



Finance & Risk Management Committee Meeting

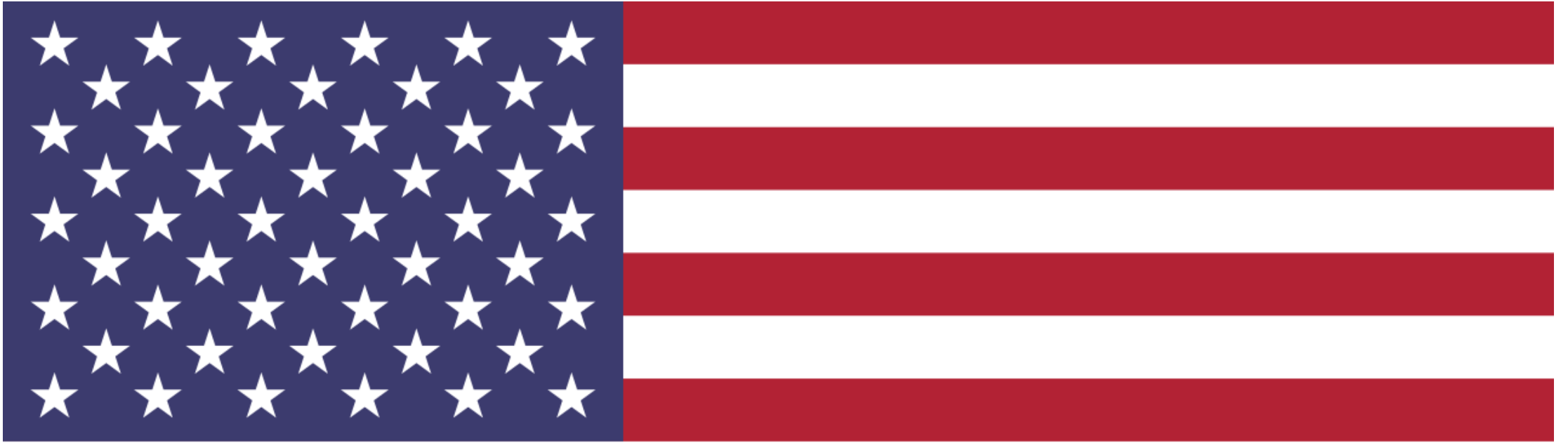
June 8, 2023



Welcome & Call to Order


An aerial photograph of ocean waves, showing white foam and deep blue-green water. A thick white diagonal stripe runs from the top-left to the bottom-right, bisecting the image. The text 'Roll Call' is centered on 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Withdrawn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Items to be Added, Withdrawn or Reordered on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 May 18, 2023 Meeting Minutes
2. Treasurer's Report for Period Ending 4/30/23
3. Approval of the FY 2023-24 Operating Budget
4. Approval of Remainder of Collections/Delinquency Policy for Residential Customers

Committee Member Announcements

Adjournment


Item 1

Approval of May 18, 2023 Meeting Minutes

Recommendation:

Approve May 18, 2023 Meeting Minutes

Presenter:
Kimberly Isley
Clerk of the Board

An aerial photograph of ocean waves, showing white foam and deep blue-green water. A thick white diagonal stripe runs from the top-left corner towards the center-right, creating a triangular white space on the left side of the image. The text is positioned within this white space.

Public Comment for Item 1

Item 2

Treasurer's Report for Period Ending 04/30/23

Recommendation:

Receive and File Treasurer's Report for Period
Ending 04/30/23

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:

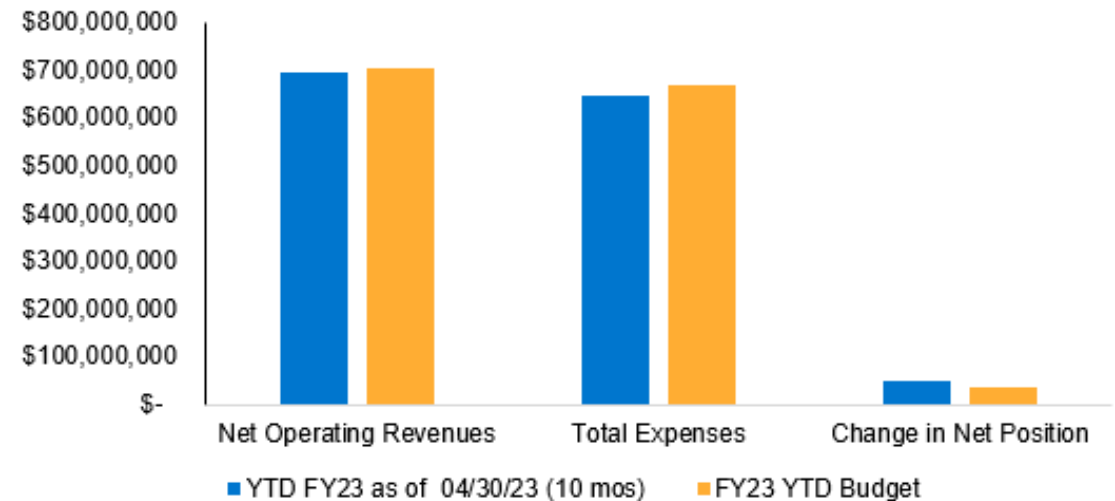
- Net operating revenues 1.0 percentage point under budget.
- Operating expenses came in 3.0 percentage points under budget

Financial results for the YTD FY23:

- \$695.2M in net operating revenues
- \$646.5M in total expenses (includes energy costs of \$624.9M or 90% of net revenues)
- \$48.7M change in YTD net position

| Budget Comparison | | | | | |
|------------------------|-------------------------------------|-------------|--------------------|-------------------------|------------|
| | YTD FY23 as of 04/30/23 (10 mos) | | FY23 YTD Budget | Budget Variance (\$) | Budget (%) |
| Net Operating Revenues | \$ | 695,196,071 | \$ 701,992,252 | \$ (6,796,181) | 99% |
| Total Expenses | \$ | 646,502,290 | \$ 665,787,225 | \$ (19,284,935) | 97% |
| Change in Net Position | \$ | 48,693,781 | \$ 36,205,027 | \$ 12,488,754 | 34% |

