



Finance & Risk Management Committee Meeting

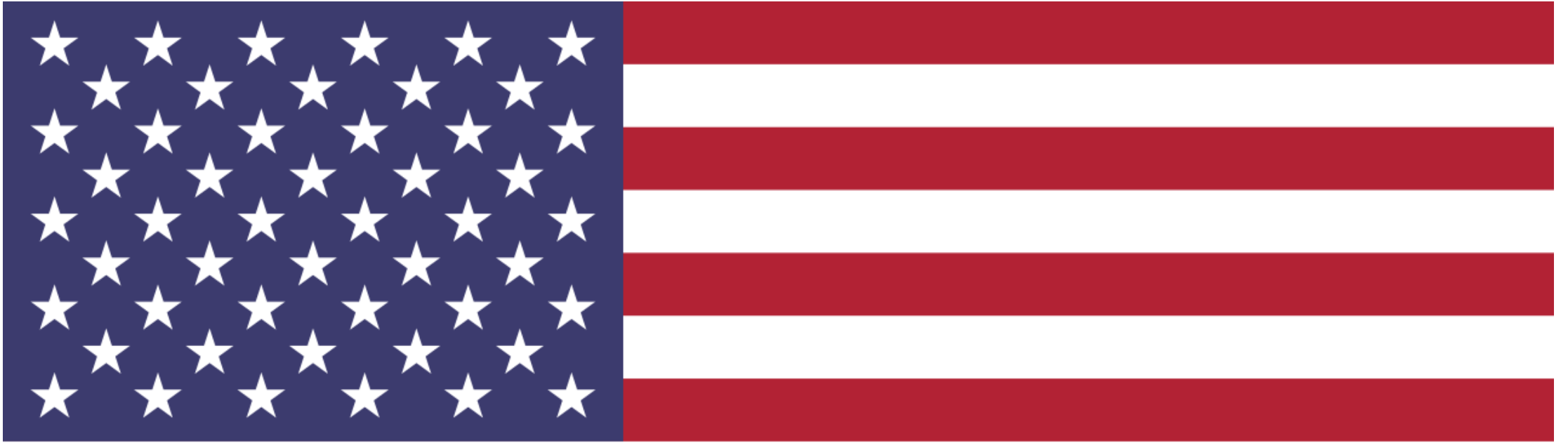
October 19, 2023



**Welcome
&
Call to
Order**


An aerial photograph of a desert canyon with a white diagonal stripe running from the top-left to the bottom-right. The canyon walls are rugged and eroded, showing a mix of tan and brown colors. The text "Roll Call" is centered in the white stripe.

Roll Call





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Withdrawn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



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Items to be Added, Withdrawn or Reordered on the Agenda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 September 14, 2023 Meeting Minutes
2. Treasurer's Report for Period Ending 8/31/23
3. FYE 2023 Financial Audit Progress Report Presentation
4. Recommend Board Approval of Net Billing Tariff
5. Update on Existing Net Energy Metering Policy

Committee Member Announcements

Adjournment

Item 1

Approval of September 14, 2023 Meeting Minutes


Recommendation:

Approve September 14, 2023 Meeting Minutes

Presenter:

Sandra Vences

Deputy Clerk of the Board



Public Comment for Item 1

Item 1

Recommendation:

Approve September 14, 2023 Meeting Minutes

Item 2

Treasurer's Report for Period Ending 8/31/23

Recommendation:

Receive and File Treasurer's Report for Period Ending 8/31/23

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Item 2: Treasurer's Report

YTD FY23 Budget v. Actual

Results for the period underperformed overall compared to the adopted budget:

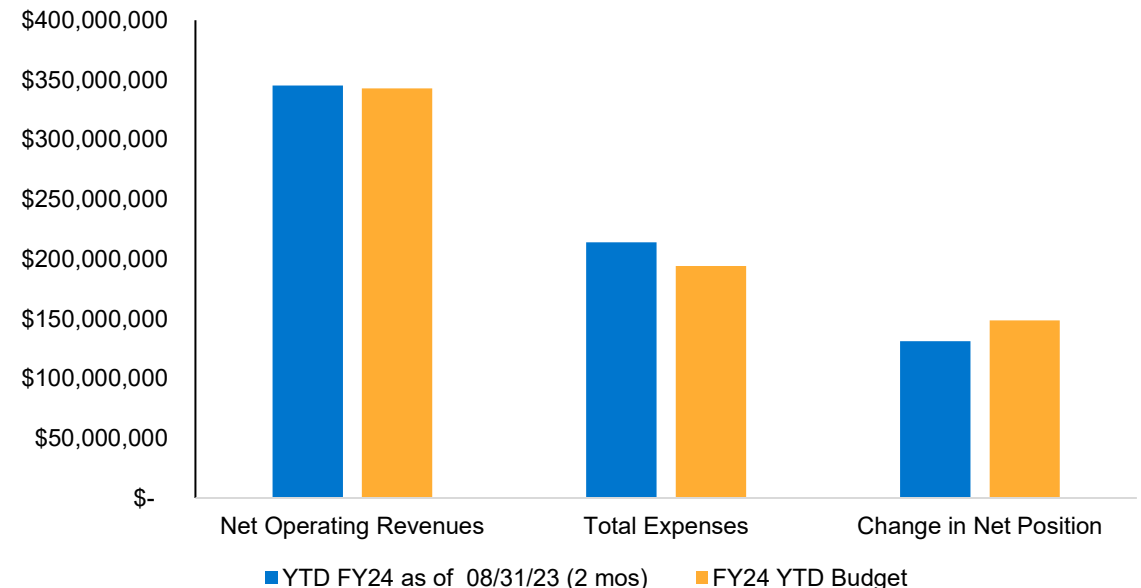
- Net operating revenues 1.0 percentage point over budget.
- Operating expenses came in 10.0 percentage points over budget

