



Finance & Risk Management Committee Meeting

January 11, 2024

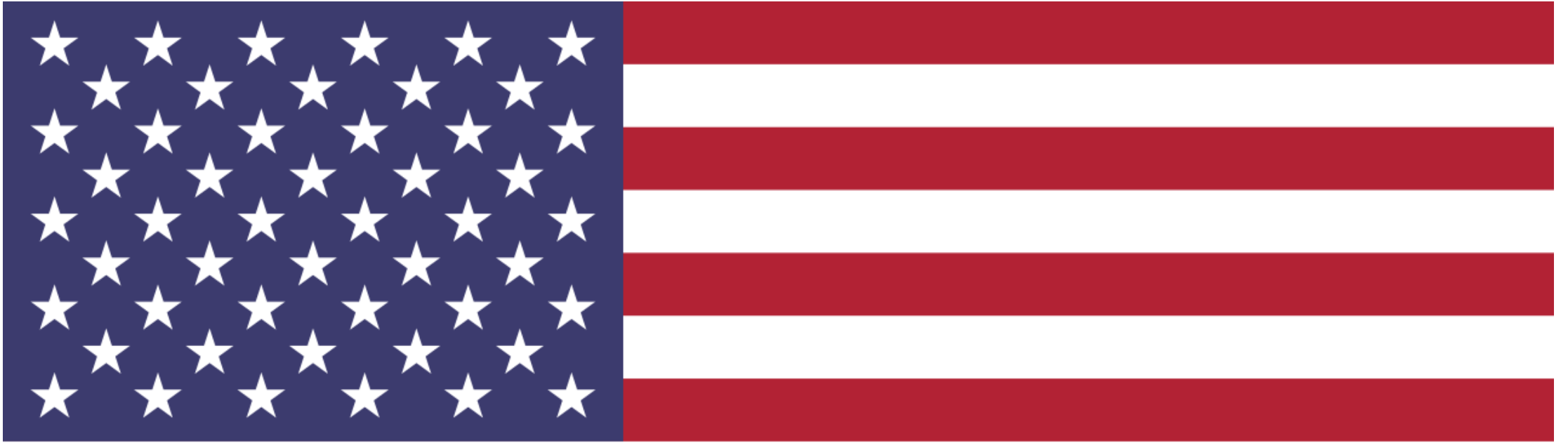




**Welcome
&
Call to
Order**


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Roll Call



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Withdrawn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

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Public Comment for Items NOT on the Agenda

Regular Meeting Agenda

Welcome

Roll Call

Items to be Added, Withdrawn or Reordered on the Agenda

Public Comment for items Not on the Agenda

REGULAR AGENDA

1. Approval of November 9, 2023 Meeting Minutes
2. Treasurer's Report for Period Ending 11/30/23
3. Presentation on the Update on SDCP's 2024 Projected Rate Changes

Committee Member Announcements

Adjournment

Item 1

Approval of November 9, 2023 Meeting Minutes


Recommendation:

Approve November 9, 2023 Meeting Minutes

Presenter:

Sandra Vences

Deputy Clerk of the Board

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Public Comment for Item 1

Item 1

Recommendation:

Approve November 9, 2023 Meeting Minutes

Item 2

Treasurer's Report for Period Ending 11/30/23

Recommendation: Receive and File Treasurer's Report for Period Ending 11/30/23

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Item 2: Treasurer's Report

YTD FY24 Budget v. Actual

Overall, compared to the adopted budget the result as of 11/30/23 were as follows:

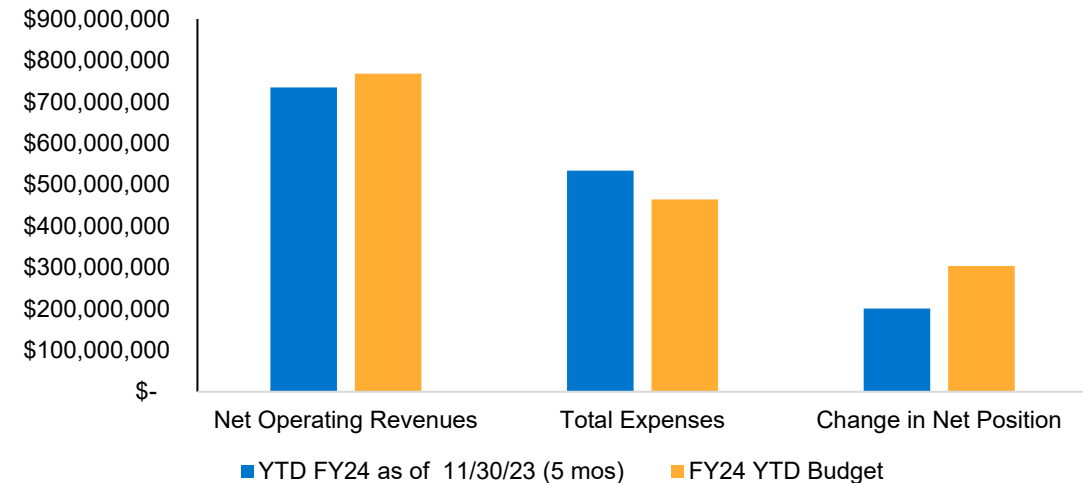
- Net operating revenues were 4.0 percentage points under budget.
- Operating expenses came in 15.0 percentage points over budget

