienced in matters involving the electric energy business in the United States, with at least ten (10) years of electric industry experience as a practicing attorney. The Third Referee shall be an active or retired California state or federal judge. Each of the Party-Appointed Referees and the Third Referee shall be impartial and independent of each of the Parties and of the other referees and not employed by any of the Parties in any prior matter.

(B) If the Party-Appointed Referees are unable to agree on the Third Referee within forty-five (45) Days from delivery of the Impasse Notice, then the Third Referee shall be appointed pursuant to CCP Section 640(b) in an action filed in the Superior Court of California, County of San Francisco (the "**Court**"), and with due regard given to the selection criteria above. A request for appointment of a referee may be heard on an ex parte or expedited basis, and the Parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP Section 170.6, each of Project Participant and MSCG shall have one (1) peremptory challenge to the referee selected by the Court.

iii. Discovery; Proceedings.

(A) The Parties agree that time is of the essence in conducting the Reference Proceeding. Accordingly, the referees shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within twenty (20) days after the date of selection of the Third Referee, (ii) if practicable, try all issues of law or fact within one hundred eighty (180) days after the date of the conference, and (iii) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

(B) Discovery and other pre-hearing procedures shall be conducted as agreed to by the Parties, or if they cannot agree, as determined by the Third Referee after discussion with the Parties regarding the need for discovery and other pre-hearing procedures.

(C) Except as expressly set forth herein, the Third Referee shall determine the manner in which the Reference Proceeding is conducted, including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the Reference Proceeding. The Reference Proceeding, including the trial, shall be conducted at a neutral location selected by the Parties, or if not agreed by the Parties, by the Third Referee, in San Francisco, California.

(D) All proceedings and hearings conducted before the referees, except for trial, shall be conducted without a court reporter, except that when any Party so requests, a court reporter will be used at any hearing conducted before the referees, and the referees will be provided a courtesy copy of the transcript. The Party making such a request shall have the obligation to arrange for and pay the court reporter.

iv. Decision. The referees shall render a written statement of decision setting forth findings of fact and conclusions of law. The decision shall be entered as a judgment in the court in accordance with the provisions of CCP Sections 644 and 645. The decision shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the Court. The Parties intend this general reference agreement to be specifically enforceable in accordance with the CCP.

v. Expenses. Each of MSCG and Project Participant shall bear the compensation and expenses of its respective Party-Appointed Referee, own counsel, witnesses, consultants and employees. All other expenses of judicial reference shall be split equally between MSCG and Project Participant.

10. **Limitation of Liability**. Notwithstanding anything to the contrary herein, all obligations of Issuer under this Agreement, including without limitation all obligations to make payments of any kind whatsoever, are special, limited obligations of Issuer, payable solely from the Trust Estate (as such term is defined in the Bond Indenture) as and to the extent provided in the Bond Indenture, including with respect to Operating Expenses (as such term is defined in the Bond Indenture). Issuer shall not be required to advance any moneys derived from any source other than the Revenues (as such term is defined in the Bond Indenture) and other assets pledged under the Bond Indenture for any of the purposes in this Agreement mentioned. Neither the faith and credit of Issuer nor the taxing power of the State of California or any political subdivision thereof is pledged to payments pursuant to this Agreement. Issuer shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reasons of or in connection with this Agreement, except solely to the extent Revenues (as such term is defined in the Bond Indenture) are received for the payment thereof and may be applied therefor pursuant to the terms of the Bond Indenture.

[Signature Pages to Follow]

Very truly yours,

PREPAY LLC

ENERGY PREPAY III, LLC
By: Morgan Stanley Capital Group Inc., its Manager

By: ________________________________
Name: ________________________________
Title: ________________________________

MSCG

MORGAN STANLEY CAPITAL GROUP INC.

By: ________________________________
Name: ________________________________
Title: ________________________________

ACKNOWLEDGED, ACCEPTED AND AGREED TO as of the date first set forth above:

PARTICIPANT

SAN DIEGO COMMUNITY POWER

By: ________________________________
Name: ________________________________
Title: ________________________________

ISSUER

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY

By: ________________________________
Name: ________________________________
Title: ________________________________

EXHIBIT A

FORM OF LIMITED ASSIGNMENT AGREEMENT FOR THIRD PARTY AS PPA SUPPLIER[1]

This Limited Assignment Agreement (this "**Agreement**") is entered into as of [____] (the "**Assignment Agreement Effective Date**") by and among [PPA SELLER], a [____] limited liability company ("**PPA Seller**"), San Diego Community Power, a California joint powers authority ("**PPA Buyer**"), and Morgan Stanley Capital Group Inc., a Delaware corporation ("**MSCG**").

RECITALS

WHEREAS, PPA Buyer and PPA Seller are parties to that certain PPA identified on Appendix 1 hereto;

WHEREAS, in connection with one or more prepaid Energy transactions entered into between the Issuer, and a Prepay Seller, and with effect from and including the Assignment Period Start Date, PPA Buyer wishes to transfer by limited assignment to MSCG, and MSCG wishes to accept the transfer by limited assignment of, the Assigned Rights and Obligations with respect to any and all Assignment Appendices during the Assignment Period;

WHEREAS, pursuant to this Agreement, during the Assignment Period, MSCG will receive the Assigned Products specified in any and all Assignment Appendices in effect from time to time and MSCG will deliver such Assigned Products to Prepay Seller(s), which will deliver such Assigned Products to Issuer for ultimate delivery to PPA Buyer; and

WHEREAS, pursuant to this Agreement, during the Assignment Period, MSCG will assume responsibility for the Delivered Product Payment Obligation with respect to any and all Assignment Appendices then in effect.

THEREFORE, in consideration of the premises above and the mutual covenants and agreements herein set forth, PPA Seller, PPA Buyer and MSCG (the "**Parties**" hereto; each is a "**Party**") agree as follows:

AGREEMENT

1. Definitions.

Unless the context otherwise specifies or requires, or defined below, capitalized terms used but not defined in this Agreement have the meanings set forth in the PPA. The following terms, when

[1] NTD: For added flexibility, we have updated the form of Limited Assignment Agreement to allow for PPA volumes to be allocated to multiple transactions pursuant to Assignment Appendices.

used in this Agreement and identified by the capitalization of the first letter thereof, have the respective meanings set forth below, unless the context otherwise requires:

"**Agreement**" has the meaning specified in the first paragraph above.

"**Assigned Product**" means (i) [PV Energy] and (ii) [Green Attributes (PCC1)], as each is defined in the PPA.

"**Assigned Rights and Obligations**" means (i) the rights of PPA Buyer under the PPA to receive the Assigned Product in each Month as specified in any and all Assignment Appendices then in effect during the Assignment Period, as such rights may be limited or further described in the "Further Information" section on Appendix 1, and (ii) the Delivered Product Payment Obligation, which right and obligation are transferred and conveyed to MSCG hereunder, but which shall not relieve PPA Buyer of its obligations under the PPA in any respects.

"**Assignment Agreement Effective Date**" has the meaning set forth in the first paragraph above.

"**Assignment Appendix**" means each Assignment Appendix in the form attached hereto as Appendix 2 and delivered by MSCG hereunder pursuant to Section 11(f).

"**Assignment Appendix End Date**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Assignment Appendix Period**" means, with respect to each Assignment Appendix, the period from the Assignment Appendix Start Date to the Assignment Appendix End Date; provided that no Assignment Appendix Period may commence prior to the Assignment Period Start Date and no Assignment Appendix Period may extend beyond the Assignment Period End Date.

"**Assignment Appendix Start Date**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Assignment Early Termination Date**" has the meaning specified in Section 5(b).

"**Assignment Period**" has the meaning specified in Section 5(a).

"**Assignment Period End Date**" means 11:59:59 p.m. pacific prevailing time on [____].

"**Assignment Period Start Date**" means [_____].

"**Claims**" means all claims or actions, threatened or filed, and the resulting losses, damages, expenses, attorneys' fees, experts' fees, and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, in each case arising under, in respect of or related in any way to the PPA or any transaction thereunder, except for the Delivered Product Payment Obligation.

"**Custodian**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Custody Agreement**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Delivered Product Payment Obligation**" has the meaning specified in Section 3(a).

"**Issuer**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Month**" means a calendar month.

"**Monthly Gross Amount**" has the meaning specified in Section 3(c).

"**MSCG**" has the meaning specified in the first paragraph of this Agreement.

"**PPA Buyer**" has the meaning specified in the first paragraph of this Agreement.

"**PPA Seller**" has the meaning specified in the first paragraph of this Agreement.

"**Prepaid Agreement**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Prepay Power Supply Contract**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Prepay Seller**" has, with respect to each Assignment Appendix, the meaning specified therein.

"**Receivables**" has the meaning given to such term in Section 3(f).

"**Retained Rights and Obligations**" has the meaning specified in Section 3.

2. Transfer and Undertakings.

(a) PPA Buyer hereby assigns, transfers and conveys to MSCG all right, title and interest in and to the rights of PPA Buyer under the PPA to receive delivery of the Assigned Products specified in any and all Assignment Appendices then in effect during the Assignment Period. In connection with this assignment, PPA Buyer hereby delegates to MSCG the Assigned Rights and Obligations during the Assignment Period.

(b) PPA Seller hereby consents and agrees to PPA Buyer's assignment, transfer and conveyance of all right, title and interest in and to the Assigned Products specified in any and all Assignment Appendices then in effect and, subject to Section 3, the delegation of the Assigned Rights and Obligations to MSCG and the exercise and performance by MSCG of the Assigned Rights and Obligations during the Assignment Period.

(c) MSCG hereby accepts such assignment, transfer and conveyance of PPA Buyer's right, title and interest in and to the Assigned Products specified in any and all Assignment Appendices then in effect during the Assignment Period, and PPA Buyer's delegation of the Assigned Rights and Obligations during the Assignment Period and agrees to perform any such Assigned Rights and Obligations due from it during the Assignment Period to the extent expressly set forth in this Agreement.

3. Limited Assignment.

The Parties acknowledge and agree that (i) the Assigned Rights and Obligations include only a portion of PPA Buyer's rights and obligations under the PPA, and that all rights and obligations (including without limitation obligations with respect to payment for any Product not included in the Assigned Product and any other amounts owed under the PPA) arising under the PPA that are not expressly included in the Assigned Rights and Obligations shall be "**Retained Rights and Obligations**" that are retained solely by PPA Buyer, and (ii) the Retained Rights and Obligations include all rights and obligations of PPA Buyer arising during the Assignment Period except the rights and obligations expressly included in the Assigned Rights and Obligations. In this regard:

(a) **Limited to Delivered Product Payment Obligation**. MSCG's sole payment obligation hereunder will be to pay the Floating Price Payments into the Custodial Account as such terms are defined in and described on Appendix 1 (the "**Delivered Product Payment Obligation**"). MSCG and PPA Buyer each agree to instruct the Custodian in accordance with Section 3(c) hereof to pay PPA Seller for the Assigned Products delivered during each Month of the Assignment Period specified in any and all Assignment Appendices then in effect on each applicable payment date under Section [_] of the PPA. PPA Buyer shall remain responsible for any payment obligations under the PPA during the Assignment Period specified in any and all Assignment Appendices then in effect, including in the event that either (i) MSCG does not make the payments into the Custodial Account as described above or (ii) the Custodian does not make the payments to the PPA Seller from the Custodial Account as described above.

(b) **Retained Rights and Obligations**. Any Claims (other than the Delivered Product Payment Obligation or a failure to perform the same) arising or existing in connection with or related to the PPA, whether related to performance by PPA Seller, PPA Buyer or MSCG, and whether arising before, during or after the Assignment Period, in each case excluding the Delivered Product Payment Obligation, will be included in the Retained Rights and Obligations, and any such Claims will be resolved exclusively between PPA Seller and PPA Buyer in accordance with the PPA.

(c) **Invoicing**. During the Assignment Period specified in any and all Assignment Appendices then in effect, PPA Seller shall continue to provide PPA Buyer a monthly invoice of amounts owing under the PPA, which invoice shall show the total amount due to PPA Seller under the PPA for such Month (the "**Monthly Gross Amount**"). Promptly following PPA Buyer's receipt of each monthly invoice from PPA Seller during the Assignment Period specified in any and all Assignment Appendices then in effect and, in any event, no later than seven (7) days thereafter, PPA Buyer shall deliver (i) a copy of such monthly invoice and the related supporting data to MSCG and (ii) a statement to each of MSCG and the Custodian indicating (A) the Monthly

Gross Amount; (B) the Delivered Product Payment Obligation; and (C) the "**Retained Payment Obligation**", which shall be an amount equal to the Monthly Gross Amount minus the Delivered Product Payment Obligation. PPA Buyer and MSCG covenant and agree to instruct the Custodian to pay the Monthly Gross Amount to PPA Seller on or before the applicable payment date in the PPA; provided that (x) the liability of MSCG hereunder to PPA Seller is limited as described on Appendix 1 [and (y) the Monthly Gross Amount payable to PPA Seller shall be reduced to the extent that PPA Buyer disputes any of the invoiced amounts pursuant to Section [_] of the PPA][2]. PPA Buyer and MSCG may agree in a separate writing as to the allocation of the Monthly Gross Amount between PPA Buyer and MSCG of amounts paid by the Custodian to PPA Seller hereunder. At all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA. For the avoidance of doubt, the Parties acknowledge and agree that any invoice adjustments or reconciliations occurring after the initial settlement of amounts due under a monthly invoice shall be resolved exclusively between PPA Seller and PPA Buyer pursuant to the terms of the PPA.

(d) **Scheduling**. All scheduling of Energy included in the Assigned Products and other communications related to the PPA shall take place between PPA Buyer and PPA Seller pursuant to the terms of the PPA; provided that during any Assignment Period specified in any and all Assignment Appendices then in effect (i) title to Assigned Products specified in any and all Assignment Appendices then in effect will pass to MSCG upon delivery by PPA Seller at the Delivery Point in accordance with the PPA; (ii) immediately thereafter, title to such Assigned Products will pass to one or more Prepay Sellers (as set forth in the applicable Assignment Appendix), Issuer (as set forth in the applicable Assignment Appendix) and then to PPA Buyer upon delivery by MSCG at the same point where title is passed to MSCG pursuant to clause (i) above; (iii) PPA Buyer will be deemed to be acting as MSCG's agent with regard to scheduling Assigned Product; and (iv) PPA Buyer will provide copies to MSCG of (A) any notice of a Force Majeure Event delivered under the PPA, (B) any notice of a default or of a breach or other event that, if not cured within an applicable grace period, could result in an Event of Default, (C) annual forecasts and monthly forecasts with respect to the Assigned Product delivered by PPA Seller under [Section __] of the PPA, (D) invoices delivered by PPA Seller under [Section __ of the PPA] (with a copy to the Custodian if and to the extent retained by PPA Buyer and MSCG), and (E) any other information reasonably requested by MSCG relating to Assigned Product.

(e) **Amendments**. PPA Buyer will provide written notice (including copies thereof) of any amendment, waiver, supplement, modification, or other changes to the PPA to MSCG relating to the Assigned Rights and Obligations, and the Parties hereby acknowledge and agree that an amendment, waiver, supplement, modification or other change will not have any effect on MSCG's rights or obligations under this Agreement unless and until MSCG receives written notice thereof. No amendment, modification, or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile or electronic transmission) and executed by each of the Parties.

