Board of Directors

Special and Regular Meeting

January 20, 2022
Special Meeting Agenda

Call to Order
Roll Call
Action Item
1. Approval of Findings to Continue Holding Remote/Teleconference Meetings Pursuant to Assembly Bill 361.

Public Comments on Closed Session Items

Closed Session

2. Public Employee Appointment Pursuant to Government Code Section 54957
   Title: Chief Executive Officer

3. Conference with Labor Negotiators Pursuant to Government Code Section 54957.6
   Agency designated representative(s): Cindy Krebs, Alliance Resource Consulting
   Unrepresented employee: Chief Executive Officer

Report from Closed Session

Adjournment
Closed Session

2. Public Employee Appointment Pursuant to Government Code Section 54957
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   Agency designated representative(s): Cindy Krebs, Alliance Resource Consulting
   Unrepresented employee: Chief Executive Officer
Report from Closed Session
Adjournment
Regular Meeting Agenda

Welcome
Call to Order
Pledge of Allegiance
Ceremonial Oath of Office
Roll Call
Report from Closed Session
Items to be Added, Withdrawn, or Reordered on the Agenda
Public Comment for Items Not on the Agenda
Consent Agenda
Regular Agenda Items:
  9. Election of Chair and Vice Chair for Calendar Year 2022
  10. Approval of 2022 Rates
  11. Update on CEO Search Ad Hoc Committee Efforts
Reports by Management and General Counsel
Director Comments
Adjournment
Oath of Office

Welcome Director LaCava!
Councilmember from the City of San Diego
Regular
Meeting
Agenda

Roll Call

Report from Closed Session

Items to be Added, Withdrawn or Reordered on the Agenda
Non-Agenda Public Comments
1. Approval of September 23, 2021 Meeting Minutes
2. Receive and File Treasurer’s Report for Period Ending 11/30/2021
3. Receive and File 6/30/2021 Fiscal Year End Audited Financial Statement
4. Appointment of Director LaCava to the Finance and Risk Management Committee
5. Update on Back Office Metrics/Dashboard
6. Update on Regulatory and Legislative Affairs
7. Update on Community Advisory Committee
8. Update on Residential Enrollment Public Relations
Item 9:
Election of Chair and Vice Chair for Calendar Year 2022

Presenter:
Chair Mosca
Item 10:
Approval of 2022 Rates to be effective February 1, 2022

Recommendation: Approve the rates contained in Attachment A to be effective as of February 1, 2022.

Presenter:
Cody Hooven, Chief Operating Officer
Lucas Utouh, Director of Data Analytics and Account Services
Rate Setting Process

Steps

• Guiding principles
• Timeline
• What’s changed?
• Pro forma analysis – no change and proposal
• Projected bill comparisons and assessment of ratepayer equity
• Adoption of proposed rates
Guiding Principles

Key Considerations

1. **Determine costs**
   - Power costs
     - Renewable and system power contracts
     - Resource Adequacy
   - Operations
     - Staffing, professional services, marketing, etc.
     - Programs – Community Power Plan, Feed-in tariff, community solar, etc.
     - Credit/bank obligations
     - Reserves

2. **Customer Value**
   - Quality – higher renewables at competitive costs
   - Stability – consider future years
   - Communication – ensuring transparency in rates and products for customers
   - Future enrollments – 2023 new customers

3. **Compare to SDG&E**
   - Ensure competitiveness in cost and quality
2021/2022 Rates Timeline

- **April 2021**: Board adopted rates, effective June 1
- **June 2021**: SDCP expanded service to Phase 2 customers
- **Aug. 2021**: SDG&E rate change
- **Nov. 2021**: SDG&E submits application for its 2022 Electric Sales Forecast
- **Dec. 2021**: SDG&E rate change; SDG&E files Nov. update to 2022 ERRA Forecast Application; 2021 ERRA balance still outstanding
- **Jan. 2022**: CPUC approved SDG&E’s 2022 ERRA Forecast Application
- **Feb. 2022**: SDG&E 2022 rates and PCIA effective Jan. 1
- **Jan. 2022**: SDCP rates effective Feb. 1

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Board review of 2022 rate expectations
Board adopts 2022 rates
What’s Changed

Market prices increased causing rates to increase across utilities and CCAs

On-Peak Power Prices for Summer 2022 (SP-15 Forwards)
Pro Forma Analysis

Fiscal impact with no rate change

- Projected revenues of $353.6M for fiscal year ending June 30, 2022.
- Net surplus for FY22 is $579K and a (-$31M) Net Deficit in FY23
- Cash flow negative in some months
- Loss of confidence from creditors