Financial results for the YTD FY24:

- \$345.32M in net operating revenues
- \$214.07M in total expenses (includes energy costs of \$720.34M or 81% of net revenues)
- \$131.25M change in YTD net position

Budget Comparison					
	YTD FY24 as of 08/31/23 (2 mos)		FY24 YTD Budget	Budget Variance (\$)	Budget (%)
Net Operating Revenues	\$	345,321,525	\$ 342,884,273	\$ 2,437,252	101%
Total Expenses	\$	214,073,840	\$ 194,238,450	\$ 19,835,390	110%
Change in Net Position	\$	131,247,685	\$ 148,645,823	\$ (17,398,138)	-12%

YTD FY23 Results v. Budget



Item 2: Treasurer's Report

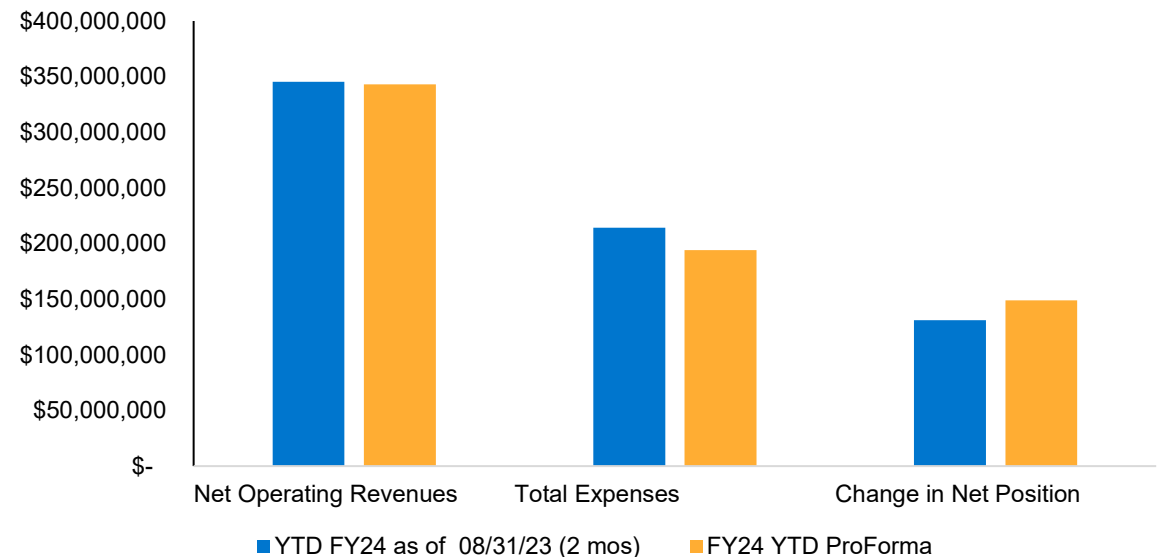
YTD FY23 Proforma v. Actual

Year-to-date financial results compared to projections:

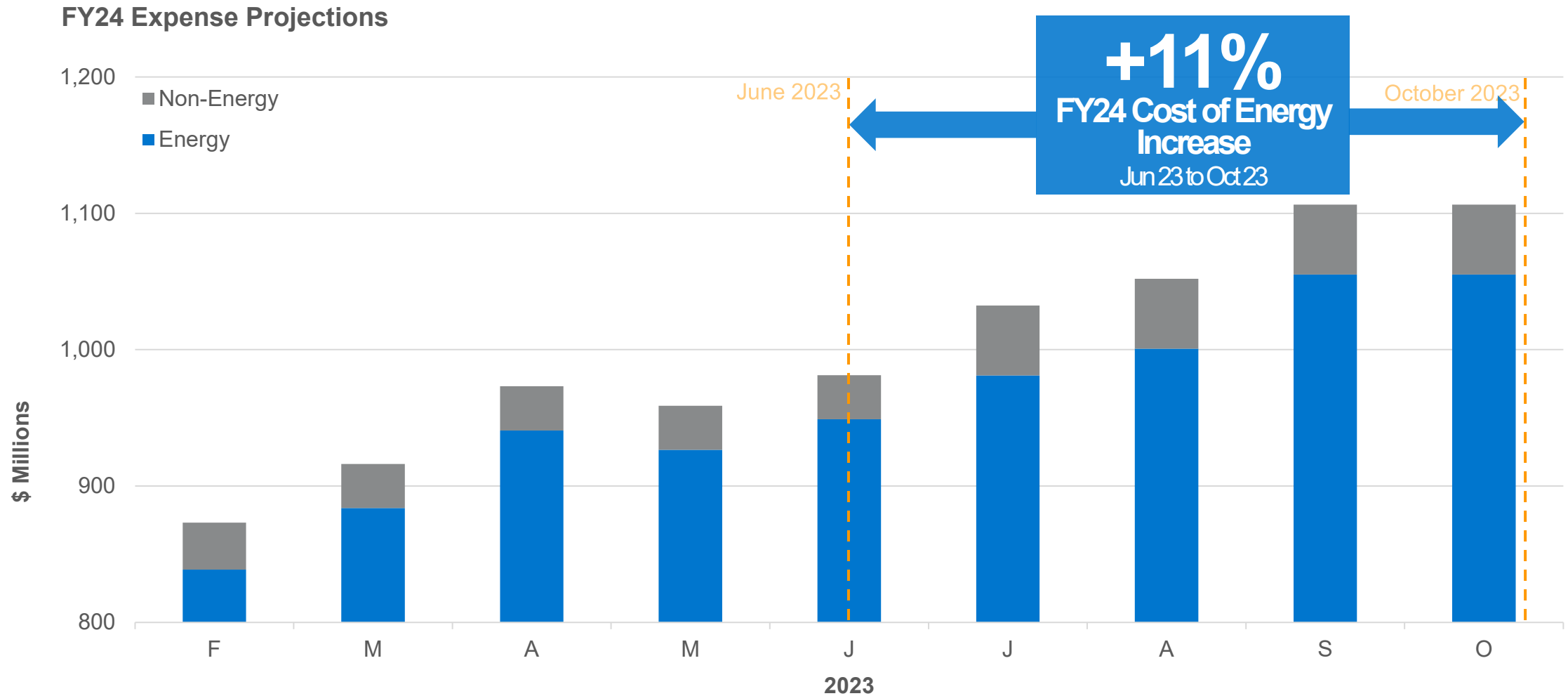
- Net operating revenues were 1% higher than proforma projections
- Total expenses were 10% over the proforma projections
- Change in net position was \$17.7M under the projected

Proforma Comparison					
	YTD FY24 as of 08/31/23 (2 mos)		FY24 YTD ProForma	ProForma Variance (\$)	Proforma (%)
Net Operating Revenues	\$	345,321,525	\$ 342,884,273	\$ 2,437,252	1%
Total Expenses	\$	214,073,840	\$ 193,931,678	\$ 20,142,162	10%
Change in Net Position	\$	131,247,685	\$ 148,952,595	\$ (17,704,910)	-12%