(f) **Setoff of Receivables**. Pursuant to the applicable Prepaid Agreement(s), Prepay Seller(s) has agreed to purchase the rights to payment of the net amounts owed by PPA Buyer

[2] NTD: For inclusion to the extent the PPA includes a provision allowing SDCP to withhold payment for disputed amounts.

under the applicable Prepay Power Supply Contract ("**Receivables**") in the case of non-payment by PPA Buyer. To the extent any such Receivables relate to Assigned Products purchased by MSCG pursuant to the Assigned Rights and Obligations, the applicable Prepay Seller may sell such Receivables to MSCG and, provided that MSCG has notified PPA Seller in writing (with a copy to PPA Buyer) (a "**Receivables Setoff Notice**") that the amount of any such Receivables is true and accurate, MSCG may transfer such Receivables (excluding any penalties, late payment fees, late payment interest or other fees, costs or interest included in such Receivables) to PPA Seller and apply the face amount of such Receivables (excluding any penalties, late payment fees, late payment interest or other fees, costs or interest included in such Receivables) as a reduction to any Delivered Product Payment Obligations; provided, however, that (1) at no time shall PPA Seller be required to pay MSCG for any amounts by which such Receivables exceed any Delivered Product Payment Obligations, and (2) at all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA including the Monthly Gross Amount under each invoice. The amount of any Receivables set forth in a Receivables Setoff Notice shall be final and binding unless PPA Buyer shall have provided PPA Seller and MSCG a written notice within two (2) Business Days of its receipt of a Receivables Setoff Notice containing conclusive evidence that such amount is incorrect and asserting what PPA Buyer has determined is the correct amount of Receivables. If any dispute arises therefrom, MSCG shall still be entitled to set-off the amount of Receivables set forth in its Receivables Setoff Notice as provided above, and any such dispute as to the correct amount of Receivables shall be settled exclusively between PPA Buyer and PPA Seller with no liability to MSCG, provided that at all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA including the Monthly Gross Amount under each invoice.

4. Forward Contract.

The Parties acknowledge and agree that this Agreement is intended to constitute a "forward contract" and that the Parties is intended to constitute "forward contract merchants" within the meaning of the United States Bankruptcy Code.

5. Assignment Period; Assignment Early Termination.

(a) **Assignment Period**. The "**Assignment Period**" under an Assignment Appendix shall begin on the Assignment Appendix Start Date and extend until the Assignment Appendix End Date or as otherwise terminated early pursuant to Section 5(b); provided that in no event shall the Assignment Period extend beyond an Assignment Early Termination Date with respect to such Assignment Appendix; provided further that the Assignment Period under an Assignment Appendix will automatically terminate upon the expiration or early termination of either the [Delivery Term (as defined in the PPA)] or the PPA.

(b) **Early Termination**. An "**Assignment Early Termination Date**" will occur under the following circumstances and as of the dates and for the applicable Assignment Appendices specified below:

i. delivery of a written notice of termination by either MSCG or PPA Buyer to each of the other Parties hereto, which Assignment Early Termination Date shall occur under the Assignment Appendices specified in such written notice and on the date set forth in a written notice of such election delivered by PPA Seller to MSCG and PPA Buyer; or;

ii. the election of PPA Seller in its sole discretion to declare an Assignment Early Termination Date if MSCG fails to pay when due any amounts owed to PPA Seller in respect of any Delivered Product Payment Obligation and such failure continues for five Business Days following receipt by MSCG of written notice thereof, which Assignment Early Termination Date shall occur under all Assignment Appendices then in effect upon the date set forth in a written notice of such election delivered by PPA Seller to MSCG and PPA Buyer; or

iii. the election of PPA Seller in its sole discretion to declare an Assignment Early Termination Date if either (a) an involuntary case or other proceeding is commenced against MSCG seeking liquidation, reorganization or other relief with respect to it or its debts under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar law now or hereafter in effect or seeking the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed, or an order or decree approving or ordering any of the foregoing is entered and continued unstayed and in effect, in any such event, for a period of 60 days, or (b) MSCG commences a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar law or any other case or proceeding to be adjudicated as bankrupt or insolvent, or MSCG consents to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, files a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or consents to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of MSCG or any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, which Assignment Early Termination Date shall occur under all Assignment Appendices then in effect immediately on the date of PPA Seller's delivery of notice of its election to MSCG and PPA Buyer.

(c) **Reversion of Assigned Rights and Obligations**. The applicable Assignment Period(s) will end at the end of the last delivery hour on the date specified in any termination notice specified pursuant to Section 5(b). The Parties acknowledge and agree that upon the occurrence of an Assignment Early Termination Date, early termination pursuant to Section 5(d) and at the expiration of any Assignment Period the Assigned Rights and Obligations under each applicable Assignment Appendix will revert from MSCG to PPA Buyer. Any Assigned Rights and

Obligations under an Assignment Appendix that would become due for payment or performance on or after such Assignment Early Termination Date or early termination pursuant to Section 5(d) with respect to such Assignment Appendix shall immediately and automatically revert from MSCG to PPA Buyer; provided that (i) MSCG shall remain responsible for the Delivered Product Payment Obligation with respect to any Assigned Products delivered to MSCG prior to the Assignment Early Termination Date or prior to the expiration of an Assignment Period, and (ii) any legal restrictions on the effectiveness of such reversion (whether arising under bankruptcy law or otherwise) shall not affect the occurrence of the Assignment Early Termination Date or expiration of the Assignment Period.

(d) **Early Termination for PPA Termination**. The Assignment Periods under all Assignment Appendices will automatically terminate upon the expiration or early termination of the PPA.

6. Representations and Warranties.

(a) **Copy of PPA**. As of the Assignment Agreement Effective Date, each of PPA Seller and PPA Buyer represents and warrants to MSCG that a true, complete, and correct copy of the PPA as of such date is attached hereto as Appendix 4.

(b) **No Default**. As of the Assignment Agreement Effective Date, each of PPA Seller and PPA Buyer represents and warrants to MSCG that no event or circumstance exists (or would exist with the passage of time or the giving of notice) that, to its knowledge, would give either of them the right to terminate the PPA or suspend performance thereunder.

(c) **Other**. Each of PPA Buyer and PPA Seller represents and warrants to each other and to MSCG that:

i. It has made no prior transfer (whether by way of security or otherwise) of any interest in the Assigned Rights and Obligations; and

ii. To its knowledge, all obligations of PPA Buyer and PPA Seller under the PPA required to be performed on or before the Assignment Period Start Date have been fulfilled.

(d) **Representations**. Each Party represents to each of the other Parties as of the Assignment Agreement Effective Date:

i. **Status**. It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.

ii. **Powers**. It has the power to execute, this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance.

iii. **No Violation or Conflict**. Such execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the incurrence by such Party of its obligations under this Agreement, will not result in any violation of, or conflict with: (i) any term of any material contract or agreement applicable to it; (ii) any of its charter, bylaws, or other constitutional documents; (iii) any determination or award of any arbitrator applicable to it; or (iv) any license, permit, franchise, judgment, writ, injunction or regulation, decree, order, charter, law, ordinance, rule or regulation of any Government Agency presently in effect, applicable to it or any of its assets or properties or to any obligations incurred by it or by which it or any of its assets or properties or obligations are bound or affected, and shall not cause a breach of, or default under, any such term or result in the creation of any lien upon any of its properties or assets.

iv. **Consents**. All consents, approvals, orders or authorizations of, registrations, declarations, filings or giving of notice to, obtaining of any licenses or permits from, or taking of any other action with respect to, any Person or Government Agency that are required to have been obtained by such Party with respect to this Agreement and the transactions contemplated hereby, including the due authorization of such Party and its governing body and any approval or consent of any security holder of such Party or any holder (or any trustee for any holder) of any indebtedness or other obligation of such Party, have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

v. **Obligations Binding**. Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

vi. **Non-Reliance**. It is acting for its own account, and it has made its own independent decisions to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other Parties as investment advice or as a recommendation to enter into this Agreement; it being understood that information and explanations related to the terms and conditions of this Agreement shall not be considered investment advice or a recommendation to enter into this Agreement. It is entering into this Agreement as a bona-fide, arm's-length transaction involving the mutual exchange of consideration and, once executed by all Parties, considers this Agreement a legally enforceable contract. No communication (written or oral) received from any of the other Parties shall be deemed to be an assurance or guarantee as to the expected results of this Agreement.

vii. **Assessment and Understanding**. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement.

viii. **Status of Parties**. None of the other Parties is acting as a fiduciary for or an adviser to it in respect of this Agreement.

7. Miscellaneous.

Article [__] (Confidential Information), [__] (No Consequential Damages), [__] (Amendments), [__] (No Agency, Partnership, Joint Venture or Lease), Sections [__] (Severability), [__] (Electronic Delivery), [__] (Counterparts), Section [__] (Binding Effect) and [__] (Forward Contract) of the PPA are incorporated by reference into this Agreement, *mutatis mutandis*, as if fully set forth herein.

8. Costs and Expenses.

The Parties shall each pay their own costs and expenses (including legal fees) incurred in connection with this Agreement and as a result of the negotiation, preparation, and execution of this Agreement.

9. Notices.

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be delivered in accordance with [Section ___] of the PPA and to the addresses of each of PPA Seller and PPA Buyer specified in the PPA. PPA Buyer agrees to notify MSCG of any updates to such notice information, including any updates provided by PPA Seller to PPA Buyer. Notices to MSCG shall be provided to the address set forth in <u>Appendix 3</u>. Each Party may update its address from time to time by notice to the other Parties.

10. Governing Law; Dispute Resolution.

(a) <u>Governing Law</u>. This Agreement and the rights and duties of the Parties under this Agreement will be governed by and construed, enforced and performed in accordance with the laws of the state of New York, without reference to any conflicts of laws provisions that would direct the application of another jurisdiction's laws; *provided*, however, that the authority of PPA Buyer to enter into and perform its obligations under this agreement shall be determined in accordance with the laws of the state of California.

(b) <u>Arbitration</u>. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope of this Agreement to arbitrate, shall be determined by final, non-appealable binding arbitration in San Francisco, California before three (3) arbitrators. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") pursuant to its Comprehensive Arbitration Rules and Procedures. Within fifteen (15) days after the commencement of arbitration, each of MSCG and PPA Buyer shall select one person to act as arbitrator, and the two so-selected arbitrators shall select a third arbitrator (the "**chairperson**") within thirty (30) days of the commencement of the arbitration. If either MSCG or PPA Buyer is unable or fails to select one person to act as arbitrator, such arbitrator shall be appointed by JAMS. If the MSCG and PPA Buyer-selected arbitrators are unable or fail to agree upon a chairperson, the chairperson shall be appointed by JAMS. The chairperson shall be a person who has experience in renewable energy-related transactions, and none of the arbitrators shall have been previously employed by any Party or have any direct pecuniary interest in any Party or the subject matter of the arbitration, unless such conflict is expressly acknowledged and waived in writing by all of the Parties. The Parties shall maintain the confidential nature of the arbitration proceeding and any award, including any hearing(s), except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator(s) shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. The responsibility for compensation and expenses of the three arbitrators and all other expenses charged by JAMS shall be equally split in one-third (1/3) shares by each of MSCG, PPA Buyer, and PPA Seller. In any arbitration arising out of or related to this Agreement, the arbitrators shall award to the prevailing Party or Parties, if any, the costs and attorney's fees reasonably incurred in seeking to enforce the application of this Section 10(b) and by the prevailing party in connection with the arbitration. Notwithstanding the foregoing provisions of this Section 10(b), any costs incurred by a Party in seeking judicial enforcement of any written decision of the arbitrators shall be chargeable to and borne exclusively by the Party against whom such court order is obtained. The award shall be final and binding on the Parties and judgment upon any award may be entered in any court of competent jurisdiction.

(c) Judicial Reference. Without limiting the provisions in Section 10(b), if Section 10(b) is deemed ineffective or unenforceable in any respect, any dispute between the Parties arising out of or in connection with this Agreement or its performance, breach, or termination (including the existence, validity and interpretation of this Agreement and the applicability of any statute of limitation period) (each, a "**Dispute**") shall be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections (a "**Reference Proceeding**"), which shall constitute the exclusive remedy for the resolution of any Dispute. As a condition precedent to initiating a Reference Proceeding with respect to any Dispute, the Parties shall comply with the provisions of Section 10(c)(i).

i. Notice of Dispute. Prior to initiating the Reference Proceeding, a Party (the "**Disputing Party**") shall provide the other Parties (the "**Responding Parties**") with a written notice of each issue in dispute, a proposed means for resolving each such issue, and support for such position (the "**Notice of Dispute**"). Within 10 days after receiving the Notice of Dispute, the Responding Parties shall provide the Disputing Party with a written Notice of each additional issue (if any) with respect to the dispute raised by the Notice of Dispute, a proposed means for resolving every issue in dispute, and support for such position (the "**Dispute Response**"). Thereafter, the Parties shall meet to discuss the matter and attempt in good faith to reach a negotiated resolution of the dispute. If the Parties do not resolve the dispute by unanimous agreement within fifteen (15) days after receipt of the Dispute Response, (the "**Negotiation Period**"), then any Party may provide to the other

Parties written notice of intent for judicial reference (the "**Impasse Notice**") in accordance with the further provisions of this Section 10(c).

ii. Applicability; Selection of Referees. Within 10 days of the delivery of an Impasse Notice, each of MSCG and PPA Buyer shall nominate one (1) referee. The two (2) referees (the "**Party-Appointed Referees**") shall appoint a third referee (the "**Third Referee**", together with the Party-Appointed Referees, the "**Referees**"). The Party-Appointed Referees shall be competent and experienced in matters involving the electric energy business in the United States, with at least ten (10) years of electric energy industry experience as a practicing attorney. The Third Referee shall be an active or retired California state or federal judge. Each of the Party-Appointed Referees and the Third Referee shall be impartial and independent of each of the Parties and of the other referees and not employed by any of the Parties in any prior matter.

iii. Inability to Agree upon Third Referee. If the Party-Appointed Referees are unable to agree on the Third Referee within 45 days from delivery of the Impasse Notice, then the Third Referee shall be appointed pursuant to CCP Section 640(b) in an action filed in the Superior Court of California, County of San Francisco (the "**Court**"), and with due regard given to the selection criteria above. A request for appointment of a referee may be heard on an ex parte or expedited basis, and the Parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP Section 170.6, each of PPA Buyer and MSCG shall have one (1) peremptory challenge to the referee selected by the Court.

iv. Discovery; Proceedings.

(A) The Parties agree that time is of the essence in conducting the Reference Proceeding. Accordingly, the Referees shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within 20 days after the date of selection of the Third Referee, (ii) if practicable, try all issues of law or fact within 180 days after the date of the conference, and (iii) report a statement of decision within 20 days after the matter has been submitted for decision.

(B) Discovery and other pre-hearing procedures shall be conducted as agreed to by the Parties, or if they cannot agree, as determined by the Third Referee after discussion with the Parties regarding the need for discovery and other pre-hearing procedures.

(C) Except as expressly set forth herein, the Third Referee shall determine the manner in which the Reference Proceeding is conducted, including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the Reference Proceeding. The Reference Proceeding, including the trial, shall be conducted at a neutral location selected by the Parties, or if not agreed by the Parties, by the Third Referee, in San Francisco, California.

(D) All proceedings and hearings conducted before the Referees, except for trial, shall be conducted without a court reporter, except that when any Party so requests, a court reporter will be used at any hearing conducted before the Referees, and the Referees will be provided a courtesy copy of the transcript. The Party making such a request shall have the obligation to arrange for and pay the court reporter.

v. Decision. The Referees shall render a written statement of decision setting forth findings of fact and conclusions of law. The Referees shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. The decision shall be entered as a judgment in the court in accordance with the provisions of CCP Sections 644 and 645. The decision shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the Court. The Parties intend this general reference agreement to be specifically enforceable in accordance with the CCP.

vi. Expenses. Each of MSCG, PPA Seller and PPA Buyer shall bear the compensation and expenses of its respective own counsel, witnesses, consultants and employees. The responsibility for compensation and expenses of the Referees and all other expenses of judicial reference shall be equally split in one-third (1/3) shares by each of MSCG, PPA Buyer, and PPA Seller

(d) **Assignment Appendix Prepaid Transaction Details**. From time to time, MSCG may deliver one or more completed Assignment Appendices to the other Parties hereto completing the terms that are currently bracketed therein, and each such Assignment Appendix shall be binding upon each of the Parties hereto; provided that the aggregate sum of the Assigned Products under all Assignment Appendices then in effect will not exceed the Contract Quantity under and as defined in the PPA. As set forth in Appendix 1 hereto, MSCG's payment obligations are limited to any Assigned Products delivered pursuant to the Assignment Appendices then in effect. Each Assignment Appendix will set forth certain details relating to the commodity prepayment transaction pursuant to which all or a portion of the Assigned Products shall be delivered; provided that MSCG may, by written notice to PPA Seller and PPA Buyer, at any time and without the consent of PPA Seller or PPA Buyer, (i) rescind any Assignment Appendix or (ii) update or amend any Assignment Appendix to change any or all of the terms specified therein, including: an increase or decrease of the volume of Assigned Products to be delivered into the applicable commodity prepayment transaction (including without limitation a change thereto to reflect that all MWh of Assigned Products delivered in accordance with the PPA by PPA Seller shall be delivered into one commodity prepayment transaction, subject only the aggregate quantity limit specified above); a change in the relevant commodity prepayment transaction (i.e., the "Prepaid Agreement") pursuant to which the Assigned Products shall be delivered; a change in the identity of the Prepay Seller; or a change to the Assignment Appendix Start Date and / or the Assignment Appendix End Date. For the avoidance of doubt, (I) more than one Assignment Appendix may be in effect at any time, and (II) at any given time, less than one hundred percent (100%) of the Contract Quantity under and as defined in the PPA may be assigned pursuant to the Assignment Appendices then in effect.