Financial results for the YTD FY24:

- \$734.85M in net operating revenues
- \$533.87M in total expenses (includes energy costs of \$521.34M or 71% of net revenues)
- \$200.98M change in YTD net position

Budget Comparison					
	YTD FY24 as of 11/30/23 (5 mos)	FY24 YTD Budget	Budget Variance (\$)	Budget (%)	
Net Operating Revenues	\$ 734,849,330	\$ 767,744,428	\$ (32,895,098)	96%	
Total Expenses	\$ 533,868,988	\$ 464,474,524	\$ 69,394,464	115%	
Change in Net Position	\$ 200,980,342	\$ 303,269,904	\$ (102,289,562)	-34%	

YTD FY24 Results v. Budget



Item 2: Treasurer's Report

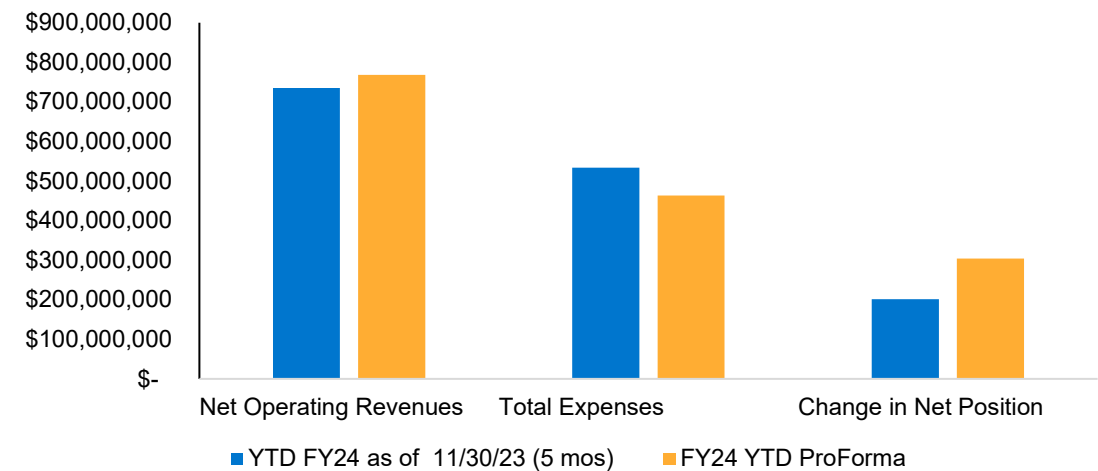
YTD FY24 Proforma v. Actual

Year-to-date financial results compared to projections:

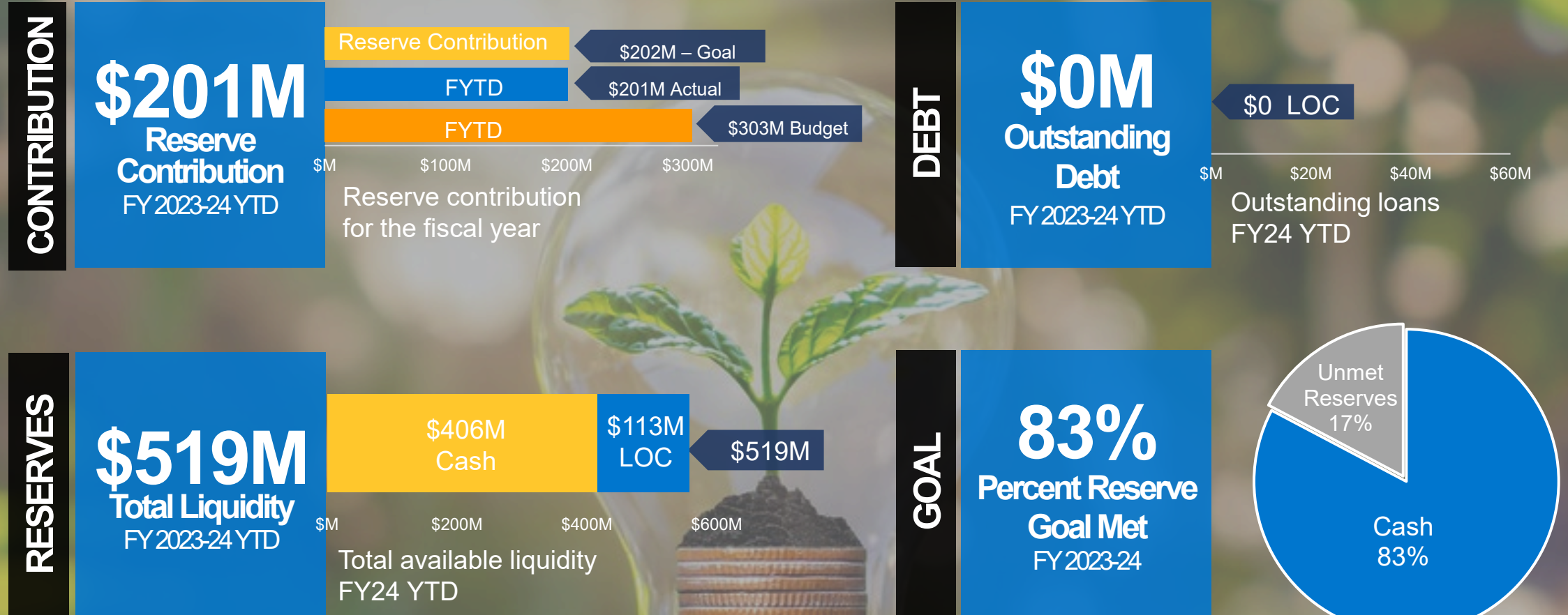
- Net operating revenues were 4% lower than proforma projections
- Total expenses were 15% over the proforma projections
- Change in net position was \$103.13M under the projected