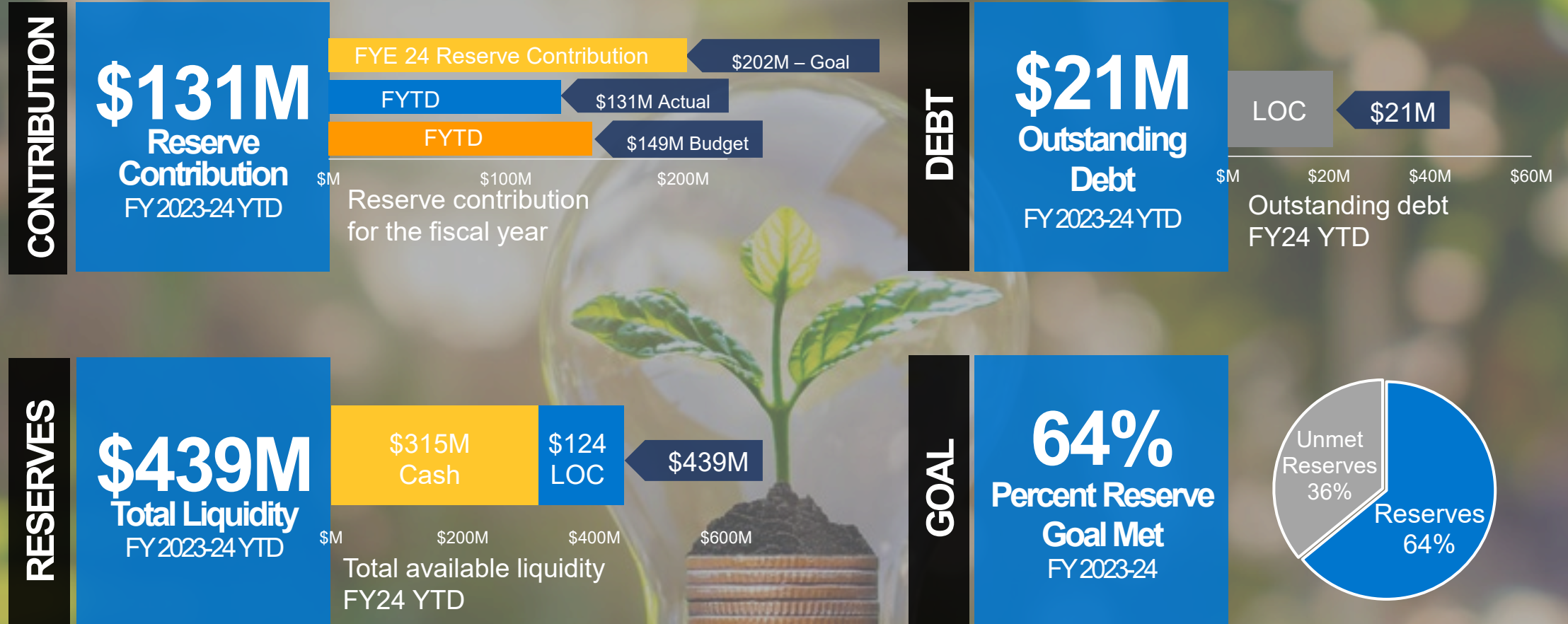
YTD FY23 Results v. Proforma



FY24 Cost of Energy Projection

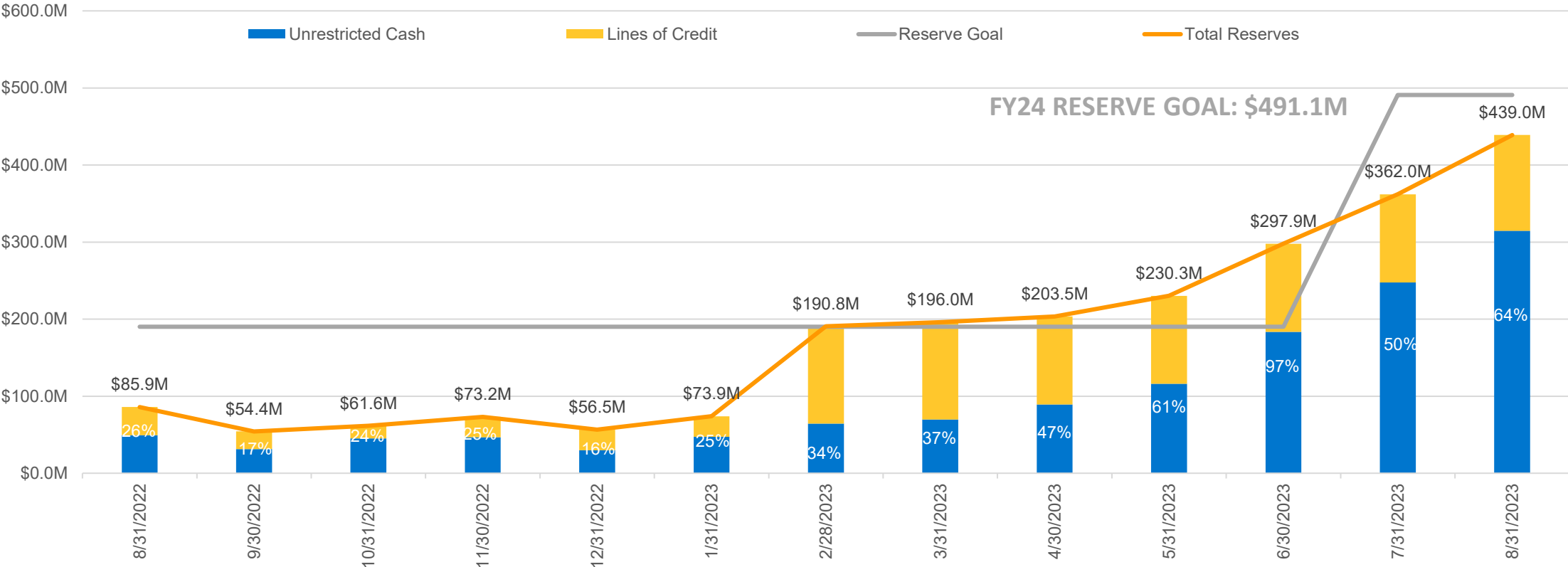


Item 2: Treasurer's Report

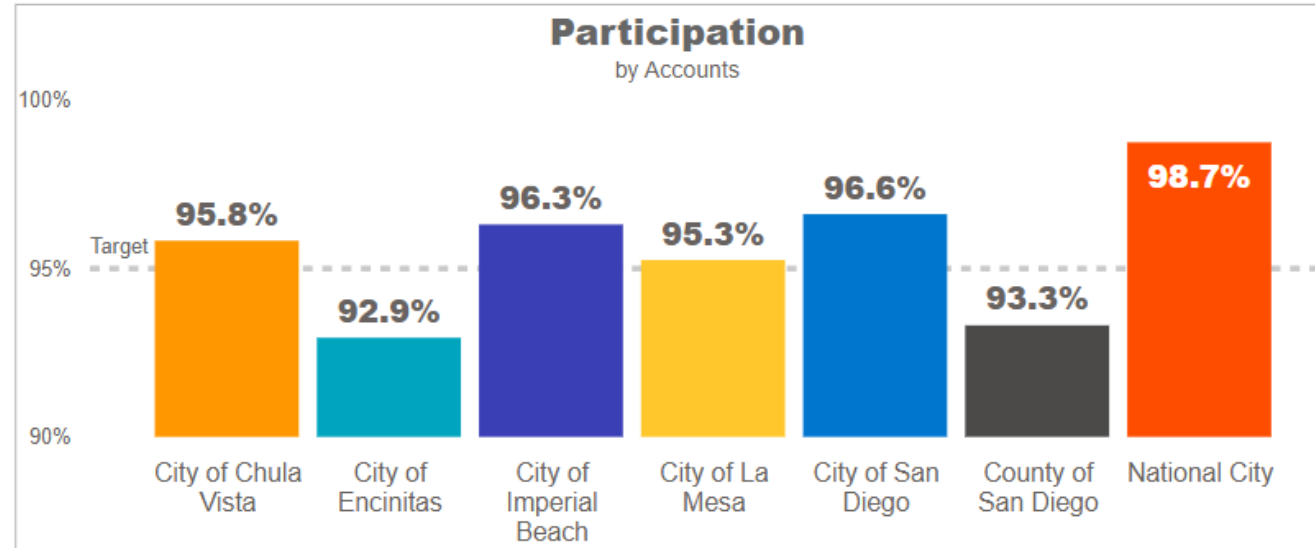


Item 2: Treasurer's Report


Year-to-Date Reserves FY 2023-24



Item 2: Treasurer's Report



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,420	97,488	4,068	95.8%
City of Encinitas	26,449	28,456	2,007	92.9%
City of Imperial Beach	10,543	10,947	404	96.3%
City of La Mesa	28,062	29,460	1,398	95.3%
City of San Diego	599,089	620,065	20,976	96.6%
County of San Diego	145,553	174,425	11,665	93.3%
National City	18,355	19,032	238	98.7%
Total	921,471	979,873	40,756	95.8%



Public Comment for Item 2

Item 2

Recommendation:

Receive and File Treasurer's Report for Period
Ending 8/31/23

Item 3

Fiscal Year End 2023 Financial Audit Progress Report Presentation

Recommendation:

Receive and File Fiscal Year End 2023 Financial Audit Progress Report Presentation

Presenter:

Dr. Eric Washington,
Chief Financial Officer

FYE 23 Audit Timeline

July	August	September	October	November
Board approves contract extension with Pisenti & Brinker	FYE 23 SDGP Audit Engagement Begins	FYE 23 Audit in Progress	FRMC FYE 23 Audit Update Board FYE23 Audit Update	FRMC receives full FYE 23 Audit Board receives full FYE 23 Audit





PISENTI & BRINKER LLP

Certified Public Accountants & Advisors

*San Diego Community Power
Report to the Finance and Risk Management
Committee
October 19, 2023*

Pisenti & Brinker LLP Introduction:

- Brett Bradford, CPA
 - Audit Partner
 - 20 years in public accounting and performing audits of government entities
 - Currently working with several CCA's throughout California
- Aliandra Schaffer
 - Supervisor
 - 4 years in public accounting and performing audits of governments (CCA's)