10. **U.S. Resolution Stay Protocol.** The Parties hereby confirm that they are adherents to the ISDA 2018 U.S. Resolution Stay Protocol ("**ISDA U.S. Stay Protocol**"), the terms of the ISDA U.S. Stay Protocol are incorporated into and form a part of this Agreement, and this Agreement shall be deemed a Protocol Covered Agreement for purposes thereof. For purposes of incorporating the ISDA U.S. Stay Protocol, MSCG shall be deemed to be a Regulated Entity, and PPA Buyer and PPA Seller each shall be deemed to be an Adhering Party. In the event of any inconsistences between this Agreement and the ISDA U.S. Stay Protocol, the ISDA U.S. Stay Protocol will prevail.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the Assignment Agreement Effective Date.

[PPA SELLER]

By: ______________________________
Name:_________________________
Title:__________________________

SAN DIEGO COMMUNITY POWER

By: ______________________________
Name:_________________________
Title:__________________________

MORGAN STANLEY CAPITAL GROUP INC.

By: ______________________________
Name:_________________________
Title:__________________________

Appendix 1
Assigned Rights and Obligations

PPA: Renewable Power Purchase Agreement dated as of [____], by and between PPA Buyer and PPA Seller, as may be amended from time to time.

Delivery Point: [____]

Further Information: PPA Seller shall transfer or, to the extent applicable, continue to transfer, to PPA Buyer the WREGIS Certificates associated with all [Renewable Energy Credits] corresponding to all [PV Energy] under the PPA pursuant to [Section ___ of the PPA], provided that the transferee of such WREGIS Certificates may be changed from time to time in accordance with the written instructions of both MSCG and PPA Buyer upon fifteen (15) Business Days' notice, which change shall be effective as of the first day of the next calendar month after such notice period has expired, unless otherwise agreed. All Assigned Product delivered by PPA Seller to MSCG shall be a sale made at wholesale, with MSCG reselling all such Assigned Product. Terms with initial capitalization used in this paragraph but not otherwise defined in this Agreement have the meaning set forth in the PPA.

Limitation of MSCG Liability. MSCG has separately agreed with PPA Buyer and Custodian pursuant to the Custody Agreement to pay the "Day-Ahead Average Price" as defined below into the custodial account specified in the Custody Agreement (the "**Custodial Account**") for a specified portion of the Assigned Products delivered to the Delivery Point during each Month of the Assignment Period pursuant to all Assignment Appendices then in effect (the "**Floating Price Payments**"). MSCG agrees to pay the Floating Price Payments into the Custodial Account, and MSCG's payment obligations under this Agreement are limited to making such payments into the Custodial Account, for application as provided in the Custody Agreement, which also provides for payment by (i) PPA Buyer of any other amounts due under the PPA for each Month of the Assignment Period and (ii) the Custodian of the net amount due to PPA Seller for each Month of the Assignment Period from the amounts received from MSCG and PPA Buyer, as applicable. MSCG's Floating Price Payments shall credit against and reduce the amounts otherwise due from PPA Buyer to PPA Seller under the PPA for each Month of the Assignment Period for all Assignment Appendices then in effect; provided that PPA Seller and PPA Buyer acknowledge and agree that the making of Floating Price Payments into the Custodial Account by MSCG shall not entitle (A) MSCG to any payments from PPA Seller or (B) PPA Seller to payments in excess of the net amount that would otherwise be due from PPA Buyer to PPA Seller pursuant to the terms of the PPA. At all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA. For the avoidance of doubt, MSCG's obligations hereunder are limited to only the Assignment Appendices then in effect.

"Day-Ahead Average Price" means the result of (i) (x) the sum of the Day-Ahead Market Prices for each Pricing Interval in a Month divided by (y) the number of Pricing Intervals in such Month plus (ii) the Index Adder (as set forth in the table immediately below) for the relevant Month. As used in this definition, "Pricing Interval" means the unit of time for which [______] establishes a separate price. As used in this definition "Day-Ahead Market Price" means the Day Ahead Market or Locational Marginal Price for [_________________] for each applicable hour as published by

[_______], or as such price may be corrected or revised from time to time by [_____] in accordance with its rules. For the avoidance of doubt, the Day-Ahead Average Price can be a negative number.

Month	**Index Adder ($/MWh)**
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]
[____]	[____]

Appendix 2

Assignment Appendix - [A][B][C]

Date: [____]

"**Assignment Appendix End Date**" means 11:59:59 p.m. pacific prevailing time on [____], 20[_].

"**Assignment Appendix Start Date**" means [____] 1, 20[_].

"**Custodian**" means The Bank of New York Mellon Trust Company, N.A., a national banking association.

"**Custody Agreement**" means the [Custodial Agreement] dated as of [____], among the Issuer, PPA Buyer, MSCG, each applicable Prepay Seller and the Custodian, as from time to time amended, restated, supplemented or otherwise modified.

"**Issuer**" means California Community Choice Financing Authority, a joint powers authority and a public entity of the State of California established pursuant to the provisions of the Joint Exercise of Powers Act (Article 1, Chapter 5, Division 7, Title 1, Section 6500 *et seq*. of the California Government Code, as amended).

"**Prepaid Agreement**" means that certain Prepaid Energy Sales Agreement, dated as of [____], 20[_] by and between Prepay Seller and Issuer, as from time to time amended, restated, supplemented or otherwise modified.

"**Prepay Power Supply Contract**" means that certain Power Supply Contract, dated as of [____], 20[_] by and between Prepay Seller and Issuer, as from time to time amended, restated, supplemented or otherwise modified.

"**Prepay Seller**" means [_____], a [_____], or any other Person that is the prepay seller under the terms of the Prepaid Agreement from time to time.

Assigned Products subject to this Assignment Appendix: As set forth immediately below, [the percentage of Assigned Products]/[the monthly quantities of Assigned Products] delivered to the Delivery Point: [____]

Appendix 3

MSCG Notice Information

[To be completed before signing.]

Appendix 4

Copy of PPA

[To be attached.]

EXHIBIT B

FORM OF LIMITED ASSIGNMENT AGREEMENT
FOR MSCG AS PPA SUPPLIER[3]

This Limited Assignment Agreement (this "**Agreement**") is entered into as of [____], 2025 ("**Assignment Agreement Effective Date**") by and among Morgan Stanley Capital Group Inc., a Delaware corporation ("**PPA Seller**"), San Diego Community Power, a California joint powers authority ("**PPA Buyer**"), and Energy Prepay III, LLC, a Delaware limited liability company ("**Prepay LLC**").

RECITALS

WHEREAS, PPA Buyer and PPA Seller are parties to that certain PPA as defined in Appendix 1 hereto (the "**PPA**");

WHEREAS, in connection with a prepaid electricity transaction entered into between California Community Choice Financing Authority ("**Issuer**"), and Prepay LLC, and with effect from and including the Assignment Period Start Date (as defined below), PPA Buyer wishes to transfer by partial assignment to Prepay LLC, and Prepay LLC wishes to accept the transfer by partial assignment of, the Assigned Rights and Obligations (as defined below) for the duration of the Assignment Period (as defined below); and

THEREFORE, in consideration of the premises above and the mutual covenants and agreements herein set forth, PPA Seller, PPA Buyer and Prepay LLC (the "**Parties**" hereto; each is a "**Party**") agree as follows:

AGREEMENT

1. Definitions.

The following terms, when used in this Agreement and identified by the capitalization of the first letter thereof, have the respective meanings set forth below, unless the context otherwise requires:

"**Agreement**" has the meaning specified in the first paragraph above.

"**Assigned Delivery Point**" has the meaning specified in Appendix 1.

"**Assigned Products**" means [all Products] under and as defined in the PPA.

"**Assigned Rights and Obligations**" means (i) the rights of PPA Buyer under the PPA to receive the Assigned Products in each Month during the Assignment Period, as such rights may be limited or further described in Appendix 1, and (ii) the Delivered Product Payment Obligation, which right and obligation are transferred and conveyed to Prepay LLC hereunder.

[3] NTD: We have updated the form consistent with the final form of LAA agreed upon by SDCP and MSCG for the bridge PPA for the first tranasction.

"**Assignment Early Termination Date**" has the meaning specified in Section 5(b).

"**Assignment Period**" has the meaning specified in Section 5(a).

"**Assignment Period End Date**" means 11:59:59 p.m. pacific prevailing time on [____].

"**Assignment Period Start Date**" means [____].

"**Business Day**" has the meaning specified in the Prepaid Agreement.

"**Claims**" means all claims or actions, threatened or filed, and the resulting losses, damages, expenses, attorneys' fees, experts' fees, and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, in each case arising under, in respect of or related in any way to the PPA or any transaction thereunder, except for the Delivered Product Payment Obligation.

"**Custodian**" means U.S. Bank Trust Company, National Association.

"**Day-Ahead Average Price**" has the meaning specified in Appendix 1.

"**Delivered Product Payment Obligation**" has the meaning specified in Section 3(a).

"**Energy**" means three-phase, 60-cycle alternating current electric energy, expressed in megawatt hours (MWh).

"**Government Agency**" means the United States of America, any state thereof, any municipality, or any local jurisdiction, or any political subdivision of any of the foregoing, including, but not limited to, courts, administrative bodies, departments, commissions, boards, bureaus, agencies, or instrumentalities.

"**Issuer**" has the meaning specified in the first paragraph of this Agreement.

"**Month**" means a calendar month.

"**MWh**" has the meaning specified in the Prepaid Agreement.

"**Person**" means any individual, corporation, partnership, joint venture, trust, unincorporated organization, or Government Agency.

"**PPA Buyer**" has the meaning specified in the first paragraph of this Agreement.

"**PPA Seller**" has the meaning specified in the first paragraph of this Agreement.

"**Prepaid Agreement**" means that certain Prepaid Energy Sales Agreement dated as of [____], 2025 by and between Prepay LLC and Issuer.

"**Prepay LLC**" has the meaning specified in the first paragraph of this Agreement.

"**Prepay Power Supply Contract**" means that certain Power Supply Contract dated [____], 2025 by and between PPA Buyer and Issuer.

"**Receivables**" has the meaning given to such term in Section 3(e).

"**Retained Rights and Obligations**" has the meaning specified in Section 3.

2. Transfer and Undertakings.

(a) PPA Buyer hereby assigns, transfers and conveys to Prepay LLC all right, title and interest in and to the rights of PPA Buyer under the PPA to receive delivery of the Assigned Products during the Assignment Period. In connection with this assignment, PPA Buyer hereby delegates to Prepay LLC the Assigned Rights and Obligations during the Assignment Period.

(b) PPA Seller hereby consents and agrees to PPA Buyer's assignment, transfer and conveyance of all right, title and interest in and to the Assigned Products and, subject to Section 3, the delegation of the Assigned Rights and Obligations to Prepay LLC and the exercise and performance by Prepay LLC of the Assigned Rights and Obligations during the Assignment Period.

(c) Prepay LLC hereby accepts such assignment, transfer and conveyance of PPA Buyer's right, title and interest in and to the Assigned Products during the Assignment Period, and PPA Buyer's delegation of the Assigned Rights and Obligations during the Assignment Period and agrees to perform any such Assigned Rights and Obligations due from it during the Assignment Period to the extent expressly set forth in this Agreement.

3. Limited Assignment.

The Parties acknowledge and agree that (i) the Assigned Rights and Obligations include only a portion of PPA Buyer's rights and obligations under the PPA, and that all rights and obligations arising under the PPA that are not expressly included in the Assigned Rights and Obligations shall be "**Retained Rights and Obligations**", and (ii) the Retained Rights and Obligations include all rights and obligations of PPA Buyer arising during the Assignment Period except the rights and obligations expressly included in the Assigned Rights and Obligations. In this regard:

(a) **Limited to Delivered Product Payment Obligation**. Prepay LLC's sole payment obligation hereunder will be to pay the Floating Price Payments into the Custodial Account as such terms are defined in and described on Appendix 1 (the "**Delivered Product Payment Obligation**"). Prepay LLC and PPA Buyer each agree to instruct the Custodian to pay PPA Seller for the Assigned Products delivered during each Month of the Assignment Period on each applicable payment date under the PPA. PPA Buyer shall remain responsible for any payment obligations under the PPA during the Assignment Period, including in the event that either (i) Prepay LLC does not make the payments into the Custodial Account as described above or (ii) the

Custodian does not make the payments to the PPA Seller from the Custodial Account as described above.

(b) **Retained Rights and Obligations**. Any Claims (other than the Delivered Product Payment Obligation or a failure to perform the same) arising or existing in connection with or related to the PPA, whether related to performance by PPA Seller, PPA Buyer or Prepay LLC, and whether arising before, during or after the Assignment Period, in each case excluding the Delivered Product Payment Obligation, will be included in the Retained Rights and Obligations and any such Claims will be resolved exclusively between PPA Seller and PPA Buyer in accordance with the PPA.

(c) **Scheduling**. All scheduling of Energy (including Assigned Products) and other communications related to the PPA shall take place between PPA Buyer and PPA Seller pursuant to the terms of the PPA; provided that (i) PPA Buyer and PPA Seller will provide copies of all billing statements and generation reports delivered during the Assignment Period to Prepay LLC and Issuer contemporaneously upon delivery of such statements and reports to the other party to the PPA; (ii) title to Assigned Products will pass to Prepay LLC upon delivery by PPA Seller at the Assigned Delivery Point in accordance with the PPA; (iii) immediately thereafter, title to such Assigned Products will pass to Issuer and then to PPA Buyer upon delivery by Prepay LLC at the same point where title is passed to Prepay LLC pursuant to clause (ii) above; and (iv) PPA Buyer will be deemed to be acting as Prepay LLC's agent with regard to scheduling Assigned Products.

(d) **Amendments**. PPA Buyer and PPA Seller will provide written notice (including copies thereof) of any proposed or actual amendment, waiver, supplement, modification, or other changes to the PPA to Prepay LLC prior to the effectiveness thereof, and the Parties hereby acknowledge and agree that an amendment, waiver, supplement, modification or other change will not have any effect on Prepay LLC's rights or obligations under this Agreement unless Prepay LLC receives prior written notice thereof.