Proforma Comparison					
	YTD FY24 as of 11/30/23 (5 mos)		FY24 YTD ProForma		
				ProForma Variance (\$)	Proforma (%)
Net Operating Revenues	\$	734,849,330	\$	767,744,428	\$ (32,895,098) -4%
Total Expenses	\$	533,868,988	\$	463,638,309	\$ 70,230,679 15%
Change in Net Position	\$	200,980,342	\$	304,106,119	\$ (103,125,777) -34%

YTD FY24 Results v. Proforma

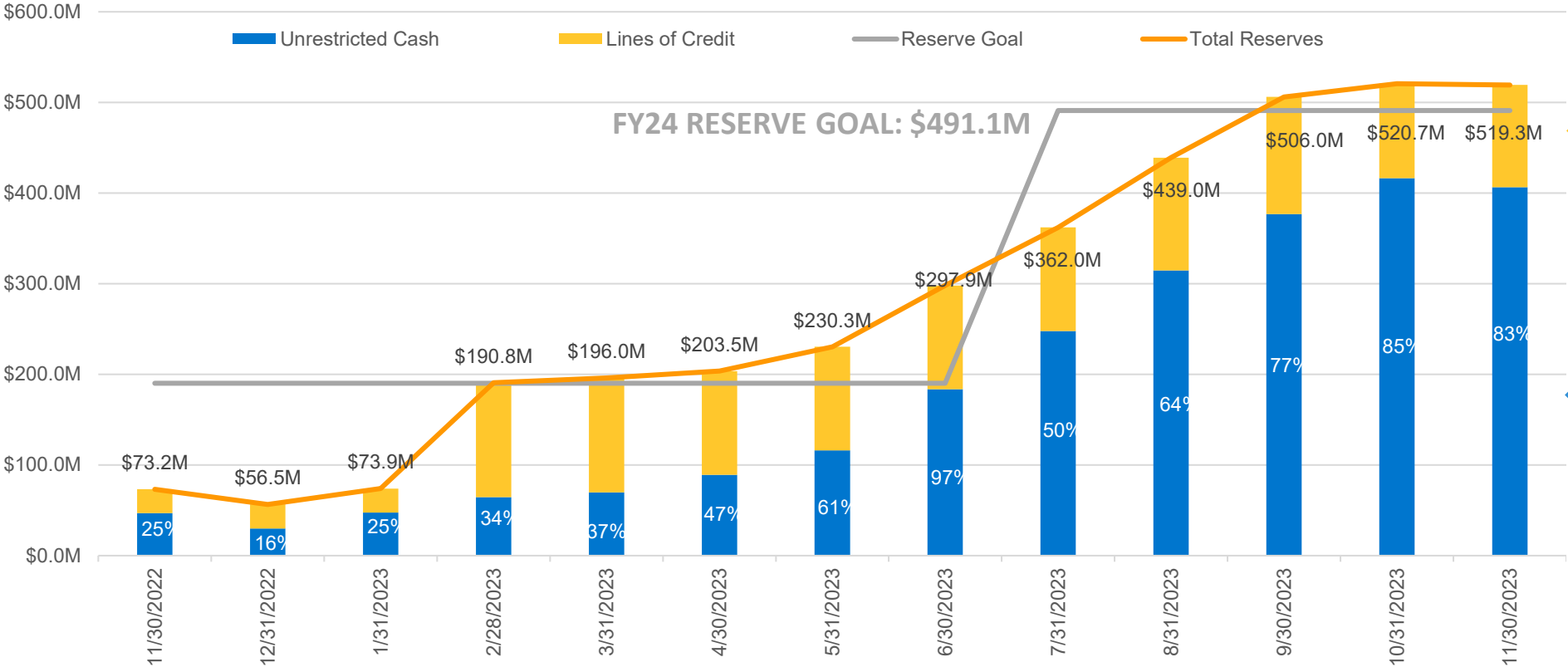


Item 2: Treasurer's Report



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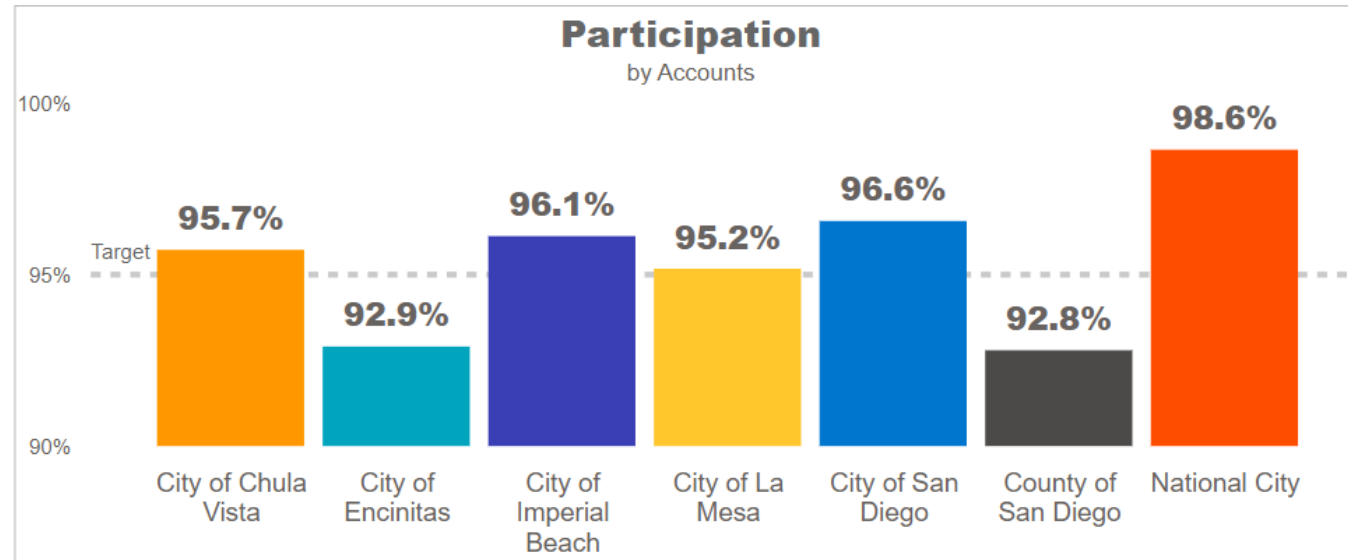
Rolling 12 Month Reserves FY 2023-24



190 Days
Cash on Hand with
Total Liquidity

149 Days
Cash on Hand

Item 2: Treasurer's Report



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,414	97,585	4,171	95.7%