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RSM US Alliance



RSM



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

Update on Status of current audit:

- The June 30, 2023 audit is well underway:
 - No issues to report at this time.
 - The audit is going well and we are receiving all requested data.
 - We are approximately 80% complete at this time.
 - No significant deficiencies or material weakness in internal control noted at this time.

An independently owned member

RSM US Alliance



RSM



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

Questions?


Brett Bradford: 707-577-1582

Aliandra Schaffer: 707-577-1535



PISENTI & BRINKER LLP

Certified Public Accountants & Advisors



Public Comment for Item 3

Item 3

Recommendation:

Receive and File Fiscal Year End 2023 Financial
Audit Progress Report Presentation

Item 4

Recommend Board Approval of Net Billing Tariff

Recommendation:

Recommend Board Approval of Net Billing Tariff

Presenters:

Colin Santulli, Director of Programs

Nelson Lomeli, Program Manager

Table of Contents

- 1. What is Net Billing Tariff (NBT)?**
- 2. Why adopt NBT?**
- 3. Generation Adders**
- 4. Net Surplus Compensation**

What is Net Billing Tariff?

What is Net Billing Tariff?

- Net Billing Tariff (NBT) is the next evolution in the new set of rules in California for customers who generate their own clean electricity on-site.
- NBT replaces Net Energy Metering (NEM) on how customers are compensated for self-generating electricity that they export to the grid to reduce their electric utility bill.
- NBT is for new generation customers that interconnected on or after April 15, 2023.
- Does not impact current NEM customers until they complete their 20-year legacy period.