(e) **Setoff of Receivables**. Pursuant to the Prepaid Agreement, Prepay LLC has agreed to purchase the rights to payment of the net amounts owed by PPA Buyer under the Prepay Power Supply Contract ("**Receivables**") in the case of non-payment by PPA Buyer. To the extent any such Receivables relate to Assigned Products purchased by Prepay LLC pursuant to the Assigned Rights and Obligations, Prepay LLC may, provided that Prepay LLC has notified PPA Seller in writing (with a copy to PPA Buyer) (a "**Receivables Setoff Notice**") that the amount of any such Receivables is true and accurate, transfer such Receivables (excluding any penalties, late payment fees, late payment interest or other fees, costs or interest included in such Receivables) to PPA Seller and apply the face amount of such Receivables (excluding any penalties, late payment fees, late payment interest or other fees, costs or interest included in such Receivables) as a reduction to any Delivered Product Payment Obligations; provided, however, that at no time shall PPA Seller be required to pay Prepay LLC for any amounts by which such Receivables exceed any Delivered Product Payment Obligations then due and owed to PPA Seller. The amount of any Receivables set forth in a Receivables Setoff Notice shall be final and binding unless PPA Buyer shall have provided PPA Seller and Prepay LLC a written notice within two (2) Business Days of its receipt of a Receivables Setoff Notice containing conclusive evidence that such amount is incorrect and asserting what PPA Buyer has determined is the correct amount of Receivables. If any dispute arises therefrom, Prepay LLC shall still be entitled to set-off the amount of Receivables set forth in its Receivables Setoff Notice as provided above, and any such dispute as to the correct amount of Receivables shall be settled exclusively between PPA Buyer and PPA Seller with no liability to Prepay LLC, provided that at all times, PPA Buyer remains liable to PPA Seller for all amounts due and owing under the PPA.

4. Forward Contract.

The Parties acknowledge and agree that this Agreement is intended to constitute a "forward contract" and that the Parties is intended to constitute "forward contract merchants" within the meaning of the United States Bankruptcy Code.

5. Assignment Period; Assignment Early Termination.

(a) **Assignment Period**. The "**Assignment Period**" shall begin on the Assignment Period Start Date and extend through and including the Assignment Period End Date; provided that in no event shall the Assignment Period extend past an Assignment Early Termination Date.

(b) **Early Termination**. An "**Assignment Early Termination Date**" will occur under the following circumstances and as of the dates specified below:

i. the assignment of the Prepay Power Supply Contract by PPA Buyer or Issuer pursuant to Article XIII thereof, which Assignment Early Termination Date shall occur immediately as of the time of such assignment;

ii. the suspension, expiration, or termination of performance of the PPA by either PPA Buyer or PPA Seller for any reason other than the occurrence of Force Majeure under and as defined in the PPA, which Assignment Early Termination Date shall occur immediately as of the time of PPA Seller's last performance under the PPA following such suspension, expiration, or termination;

iii. the election of Prepay LLC in its sole discretion to declare an Assignment Early Termination Date as a result of (a) any event or circumstance that would give either PPA Buyer or PPA Seller the right to terminate or suspend performance under the PPA (regardless of whether PPA Buyer or PPA Seller exercises such right) or (b) the execution of an amendment, waiver, supplement, modification or other change to the PPA that adversely affects the Assigned Rights and Obligations or Prepay LLC's rights or obligations under this Agreement (provided that Prepay LLC shall not have a right to terminate under this clause (b) to the extent that Prepay LLC (i) receives prior notice of such change and (ii) provides its written consent thereto), which Assignment Early Termination Date shall occur upon the date set forth in a written notice of such election delivered by Prepay LLC to PPA Buyer and PPA Seller;

iv. termination or suspension of deliveries for any reason other than force majeure under the Prepaid Agreement or Prepay Power Supply Contract, which Assignment Early Termination Date shall occur immediately as of the time of the last deliveries under the relevant contract following such suspension or termination;

v. the election of PPA Seller or PPA Buyer in its sole discretion to declare an Assignment Early Termination Date if Prepay LLC fails to pay when due any amounts owed to PPA Seller in respect of any Delivered Product Payment Obligation and such failure continues for five Business Days following receipt by Prepay LLC of written notice thereof, which Assignment Early Termination Date shall occur upon the date set forth in a written notice of such election delivered by PPA Seller or PPA Buyer, as applicable, to Prepay LLC, and with a copy to PPA Buyer or PPA Seller, as applicable; and

vi. the election of PPA Seller or PPA Buyer in its sole discretion to declare an Assignment Early Termination Date if either (a) an involuntary case or other proceeding is commenced against Prepay LLC seeking liquidation, reorganization or other relief with respect to it or its debts under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or similar law now or hereafter in effect or seeking the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed, or an order or decree approving or ordering any of the foregoing is entered and continued unstayed and in effect, in any such event, for a period of 60 days, or (b) Prepay LLC commences a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar law or any other case or proceeding to be adjudicated as bankrupt or insolvent, or Prepay LLC consents to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, files a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or consents to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of Prepay LLC or any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, which Assignment Early Termination Date shall occur upon the earliest date set forth in a written notice of such election delivered by PPA Seller or PPA Buyer, as applicable, to Prepay LLC, and with a copy to PPA Buyer or PPA Seller, as applicable.

(c) **Reversion of Assigned Rights and Obligations**. The Parties acknowledge and agree that upon the occurrence of an Assignment Early Termination Date, the Assigned Rights and Obligations will revert from Prepay LLC to PPA Buyer. Any Assigned Rights and Obligations that would become due for payment or performance on or after such Assignment Early Termination Date shall immediately and automatically revert from Prepay LLC to PPA Buyer, provided that (i) Prepay LLC shall remain responsible for the Delivered Product Payment Obligation with respect to any Assigned Products delivered to Prepay LLC prior to the Assignment Early Termination Date, and (ii) any legal restrictions on the effectiveness of such reversion (whether arising under bankruptcy law or otherwise) shall not affect the occurrence of the Assignment Early Termination Date.

6. Representations and Warranties.

(a) **Copy of PPA**. As of the Assignment Agreement Effective Date, each of PPA Seller and PPA Buyer represents and warrants to Prepay LLC that a true, complete, and correct copy of the PPA is attached hereto as Appendix 3.

(b) **No Default**. As of the Assignment Agreement Effective Date, each of PPA Seller and PPA Buyer represents and warrants to Prepay LLC that no event or circumstance exists (or would exist with the passage of time or the giving of notice) that, to its knowledge, would give either of them the right to terminate the PPA or suspend performance thereunder.

(c) **Other**. As of the Assignment Agreement Effective Date, each of PPA Buyer and PPA Seller represents and warrants to each other and to Prepay LLC that:

i. it has made no prior transfer (whether by way of security or otherwise) of any interest in the Assigned Rights and Obligations; and

ii. to its knowledge, all obligations of PPA Buyer and PPA Seller under the PPA required to be performed on or before the Assignment Period Start Date have been fulfilled.

(d) **Representations**. Each Party represents to each of the other Parties:

i. **Status**. It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing.

ii. **Powers**. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance.

iii. **No Violation or Conflict**. Such execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the incurrence by such Party of its obligations under this Agreement, will not result in any violation of, or conflict with: (i) any term of any material contract or agreement applicable to it; (ii) any of its charter, bylaws, or other constitutional documents; (iii) any determination or award of any arbitrator applicable to it; or (iv) any license, permit, franchise, judgment, writ, injunction or regulation, decree, order, charter, law, ordinance, rule or regulation of any Government Agency, applicable to it or any of its assets or properties or to any obligations incurred by it or by which it or any of its assets or properties or obligations are bound or affected, and shall not cause a breach of, or default under, any such term or result in the creation of any lien upon any of its properties or assets.

iv. **Consents**. All consents, approvals, orders or authorizations of, registrations, declarations, filings or giving of notice to, obtaining of any licenses or permits from, or taking of any other action with respect to, any Person or Government Agency that are required to have been obtained by such Party with respect to this

Agreement and the transactions contemplated hereby, including the due authorization of such Party and its governing body and any approval or consent of any security holder of such Party or any holder (or any trustee for any holder) of any indebtedness or other obligation of such Party, have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

v. **Obligations Binding**. Its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

vi. **Non-Reliance**. It is acting for its own account, and it has made its own independent decisions to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other Parties as investment advice or as a recommendation to enter into this Agreement; it being understood that information and explanations related to the terms and conditions of this Agreement shall not be considered investment advice or a recommendation to enter into this Agreement. It is entering into this Agreement as a bona-fide, arm's-length transaction involving the mutual exchange of consideration and, once executed by all Parties, considers this Agreement a legally enforceable contract. No communication (written or oral) received from any of the other Parties shall be deemed to be an assurance or guarantee as to the expected results of this Agreement.

vii. **Assessment and Understanding**. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Agreement. It is also capable of assuming, and assumes, the risks of this Agreement.

viii. **Status of Parties**. None of the other Parties is acting as a fiduciary for or an adviser to it in respect of this Agreement.

7. Counterparts.

This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by email), each of which will be deemed an original.

8. Costs and Expenses.

The Parties will each pay their own costs and expenses (including legal fees) incurred in connection with this Agreement and as a result of the negotiation, preparation, and execution of this Agreement.

9. Amendments.

No amendment, modification, or waiver in respect of this Agreement will be effective unless in writing and executed by each of the Parties.

10. Notices.

Any notice, demand, statement or request required or authorized by this Agreement to be given by one Party to another shall be in writing, except as otherwise expressly provided herein. It shall be sent by email transmission, courier, or personal delivery (including overnight delivery service) to each of the notice recipients and addresses for each of the other Parties designated in Appendix 2 hereto. Any such notice, demand, or request shall be deemed to be given (i) when sent by email transmission, or (ii) when actually received if delivered by courier or personal delivery (including overnight delivery service). Each Party shall have the right, upon 10 days' prior written notice to the other Parties, to change its address at any time, and to designate that copies of all such notices be directed to another Person at another address. The Parties may mutually agree in writing at any time to deliver notices, demands or requests through alternate or additional methods. Notwithstanding the foregoing, a Party may at any time notify the other Parties that any notice, demand, statement or request to it must be provided by email transmission for a specified period of time or until further notice, and any communications delivered by means other than email transmission during such time shall be ineffective.

11. Governing Law, Waiver of Jury Trial, Arbitration.

(a) **Governing Law**. This Agreement and the rights and duties of the Parties under this Agreement will be governed by and construed, enforced and performed in accordance with the laws of the State of New York, without reference to any conflicts of law provisions that would direct the application of another jurisdiction's laws; provided, however, that the authority of PPA Buyer to enter into and perform its obligations under this Agreement shall be determined in accordance with the laws of the State of California.

(b) **Waiver of Right to Trial by Jury**. Each Party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Agreement.

(c) **Arbitration**. Any dispute, claim or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope of this Agreement to arbitrate, shall be determined by final, non-appealable binding arbitration in San Francisco, California before three (3) arbitrators. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") pursuant to its Comprehensive Arbitration Rules and Procedures. Within fifteen (15) days after the commencement of arbitration, each of Prepay LLC and PPA Buyer, on the one hand, and PPA Seller, on the other hand, shall select one (1) person to act as arbitrator, and JAMS shall appoint one (1) person to act as an arbitrator (for such an arbitration, Prepay LLC, PPA Buyer and PPA Seller are the "**Arbitration Parties**"), provided that if the arbitration pertains to matters and disputes solely as between PPA Buyer and Prepay LLC, and PPA Seller is neither asserting nor defending a claim in relation thereto, then each of Prepay LLC and PPA Buyer shall select one (1) person to act as arbitrator, and JAMS shall appoint one (1) person to act as an arbitrator (for such an arbitration, only Prepay LLC and PPA Buyer are the "**Arbitration Parties**"). The JAMS appointed arbitrator shall serve as the chairperson (the "**chairperson**"). If any of the Arbitration Parties are unable or fail to select one (1) person to act as arbitrator, such arbitrator shall be appointed by JAMS. The chairperson shall be a person who has experience in renewable energy-related transactions, and none of the arbitrators shall have been previously employed by any Arbitration Party or have any direct pecuniary interest in any Arbitration Party or the subject matter of the arbitration, unless such conflict is expressly acknowledged and waived in writing by all of the Arbitration Parties. The Arbitration Parties shall maintain the confidential nature of the arbitration proceeding and any award, including any hearing(s), except as may be necessary to prepare for or conduct the arbitration hearing on the merits, or except as necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by law or judicial decision. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitrator(s) shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Arbitration Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. The responsibility for compensation and expenses of the three (3) arbitrators and all other expenses charged by JAMS shall be shared equally between or among the Arbitration Parties, as the case may be. In any arbitration arising out of or related to this Agreement, the arbitrators shall award to the prevailing Arbitration Party or Arbitration Parties, if any, the costs and attorney's fees reasonably incurred in seeking to enforce the application of this Section 11(c) by the prevailing party in connection with the arbitration, and the non-prevailing Arbitration Party or Arbitration Parties shall also be liable to the prevailing Arbitration Party or Arbitration Parties for the compensation and expenses of the three arbitrators and all costs charged by JAMS. Notwithstanding the foregoing provisions of this Section 11(c), any costs incurred by an Arbitration Party in seeking judicial enforcement of any written decision of the arbitrators shall be chargeable to and borne exclusively by the Arbitration Party against whom such court order is obtained. The award shall be final and binding on the Arbitration Parties and judgment upon any award may be entered in any court of competent jurisdiction.

(d) **Judicial Reference**. Without limiting the provisions in Section 11(c), if Section 11(c) is deemed ineffective or unenforceable in any respect, any dispute between the Parties arising out of or in connection with this Agreement or its performance, breach, or termination (including the existence, validity and interpretation of this Agreement and the applicability of any statute of limitation period) (each, a "**Dispute**") shall be resolved by a reference proceeding in California in accordance with the provisions of Sections 638 et seq. of the California Code of Civil Procedure ("**CCP**"), or their successor sections (a "Reference Proceeding"), which shall constitute the exclusive remedy for the resolution of any Dispute. As a condition precedent to initiating a Reference Proceeding with respect to any Dispute, the Parties shall comply with the provisions of Section 11(d)i.

i. Notice of Dispute. Prior to initiating the Reference Proceeding, a Party (the "**Disputing Party**") shall provide the other Parties (the "**Responding Parties**"; and together with the Disputing Party, the "**Dispute Parties**") with a written notice of each issue in dispute, a proposed means for resolving each such issue, and support for such position (the "**Notice of Dispute**"). Within 10 days after receiving the Notice of Dispute, the Responding Parties shall provide the Disputing Party with a written notice of each additional issue (if any) with respect to the dispute raised by the Notice of Dispute, a proposed means for resolving every issue in dispute, and support for such position (the "**Dispute Response**"). If the Notice of Dispute makes no claim or assertion against one of the Responding Parties, and such Responding Party, in making its Dispute Response does not make or assert a claim against either the Disputing Party or the other Responding Party and states that it has no interest in the Dispute, then such Responding Party shall not participate in the resolution of the Dispute and shall not be a "**Dispute Party**" for purposes of this Section 11(d). Thereafter, the Dispute Parties shall meet to discuss the matter and attempt in good faith to reach a negotiated resolution of the dispute. If the Dispute Parties do not resolve the dispute by unanimous agreement within sixty (60) days after receipt of the Dispute Response, then any Dispute Party may provide to the other Dispute Party(ies) written notice of intent for judicial reference (the "**Impasse Notice**") in accordance with the further provisions of this Section 11(d).

ii. Applicability; Selection of Referees. Within 10 days of the delivery of an Impasse Notice, each of Prepay LLC and PPA Buyer, on the one hand, and PPA Seller, on the other hand, shall nominate one (1) referee, provided that if PPA Seller is not a Dispute Party, then each of Prepay LLC and PPA Buyer shall nominate (1) referee, and PPA Seller will not nominate a referee. The two (2) referees (the "**Party-Appointed Referees**") shall unanimously appoint one (1) additional referee (the "**Additional Referee**", together with the Party-Appointed Referees, the "**Referees**"). The Party-Appointed Referees shall be competent and experienced in matters involving the electric energy business in the United States, with at least ten (10) years of electric industry experience as a practicing attorney. The Additional Referee shall be an active or retired California state or federal judge (the "**Head Referee**"). Each of the Party-Appointed Referees and the Additional Referee shall be impartial and independent of each of the Dispute Parties and of the other referees and not employed by any of the Dispute Parties in any prior matter.