YTD FY23 Results v. Budget



Item 2: Treasurer's Report

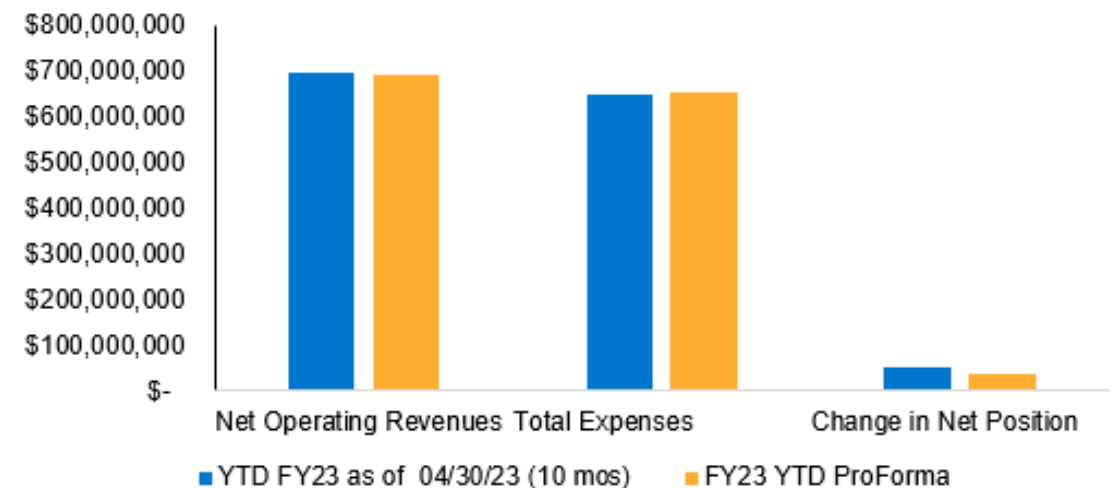
YTD FY23 Proforma v. Actual

Year-to-date financial results compared to projections:

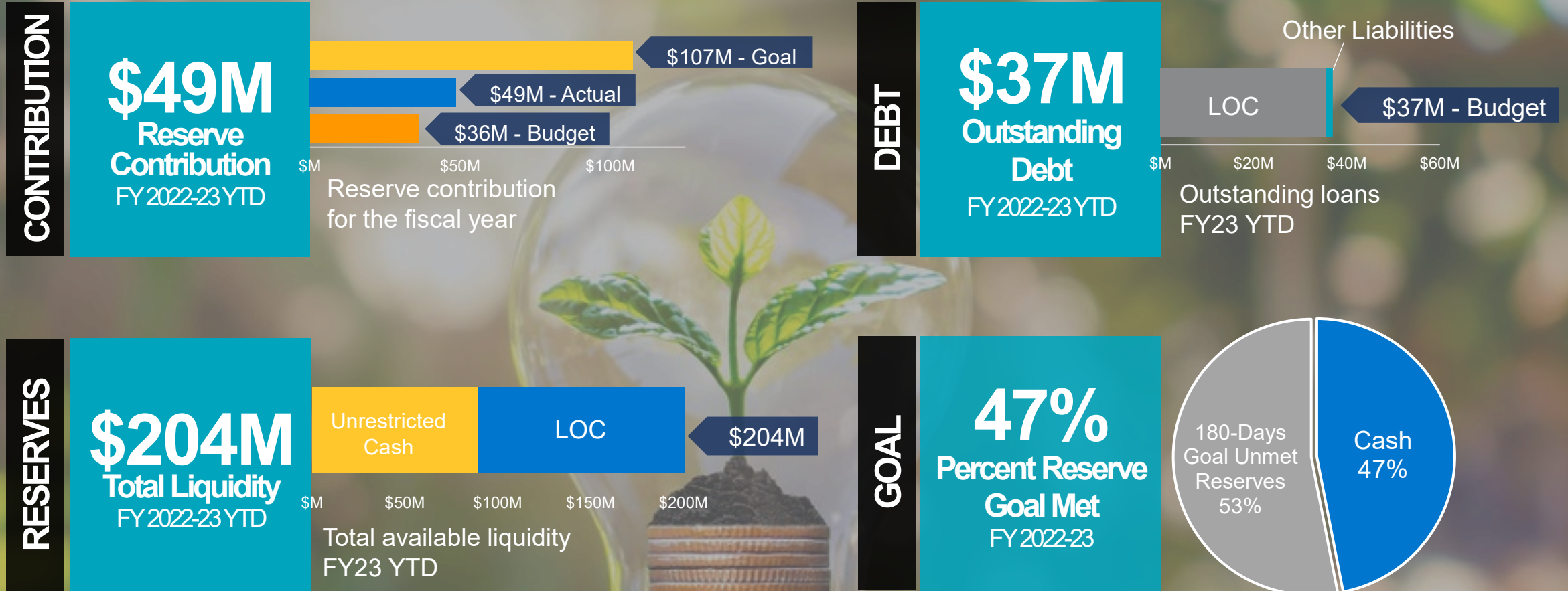
- Net operating revenues were 1% higher than proforma projections
- Total expenses were 1% under the proforma projections
- Change in net position was \$10.5M over the projected

| Proforma Comparison | | | | | |
|------------------------|-------------------------------------|----------------------|---------------------------|-----------------|--|
| | YTD FY23 as of 04/30/23 (10 mos) | FY23 YTD ProForma | ProForma Variance (\$) | Proforma (%) | |
| Net Operating Revenues | \$ 695,196,071 | \$ 689,102,498 | \$ 6,093,573 | 1% | |
| Total Expenses | \$ 646,502,290 | \$ 650,941,547 | \$ (4,439,257) | -1% | |
| Change in Net Position | \$ 48,693,781 | \$ 38,160,951 | \$ 10,532,830 | 28% | |