City of Encinitas	26,454	28,475	2,021	92.9%
City of Imperial Beach	10,515	10,939	424	96.1%
City of La Mesa	28,014	29,435	1,421	95.2%
City of San Diego	599,680	621,014	21,334	96.6%
County of San Diego	159,382	185,178	13,345	92.8%
National City	18,710	19,317	262	98.6%
Total	936,169	991,943	42,978	95.7%


Item 2

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Public Comment for Item 2

Item 2

Recommendation:

Receive and File Treasurer's Report for Period
Ending 11/30/23

Item 3

Presentation on the Update on SDCP's 2024 Projected Rate Changes

Recommendation:

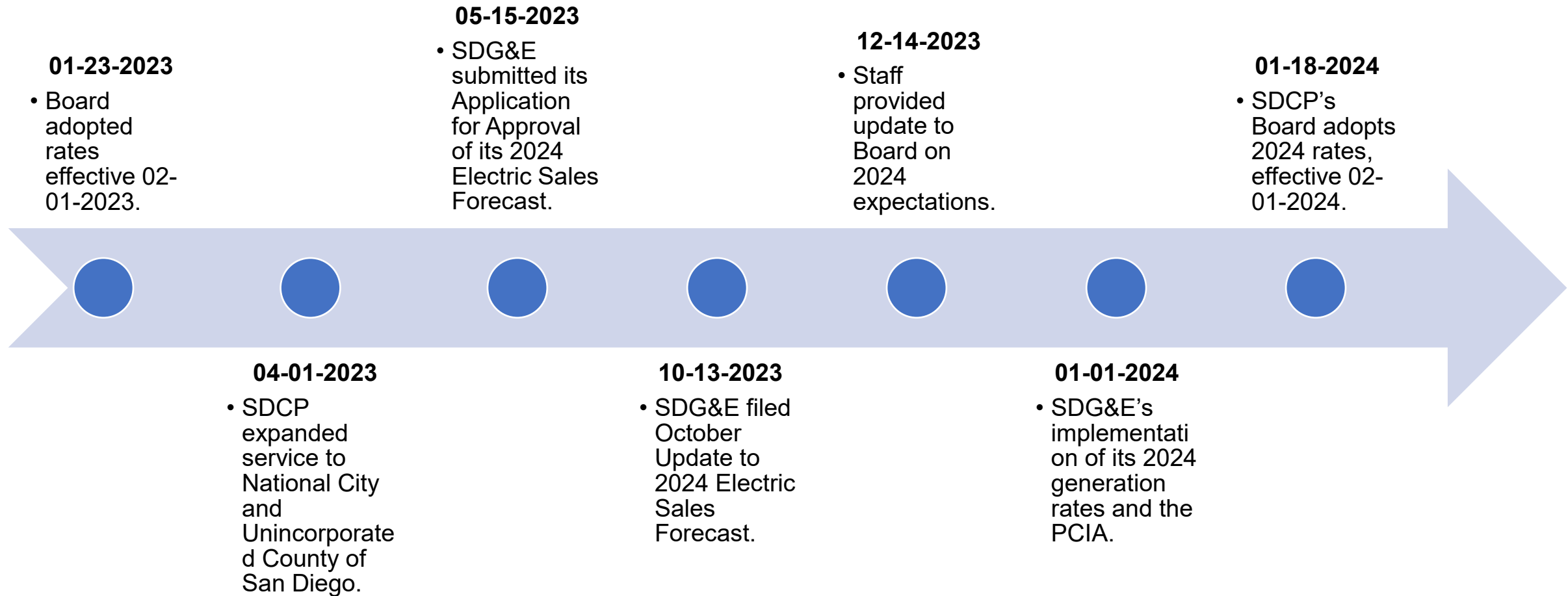
Receive and File the presentation on the Update on
SDCP's 2024 Projected Rate Changes