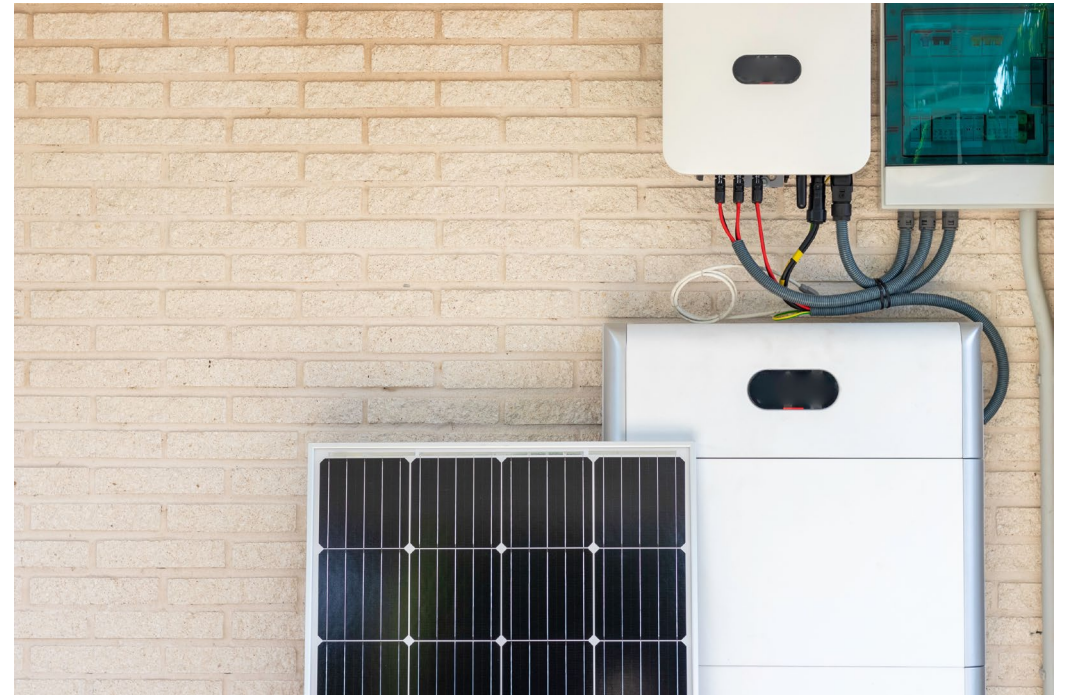
Background on Net Billing Tariff

A Lookback on Net Energy Metering

- Through its proceeding establishing NBT, the CPUC issued an evaluation of the NEM 2.0 Tariff (called a Lookback Study).
- The study determined that as it stands, the NEM program is not cost-effective and leads to higher rates.
- The CPUC determined that a new tariff was needed and solicited ideas from multiple parties in addition to commissioning Energy and Environmental Economics, Inc. (E3) to draft a white paper on potential successors.
- After various hearings, testimony, briefings, and proposals, the CPUC approved NBT in December 2022 for implementation by December 15, 2023.

Advantages of Net Billing Tariff

- NBT is designed to balance the costs to all customers and equity.
- Simultaneously, encourage sustainable growth of distributed generation.
- Designed to help promote the adoption of battery storage for renewable energy generation sources.
- Intended to better reflect the needs of the grid and send appropriate price signals to help with grid resiliency.

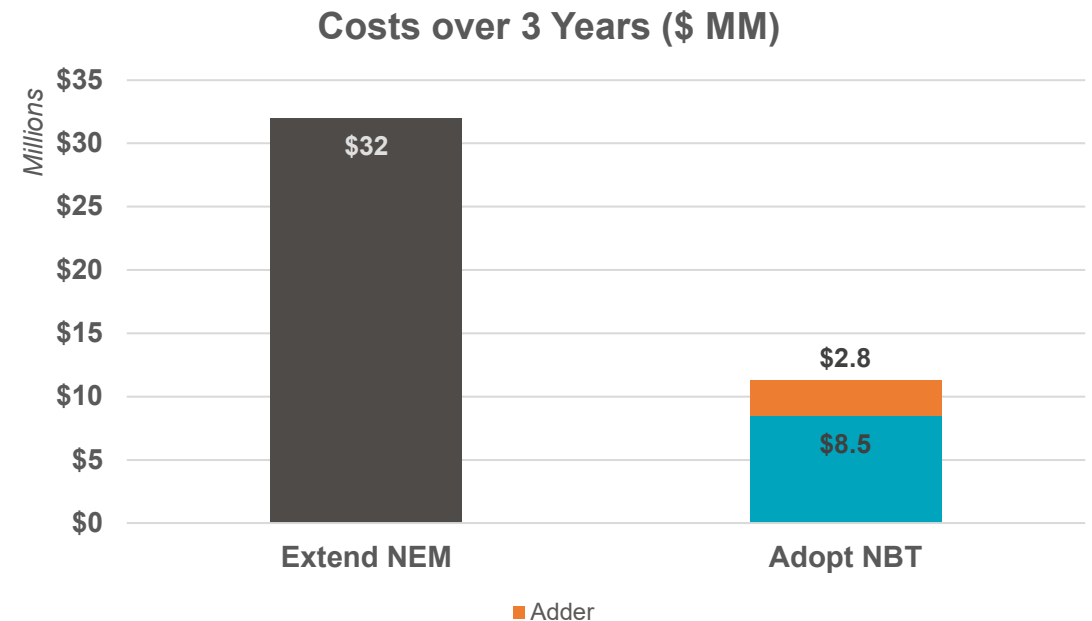


**Adopt a Net Billing Tariff
and
Use SDG&E's Avoided Cost
Calculator Rates**

Analysis of Net Billing Tariff

- Staff conducted an in-depth analysis and forecast of solar growth to determine options.
- Staff determined that adopting NBT could save **all** SDCP customers over \$20.7 million over three years.
- These savings will be passed onto customers through rate savings, adders, and customer programs, such as battery incentives.

Anticipated Costs in Millions



Analysis of Avoided Cost Calculator Rates

- Under NBT, credits for electricity exported to the grid are valued at ACC rates, instead of retail prices.
- SDCP Power Services Staff analyzed SDG&E's ACC documentation for thoroughness, professionalism, and adequacy.
- Staff determined that SDG&E's ACC rates were a sufficient proxy for SDCP's load curve.
- Staff recommends using SDG&E's ACC rates for NBT.