YTD FY23 Results v. Proforma

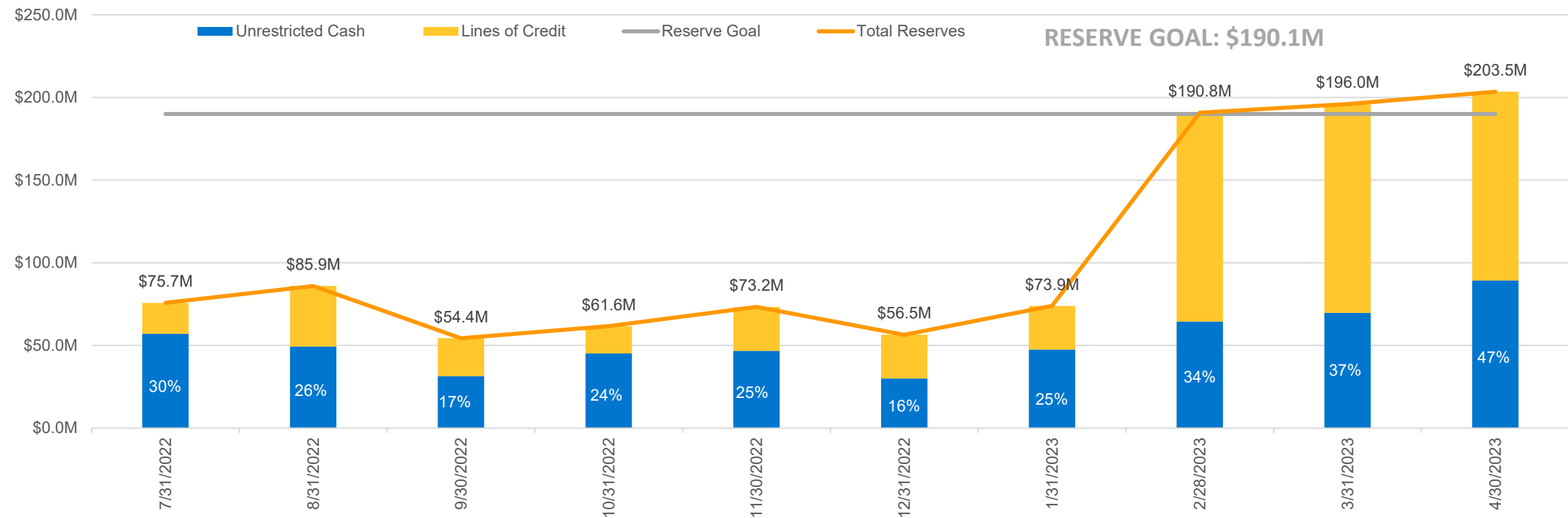


Item 2: Treasurer's Report

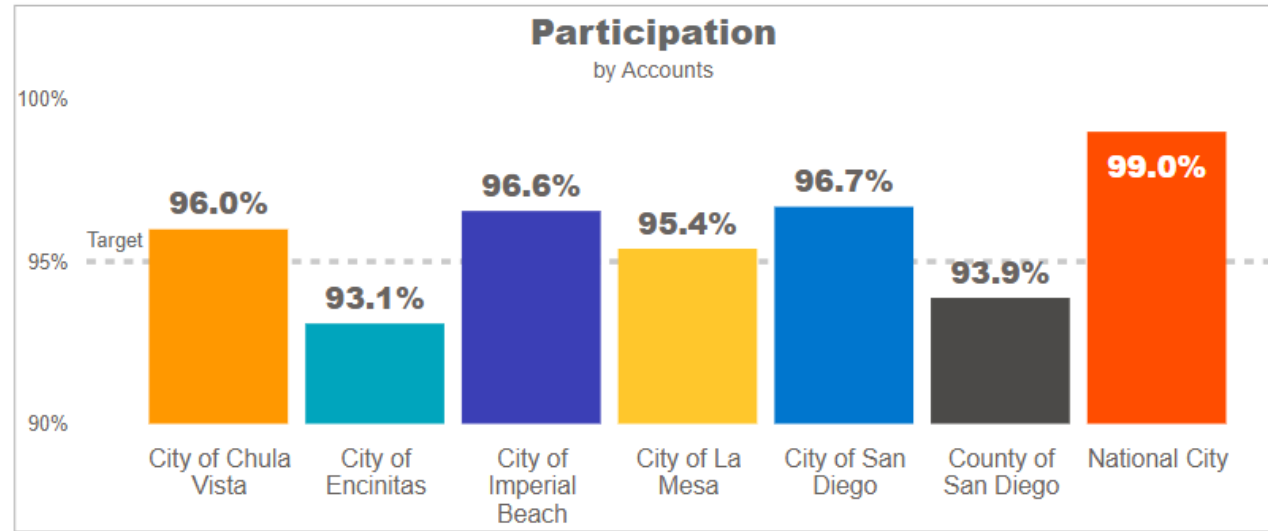


Item 2: Treasurer's Report


Year-to-Date Reserves FY 2023



Item 2: Treasurer's Report



| Jurisdiction | Active | Eligible | Opt Outs | Participation |
|------------------------|----------------|----------------|---------------|---------------|
| City of Chula Vista | 93,090 | 96,975 | 3,885 | 96.0% |
| City of Encinitas | 26,483 | 28,449 | 1,966 | 93.1% |
| City of Imperial Beach | 10,548 | 10,924 | 376 | 96.6% |
| City of La Mesa | 28,028 | 29,381 | 1,353 | 95.4% |
| City of San Diego | 597,361 | 617,822 | 20,461 | 96.7% |
| County of San Diego | 126,475 | 145,263 | 8,890 | 93.9% |
| National City | 17,892 | 18,312 | 183 | 99.0% |
| Total | 899,877 | 947,126 | 37,114 | 96.1% |

An aerial photograph of ocean waves, showing white foam and deep blue-green water. A thick white diagonal stripe runs from the top-left to the bottom-right, bisecting the image. The text is positioned on the white stripe.