Presenter:

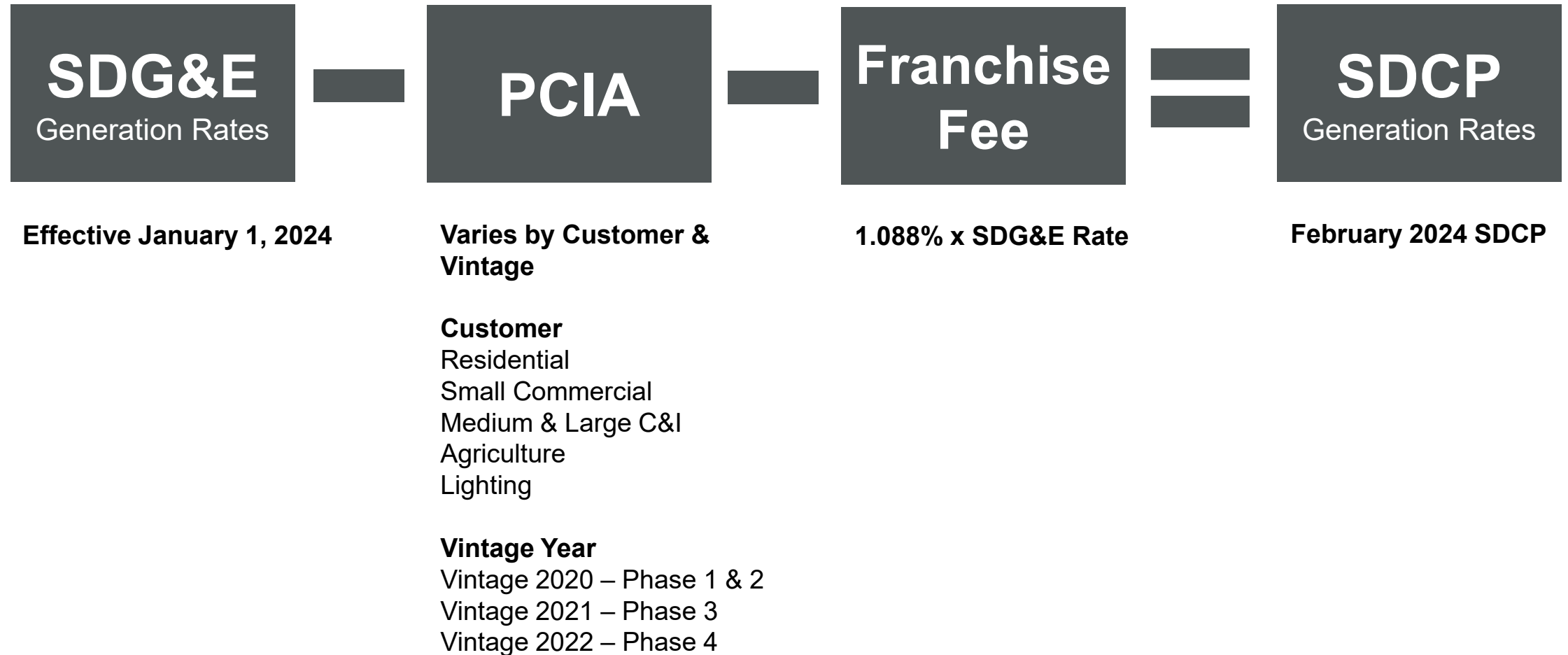
Aaron Lu, Senior Rates and Strategy Analyst