Example of ACC Rates

Average of 12 Months														
Hour of Day		1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
0	\$	0.053	\$0.049	\$0.051	\$0.038	\$0.053	\$0.051	\$0.053	\$0.053	\$0.052	\$0.050	\$0.046	\$0.053	\$ 0.050
1	\$	0.053	\$0.049	\$0.052	\$0.031	\$0.048	\$0.047	\$0.049	\$0.051	\$0.049	\$0.047	\$0.045	\$0.053	\$ 0.048
2	\$	0.054	\$0.049	\$0.052	\$0.029	\$0.044	\$0.047	\$0.049	\$0.050	\$0.048	\$0.046	\$0.045	\$0.053	\$ 0.047
3	\$	0.054	\$0.048	\$0.050	\$0.028	\$0.040	\$0.048	\$0.048	\$0.050	\$0.047	\$0.046	\$0.045	\$0.052	\$ 0.046
4	\$	0.053	\$0.049	\$0.050	\$0.029	\$0.041	\$0.049	\$0.047	\$0.050	\$0.046	\$0.045	\$0.045	\$0.052	\$ 0.046
5	\$	0.053	\$0.049	\$0.051	\$0.031	\$0.045	\$0.049	\$0.048	\$0.049	\$0.046	\$0.045	\$0.045	\$0.053	\$ 0.047
6	\$	0.056	\$0.053	\$0.053	\$0.032	\$0.043	\$0.049	\$0.049	\$0.048	\$0.048	\$0.046	\$0.047	\$0.054	\$ 0.048
7	\$	0.060	\$0.053	\$0.047	\$0.026	\$0.022	\$0.042	\$0.042	\$0.049	\$0.046	\$0.047	\$0.042	\$0.055	\$ 0.044
8	\$	0.057	\$0.040	\$0.032	\$0.011	\$0.018	\$0.038	\$0.041	\$0.051	\$0.043	\$0.043	\$0.042	\$0.055	\$ 0.039
9	\$	0.054	\$0.037	\$0.025	\$0.009	\$0.017	\$0.040	\$0.043	\$0.053	\$0.044	\$0.042	\$0.043	\$0.055	\$ 0.039
10	\$	0.053	\$0.036	\$0.024	\$0.008	\$0.017	\$0.041	\$0.043	\$0.053	\$0.044	\$0.042	\$0.042	\$0.055	\$ 0.038
11	\$	0.052	\$0.036	\$0.025	\$0.008	\$0.017	\$0.040	\$0.043	\$0.052	\$0.044	\$0.043	\$0.043	\$0.053	\$ 0.038
12	\$	0.051	\$0.035	\$0.024	\$0.011	\$0.016	\$0.039	\$0.042	\$0.051	\$0.043	\$0.042	\$0.042	\$0.053	\$ 0.037
13	\$	0.051	\$0.036	\$0.020	\$0.008	\$0.016	\$0.038	\$0.041	\$0.050	\$0.043	\$0.041	\$0.043	\$0.052	\$ 0.037
14	\$	0.051	\$0.037	\$0.020	\$0.006	\$0.014	\$0.039	\$0.041	\$0.050	\$0.042	\$0.041	\$0.045	\$0.052	\$ 0.036
15	\$	0.052	\$0.040	\$0.021	\$0.003	\$0.013	\$0.039	\$0.041	\$0.051	\$0.044	\$0.043	\$0.050	\$0.054	\$ 0.038
16	\$	0.060	\$0.057	\$0.025	\$0.004	\$0.013	\$0.042	\$0.044	\$0.055	\$0.051	\$0.049	\$0.054	\$0.057	\$ 0.043
17	\$	0.065	\$0.066	\$0.048	\$0.011	\$0.024	\$0.053	\$0.066	\$0.151	\$0.069	\$0.077	\$0.055	\$0.061	\$ 0.062
18	\$	0.065	\$0.064	\$0.064	\$0.042	\$0.059	\$0.062	\$0.070	\$0.318	\$3.121	\$0.055	\$0.054	\$0.062	\$ 0.336
19	\$	0.065	\$0.064	\$0.066	\$0.041	\$0.054	\$0.062	\$0.345	\$0.923	\$3.515	\$0.055	\$0.055	\$0.061	\$ 0.442
20	\$	0.065	\$0.064	\$0.065	\$0.041	\$0.056	\$0.063	\$0.149	\$0.325	\$0.175	\$0.054	\$0.055	\$0.060	\$ 0.098
21	\$	0.063	\$0.064	\$0.063	\$0.040	\$0.054	\$0.060	\$0.064	\$0.441	\$0.060	\$0.055	\$0.054	\$0.057	\$ 0.090
22	\$	0.058	\$0.057	\$0.060	\$0.038	\$0.053	\$0.061	\$0.061	\$0.342	\$0.058	\$0.053	\$0.050	\$0.054	\$ 0.079
23	\$	0.054	\$0.052	\$0.056	\$0.037	\$0.055	\$0.058	\$0.057	\$0.056	\$0.051	\$0.049	\$0.050	\$0.055	\$ 0.053
Grand Total	\$	0.056	\$0.049	\$0.043	\$0.023	\$0.035	\$0.048	\$0.066	\$0.143	\$0.326	\$0.048	\$0.047	\$0.055	\$ 0.078

Generation Adders

Net Billing Tariff Avoided Cost Calculator Plus Adders

- In establishing NBT, the CPUC aimed for new customers to payback their renewable energy investment within 9 years.
- The CPUC determined that due to the high rates in SDG&E territory, projects already achieve a 9-year payback.
- They provided adders for new customers in PG&E and SCE territory, but not SDG&E.