Public Comment for Item 2

Item 2

Recommendation:

Receive and File Treasurer's Report for Period
Ending 04/30/23

Item 3

Approval of the FY 2023-24 Operating Budget

Recommendation:

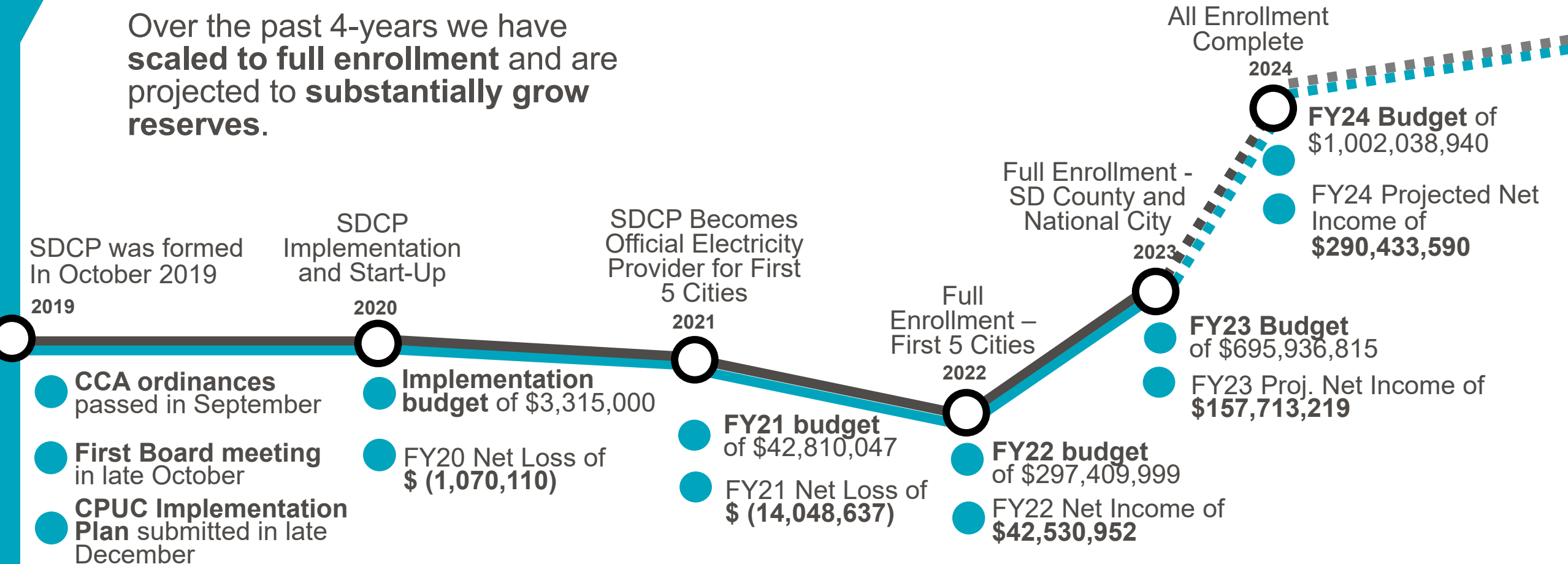
Recommend Board approval of the FY2023-24 Operating Budget

Presenter:

Dr. Eric Washington,
Chief Financial Officer

Budget - History

Over the past 4-years we have **scaled to full enrollment** and are projected to **substantially grow reserves**.