(A) If the Party-Appointed Referees are unable to agree on the Additional Referee within 45 days from delivery of the Impasse Notice, then the Additional Referee shall be appointed pursuant to CCP Section 640(b) in an action filed in the Superior Court of California, County of San Francisco (the "**Court**"), and with due regard given to the selection criteria above. A request for appointment of a referee may be heard on an ex parte or expedited basis, and the Dispute Parties agree that irreparable harm would result if ex parte relief is not granted. Pursuant to CCP Section 170.6, each of PPA Buyer and Prepay LLC, on the one hand, and PPA Seller, on the other hand, shall have one (1) peremptory challenge to the referee selected by the Court, provided that if PPA Seller is not a Dispute Party, then each of Prepay LLC and PPA Buyer shall have one (1) peremptory challenge to the referee selected by the Court.

iii. Discovery; Proceedings.

(A) The Dispute Parties agree that time is of the essence in conducting the Reference Proceeding. Accordingly, the Referees shall be requested, subject to change in the time periods specified herein for good cause shown, to (i) set the matter for a status and trial-setting conference within 20 days after the date of selection of the Head Referee, (ii) if practicable, try all issues of law or fact within 180 days after the date of the conference, and (iii) report a statement of decision within 20 days after the matter has been submitted for decision.

(B) Discovery and other pre-hearing procedures shall be conducted as agreed to by the Dispute Parties, or if they cannot agree, as determined by the Head Referee after discussion with the Dispute Parties regarding the need for discovery and other pre-hearing procedures.

(C) Except as expressly set forth herein, the Head Referee shall determine the manner in which the Reference Proceeding is conducted, including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the Reference Proceeding. The Reference Proceeding, including the trial, shall be conducted at a neutral location selected by the Dispute Parties, or if not agreed by the Dispute Parties, by the Head Referee, in San Francisco, California.

(D) All proceedings and hearings conducted before the Referees, except for trial, shall be conducted without a court reporter, except that when any Dispute Party so requests, a court reporter will be used at any hearing conducted before the Referees, and the Referees will be provided a courtesy copy of the transcript. The Dispute Party making such a request shall have the obligation to arrange for and pay the court reporter.

iv. <u>Decision</u>. The Referees shall render a written statement of decision setting forth findings of fact and conclusions of law. The decision shall be entered as a judgment in the court in accordance with the provisions of CCP Sections 644 and 645. The decision shall be appealable to the same extent and in the same manner that such decision would be appealable if rendered by a judge of the Court. The Dispute Parties intend this general reference agreement to be specifically enforceable in accordance with the CCP.

(e) <u>Expenses</u>. The Dispute Parties shall bear the compensation and expenses of its respective own counsel, witnesses, consultants and employees. The responsibility for compensation and expenses of the Referees and all other expenses of judicial reference shall be shared equally between or among the Dispute Parties, as the case may be.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date first set forth above.

MORGAN STANLEY CAPITAL GROUP INC.

By: ______________________________
Name:_________________________
Title:__________________________

SAN DIEGO COMMUNITY POWER

By: ______________________________
Name:_________________________
Title:__________________________

ENERGY PREPAY III, LLC
By: Morgan Stanley Capital Group Inc., its Manager

By: ______________________________
Name:_________________________
Title:__________________________

Appendix 1
Assigned Rights and Obligations

PPA: The EEI Master Power Purchase and Sale Agreement dated January 21, 2021, between PPA Buyer and PPA Seller, as amended by that First Amendment to Master Power Purchase and Sale Agreement dated as of February 8, 2021 between PPA Buyer and PPA Seller, as amended and supplemented by (i) that certain Confirmation Bundled Renewable Energy (PCC2), dated [____], 2025 between PPA Buyer and PPA Seller and (ii) that certain PCC2 & Import Energy Confirmation, dated [____], 2025 (each of (i) and (ii), a "**PPA Transaction Confirmation**").

Assigned Delivery Point: The "Delivery Point" as defined in each of the PPA Transaction Confirmations.

Floating Price Payments. Prepay LLC has separately agreed with the PPA Buyer and the Custodian (pursuant to the Custodial Agreement dated [____], 2025, among PPA Buyer, Issuer, Prepay LLC, PPA Seller and the Custodian (the "**Custody Agreement**")) to pay into the custodial account specified in the Custody Agreement (the "**Custodial Account**") for Assigned Products delivered in each Month of the Assignment Period at the Day-Ahead Average Price ("**Floating Price Payments**"). Prepay LLC agrees for the benefit of the PPA Seller to pay the Floating Price Payments into the Custodial Account, and Prepay LLC's payment obligations under this Agreement are limited to making such payments into the Custodial Account, for application as provided in the Custody Agreement. PPA Buyer and PPA Seller each acknowledge and agree that the making of Floating Price Payments into the Custodial Account by Prepay LLC shall not entitle (i) PPA Seller for payments in excess of the Contract Price for Assigned Products delivered hereunder or (ii) PPA Buyer to pay less than the Contract Price for Assigned Products delivered hereunder. PPA Buyer and Prepay LLC each acknowledge and agree that the making of Floating Price Payments into the Custodial Account by Prepay LLC shall not entitle (i) Prepay LLC to any payments from PPA Seller under the PPA or (ii) affect the Custodian's obligation to pay the net amount due to PPA Seller pursuant to the terms of the PPA on or before the applicable payment date in the PPA. At all times the PPA Buyer shall remain obligated for the payment of all amounts owing under the terms of the PPA under each invoice.

Day-Ahead Average Price: The result of (i) (x) the sum of the Day-Ahead Market Prices for each Pricing Interval in a Month divided by (y) the number of Pricing Intervals in such Month plus (ii) the Index Adder (as set forth in the table immediately below) for the relevant Month. As used in this definition, "**Pricing Interval**" means each unit of time for which CAISO establishes a separate price. As used in this definition, "**Day-Ahead Market Price**" means the Day-Ahead Market or Locational Marginal Price for TH_SP15_GEN-APND (or any successor aggregated pricing node for SP 15) for each applicable hour as published by CAISO, or as such price may be corrected or revised from time to time by CAISO in accordance with its rules. For the avoidance of doubt, the Day-Ahead Average Price can be a negative number.

Month	Index Adder ($/MWh)
[____]	[____]

Month	Index Adder ($/MWh)
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]
[_____]	[_____]

Further Information: For each Month of the Assignment Period, PPA Seller agrees that the monthly invoices it delivers under Section 6.1 of the PPA shall separately list the separate pricing components relevant for the determination of the amounts due under each such invoice.

Appendix 2
Notice Information

PPA Seller:
As set forth in the PPA

PPA Buyer:
As set forth in the PPA

Prepay LLC:
Energy Prepay III, LLC
c/o Morgan Stanley & Co.
[1585 Broadway
New York, NY 10036-8293]

With a mandatory copy to:
msdoc-misc-notices@morganstanley.com and
[SDCP_2025[X]_ms_notices@morganstanley.com]

Appendix 3

Copy of PPA

[To be attached.]

EXHIBIT A5

PREPAID ENERGY PROJECT ADMINISTRATION AGREEMENT

This Prepaid Energy Project Administration Agreement (this "Agreement") is made and entered into as of [_______ __], 2025, by and between California Community Choice Financing Authority ("CCCFA") and San Diego Community Power ("SDCP"), with respect to the Prepaid Energy Project (defined below). CCCFA and SDCP may be referred to individually herein as a "Party" and collectively as the "Parties". Capitalized terms used herein (including in the following Recitals) have the meanings given to such terms in Section 1.

W I T N E S S E T H:

WHEREAS, SDCP is a "community choice aggregator" under the Public Utilities Code; and

WHEREAS, SDCP and certain other community choice aggregators have joined CCCFA as a joint exercise of powers authority under and pursuant to the Act and the Joint Powers Agreement; and

WHEREAS, CCCFA's purpose is to assist its Members (as defined in the Joint Powers Agreement), including SDCP, by undertaking the financing or refinancing of energy prepayments that can be financed with tax advantaged bonds and other obligations on behalf of one or more of the Members by, among other things, issuing or incurring Bonds (as such term is defined in the Joint Powers Agreement) and entering into related contracts with Members; and

WHEREAS, CCCFA and SDCP are entering into a Power Supply Contract pursuant to which CCCFA has agreed to supply Energy to SDCP under the terms set forth therein; and

WHEREAS, in order to provide such Energy to SDCP under the Power Supply Contract, CCCFA is entering into the Prepaid Energy Sales Agreement with Energy Prepay III, LLC, a Delaware limited liability company (the "Energy Supplier"), under which it will make a prepayment to the Energy Supplier for the purchase and delivery of such Energy; and

WHEREAS, CCCFA will finance the prepayment under the Prepaid Energy Sales Agreement and related costs by issuing the Bonds pursuant to the Indenture; and

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Defined Terms. Capitalized terms used herein shall have the meanings set forth below:

"Act" means Chapter 5 of Division 7 of Title 1 of the California Government Code, being Section 6500 and following, as amended.

"Annual Refund" means the annual refund, if any, to be provided to SDCP pursuant to Section 3.2(b) of the Power Supply Contract.

"Assigned Delivery Point" has the meaning specified in the Assignment Agreement.

"Assigned Energy" has the meaning specified in the Assignment Agreement.

"Assigned Product" means Assigned Energy and associated renewable energy credits, green energy attributes and any other product included in the Assignment Agreement.

"Assignment Agreement" means the Initial Assignment Agreement and any subsequent assignment agreement entered into consistent with the Assignment Letter Agreement.

"Assignment Letter Agreement" has the meaning specified in the Power Supply Contract.

"Base Energy" means Energy to be delivered to an Energy Delivery Point.

"Bonds" means the bonds issued by CCCFA pursuant to the Indenture on or about the date of this Agreement in order to finance the prepayment required to be made to the Energy Supplier under the Prepaid Energy Sales Agreement and related costs of the Prepaid Energy Project, and any bonds issued to refund such bonds.

"CCCFA" means California Community Choice Financing Authority, a joint exercise of powers authority created under and pursuant to the Act and the Joint Powers Agreement.

"CCCFA Commodity Swap" means the ISDA Master Agreement, Schedule and transaction Confirmation entered into by CCCFA and the swap counterparty named therein, and any replacement swap entered into pursuant to the Prepaid Energy Sales Agreement.

"Contract Quantity" means the quantity of Base Energy or Assigned Energy, as applicable, specified in Exhibits A-1 and A-2 of the Power Supply Contract, as such Exhibits A-1 and A-2 may be updated from time to time in accordance with the terms of the Power Supply Contract.

"Energy" means three-phase, 60-cycle alternating current electric energy, expressed in megawatt-hours.

"Energy Delivery Point" means the delivery point for delivery of SDCP's Contract Quantity as specified in the Power Supply Contract, and shall include, if applicable, any Assigned Delivery Point and any alternate Delivery Point for SDCP.

"Energy Supplier" means Energy Prepay III, LLC, a Delaware limited liability company.

"Indenture" means the Trust Indenture, dated as of [_______] 1, 2025, between CCCFA and the Trustee, as amended, restated, supplemented or otherwise modified from time to time.

"Initial Assignment Agreement" with respect to SDCP, the initial assignment agreement or agreements specified in the Power Supply Contract.

"Joint Powers Agreement" means the Joint Powers Agreement by and among the Members of CCCFA named therein, including SDCP, providing for the creation, purposes and powers of CCCFA, as the same may be amended or supplemented from time to time in accordance with its terms.

"Power Supply Contract" means the Power Supply Contract, dated [_______ __], 2025, between CCCFA and SDCP relating to the purchase by SDCP of Energy acquired by CCCFA pursuant to the Prepaid Energy Sales Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Prepaid Energy Sales Agreement" means the Prepaid Energy Sales Agreement, dated [_______ __], 2025, between CCCFA, as buyer, and the Energy Supplier, as seller, as amended, restated, supplemented or otherwise modified from time to time.

"Prepaid Energy Project" means the issuance of the Bonds by CCCFA pursuant to the Indenture, the acquisition of Energy and related undertakings of CCCFA under the Prepaid Energy Sales Agreement and the Indenture, and the sale to SDCP of such Energy and related undertakings of CCCFA under the Power Supply Contract.

"Public Utilities Code" means the Public Utilities Code of the State of California, as amended.

"Qualifying Use Requirements" has the meaning set forth in Section 1.1 of the Power Supply Contract.

"Re-Pricing Agreement" means the Re-Pricing Agreement, dated as of the date of issuance of the Bonds, by and between CCCFA and Energy Supplier.

"Schedule", "Scheduled" or "Scheduling" means the actions of a Party and/or its designated representatives, including each Party's Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity of Energy to be delivered during any given portion of the Delivery Period at a specified Delivery Point.

"SDCP" means San Diego Community Power, a community choice aggregator as defined in Section 331.1 of the Public Utilities Code.

"Tax Certificate and Agreement" means the Tax Certificate and Agreement executed and delivered by CCCFA in connection with the issuance of the Bonds relating to certain federal income tax compliance requirements relating to the Prepaid Energy Project.

"Transmission Provider(s)" means any entity or entities transmitting or transporting Energy on behalf of a Party to or from an Energy Delivery Point.

"Trustee" means U.S. Bank Trust Company, National Association, and its successors as Trustee under the Indenture.

Section 2. Assignment Agreements. With respect to any Assignment Agreement, the Parties acknowledge and agree as follows:

(a) as of the date of this Agreement, SDCP has entered into the Initial Assignment Agreement specified in the Power Supply Contract with respect to its entire Contract Quantity;

(b) subject to the terms of the applicable Assignment Letter Agreement, SDCP may from time to time enter into additional Assignment Agreements with respect to all or a portion of its Contract Quantity; and

(c) SDCP shall determine, independent of CCCFA, when and if any Assignment Agreement is entered into or terminated and the underlying agreement and portion of its Contract Quantity to which such Assignment Agreement relates.

Section 3. Scheduling and Delivery of Assigned Energy. Assigned Energy and any other Assigned Product delivered to CCCFA under the Prepaid Energy Sales Agreement that is attributable to an Assignment Agreement(s) entered into by SDCP shall be attributable to SDCP under the Power Supply Contract, and CCCFA shall have no responsibility for (a) any Scheduling or other operational requirements necessary for the delivery of Assigned Energy to SDCP's Assigned Delivery Point and the transfer of other Assigned Product to SDCP, or (b) any accounting for under-deliveries or over-deliveries or other record-keeping requirements with respect to any Assigned Energy and other Assigned Product, all of which shall be the sole responsibility of SDCP pursuant to the related Assignment Agreement(s).

Section 4. Qualified Use; Remarketing of Base Energy. As provided in the Power Supply Contract, any portion of SDCP's Contract Quantity that is not delivered as Assigned Energy is required to be delivered as Base Energy and simultaneously remarketed by Energy Supplier pursuant to the Prepaid Energy Sales Agreement. SDCP shall be responsible for accounting for any portion of SDCP's Contract Quantity deemed delivered as Base Energy and subsequently remarketed, including accounting for any remediation of any such remarketing sales as may be required pursuant to the Qualifying Use Requirements. SDCP agrees to provide to CCCFA any information reasonably requested by it in order to comply with any reporting or record-keeping requirements related to such deemed deliveries and remarketing of Base Energy, including such information relating to compliance with the Qualifying Use Requirements, as may be required pursuant to the Prepaid Energy Sales Agreement, the Indenture or the Tax Certificate and Agreement.

Section 5. CCCFA Commodity Swap. CCCFA shall not take any action to terminate or designate the early termination of the CCCFA Commodity Swap except in accordance with written instructions of SDCP or unless otherwise required under the terms of the Prepaid Energy Sales Agreement or the Indenture.

Section 6. Directions, Consents and Waivers. CCCFA may be requested or required from time to time to provide certain directions, consents, or waivers under the terms of the Prepaid Energy Sales Agreement, the Indenture and the Re-pricing Agreement. In the event any such direction, consent or waiver relates solely to the Contract Quantity and/or Power Supply

Contract of SDCP and no event of default has occurred and is continuing with respect to SDCP under the Power Supply Contract, such direction, consent or waiver shall only be provided by CCCFA in accordance with written instructions provided by SDCP.

Section 7. Re-pricing Information. CCCFA shall provide, or cause Energy Supplier to provide, to SDCP such information as is required to be provided by Energy Supplier to CCCFA in accordance the Re-pricing Agreement at such times as are required under the Re-pricing Agreement.

