



San Diego Community Power

Finance and Risk
Management Committee

June 18, 2020





Agenda

1. Welcome
2. Roll Call
3. Public Comment for Items Not on the Agenda
4. Items to be Added, Withdrawn, or Reordered on the Agenda

Regular Agenda

5. Discussion and Recommendation to Board Regarding the Energy Risk Management Policy, Delegation of Authority, and Ad Hoc Contracts Committee
6. Discussion and Recommendation to Board Regarding Approval of 2020 Request for Proposals for Long-Term Renewable Energy
7. Setting FRMC Regular Schedule for 2020
8. Committee Member Announcements
9. Adjournment



Item 5

Discussion and Recommendation to Board Regarding the Energy Risk Management Policy, Delegation of Authority, and Ad Hoc Contracts Committee

SDCP's Energy Risk Management Policy

Risk Management Policy Introduction

- Participation in various energy transactions exposes any organization to a variety of risks, including:



Risk Management Policy Content

- To mitigate risk, best practice is to adopt an Energy Risk Management Policy when actively engaging in energy transactions
- Reflects principles, practices and responsibilities successfully implemented by other CCAs
- Can be amended over time, as necessary
- Includes:
 - Risk Management Goals and Principles
 - Definitions of Risks
 - Internal Control Principles
 - Risk Management Business Practices
 - Risk Management Governance

Risk Management Policy Administration

- Certain responsibilities/functions will be segregated to ensure appropriate controls
- SDCP's Finance & Risk Management Committee (FRMC) will oversee implementation of the Policy and adopt amendments as necessary
- FRMC will form a Risk Oversight Committee (ROC) and designate members prior to service commencement
- ROC will:
 - Meet on a quarterly basis, unless otherwise decided upon by the ROC Chair
 - Provide updates to the FRMC no less than once per quarter
 - Adopt/adapt risk management guidelines
 - Specify permitted transactions and set related risk limits
 - Report any gross violations of the Policy to the FRMC
 - Periodically review the Policy and recommend changes to the FRMC



Policy - Delegations of Authority

- Best practice to delegate procurement authority to the Chief Executive Officer/Executive Director to facilitate the completion of time-sensitive transactions and approved procurement activities
- Authority Delegations are subject to predetermined parameters regarding transaction cost/value, quantity and/or tenor (term length)
- Delegated Authority can only be exercised for transactions that are consistent with pre-approved resource plans/procurement objectives
- Any changes to Authority Delegations are subject to Board approval
- Recommended Authority Delegations:

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

Action

- Recommend the Board Adopt the Energy Risk Management Policy, including a Delegation of Authority
- Until the ROC is formed, delegate an Ad Hoc Committee for Contracts Review as needed

General Procurement Overview

Upcoming Procurement Processes

- In anticipation of SDCP's 2021 launch, numerous procurement activities will need to occur
- Various energy products will be purchased to:
 - Support the achievement of SDCP's desired resource mix
 - Ensure sufficiency of supply for SDCP customers
 - Promote budgetary certainty and rate stability
 - Ensure compliance with applicable regulatory mandates
- Requisite energy product transactions will include:
 - Market energy
 - Renewable energy
 - Other carbon-free energy (non-renewable)
 - Reserve capacity (Resource Adequacy)

System Energy

Renewable
Energy

Other GHG-
Free Energy

Resource
Adequacy (RA)
Capacity

Procurement and Board Approval Timeline

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

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

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

Frequency of Solicitation/Procurement Activities

	Monthly	Quarterly	Annually
Market Energy (<1 year to 3 years)	Rarely	Yes	Yes
Renewable Energy (<1 year to 20+ years)	No	Yes (quarterly or semi-annual), Short-Term and as-needed portfolio balancing	Yes, Long-Term
Other Carbon-Free Energy (<1 year to 3 years)	No	Yes (quarterly or semi-annual), as needed for portfolio balancing	Yes
Resource Adequacy (1 month to multi-year)	Yes	Yes	Yes



Item 6

Discussion and Recommendation to
Board Regarding the Approval of 2020
Request for Proposals for Long-Term
Renewable Energy

General Approach

- SDCP and Clean Energy Alliance staff discussed options for joint procurement
- Bid review and evaluation will be administered in a coordinated manner
- Proposal evaluation may result in shared or independent project participation
 - Joint project/offer participation would result in two separate supply contracts (one for each CCA) with approval separately required by each CCA
 - Independent participation would result in a single supply contract
- Solicitation document would address the Long-Term RPS needs of both organizations
- Joint participation is expected to foster and streamline future coordination related to procurement

Long-Term Renewable RFP: Purpose & Overview

- Senate Bill 350 increased long-term renewable energy contracting requirements under California’s Renewables Portfolio Standard (“RPS”) Program:
 - New long-term contracting requirements take effect in 2021
 - 65% of mandated renewable energy purchases must be procured via long-term contract
 - Long-term = a delivery term of 10 years or longer
- SDCP’s estimated long-term contract volumes:

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

Key Requirements

- **Product:** Portfolio Content Category 1 and 2 (no unbundled RECs)
- **Resource Location:** Generator must be located within or physically interconnected to the California Independent System Operator – *preference for resources located directly within or near the member communities of CEA and SDCP*
- **Project Size:** Minimum 10 Megawatts
- **Annual Energy Deliveries:**
 - Minimum annual deliveries range from 75,000 to 100,000 MWh – production roughly equivalent to a 35-45 MW solar generator or a 10-12 MW landfill gas-to-energy generator
 - Maximum annual deliveries range from 250,000 to 500,000 MWh – production roughly equivalent to a 100-200 MW solar generator or a 30-60 MW landfill gas-to-energy generator
- **Initial Energy Delivery:** No sooner than March 1, 2021; no later than June 30, 2023

Recommended RFP Schedule

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

Key Evaluative Criteria

- Price
- Overall quality of response and conformance with requirements
- Project location
- Benefits to the local economy and workforce
- Development Risk
 - Interconnection status
 - Siting, zoning and permitting status (new projects)
 - Qualifications of project team
 - Proposed financing plan and ownership structure
 - California and CCA development experience
 - Proposed security obligations
 - Development milestone schedule (new projects)
- Environmental impacts and related mitigation requirements
- Supplier diversity

Action

- Discussion and Recommendation to Board Regarding Approval of 2020 Request for Proposals for Long-Term Renewable Energy



Item 7

Discussion of Fiscal Year 2020-2021 Draft Budget

**San Diego Community Power
FY 2020-2021 Budget: July1, 2020-June 30, 2021**

DRAFT

Discussion of Fiscal Year 2020-2021 Draft Budget

	FY2021 (July 2020-June 2021)	Notes
REVENUE		
Working capital from River City Bank	\$ 5,000,000	
Rate payer revenues (March-June, 2021)	\$ 1,370,000	
TOTAL:	\$ 6,370,000	
EXPENSE		
Ops and Admin		
Professional Services/Consulting	\$ 340,000	LEAN @\$90k, accounting @\$150k, HR/payroll @\$50k, IT@\$50k
Board and Committee Expenses	\$ 15,000	Allows for Board and Committee compensation
Staffing (assumes 8 staff)	\$ 1,500,000	Includes 35% overhead/benefits
Admin costs (rent, insurance, equipment, IT, software, travel, etc.)	\$ 400,000	Rent/improvements @\$120k, Insurance@ \$75k, Tech/software @\$50k, Equipment@\$100k, Travel \$10k, Contingency
TOTAL:	\$ 2,255,000	
CAISO/Utility Fees		
CAISO deposit (to be a CRR holder; one time payment)	\$ 500,000	
Financial Security "Bond" (CPUC; one time payment)	-	\$100k already posted
SDGRE billing service fees (@\$0.28 per account/month)	\$ 5,768	Phase 1 = 3,000; Phase 2 = 8,600 net of 5% opt-out
TOTAL:	\$ 505,768	
Technical/Energy Services		
Power contracting, portfolio and rate design, scheduling, CRR management, et al	\$ 273,000	\$19,250 through Feb 2021, March 2021 – March 2022: \$28,500/month, not inclusive of direct travel costs (est. \$5k travel); IRP incl in fee
Scheduling Fees	\$ 35,000	First payment in June covering Mar- May service
Cost of Power	\$ -	TBD; placeholder
TOTAL:	\$ 308,000	
Communications/Customer Enrollment		
Marketing strategy and brand development	\$ 65,000	
Permanent Website	\$ 45,000	
Collateral Design/Video	\$ 60,000	
PR/Advertising Campaign – print, social, paid and earned media	\$ 150,000	
Community Engagement	\$ 125,000	
Materials for tabling and events (design/print)	\$ 30,000	
Phase 1 and 2 customer Notifications (@ \$ 1.00 each)	\$ 49,000	Phase 1 = 3,150 x 4; phase 2 = 9,030 x 4 for a total of 48,720 pieces)
Community Sponsorships, etc.	\$ 25,000	Cut in half for first year
TOTAL:	\$ 549,000	
Data Management/Call Center		
Data Management/Call Center (\$25,000/month plus \$.85/account/month)	\$ -	Fees don't commence until 2022
TOTAL:	\$ -	
Legal		
General Counsel Services	\$ 120,000	BBK General Counsel contract
Legal review of power supply and other vendor contracts	\$ 120,000	Legal counsel for commercial energy contracts
TOTAL:	\$ 240,000	
Regulatory/Legislative		
Cal-CCA Membership	\$ 50,000	TBD; placeholder
Regulatory Monitoring and Reporting	\$ 200,000	Tosdal APC regulatory contract
Participation in Regulatory Proceedings /Compliance Matters	\$ 75,000	New Gen - ERRA; other technical consulting needed
Lobbyist	\$ 60,000	Sacramento
TOTAL:	\$ 385,000	
Operating Expenditures TOTAL:	\$ 4,242,768	
NET OPERATING REVENUE	\$ 2,127,232	

This budget does NOT include: 1) Cost of Power, 2) Reimbursable expenses for City of San Diego, La Mesa, or Encinitas, 3) Banking fees, debt service or interest, 4) Local Programs.



Item 8

Setting FRMC Regular Schedule for 2020



Item 9

Committee Member Announcements



San Diego Community Power

Finance and Risk
Management Committee