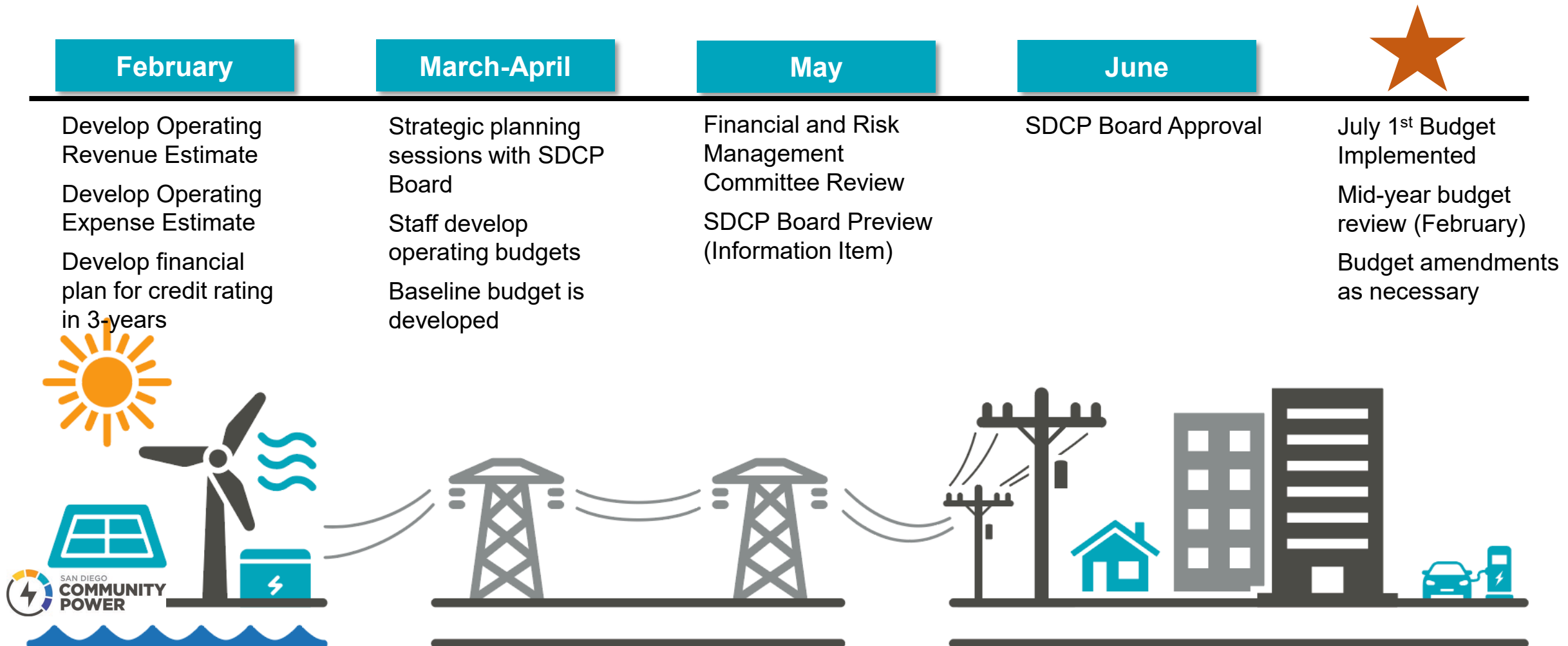
Budget - Highlights

- First full fiscal year of **full enrollment** from Phase 1, 2, 3 and 4.
- Thoughtfully scale the agency by adding 23 staff to **grow to 59 total staff**.
- Continued outreach through **community events, sponsorships and advertising** to inform customers about SDCP.
- Addition of **Capital Investment Plan (CIP)** to shift programs and projects over multi-year periods.



Budget Development for FY 2023-24

The Board adopted schedule for budget development is the following.



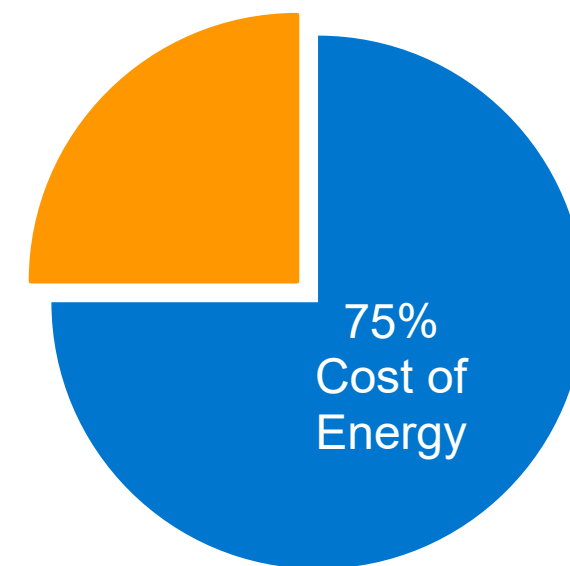
Budget – Material Changes since May Meeting

| Item | 5/18 FRMC Meeting, \$M | 6/8 FRMC Meeting, \$M | Net Change | Update |
|------------------------------|------------------------|-----------------------|---------------|---|
| Net Revenue | 1,292.5 | 1,292.5 | - | |
| Cost of Energy | 971.6 | 948.5 | (23.1) | Energy contracts updated through June 2023. |
| Interest and Related Expense | 2.4 | 2.4 | - | |
| Professional Services | 22.9 | 22.9 | - | |
| Personnel Costs | 13.4 | 13.2 | (0.2) | Minor logistical changes related to timing and sequencing of new hires. |
| General and Administration | 7.5 | 7.5 | - | |
| Programs | 0.3 | 0.3 | - | |
| Marketing and Outreach | 2.9 | 2.9 | - | |
| Total | | | (23.3) | |

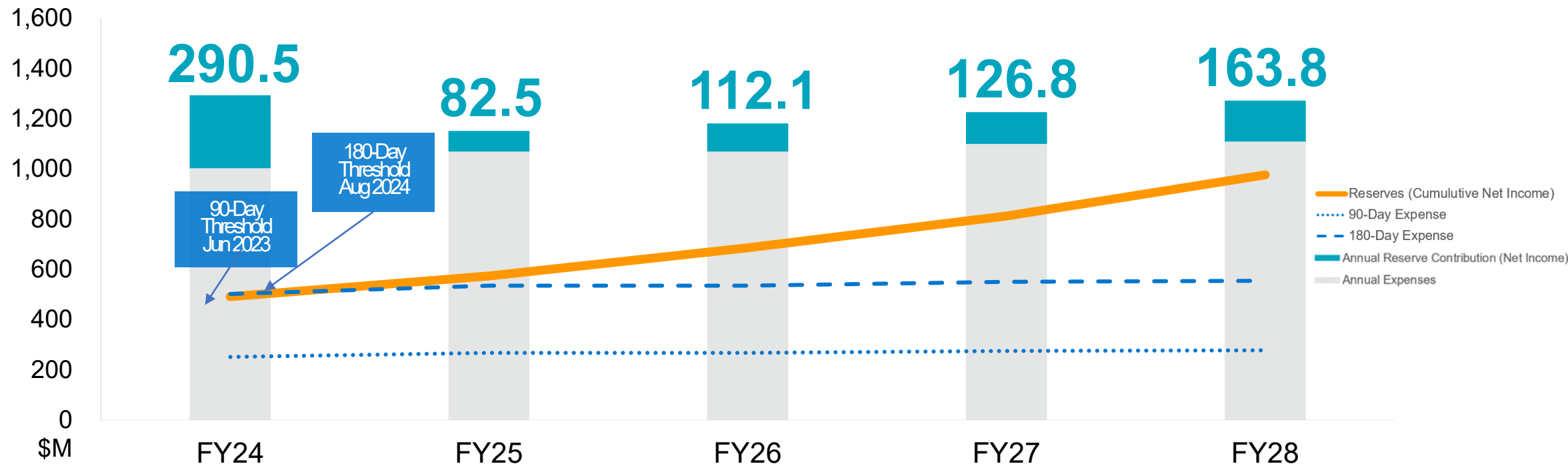
Budget – Summary

| Item | FY 23 Amended Budget, \$M | FY 24 Proposed Budget, \$M |
|-----------------------------------|---------------------------|----------------------------|
| Gross Revenue | 939.2 | 1,346.3 |
| Less Uncollectible Accounts | (9.4) | (53.9) |
| Net Revenue | 929.8 | 1,292.5 |
| Cost of Energy | 738.8 | 948.5 |
| Non-Energy Costs | 32.0 | 46.9 |
| Subtotal Operating Expense | 770.8 | 995.4 |
| Debt Service | 1.3 | 2.4 |
| Capital Investment Program | 0.0 | 4.2 |
| Total Expense | 772.1 | 1,002.0 |
| Net Position | 157.7 | 290.5 |
| Cumulative Net Position | 200.2 | 490.7 |
| Days Cash on Hand | 94.8 | 178.8 |