Section 9. Project Administration Fee; Reimbursement and Refund of Operating Expenses.

(a) Under the Bond Indenture, Operating Expenses (as defined in the Indenture) relating to the Clean Energy Project are to be paid from amounts deposited monthly into the Administrative Fee Fund for each annual period ending on [______] 1 of each year. CCCFA agrees that amounts allocated on behalf of SDCP annually into the Administrative Fee Fund equal to $[_______] in the aggregate for each such annual period (the "Project Administration Fee"), shall be allocated to pay such Operating Expenses as the same become due and payable. In the event such allocated amounts available in the Operating Fund are not sufficient to pay such Operating Expenses when due, SDCP agrees to pay such additional amounts for deposit into the Administrative Fee Fund as are necessary to pay such Operating Expenses upon receipt of notice of the amount due from the Trustee or CCCFA.

(b) As soon as practicable following the end of each annual period referred to in paragraph (a), CCCFA agrees that the amounts received in respect of the Project Administration Fee for such annual period shall be reconciled with the Operating Expenses paid or accrued for such period. In the event that, following each such reconciliation, it is determined that the amounts received in respect of the Project Administration Fee during the applicable annual period exceed Operating Expenses paid or accrued for such period, SDCP will be provided written notice thereof and the amount of such excess will be included in its Annual Refund under the Power Supply Contract.

Section 10. Notices. Notices and other information to be provided by a Party to any other Party under this Agreement shall be provided in accordance with Article XVI of the Power Supply Contract.

Section 11. Governing Law. This Agreement and the obligations of the Parties hereunder shall be governed by and determined in accordance with the laws of the State of California.

Section 12. Counterparts. This Agreement may be executed and acknowledged in multiple counterparts and by the Parties in separate counterparts, each of which shall be an original and all of which shall be and constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

CALIFORNIA COMMUNITY CHOICE
FINANCING AUTHORITY

By: ________________________________
Name: Garth Salisbury
Title: Treasurer/Controller

SAN DIEGO COMMUNITY POWER

By: ________________________________
Name: ______________________________
Title: _______________________________

EXHIBIT A6

MEMORANDUM OF UNDERSTANDING ("MOU")

Date: June [__], 2025

To: Eric Washington
Chief Financial Officer
San Diego Community Power
ewashington@sdcommunitypower.org
(619) 657-0403

Garth Salisbury
Treasurer – Controller
California Community Choice Financing Authority
gsalisbury@cccfa.org
(707) 535-9779

From: Morgan Stanley & Co. LLC ("Morgan Stanley")

Re: California Community Choice Financing Authority Energy Prepayment Financing on behalf of San Diego Community Power

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Overview

The California Community Choice Financing Authority ("CCCFA" or the "Issuer") seeks to procure a 30-year supply of energy, through the issuance of Clean Energy Project Revenue Bonds (the "Bonds") to be issued by CCCFA. The CCCFA will sell all the Prepaid Energy acquired from this transaction to San Diego Community Power ("SDCP"), the "Project Participant."

Rating Agency Fee and SPO Fee

The rating agency fee and expenses ("Rating Agency Fee") is paid from the proceeds of the Bonds. However, unlike most of the other fees associated with the issuance of the Bonds, payment of the Rating Agency Fee is not contingent upon the issuance of the Bonds.

In the event the Bonds are not issued due to market conditions, and there remains a Rating Agency Fee payable to Moody's Investors Service or S&P Global Ratings (the "Rating Agency"), Morgan Stanley and CCCFA agree to split this Rating Agency Fee on an equal basis. If the Bonds are not issued due to the CCCFA or the Project Participant's unwillingness or inability to proceed, other than due to an inability to achieve a minimum established target discount, the Rating Agency Fee will be their sole responsibility. To the extent CCCFA incurs any Rating Agency Fee if the bonds are not issued, the Project Participant agrees that it will be liable for such Rating Agency Fee and make direct payment to the Rating Agency therefor.

The Project Participant has or plans to engage Kestrel to provide a green bond second party opinion (the "SPO"). In the event the SPO is obtained and the Bonds are not issued (unless the Bonds are not issued due to the CCCFA or the Project Participant's unwillingness or inability to proceed, other than due to an inability to achieve a minimum established target discount), the fee payable to Kestrel (the "SPO Fee") shall be the responsibility of Morgan Stanley, and in such event, to the extent the SPO Fee was already paid by the Project Participant or by CCCFA, Morgan Stanley agrees to reimburse the Project Participant or CCCFA, as appropriate. To the extent CCCFA incurs any SPO Fee if the bonds are not issued as a result of the Project Participant's unwillingness or inability to proceed, other than due to an inability to achieve a minimum established target discount, the Project Participant agrees that it will be liable for such SPO Fee and make direct payment to Kestrel therefor, or to CCCFA if the SPO Fee was already paid by CCCFA.

Morgan Stanley shall have no responsibility for any fees or expenses incurred by CCCFA or the Project Participant, or their agents, employees, advisors or counsel, in connection with the issuance of the Bonds and the purchase of the Prepaid Energy, other than the Rating Agency Fee and SPO Fee as described in this MOU and as further described in the Bond Purchase Agreement (as defined herein).

Miscellaneous

CCCFA and Project Participant each acknowledge and agree that: (i) the transaction contemplated by this MOU is, in each case, an arm's length, commercial transaction between the CCCFA and Morgan Stanley (in its role as "Underwriter" and/or the "Energy Supplier", as applicable) in which the Underwriter and the Energy Supplier are each acting solely as a principal and not acting as a municipal advisor, financial advisor or fiduciary to CCCFA or the Project Participant; and (ii) CCCFA and the Project Participant will consult their own legal, accounting, tax, financial and other advisors, as applicable, to the extent each has deemed appropriate.

CCCFA acknowledges and agrees that Morgan Stanley is not making a commitment to extend credit, make a loan or otherwise fund the Bonds beyond the obligations contained in a mutually satisfactory bond purchase agreement (the "Bond Purchase Agreement"). CCCFA acknowledges that the services provided under this MOU involve professional judgment on Morgan Stanley's part and that the results cannot be, and are not, guaranteed.

Nothing contained herein shall preclude the Underwriter from carrying on its customary and usual business activities. The Underwriter specifically reserves the right, but is not obligated, to bid for and maintain secondary markets on any of CCCFA's outstanding bonds subject to appropriate information barriers. Services provided by the Underwriter in connection with this MOU shall not limit the Underwriter from providing services for CCCFA or the Project Participant in conjunction with other services requested by CCCFA or the Project Participant except as limited by rule of law or regulation.

In connection with the services agreed to herein, it is understood that the Underwriter will render professional services as an independent contractor. Neither the Underwriter nor any of its agents or employees shall be deemed an employee of CCCFA or the Project Participant for any purpose.

Except as described in this paragraph, this MOU is intended to be, and shall be construed only as, a non-binding MOU, intent on summarizing and evidencing discussions between CCCFA, the Project Participant, and Morgan Stanley, as of the date hereof. Except as described below, any legally binding obligation of the parties with respect to the transaction described herein shall exist only upon the execution and delivery of definitive agreements related thereto, into which this MOU and all prior discussions shall merge. It is expressly understood that this MOU is not a contract to execute any definitive agreements or to otherwise consummate the transactions described herein. The parties will cooperate in negotiating definitive agreements providing for the transactions contemplated by this MOU, but each party reserves the right of final approval or disapproval, for any reason, of the documentation relating to such agreements. Notwithstanding the foregoing, the provisions above under the headings "Rating Agency Fee and SPO Fee" shall be binding upon the parties.

Sincerely,

____
Grant Fraunfelder, Executive Director
MORGAN STANLEY & CO. LLC

ACCEPTED AND AGREED:

SAN DIEGO COMMUNITY POWER

By: ______________________________
Name: Eric Washington
Title: Chief Financial Officer
Date: June [__], 2025

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY

By: ______________________________
Name: Garth Salisbury
Title: Treasurer – Controller
Date: June [__], 2025

<u>EXHIBIT B</u>

Additional Project Documents

(see attached)

APPENDIX A

SAN DIEGO COMMUNITY POWER

Introduction

San Diego Community Power ("*SDCP*") is a joint powers authority organized and existing under the Joint Exercise of Powers Act (constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500), as amended or supplemented from time to time) (the "*Joint Powers Act*"), as a "community choice aggregator" ("*CCA*") as defined in Section 331.1 of the Public Utilities Code of the State of California, as amended (the "*Public Utilities Code*"). For a general description of "community choice aggregators" in California, see the section "COMMUNITY CHOICE AGGREGATORS" in this Official Statement.

Formation, History, and Purpose of SDCP

General. SDCP was created on October 1, 2019, under the name "San Diego Regional Community Choice Energy Authority" as a CCA in California under a Joint Powers Agreement, as amended, by and among the cities participating in SDCP and named therein (the *"JPA"*).

San Diego Community Power was established to provide electricity services at competitive rates to residents and businesses within the municipal boundaries of its member public agencies. Pursuant to its JPA, SDCP focuses on delivering a cleaner energy portfolio and achieving energy consumption reduction goals and the following key priorities:

- **Promotion of Renewable and Distributed Energy Resources**: SDCP prioritizes the use and development of local, cost-effective, renewable, and distributed energy sources, supporting local power generation and storage initiatives. Currently, SDCP procures clean energy from solar, wind, geothermal, large-hydro, and biomass sources.
- **Exclusion of Coal and Avoidance of Nuclear Contracts**: SDCP seeks to exclude coal and avoid entering into nuclear contracts as part of its overall procurement strategy.
- **Economic and Workforce Development**: SDCP aims to benefit the region economically by supporting workforce programs and development initiatives, such as working closely and collaboratively with local and regional developers and unions. This helps promote long-term electric rate stability and energy reliability for residents and businesses, by, for example, prioritizing local long-term power purchase agreements that lock in renewable energy supply, allowing SDCP to build its power supply portfolio while also providing power supply cost certainty.
- **Community Ownership and Energy Reliability**: SDCP promotes personal and community ownership of renewable generation and energy storage resources, in order to foster a sustainable and energy-independent future.

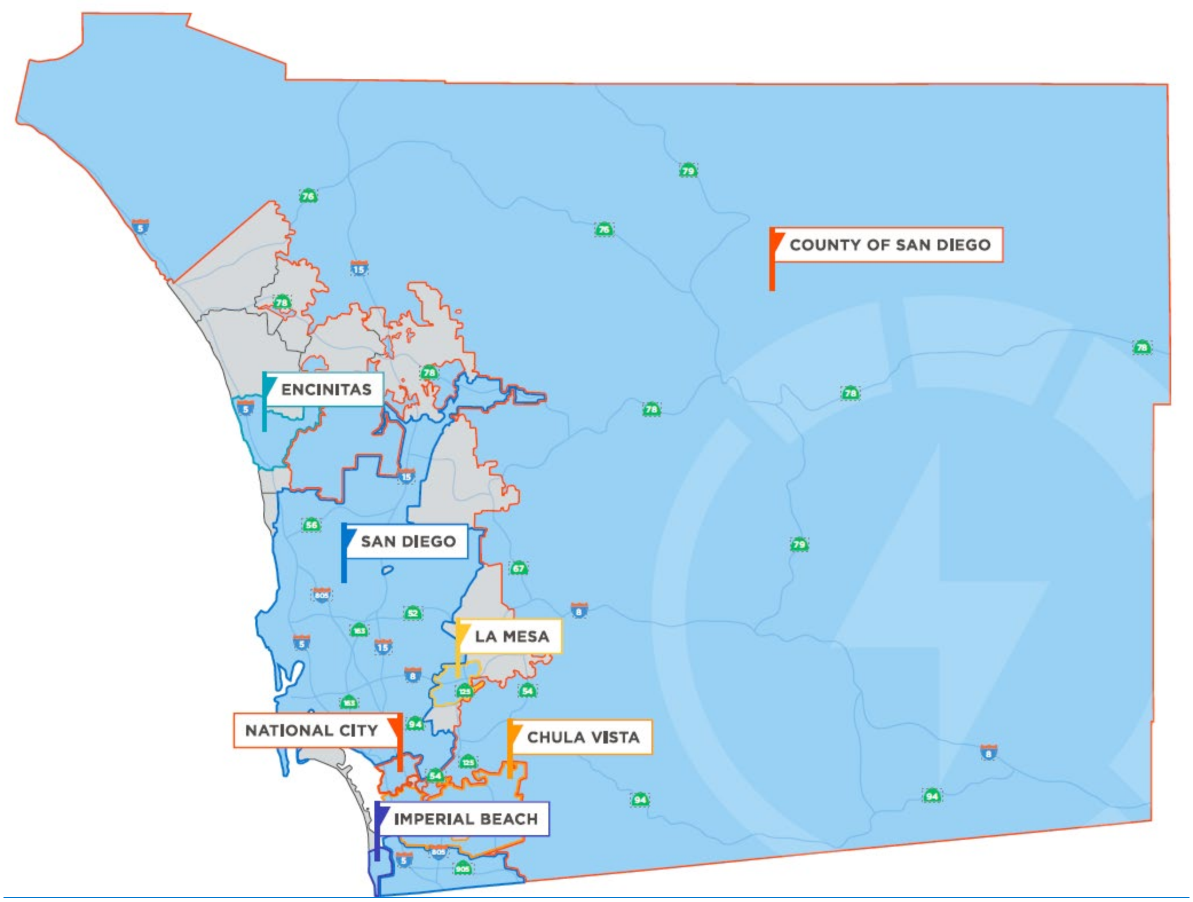
The parties to SDCP's JPA consist of local governments whose governing bodies elect to join SDCP. Under the Public Utilities Code, when new parties join SDCP, all electricity customers in their jurisdiction, except those served under California's Direct Access Program, automatically become SDCP's customers for electric generation, provided customers are allowed to "opt-out."

Commencement of Service and Expansion. SDCP began operations in March 2021 by serving approximately 600 municipal accounts. SDCP enrolled approximately 72,000 municipal and business customers in June 2021. SDCP enrolled approximately 700,000 residential customer accounts throughout 2022 across the city limits of San Diego, Chula Vista, La Mesa, Encinitas, and Imperial Beach. SDCP enrolled approximately 180,000 residential and non-residential customer accounts in National City and Unincorporated areas of San Diego County in 2023. As of April 21, 2025, SDCP was serving 956,724 active accounts with approximately 7,700,000 MWh of annual retail sales.

Service Area

SDCP currently serves seven jurisdictions in the County of San Diego. These jurisdictions include six cities (including San Diego, Chula Vista, Encinitas, La Mesa, Imperial Beach, and National City) and the unincorporated communities of the County of San Diego. SDCP is responsible for acquiring electric power for its service area.

Service Area Map. The service area of SDCP is shown in blue on the map below:



Governance and Management

Board of Directors. SDCP is governed by a seven-member board of directors (the "*Board of Directors*"), with a board member from each of the seven jurisdictions in the County of San Diego. SDCP's Board of Directors has the rights and powers to set rates for the services SDCP furnishes, incur indebtedness, and issue bonds or other obligations. SDCP's local government structure ensures public transparency. The Board of Directors meets monthly to discuss matters related to the operation of SDCP. All meetings are open to the public, and public comments are encouraged.

Management.

Karin Burns, **Chief Executive Officer**. As Chief Executive Officer of SDCP, Karin Burns leads the 2nd largest community choice aggregator in California with a team of mission-driven professionals providing affordable, clean electricity to approximately 956,700 customer accounts in San Diego County. In this capacity, she oversees a budget in excess of $1.0 billion, ensures sufficient and reliable clean power procurement, and develops and executes the organization's strategic plan in collaboration with the Board and staff.

Before becoming CEO, Karin most recently served as Vice President of Corporate Development and Regional Vice President of the Pacific Region at Franklin Energy, a national provider of energy efficiency, demand response, electrification, and grid optimization solutions. Before Franklin Energy acquired its assets, Karin served as Chief Executive Officer of Build It Green, where she oversaw a team of 40+ personnel, managed a diverse set of programs across energy efficiency, workforce development, low-income solar and energy efficiency direct installation, healthy homes and reach codes for utilities and local governments.