Tim Manglicmot, Senior Finance Manager

2023 and 2024 Rates Timeline

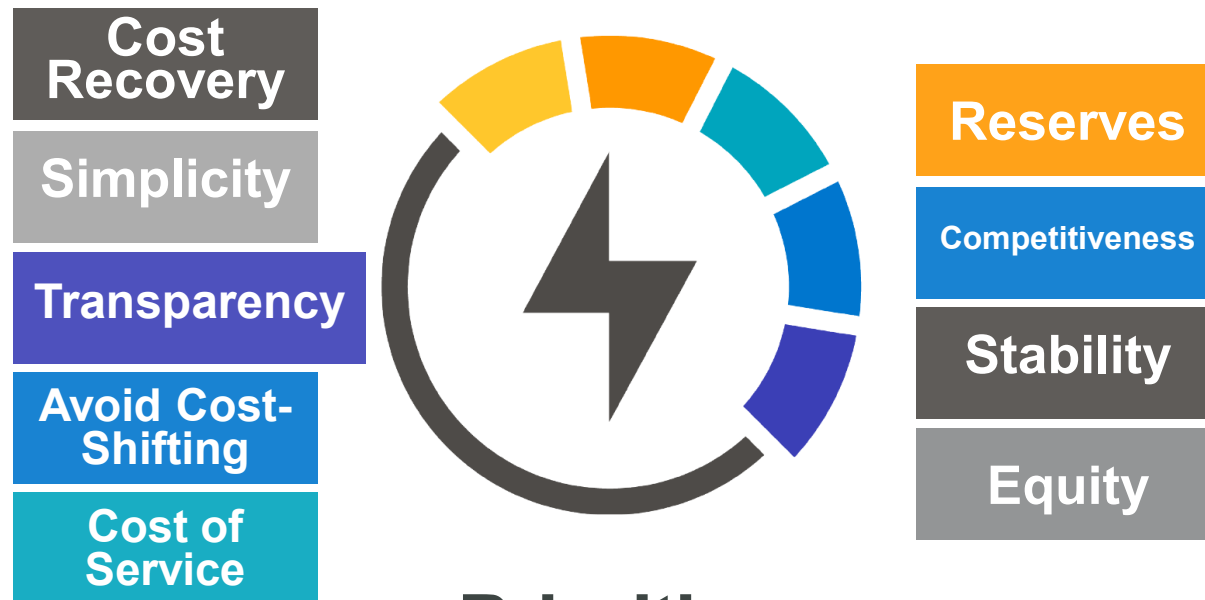


Rate Mechanics



Rate Development Policy Objectives

Objectives



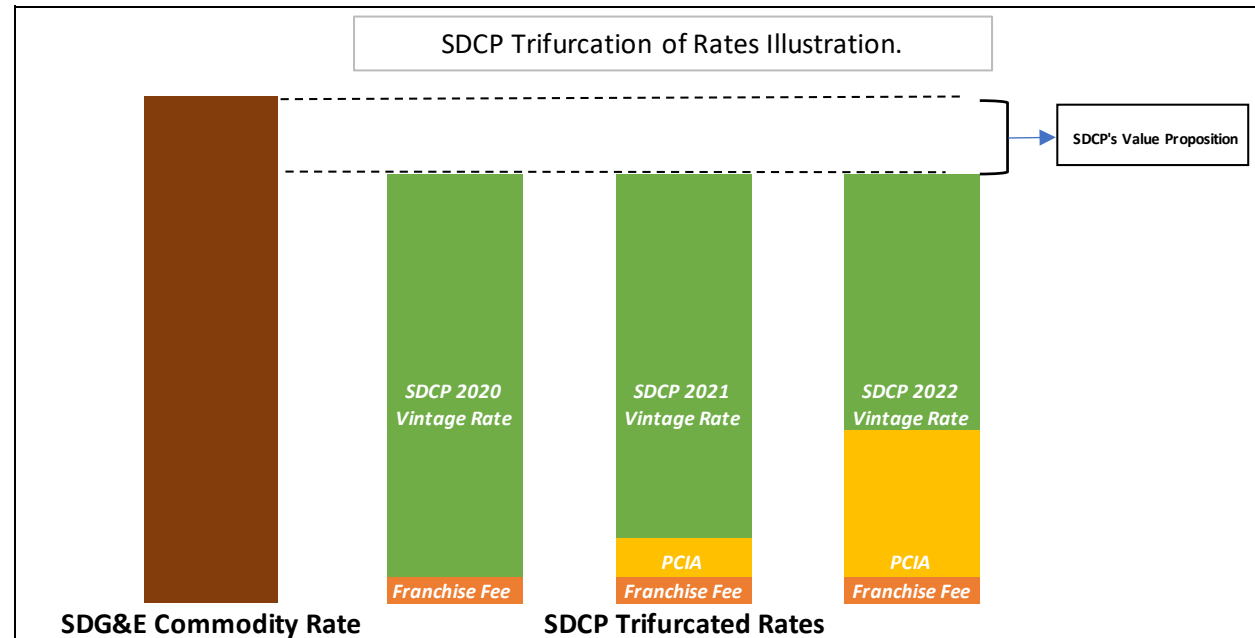
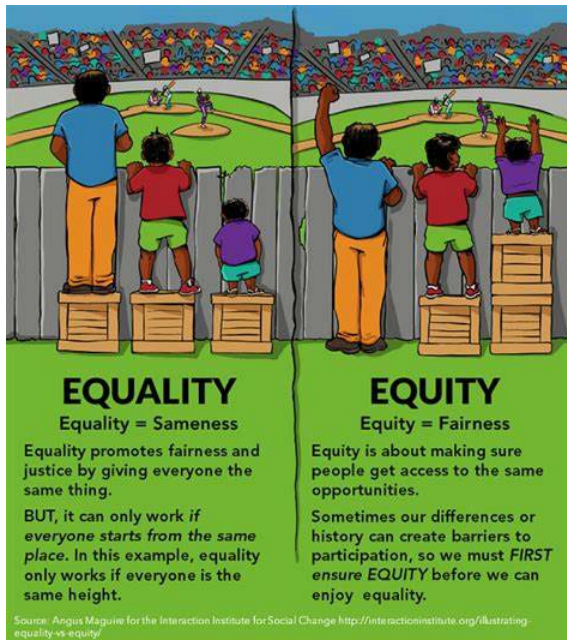
Priorities

Strategic Goals

90-Days Cash \$250.0 million October 2023	<input checked="" type="checkbox"/>
180-Days Cash \$500.0 million October 2025	<input type="checkbox"/>
Investment Grade Credit Rating November 2025	<input type="checkbox"/>
Rate Stabilization \$70.0 million TBD	<input type="checkbox"/>

Rate Trifurcation

- Equity recognizes that each person has different circumstances and allocates the exact resources and opportunities needed to reach an equal outcome.
- This trifurcation will maintain a fair, equitable, and balanced rate structure that does not create winners and losers across our customers.