FY24 Cost of Energy / Net Revenue



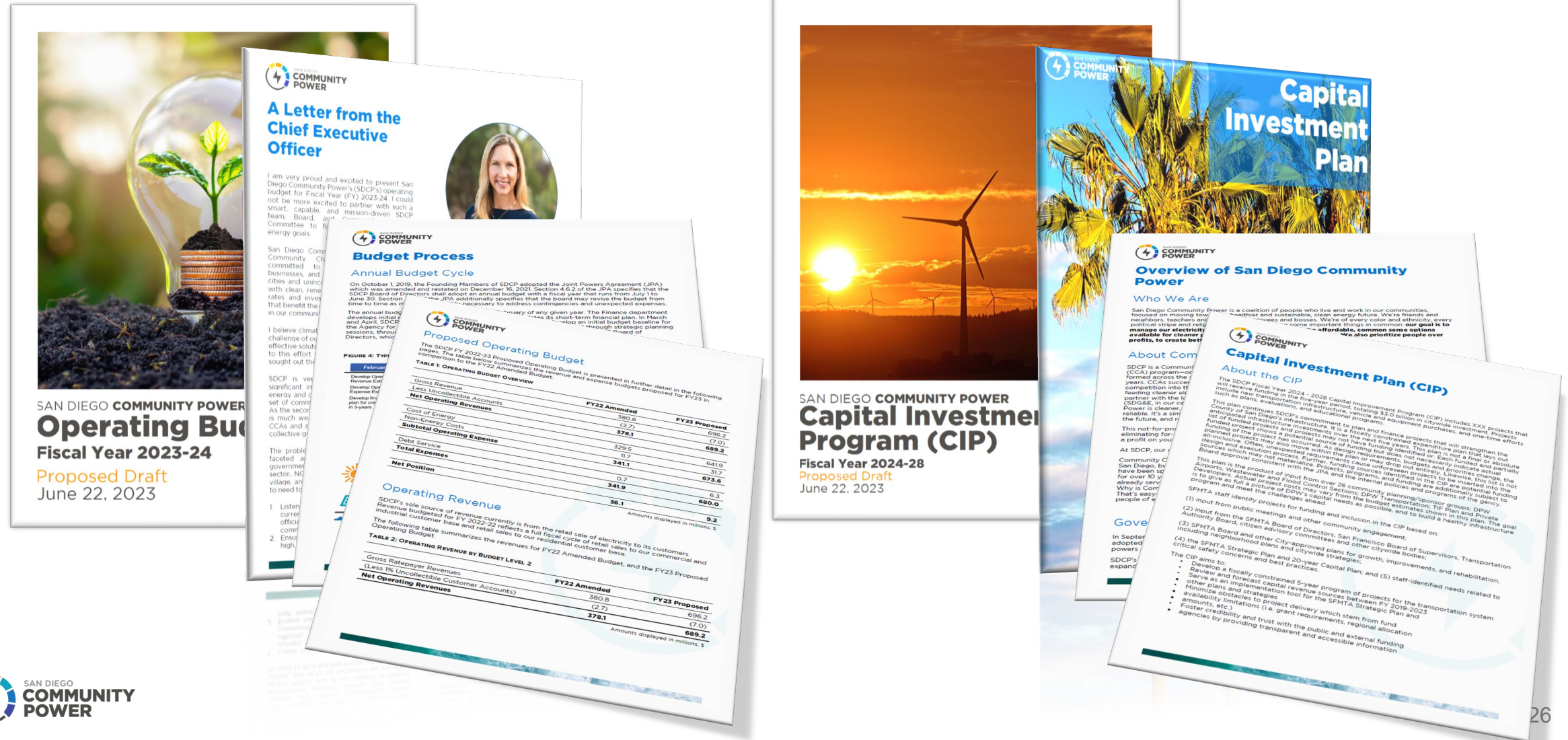
Updated ProForma Projections




Budget – Personnel

| Department | SDCP (Existing/ Proposed) | Marin Clean Energy | Clean Power Alliance | East Bay Community Energy | Peninsula Clean Energy | Central Coast Com. Energy |
|--|---------------------------------|-----------------------|-------------------------|---------------------------------|---------------------------|------------------------------|
| Existing SDCP Staff | 36 | - | - | - | - | - |
| Data Analytics and Account Services | 6 | 16 | 12 | 11 | 8 | 7 |
| Executive Team | - | 5 | 6 | 2 | 3 | 8 |
| Finance | 3 | 4 | 9 | 3 | 2 | 3 |
| Human Resources | 1 | 5 | 3 | 3 | 6 | 6 |
| Operations | 1 | 6 | 1 | 4 | 7 | 3 |
| Power Services | 4 | 7 | 15 | 8 | 7 | 4 |
| Programs | 1 | 16 | 4 | 7 | 8 | 2 |
| Regulatory and Legislative | 3 | 10 | 11 | 8 | 8 | 2 |
| Public Affairs | 4 | 16 | 5 | 8 | 3 | 7 |
| Total | 59 | 85 | 66 | 54 | 41 | 35 |

Budget – Next Steps



The background of the slide is an aerial photograph of ocean waves. The water is a deep teal color, and the white foam of the waves is visible. A large, white, triangular graphic element is superimposed on the image, pointing towards the right. The text "Public Comment for Item 3" is written in a bold, teal, sans-serif font, centered within the white triangle.