Previously, Karin served as Executive Director of the nonprofit Code REDD, an environmental company she built into a globally recognized brand. She spearheaded strategic planning and operations, sourced funding from USAID and the McArthur Foundation, and built the successful Stand for Trees campaign.

Before leading high-growth organizations, Karin was a Managing Director at Ambata Capital, where she managed investment and advisory projects in electric vehicles, sustainable agriculture, green buildings, and clean energy. She was previously a Vice President at Gulf Capital, where she sourced, conducted due diligence, and invested in alternative energy, new media, and energy services companies across the Gulf Cooperation Council. She has served on several boards and advisory boards of non-profits, early-stage companies and investment funds from the U.S. to Asia. She began her M&A and corporate finance career at JPMorgan Chase in Hong Kong. Karin earned a Fulbright Scholarship to India, speaks multiple languages, and spent several years overseas in emerging markets from Brazil to China. She has earned Certificates in Energy Innovation and Innovation & Entrepreneurship from Stanford School of Engineering, an M.P.A. in international development from Harvard University, an M.B.A. in finance with distinction from Edinburgh Business School, and a B.A. with Honors from Duke University.

Dr. Eric Washington, Chief Financial Officer. Dr. Eric Washington manages SDCP's annual operating budget, capital investment plan, investment portfolio, and risk management functions. He helps SDCP balance decarbonization goals with the mandate of affordable clean energy at competitive rates. Eric led the development of strategies for SDCP that strengthened the organization's net asset position and cash flow. He was also critical in growing SDCP's net revenue from $15 million to over $1 billion in two years. Among his many contributions to SDCP, Eric spearheaded credit facility negotiations, which increased SDCP's credit access from $35 million to $150 million.

At various points in his career, Eric has managed the administration and compliance of a $350 million nonprofit finance program, managed a $158 million real estate loan portfolio, including construction finance to developers and acquisition finance to real estate investors, and built and managed a diverse team of professionals who provided corporate fiscal analyses, compliance monitoring, and finance reporting in support of several loan officers at various production offices.

Before his role at SDCP, Eric served as a military leader in the U.S. Navy for 26 years, fostering collaboration among diverse teams to meet organizational objectives. Eric also has 25 years of experience in corporate banking and finance. He has served as a vice president, senior credit manager, senior portfolio manager, and senior relationship manager at several regional banking institutions (including California Bank & Trust and Torrey Pines Bank). Eric received his Doctor of Education (Ed.D.) from San Diego State University, M.B.A. from Webster University, and a Bachelor of Science from Southern Illinois University, Carbondale.

Jack Clark, Chief Operating Officer. Jack Clark oversees the day-to-day financial and operational management of SDCP. He works closely with the CEO and CFO to operationalize and execute the strategy and vision for SDCP. Jack has over twenty years of experience overseeing energy, environmental, and cultural programming directed at developing solutions to climate change. Jack has overseen large-scale clean energy market transformation initiatives that help stabilize the relationship between people and the environment.

Before his role at SDCP, Jack was Vice President of Partnerships for commercial vehicle electrification infrastructure at Ideanomics. He was also Senior Director of Customer Programs at Clean Power Alliance of Southern California, California's largest community choice aggregator. Before his time at Clean Power Alliance, Jack was Vice President of Sustainable Energy Use at DNV GL.

Before that, Jack was the Deputy Director of the Energy & Sustainability Division at the City of San Diego, where he was responsible for implementing the City's comprehensive energy strategy, working with staff, other City departments, and community members to incorporate a broad range of energy efficiency, clean, renewable generation, and environmental quality issues into City operations and community programming. He oversaw the city operations of energy use of over 3500 accounts, billing, rates, Municipal Energy Plan, community energy and sustainability programs, compliance with the City Climate Action Plan, and Community Choice Aggregation feasibility analysis on San Diego's goal of reaching 100% Renewable Electricity by 2035.

Prior to his role with the City of San Diego, Jack was the Director of Programs at the Center for Sustainable Energy, where he led the organization's growth from a regional to a national non-profit focusing on strategy, development, and execution of renewable energy, energy efficiency, clean transportation, distributed generation, and advanced clean energy market transformation initiatives. Jack received a Master of Administration in Sustainable Planning and a Bachelor of Science in Anthropology and Environmental Sciences, both from Northern Arizona University.

Veera Tyagi, General Counsel. Veera Tyagi serves as the General Counsel for SDCP. In this capacity, Veera is responsible for ensuring compliance with general governance laws, regulatory requirements, and overseeing all contracting. Veera brings nearly twenty years of legal experience, primarily as in-house counsel for regulatory agencies, to SDCP. In that capacity, Veera handled various matters, including advising and ensuring compliance with the California Environmental Quality Act, the Federal and State Clean Air Acts, and other environmental laws, and in litigating actions in both federal and state courts that are brought under those laws. Veera also has extensive experience advising on general governmental law issues, including the Public Records Act, the Brown Act, and contract laws. Veera's background is a Bachelor's in Environmental Earth Systems Science from Queen's University, and a Juris Doctorate, Cum Laude from the University of La Verne College of Law. Veera is a member of the State Bar of California.

Chief Commercial Officer (Vacant). SDCP is currently evaluating candidates for the role of Chief Commercial Officer with the position expected to be fulfilled by Q4 2025.

Customers

General. SDCP currently provides energy to approximately 956,700 municipal, residential, commercial, and industrial accounts in its service area. SDCP's current customer load mix is approximately 41% residential, 37% medium and large commercial/industrial, 19% small commercial, and 3% agricultural and lighting-based.

Customer Energy Choices. As part of its ongoing efforts to provide clean energy at the greatest value for its customers, SDCP offers four service plans: PowerBase, PowerOn, Power100, and Power100 Green+. PowerBase is SDCP's most affordable service plan and is currently 45% renewable and currently priced with an approximately 5.0% discount under San Diego Gas & Electric (SDG&E) rates. PowerOn is 54% renewable and currently priced approximately 3.0% below SDG&E rates. Power100 and Power100 Green+ are 100% renewable, carbon-free, and the latter is Green-e® certified. PowerOn is SDCP's default electricity service offering. Most customers within SDCP's service territory are automatically enrolled in PowerOn, with the exception of the City of Encinitas, whereby per City Council decision, customers within its city limits are automatically enrolled in SDCP's Power100 service, which costs $0.01/kWh more than PowerOn.

Customers can choose to opt- up to the Power100 and Power100 Green+ options and purchase 100% renewable and carbon-free electricity at a slight premium. These options enable SDCP's customers to take a more significant step towards reducing their carbon footprint. Power100 Green+ provides 100% renewable, carbon-free, and Green-e® certified energy for businesses seeking LEED certification or requiring Green-e® certification to meet their corporate social responsibility goals. Power100 Green+ costs $0.02 per kWh more than the standard PowerOn service level. Power100 Green+ allows customers to meet their organization's reliability standards. Residents and businesses that do not require specific certification can still obtain 100% renewable and carbon-free power through Power100.

In 2025, the average SDCP residential customer is projected to use 341 kWh per month such that PowerOn will cost the average residential customer $1 per month above PowerBase. Compared to SDG&E's rates, PowerOn is expected to cost approximately $1.50 per month less for a typical residential customer. Compared to SDG&E's rates, Power100 is expected to cost about $2 per month extra for a typical residential customer.

Customer Enrollment. Most customers within SDCP's service territory are automatically enrolled in PowerOn, except for the City of Encinitas, wherein the City Council voted to automatically enroll customers within its city limits in SDCP's Power100 service. Once enrolled, customers may opt up to Power100 or Power100 Green+ service, opt down to PowerBase service, or opt out of SDCP's service.

New Customers. FY 2023-24 was SDCP's first full year of operations, with its seven-member jurisdictions reaching full enrollment. There are no near-term plans for expansion.

Customer Election to Opt-out of Service. Customers have the right to opt out of SDCP service at any time and will not be charged any fees by SDCP if they opt out or cancel electric services. Customers who opt out before starting SDCP service or within the first 60 days of SDCP service may return to SDCP service at any time. Customers who opt out after the first 60 days of service with SDCP will be prohibited by SDG&E from returning to SDCP for one year and will be charged a one-time customer re-entry fee by SDG&E and will also be required to choose one of two options: an immediate return to SDG&E service, or a 6-month return to SDG&E service.

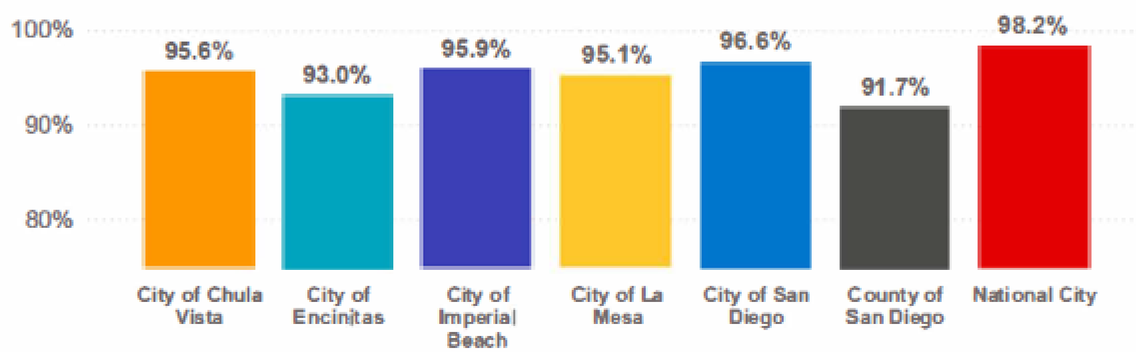
Cumulative Opt-Out Rate and Customer Retention. As of April 21, 2025, SDCP is serving a cumulative total count of 956,724 active accounts for a total participation rate of 95.4%. Customers with newly established accounts or who have moved into a new service address within any of SDCP's member jurisdictions receive two post-enrollment notices through the mail at their mailing address on file within 60 days of their account start date to notify them that they have defaulted to SDCP electric generation service.

The following graphic illustrates SDCP's opt-out rate and customer retention data through April 21, 2025, reflected as a percentage of participation rates by jurisdiction.

Enrolled Accounts	Participation Rate
956,724	95.4%

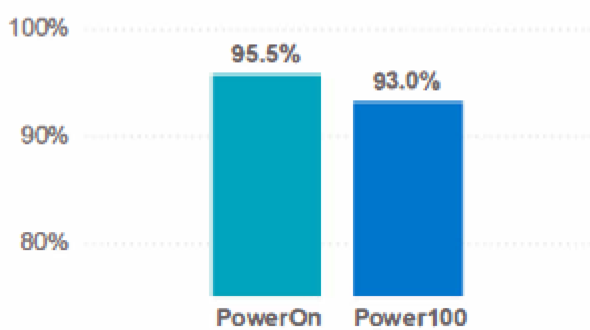
Participation
(as of April 21, 2025)

Participation by Jurisdiction

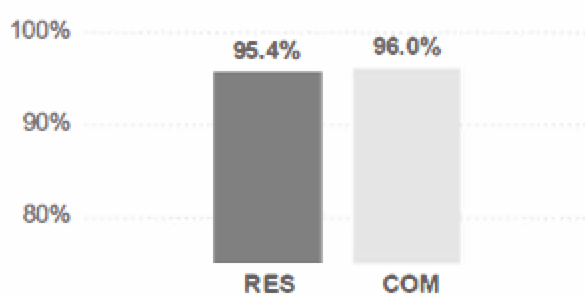


Jurisdiction	Service Option Default	Eligible Accounts	Enrolled Accounts	Participation Rate
City of Chula Vista	**PowerOn**	98,640	94,268	95.6%
City of Encinitas	**Power100**	28,827	26,809	93.0%
City of Imperial Beach	**PowerOn**	10,835	10,387	95.9%
City of La Mesa	**PowerOn**	29,496	28,062	95.1%
City of San Diego	**PowerOn**	624,957	603,396	96.6%
County of San Diego	**PowerOn**	190,538	174,698	91.7%
National City	**PowerOn**	19,451	19,104	98.2%
Total		**1,002,744**	**956,724**	**95.4%**

Participation by Default Service Option



Residential vs Commercial Participation



Service Rates

General. SDCP electric generation rates are managed to provide cleaner electricity at competitive rates. SDCP's Board of Directors determines rates and SDCP's rates are not regulated by the California Public Utilities Commission (the "*CPUC*"). Any rate changes will be adopted at duly noticed public meetings of the SDCP Board of Directors. Under the terms of the Clean Energy Purchase Contract, SDCP covenants that it will establish, maintain, and set rates and charges to provide revenues sufficient to enable it to pay all amounts payable from the revenues of its operations and to keep any reserves as required by SDCP's reserve policies. SDCP further covenants pursuant to the terms of the Clean Energy Purchase Contract that it will not grant any lien or security interest in, or otherwise pledge or encumber revenues if the effect of such lien, pledge or other encumbrance would result in such lien, pledge or encumbrance having priority over the obligations of SDCP under the Clean Energy Purchase Contract.

Determination of Rates for Energy. A customer's cost of electric service is determined by SDCP's charges for energy and SDG&E charges for transmission, distribution, and other non-by-passable charges. Changes to SDG&E or SDCP rates will impact cost comparisons between SDCP and SDG&E. SDG&E charges SDCP customers a monthly Power Charge Indifference Adjustment, which can vary annually based upon several market factors, including benchmarks for regional energy costs, resource adequacy, the year in which the community joined SDCP and other considerations, as well as a Franchise Fee Surcharge. SDCP has already accounted for these additional charges when calculating its commodity rates. Financial assistance programs like CARE (California Alternative Rates for Energy), FERA (Federal Electric Rate Assistance), and Medical Baseline Allowance remain the same for SDCP and SDG&E customers.

Current and Historical Rate Information. SDCP rates are designed to cover the costs of energy, resource adequacy, and operating, fund customer programs, and meet SDCP's reserve and liquidity goals, as described in its Reserve Policy.

On January 18, 2024, the Board of Directors approved rates for SDCP that included:

- A 17.7% year-over-year average decrease, from 2023 to 2024, in SDCP electricity generation rates across all customer classes.
- A 23.2% year-over-year average decrease, from 2023 to 2024, in SDCP electricity generation winter rates and a 12.3% year-over-year average decrease in summer rates across all customer classes.
- Rates that support SDCP to maintain its current reserve levels and to allow it to work toward a 180-day cash-on-hand reserve target, with the goal of providing financial stability and support a credit rating.

Subsequently, on May 30, 2024, the Board of Directors approved the new PowerBase product offering that was effective July 1, 2024, which provided:

- A 2.5% discount for July through December 2024, compared to SDGE's current rates as of March 1, 2024.
- A pathway for customers to return to SDCP's standard service, PowerOn, or opt-up to Power100 more easily than if they opted out of SDCP service entirely.

- Support for SDCP's mission to provide an affordable option that is cleaner than the competition.
- For 100% renewable energy by 2035 or sooner through customer retention, especially for price-sensitive customers.

On May 30, 2024, the Board of Directors approved the Power100 Green+ product offering, a stand-alone, 100% renewable, carbon-free energy service that is Green-e® certified. Power100 Green+ is priced as a $0.02/kWh adder to the PowerOn service and allows SDCP customers to earn LEED Tier 2 or 3 points in the renewable energy category. Currently, Power100 Green+ is only available to commercial and industrial customers.

Effective February 1, 2025, SDCP implemented rate changes resulting in the following comparisons for most SDCP customers, though exact comparisons may vary by rate schedule and customer usage:

- SDCP PowerOn is set at a ~3% discount to SDG&E's rates on a total bill basis.
- SDCP PowerBase is set at a ~5% discount to SDG&E's rates on a total bill basis.

SDCP's Power100 and Power100 Green-e Certified services will maintain premiums of $0.01/kWh and $0.02/kWh, respectively.