2024 Generation Rate Projections

SDG&E generation rates, effective 01-01-2024

SDG&E Generation Rates		October-23				November-23			December-23		
Rate Group	Current (\$/kWh)	Proposed (\$/kWh)	Difference	% Difference	Proposed (\$/kWh)	Difference	% Difference	Proposed (\$/kWh)	Difference	% Difference	
Residential	0.197	0.180	-0.02	-8.6%	0.164	-0.03	-16.8%	0.151	-0.05	-23.0%	
Small Commercial	0.174	0.160	-0.01	-8.4%	0.139	-0.04	-20.4%	0.128	-0.05	-26.3%	
Medium & Large C&I	0.204	0.185	-0.02	-9.1%	0.170	-0.03	-16.6%	0.158	-0.05	-22.6%	
Agriculture	0.146	0.134	-0.01	-8.2%	0.121	-0.02	-17.0%	0.112	-0.03	-23.0%	
Streetlighting	0.129	0.117	-0.01	-8.8%	0.107	-0.02	-16.7%	0.091	-0.04	-29.1%	
System Total	0.195	0.178	-0.02	-8.5%	0.162	-0.03	-16.9%	0.150	-0.04	-23.0%	

- SDG&E's system average generation rate decreased by 23%.
- The primary driver for the decrease in commodity rates is that SDG&E's forecasted costs of purchasing electricity in 2024 are expected to decrease. Actualization of balancing account projections and projected increases in load may also contribute to the generation rate decrease.

Cost of Energy Projection and Strategy



“Electric generation rates are projected to decrease primarily due to lower costs of purchasing electricity.”
-SDG&E Advice Letter 4344-E

SDGE™
23% Average Decrease
• Decrease effective 1/1/24

San Diego Community Power

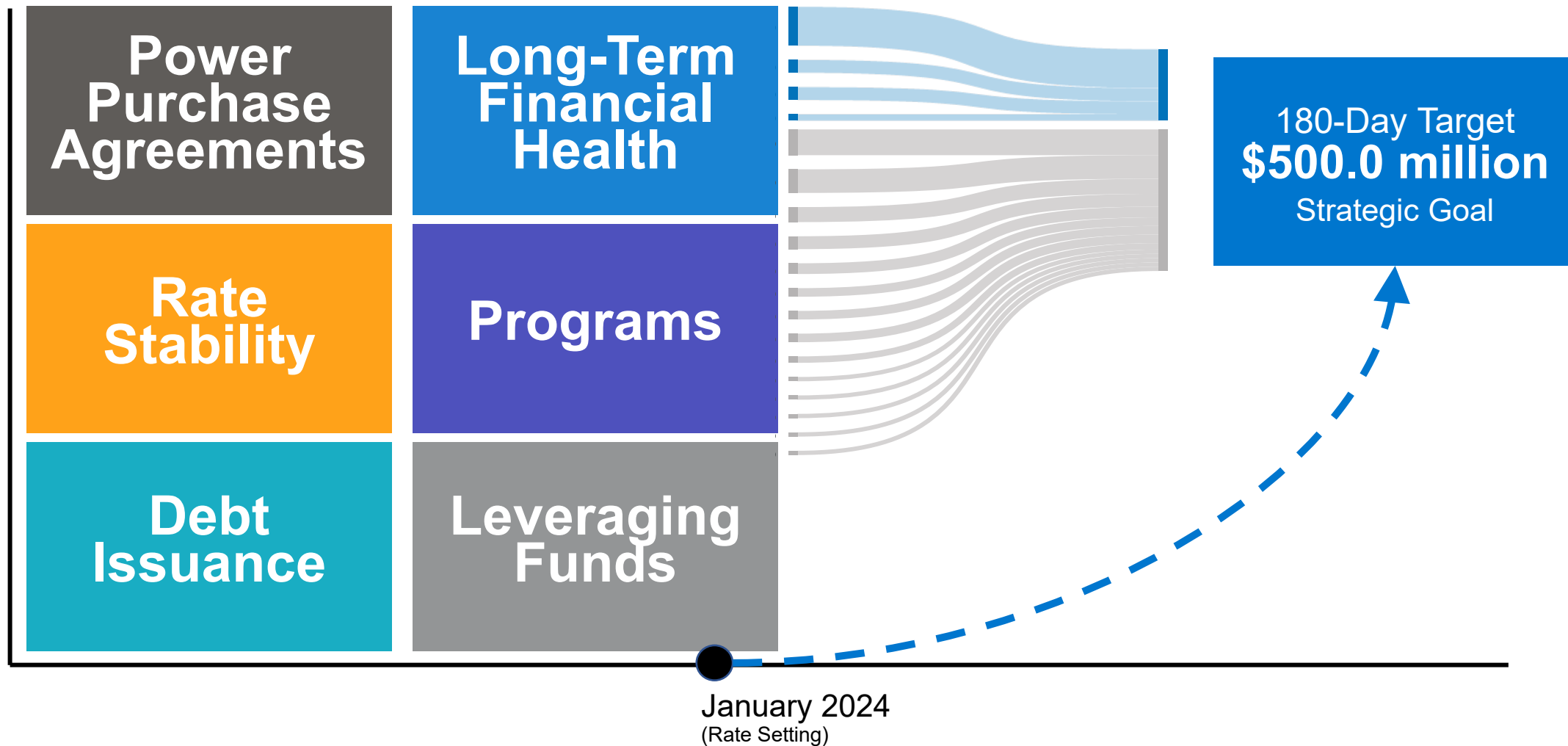
Energy Risk Management Policy

4.1 Market Price Risk

Prices in electricity markets exhibit high volatility, and **appropriate forward procurement and hedging approaches are necessary to manage exposure to pricing volatility** within the CAISO or bilateral energy markets.