Public Comment for Item 3

Item 3

Recommendation:

Recommend Board approval of the FY2023-24
Operating Budget

Item 4

Approval of Remainder of Collections/Delinquency Policy for Residential Customers

Recommendation:

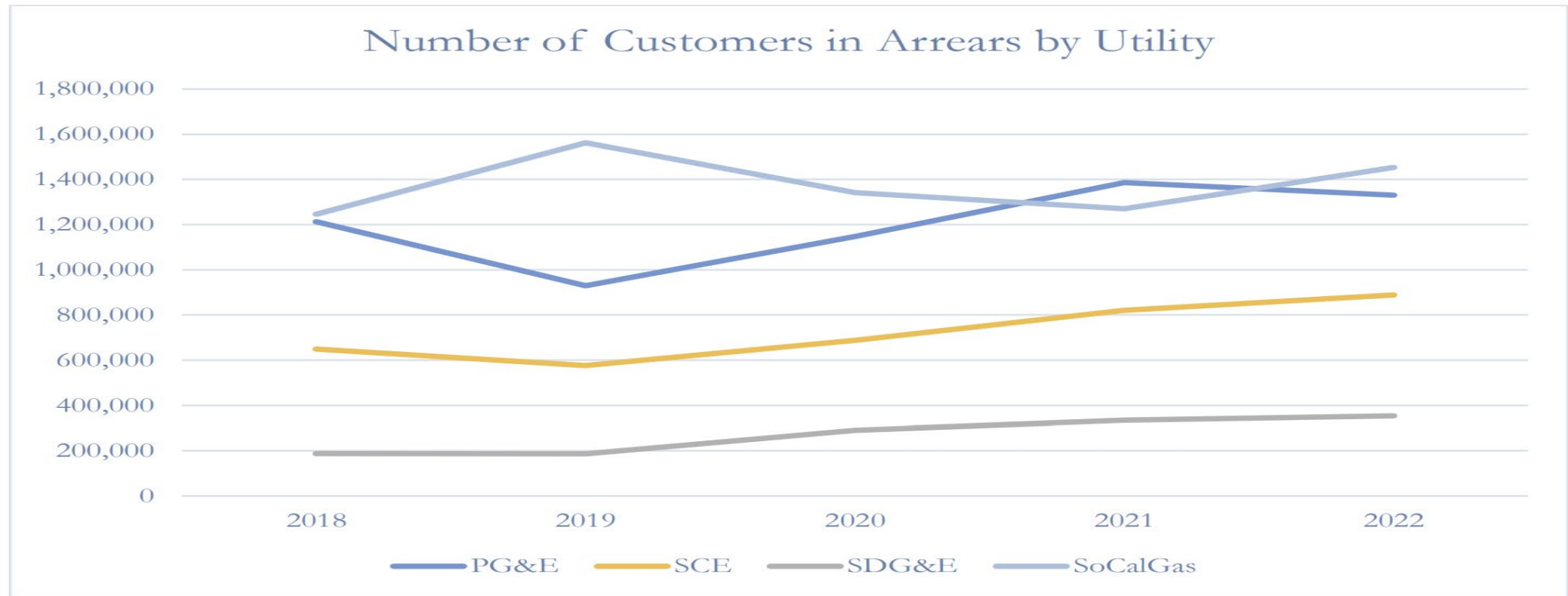
Approve the Remainder of Collections/Delinquency Policy for Residential Customers

Collections/Delinquency Policy Objectives

1. Provide a framework for SDCP staff and Back Office Service provider to better serve our customers, to treat them with respect and dignity, and to set clear expectations on the handling of past due customer charges (arrearages).
2. Minimize and mitigate bad debts for the overall long term financial viability, resiliency and competitiveness of our organization.