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<th>Scenario 0: No Rate Change</th>
<th>Year Ending:</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
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<td>I. Revenue</td>
<td></td>
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<td>Base Retail Revenue</td>
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<td>II. Operating Expenses</td>
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<td>Professional/Technical services</td>
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<td>Communications, Mktg, Enrollment</td>
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<td>472,714</td>
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<td>Regulatory and CalCCA Fees</td>
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<td>Subtotal Operating Expenses</td>
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<td>336,420,716</td>
<td>580,603,098</td>
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<td>Operating Margin</td>
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<td>17,192,703</td>
<td>(25,098,115)</td>
<td>30,349,872</td>
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<td>III. Financing</td>
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<td>Interest</td>
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<td>686,256</td>
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<td>Reserve Contribution</td>
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<td>Subtotal Financing</td>
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<td>2,888,376</td>
<td>5,951,906</td>
<td>5,951,623</td>
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<td>Operating Margin Less Financing</td>
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<td>14,304,326</td>
<td>(31,050,021)</td>
<td>24,398,249</td>
<td>38,868,284</td>
<td>46,943,144</td>
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<td>IV. Cash From Financing</td>
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<td>V. Other Uses</td>
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<td>CPUC and CAISO Deposits</td>
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<td>Collateral Deposits</td>
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<td>Subtotal Other Uses</td>
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<td>13,725,000</td>
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<td>VI. Net Surplus/(Deficit)</td>
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<td>579,326</td>
<td>(31,050,021)</td>
<td>24,398,249</td>
<td>38,868,284</td>
<td>46,943,144</td>
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</table>
Pro Forma Analysis

Fiscal impact of proposed rates

- Projected revenues of $386.7 million during the current fiscal year ending June 30, 2022.
- Net surplus for FY22 is $29.5M (7.65% reserve)
- Cash flow positive
- Reserve target of operating/working capital of 90 days cash on hand (policy adopted June 24, 2021)

<table>
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<tr>
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<th>FY2022 (No Rate Change)</th>
<th>FY2022 (Proposed Rate Change)</th>
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<tbody>
<tr>
<td>Gross Revenues</td>
<td>$353,613,418</td>
<td>$386,707,472</td>
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<td>Oper. Expenses</td>
<td>$337,106,972</td>
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<td>Net Surplus/(Deficit)</td>
<td>$579,326</td>
<td>$29,570,787</td>
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<td>Cumulative Reserve</td>
<td>$579,326</td>
<td>$30,150,113</td>
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<td>Amount</td>
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<td>Gross Rev. Reserves %</td>
<td>0.16%</td>
<td>7.65%</td>
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Projected Bill Comparison – Vintage 2020

Small Commercial

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<tr>
<td>Generation</td>
<td>$576.69</td>
<td>$861.68</td>
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<td>$661.68</td>
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<tr>
<td>*PCIA</td>
<td>$247.13</td>
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<td></td>
<td></td>
<td>$251.43</td>
<td></td>
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<tr>
<td>*Franchise Fees</td>
<td>$18.48</td>
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<td></td>
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<td></td>
<td>$22.52</td>
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<td>Total Generation Related Charges</td>
<td>$842.30</td>
<td>$861.68</td>
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<td></td>
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<td>$935.63</td>
<td>$956.11</td>
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<td>SDG&amp;E Delivery</td>
<td>$1,136.26</td>
<td>$1,136.26</td>
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<td></td>
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<td>$1,263.65</td>
<td>$1,263.65</td>
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<tr>
<td><strong>TOTAL AVERAGE MONTHLY BILL</strong></td>
<td>$1,978.56</td>
<td>$1,997.94</td>
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<td><strong>$2,199.28</strong></td>
<td><strong>$2,219.76</strong></td>
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Total Bill Change Since 11/2021: 11%
Total Bill Change Since 6/2021: 11%

*PCIA and Franchise fees are included in SDG&E’s generation costs
Ave. monthly usage: 7806 kWh
### Projected Bill Comparison – Vintage 2021

#### Residential

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<td>Generation</td>
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<td>SDG&amp;E</td>
<td>SDCP</td>
<td>SDG&amp;E</td>
<td>SDCP</td>
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<td>*PCIA</td>
<td>$35.73</td>
<td>$54.67</td>
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<td>$70.49</td>
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<td>*Franchise Fees</td>
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<td>Total Generation Related Charges</td>
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<td>$1.77</td>
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<td>SDG&amp;E Delivery</td>
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<td>$99.12</td>
<td>$99.12</td>
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<tr>
<td><strong>TOTAL AVERAGE MONTHLY BILL</strong></td>
<td><strong>$146.08</strong></td>
<td><strong>$146.72</strong></td>
<td><strong>$168.08</strong></td>
<td><strong>$169.61</strong></td>
<td>-1%</td>
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Total Bill Change Since 11/2021

<table>
<thead>
<tr>
<th>Total Bill Change Since 6/2021</th>
<th>15%</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bill Change Since 6/2021</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*PCIA and Franchise fees are included in SDG&E’s generation costs

Ave. monthly usage: 447 kWh
Bifurcation of Rates by Vintage

- 2022/Phase 3 customers will be assessed a different PCIA by SDG&E than Phase 1 and 2 customers because they are different “vintage” years
- Two sets of rates are needed in 2022 to balance this
- Bifurcation will maintain a fair, equitable, and balanced rate structure for all customers
Summary of Proposed Rates

How does SDCP compare to SDG&E?

- Savings are \textit{maintained} or \textit{increased} from 1% to 2%
- Higher renewable content (50% SDCP vs 31% SDG&E)
- Power100 significantly lower cost than SDG&E’s EcoChoice
- Community Power Plan and other customer programs underway
- 2022 contributions towards reserves maintain financial stability
- Prepares for 2023 expected market/costs shifts and unexpected costs
- Satisfies credit obligations
Item 11:
Update on CEO Search Ad Hoc Committee Efforts

Presenter:
Cindy Krebs, Alliance Resource Consulting
Reports by Management and General Counsel

Director Comments

Adjournment
Board of Directors

Next Regular Meeting
February 24, 2022