Version:
Revision Date:

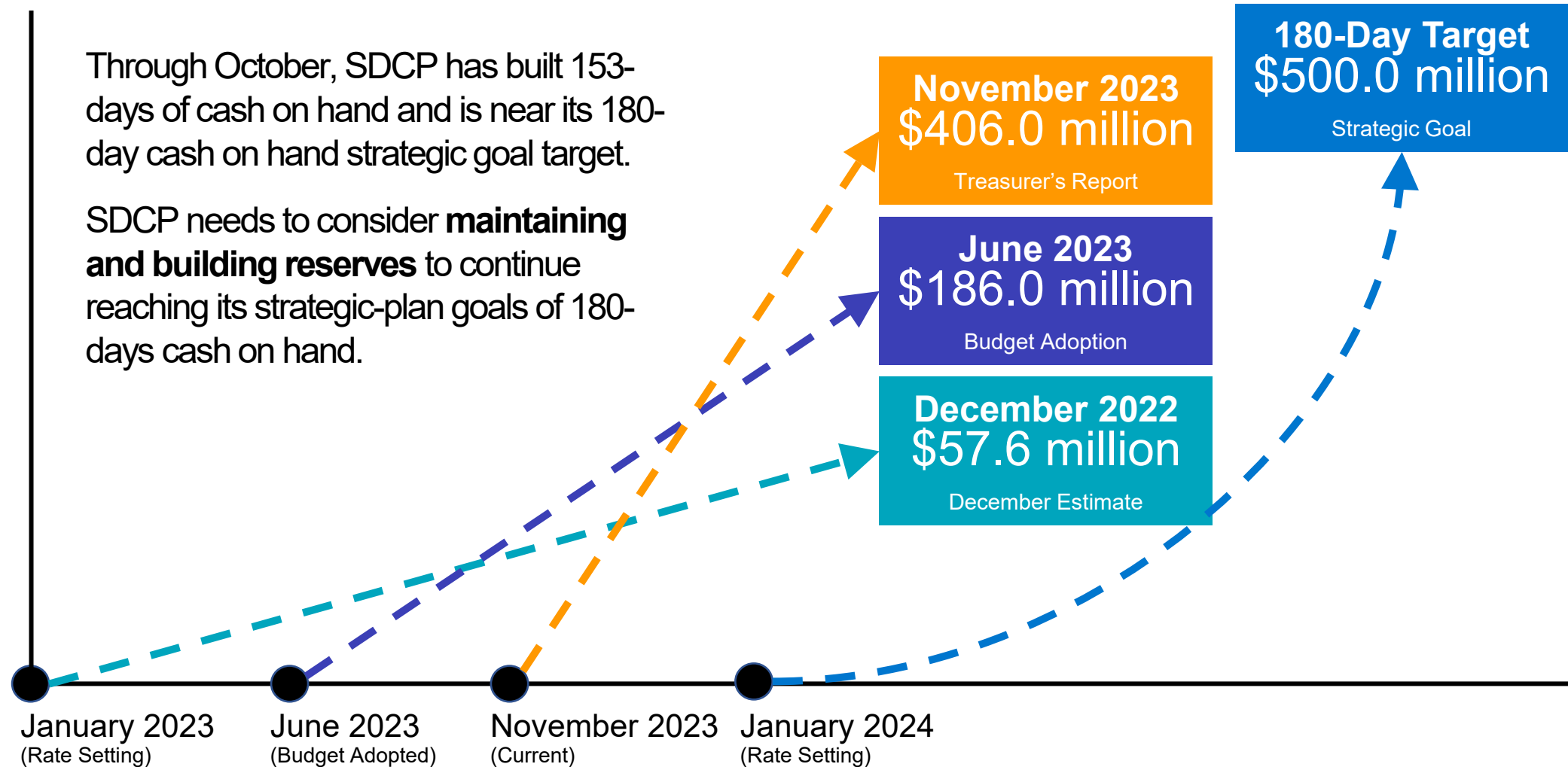
Why Reserves?



SDCP Reserve Build


Through October, SDCP has built 153-days of cash on hand and is near its 180-day cash on hand strategic goal target.

SDCP needs to consider **maintaining and building reserves** to continue reaching its strategic-plan goals of 180-days cash on hand.



Summary

- SDG&E's system average generation rate decreases by 23%, driven by projected decrease in electricity procurement costs.
- Three sets of rates (trifurcation) are needed in 2024 to ensure a fair, equitable and balanced rate structure for all customers.
- SDCP must consider maintaining and building reserves to continue reaching its strategic-plan goals of 180-days cash on hand.
- SDCP will recommend to the Board to adopt a rate change on January 18, 2024.



Public Comment for Item 3

Item 3

Recommendation:

Receive and File the presentation on the Update on SDCP's 2024 Projected Rate Changes

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Committee Member Announcements



Adjournment

Next Regular
**Finance & Risk
Management
Committee
Meeting**

February 15, 2024