California Renewable Portfolio Standards and Other Regulations

General. Community choice aggregators such as SDCP are "load-serving entities" ("*LSEs*") and, as such, are required to comply with California's Renewable Portfolio Standard, Resource Adequacy requirements, and Power Source Disclosure requirements described below.

Renewable Portfolio Standard. California's Renewable Portfolio Standard ("*RPS*") requires LSEs to supply their retail sales with certain minimum quantities of eligible renewable energy. Senate Bill 100 directs all LSEs to procure 60% of their portfolios from RPS-eligible resources by 2030 and 100% of their retail sales from zero-carbon resources (or eligible renewable resources) by 2045. Based on the most recent Power Content Label filed with the California Energy Commission, in 2023, SDCP met 58.8% of its total retail sales with eligible RPS resources, which was above the 2023 RPS percentage target of 41.3%. SDCP has exceeded the annual RPS regulatory minimum requirements each year since its inception.

Resource Adequacy. Resource Adequacy ("*RA*"), a California program jointly administered by the CPUC, the California Energy Commission ("CEC") and the California Independent System Operator ("CAISO"), directs LSEs to secure forward capacity and offer it into the CAISO's Day-Ahead and Real-Time markets to ensure that there will be enough supply at suitable locations and with sufficient ramping capability to meet load. The RA program is comprised of three products: System RA, Local RA, and Flexible RA. Local RA obligations have been assigned to a Central Procurement Entity as of 2023.

Integrated Resource Planning. Integrated Resource Planning (*"IRP"*) requires LSEs to forecast their customer load and develop a plan to serve such load in alignment with their own vision and values and in accordance with regulatory requirements. In October 2015, California codified this LSE responsibility with the passage of SB 350, which requires the CPUC to establish and oversee an IRP process to assist with meeting the state's aggressive GHG targets (40% below 1990 levels by 2030). The IRP process, which is used in many states across the US, generally produces 10- to 20-year plans that map out both the supply-side and demand-side resources required for meeting customer load. Given the complexity of the grid and the time required to plan and build generating facilities, IRPs are critical for ensuring safe, reliable and clean power in a cost-effective manner. In addition to addressing the long-term planning horizon typical of an IRP process, the IRP process has been used in recent years to direct procurement of new capacity to meet near- and mid-term reliability and clean energy needs per CPUC Decision ("D.") 19-11-016, D. 21-06-035 and D. 23-02-040. Pursuant to the procurement orders in these CPUC Decisions, LSEs are required to procure "Incremental System Capacity," which is RA capacity from non-emitting, storage, and/or renewable resources that are in addition to the resources identified on a baseline list of existing, on-line and operating resources. SDCP has a strong track record of meeting its RA obligations, falling short only during periods of extreme resource scarcity. SDCP expects to meet its future RA obligations through its Energy Risk Management Policy to the extent that supply is available in the bilateral markets

Power Source Disclosure. California law requires LSEs to disclose the types of power resources used to supply retail sales. This mandate, known as the Power Source Disclosure Program ("*PSDP*"), is a consumer information program managed by the CEC. A key output of the PSDP is the Power Content Label ("*PCL*"). The PCL is an LSE-specific document that shows the breakdown of power resource types for each of the LSE's energy products used to serve retail load and a breakdown of resource types for the overall California grid. The PCL is distributed to customers each year.

Energy Demand

Long-Term Load Forecast. SDCP's long-term load forecast is a projection of the electricity that SDCP's customers will consume. SDCP's long-term load forecast considers the number and types of customers that SDCP expects to serve, historical electricity use patterns, temperature, and other weather conditions, as well as trends in energy efficiency, behind-the-meter, rooftop solar and electric vehicle adoption, appliance electrification, and other factors.

The table below shows SDCP's long-term load forecast for 2025-2034 based on SDCP's 2023 RPS Compliance Report filed with the CPUC on January 25, 2024.

Table 1: SDCP's 2025-2034 Load Forecast (MWh)

Year	Load Forecast
2025	8,094,390
2026	8,239,804
2027	8,386,117
2028	8,428,047
2029	8,470,187
2030	8,512,538
2031	8,555,101
2032	8,597,877
2033	8,640,866
2034	8,684,070

Sources of Energy

General. In its procurement of energy supplies, SDCP prioritizes using and developing local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of distributed renewable resources, and promoting long-term electric rate stability and energy reliability for residents and businesses.

Energy Purchases. During the ordinary course of business, SDCP purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers, generation credits, load, and other charges stemming from SDCP's participation in the CAISO's centralized market.

As SDCP strives to meet its environmental, financial, and regulatory compliance goals and requirements, long-term power purchase agreements ("*PPAs*") are becoming integral components of its energy supply portfolio. Long-term PPAs provide renewable generation facility developers with a specific revenue stream against which they can finance upfront capital requirements, such that each long-term PPA that SDCP signs with a developing facility will underpin a new, incremental renewable energy project. In addition, long-term PPAs lock in renewable energy supply around which SDCP can build its power supply portfolio while providing cost certainty so that SDCP can develop its pro forma financial model. Moreover, the California RPS, modified in 2015 by Senate Bill 350, requires that SDCP provide 65% of its RPS-required renewable energy from contracts of at least ten years. Finally, in D.21-06-025, the CPUC required each LSE in California to make significant long-term purchase commitments for resource adequacy from new, incremental generation facilities that will achieve commercial operation during 2023 through 2026 for purposes of "Mid Term Reliability". These requirements have been augmented and extended into 2026 and 2027 via CPUC's D.23-02-040.

Over the past 18 months, SDCP staff released four requests for proposals ("RFPs") for eligible Renewable Energy resources, including an RFP for Stand Alone Storage projects and an RFP for clean firm energy, in pursuit of long-term contracts for renewable energy. SDCP evaluated other contracting opportunities to meet SDCP's procurement goals. The SDCP Board, through April 2025, has approved contracts for over 1,670 MW of renewable generation and over 1,960 MW of storage capacity. SDCP staff continues to negotiate with several other developers for additional renewable energy resources expected to be online between 2025 and 2029. Under CAISO's revisions to their cluster study process for interconnecting future projects, SDCP staff issued an RFP in August 2024 for CAISO Cluster 15 projects, which will serve as a source of renewable and storage projects that SDCP is most interested in getting studied by the CAISO. SDCP staff and the Energy Contracts Working Group (the "*ECWG*") evaluate all RFP submissions before entering into negotiations with selected participants. Assuming that SDCP staff and shortlisted developer(s) can agree to mutually agreeable contracts consistent with terms authorized by the ECWG, SDCP staff then review the draft terms with the SDCP Board for approval and authorization for the CEO to execute the relevant documents.

SDCP also has an open request for information regarding local projects ("*RFI*"). The RFI has yielded eight board-approved contracts for local generation and storage facilities in the last twelve months. SDCP also released a request for offers ("*RFO*") for distributed renewable energy resources ("*DERs*"), which focuses on a broad range of distribution-level renewable projects within San Diego County. The RFO has yielded two board approved contracts for ~25 MW of capacity.

Energy Load and Supply Risk Management. Through SDCP's Energy Risk Management Policy, SDCP measures and updates its risks using various tools that model programmatic financial projections, market exposure, risk metrics, and short-term budget updates. The following items are measured, monitored, and reported:

- Mark-to-Market Valuation – marking to market determines the current value of contracted energy supply.
- Exposure Reporting – calculates the notional dollar risk exposure and value at risk of open portfolio positions at current market prices.
- Open Position Monitoring— calculates/monitors open positions for all energy and capacity products monthly. If energy open positions for the month following the then current month (prompt month) exceed 10% of the load, SDCP will solicit market energy to close open positions and make a commercial decision to close the position.
- Counterparty Credit Exposure – calculates the notional and mark-to-market exposure to each SDCP counterparty by deal and in the aggregate. Counterparty exposure reporting includes contingent collateral posting risks arising from changes in market prices and other factors.
- Reserve Requirement Targets – no less than once per year, SDCP staff monitors SDCP's financial reserves to ensure that they meet the targeted thresholds.

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

Generally, SDCP manages its exposure to energy suppliers by exhibiting a preference for counterparties with investment-grade credit ratings as determined by Moody's or S&P Global Ratings and using security requirements in the form of cash or letters of credit. SDCP measures its mark-to-market counterparty credit exposure in a way consistent with industry best practices.

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

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

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

Procurement. All contracting for energy and energy-related products for SDCP, including but not limited to electricity, capacity, energy efficiency, distributed energy resources, demand response, and storage, are overseen by SDCP's Power Services department. All contracts are further reviewed and approved by SDCP's CEO and General Counsel. SDCP procures energy and RA in a way that is consistent with its Energy Risk Management Policy. Procurement is conducted through market-based transactions for products, including Fixed Price Energy, Portfolio Content Category 1 Renewable Energy, Portfolio Content Category 2 Renewable Energy, Carbon-Free Energy, and RA Capacity, as well as through longer-term PPAs entered into pursuant to statutory requirements or voluntary long-term resource acquisition decisions made independently by SDCP under its Integrated Resource Plan or other Board or Director-approved strategies.

Short-term procurement is conducted through participation in the CAISO and bilateral markets. SDCP may use various methods to procure long-term contracts, including competitive solicitations, bilaterally negotiated agreements, or regulatory proceedings, with oversight, including shortlist approvals or procurement recommendations, provided by the ECWG of the Board. Specific long-term procurement (e.g., contract terms longer than three years) is subject to Board approval.

Long-term Contracts. To date, SDCP has contracted for ~1,670 MW of nameplate capacity for renewable energy generation and 1,960 MW of nameplate capacity for energy storage projects, identified in Table 2 below, with expected commercial operation dates between 2024 and 2029.

Table 2: Long Term Contracts

Developer/ Project	Guaranteed Commercial Operation Date	Nameplate	Type
Ormat / Pomona 2	Online	10 MW	Storage (2-hour)
Arevon / Vikings Energy Farm	Online	136.8 MW-AC Generating Facility and 145.5 MW-AC / 582 MWh Storage Facility	Solar + Storage
Pattern / Duran Mesa	Online	50 MW	Wind
Intersect / Oberon II	Online	75 MW	Solar
Ormat / Arrowleaf Solar and Storage	4/15/25	42 MW-AC Generating Facility and 35 MW-AC / 140 MWh Storage Facility	Solar + Storage
NextEra / Yellow Pine	Solar: 6/1/27 Storage: 6/1/27	35 MW-AC Generating Facility and 35 MW-AC / 140 MWh Storage Facility	Solar + Storage
SBE / Athos	1/1/26	200 MW	Storage
Aypa / Vidal	12/1/26	160 MW (solar) 160 MW (storage)	Solar + Storage
Arevon / Avocet	4/15/26	200 MW	Storage
MRP / Border	6/1/26	52 MW	Storage (1-hour)
MRP / Enterprise	6/1/26	52 MW	Storage (1-hour)
Wellhead / CVEC2	6/1/26	49.7 MW	Storage
Baywa / JVR Energy Park	10/31/26	90 MW-AC solar photovoltaic Generation Facility combined with a 70 MW-AC / 280 MWh-AC DC-coupled battery energy storage facility	Solar + Storage
Pattern / SunZia	3/31/27	150 MW	Wind
NextEra / Desert Sands	6/1/27	60 MW	Long Duration Storage
SBE / Pelicans Jaw	9/1/26	440 MW (solar) 238.5 MW (storage)	Solar + Storage
Nobel Solar / Purple Sage	6/1/28	400 MW (solar) 400 MW (storage)	Solar + Storage
Aypa / Euismod	6/1/28	200 MW	Storage

Information Technology, Data Analytics and Cyber Security

SDCP's Information Technology ("*IT*") and Data Analytics department is comprised of professionals who handle all aspects of information technology management, cloud infrastructure, and cybersecurity. This department is building a secure data platform that will enable and empower SDCP staff to develop full-scale in-house data management, data engineering, data science, and analytics capabilities. SDCP's IT and Data Analytics Team focus on developing core operational competencies such as an Energy Trade & Risk Management application or Distributed Energy Resource Management platform to deliver efficiencies, simplifications, and cost savings for SDCP customers.

This department also oversees and is accountable for developing additional IT policies and standards, including responsible Artificial Intelligence and cybersecurity, identifying risk areas, and helping all personnel comply with policies and standards. All SDCP staff are responsible for reporting any noncompliance to management. SDCP makes information technology accessible only to authorized employees or designated vendors as needed, and only for authorized agency purposes.

SDCP's IT and Data Analytics department has begun a holistic cybersecurity program leveraging the NIST 800 framework and ISO 27001 standards. SDCP's current and new cybersecurity standards work to minimize threats and exposure to its assets and information. SDCP additionally holds cybersecurity insurance coverage.

Financial Information

Revenues from Energy Sales and Operating Expenses. SDCP's operating revenues are from selling electricity to commercial and residential customers throughout its territory. SDCP reports its revenue net of uncollectible accounts. In alignment with SDCP's reserve policy and strategic goals, SDCP set rates in 2023,2024 and 2025 sufficient to grow revenue and net income to reach its 180-day cash-on-hand goal.

Other Sources of Revenue. In 2023, SDCP began receiving grant revenue from the California Public Utilities Commission Disadvantaged Communities-Green Tariff and Community Solar Green Tariff programs, which enable residential customers in disadvantaged communities who may be unable to install solar on their roof to benefit from a local solar project and receive a 20% bill discount. This funding originates from California Greenhouse Gas Auction Proceeds and Public Purpose Program funds.

In 2024, SDCP was also awarded $710,000 in grant funding from the California Department of Food and Agriculture to support its provision of technical assistance and refrigeration units to stock healthy food at stores in low income or low food-access areas throughout its service territory.

In January 2025, SDCP accepted, appropriated and developed plans to expend $124.27 million of funds from the CPUC to administer and implement energy efficiency programs focused on underserved and hard-to-reach residents, businesses, and public agencies in the region. Funds will be expended through the FY2025-29 capital investment plan.

SDCP additionally derives revenue from investment income. As SDCP's operating reserves have grown, its investment income has also grown in lockstep as SDCP invests its reserves in interest-bearing accounts consistent with SDCP's Investment Policy approved by the SDCP Board on June 27, 2024.

Financial Statements. For financial information related to SDCP, see the annual audited financial statements of SDCP for the fiscal years that ended June 30, 2024 and June 30, 2023, which are attached to this Official Statement as Appendix B.

Financial Reserves. SDCP maintains financial reserves, pursuant to the Financial Reserve Policy adopted by the Board of Directors, to be able to (a) meet SDCP's strategic objectives; (b) secure, maintain, and improve a standalone investment grade credit rating; (c) secure favorable terms with vendors, including power producers; (d) satisfy working capital requirements; (e) adhere to contractual covenants; (f) provide funds to cover unanticipated expenditures; and (g) support rate stability.

Operating Reserve. SDCP maintains a reserve goal to secure 180 days of cash-on-hand held as unrestricted cash. Unrestricted cash equals total cash less cash held in accounts that are restricted from use (*e.g.*, as collateral or by covenant). The contribution to operating reserves is determined through SDCP's annual budget process as defined in the agency's Budget Policy and SDCP's rate-setting process as defined in the agency's Rate Development Policy. To the extent that SDCP can meet operational expenses and maintain competitive rates, it will establish rates and adopt budgets to build and maintain its operating reserves at or above the 180-day cash-on-hand target level. As of March 31, 2025, its unrestricted net position totaled $401 million.

Risk Management. SDCP maintains a comprehensive risk management framework to identify and mitigate credit, liquidity, market, operational, regulatory, and other risks associated with participation in the California energy market. The framework employs credit risk strategies, including a preference for transacting with investment-grade counterparties, establishing credit limits, and securing collateral when necessary. SDCP utilizes hedging strategies, netting arrangements, and liquidity monitoring to address market risks. Internal controls and compliance mechanisms are in place to manage operational and regulatory risks, ensuring adherence to legal and market regulations. Risk monitoring and oversight are continuously performed through frequent reporting, with critical risks communicated promptly to stakeholders. This integrated approach enables SDCP to maintain a balanced risk profile while adapting to evolving market conditions.

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.

CALSLA – 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 (Statue 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, midpeak, 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.