Simple Payback Periods for NBT Customers
Stand-alone Solar Payback Period (years)

Customer Segment	SDG&E	PG&E	SCE
Residential Non-CARE	5.95	9.00	9.00
Residential CARE	8.43	9.00	9.00
Commercial (not eligible)	7.50	8.17	9.38

CPUC-approve ACC+ Adders

Customer Segment	PG&E	SCE	SDG&E
Residential Non-CARE	\$0.022	\$0.040	\$0.000
Residential CARE	\$0.090	\$0.093	\$0.000
All Non-Residential	\$0.000	\$0.000	\$0.000

SDCP Generation Adders

Proposed to Make the Tariff the Most Customer-centric and Competitive

- Enhance the competitiveness of SDCP's NBT and value of SDCP to customers
- Close the generation bill credit gap and reduce the payback period to make adoption more financially attractive for customers
- Ensure simplicity and ease of understanding of the adder
- Address and promote equity for CARE and/or FERA customers
- Support grid reliability

Proposed Generation Adders

Customer Class	Residential (Non-CARE)	Residential CARE	Commercial
Adder Amount	\$0.0075/kWh	\$0.11/kWh	\$0.0075/kWh

SDCP Generation Adders

Proposed to Make the Tariff the Most Customer-centric and Competitive

- Provide an adder for 6 years to all new customers, including commercial, that install new generation in the next three years
 - Base adder of \$0.0075/kWh makes for a 6-year simple payback period
- Provide a higher adder for 6 years to CARE/FERA customers that install new generation in the next three years to reduce payback period
 - CARE adder of \$0.11/kWh reduces simple payback period to 6 years from 8 years!

Simple Payback Periods for NBT Customers
Stand-alone Solar Payback Period (years)

Customer Class	Residential (Non-CARE/FERA)	Residential CARE/FERA	Commercial
Stand-alone Solar Payback Period (years)	5.83	5.91	7.33

Net Surplus Compensation

Net Surplus Compensation

A Customer-centric Approach for Annual Net Electricity Exported

- Under NBT, the CPUC authorized the utilities to implement an “adjustment” to the NSC process that would result in a lower NSC amount for NBT customers.
- The utilities contend that since all electricity exports are paid already at ACC rates, paying for NSC at the NSC rate (which is essentially the ACC) would be a double payment.
- SDCP takes a customer-centric view that the generation of billing credits using the ACC is different than the compensation of excess annual electricity.
- Staff propose to not implement an adjustment during the NSC process and cash out.
- Staff estimates that NSC payments may cost approximately \$3.2 million over three years.
- NBT-served customers would follow the standard NSC process where a check is automatically issued if the NSC payment amount is \$100 or more, otherwise, the amount is rolled over into the next billing cycle.

Stakeholder Engagement

Stakeholder Engagement

Broad Outreach Conducted to Solicit Feedback


- SDCP Board of Directors
- SDCP Community Advisory Committee Members
- Local Public Agencies' Elected Officials and Staff
- California Solar & Storage Association (CalSSA)
- Climate Action Campaign (CAC)
- GRID Alternatives
- International Brotherhood of Electrical Workers (IBEW) 569
- Local Chambers Of Commerce
- Economic Development Corporations
- Other Community Choice Aggregators
- Sierra Club
- Utility Consumers' Action Network (UCAN)
- Vote Solar
- Solar Energy Industries Association (SEIA)
- Baker Electric
- Cleantech San Diego Energy Working Group

Recommendations Summary

SDCP's Recommendations to the Board

Create a More Equitable Playing Field for All

1. Approve NBT for all new customers and transitioning customers.
2. Utilize SDG&E's Avoided Cost Calculator rates for billing credits.
3. Provide Generation Adders for 6 years to all new NBT customers that install generation systems in the next three years, with a higher amount for CARE/FERA customers.
4. Adopt the standard approach to Net Surplus Compensation for NBT customers and do not implement an adjustment.



Public Comment for Item 4

Item 4

Recommendation:

Recommend Board Approval of Net Billing Tariff

Item 5

Update on Existing Net Energy Metering Policy

Recommendation:


Receive and File the Update on Existing Net Energy Metering Policy

Presenter:

Lucas Utouh, Director, Account Services & Data Analytics

Proposed Updates to SDCP's NEM Policy

1. Remove \$2,500 Net Surplus Compensation (NSC) limit per account per relevant period
2. Adoption of a NEM Generation Credit Refund to ensure that customers are not negatively impacted by SDCP's default monthly NEM billing option



Public Comment for Item 5

Item 5

Recommendation:

Receive and File the Update on Existing Net Energy Metering Policy



Committee Member Announcements



Adjournment



Next Regular Finance & Risk Management Committee Meeting

November 9, 2023