State of Arrearages in Our Region

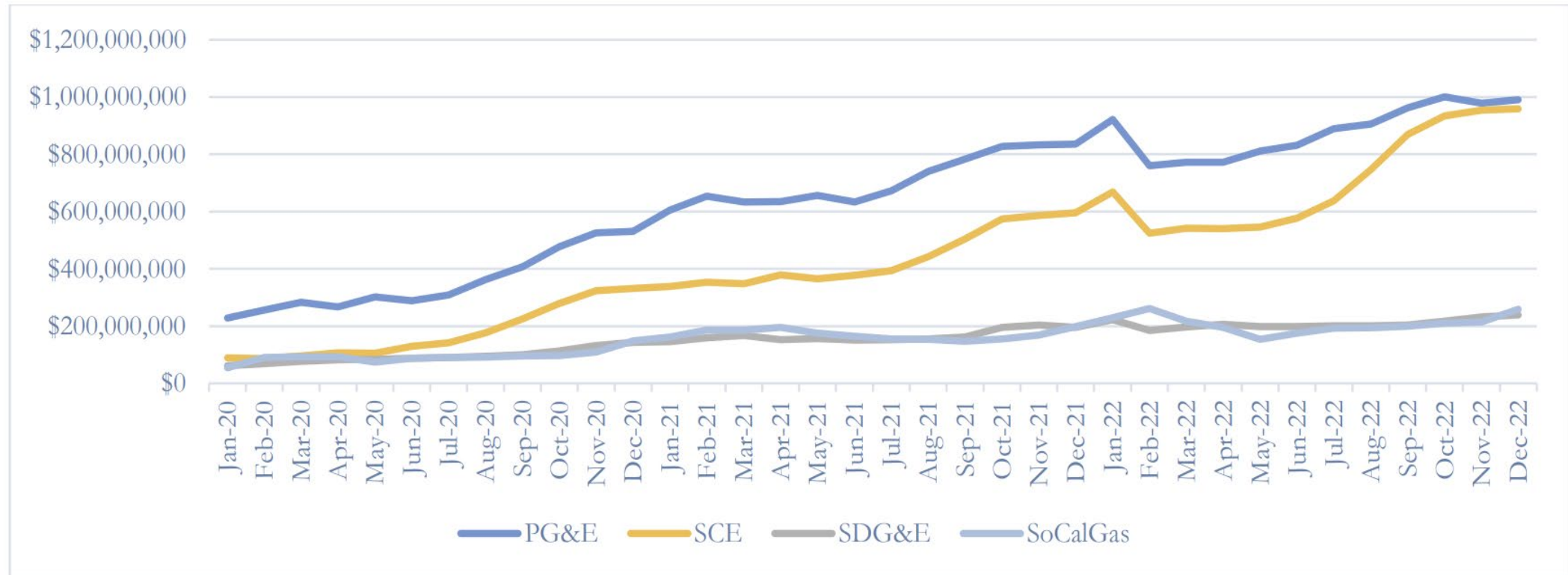
FIGURE 13: NUMBER OF CUSTOMERS IN ARREARS BY UTILITY



**Data from the California Public Utilities Commission (CPUC).*

Residential Arrearages in Our Region

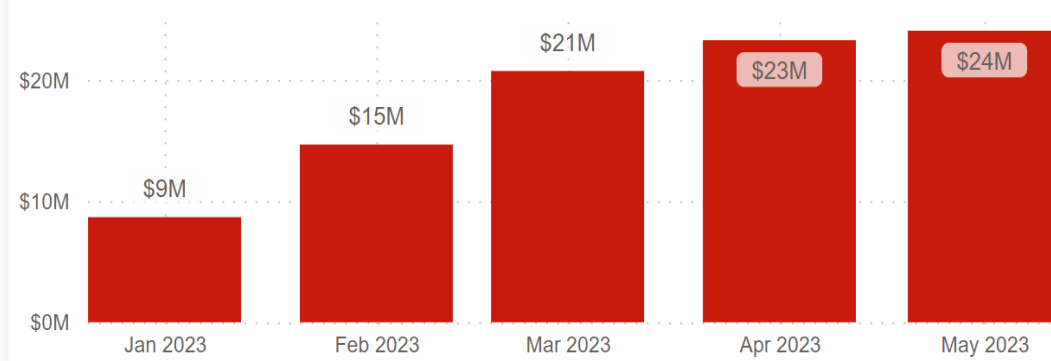
FIGURE 2: TOTAL RESIDENTIAL ARREARAGES BY LARGE UTILITY



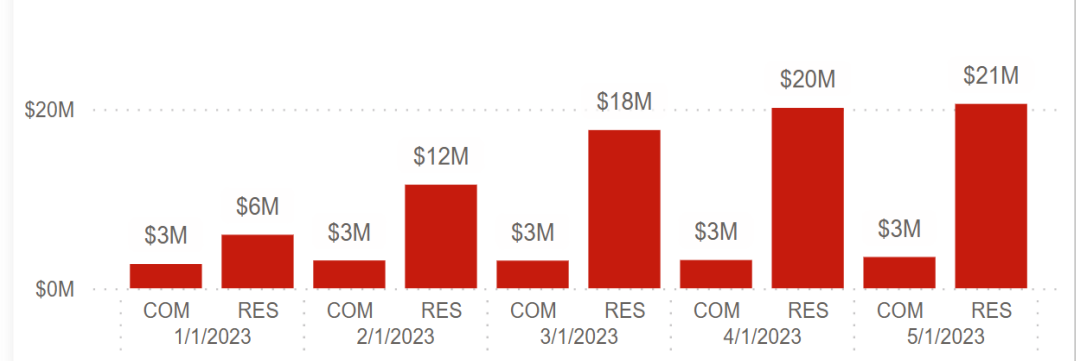
*Data from the California Public Utilities Commission (CPUC).

State of SDCP Arrearages

Balances over 120 days



Balances over 120 days - RES vs COM



**SDCP's Receivables aged 120 Days+ as of 6/2/2023.*

Programs assisting customers with Arrearages

1. Low-Income Home Energy Assistance Program (LIHEAP) program.

- Federally funded and administered by the California Department of Community Service and Development (CSD), offers up to \$1,000 in financial aid for SDG&E customer bills.

2. Arrearage Management Payment (AMP) program.

- Enrollee must be a current SDG&E residential customer and must participate in the CARE or FERA program.
- Must have been a customer for minimum of six months and had at least one on-time payment in the last two years.
- Once enrolled, participants must make on-time payments of their current month's bill amount for 12 consecutive months.
- AMP will forgive a maximum of \$8,000 upon successful completion in the program.

3. California Arrearage Payment Program (CAPP).

- Over \$2 billion state budget allocation for past-due energy bills during COVID; over \$900 million allocated for IOUs and CCAs
- Administered by Dept of Community Services (CSD)
- Utilities including SDG&E applied credits automatically to eligible customer account balances for arrearages between 3/4/2020 and 12/31/2021.


Programs assisting customers with Arrearages

4. Percentage of Income Payment Plan (PIPP) pilot program.

- Allows a participant to pay a predetermined affordable percentage of their monthly income toward their electricity or natural gas bill.
- Participants will receive a monthly bill cap for current charges set at four percent of their household's monthly income.
- Monthly bill caps will be standardized for households in two income tiers: 0-100 percent of Federal Poverty Guidelines, and 101-200 percent of Federal Poverty Guidelines.

5. Automatic Extended Payment Plans.

- Ordered by the CPUC in June 2021 whereby:
 - IOUs directed to automatically enroll eligible customers per the below
 - Residential and small business customers
 - With arrears 60+ days old as of 9/30/2021
 - 24 month plans for residential customers, 24+ for small business customer
 - Small business customers' monthly bill increase for payment plan capped at 10%
 - 5% for small business customers located in a Disadvantaged Community
 - Customers may miss up to 3 payments before the payment plan is considered broken and arrearages may result in disconnection

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Public Comment for Item 4

Item 4

Recommendation:

Approve the Remainder of Collections/Delinquency Policy for Residential Customers



Committee Member Announcements



Adjournment



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

July 13, 2023

