

## **RESOLUTION NUMBER 2025-05**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER APPROVING ADDENDUM 2 TO SAN DIEGO COMMUNITY POWER'S ENERGY RISK MANAGEMENT POLICY: CALIFORNIA CARBON ALLOWANCE AND CARBON OFFSET TRANSACTIONS AND OBLIGATIONS.**

- A. San Diego Community Power ("Community Power") is a joint powers agency formed pursuant to the Joint Exercise of Powers Act, Cal. Gov. Code § 6500 *et seq.*, California Public Utilities Code § 366.2, and a Joint Powers Agreement first effective on October 1, 2019 ("JPA Agreement"), as amended from time to time.
- B. Pursuant to Section 4.6.16 of its JPA Agreement, the Community Power Board of Directors ("Board") has the responsibility to exercise the Specific Powers identified in Section 3.2 except those which the Board may elect to delegate to the Chief Executive Officer.
- C. Section 3.2.12 of the JPA Agreement authorizes Community Power to adopt rules, regulations, policies, bylaws and procedures governing the operation of Community Power and Section 4.5.5 identifies setting policy as a duty of the Board.
- D. The Board did adopt an Energy Risk Management Policy ("ERMP") on June 25, 2020, to provide processes for monitoring, measuring, reporting, and controlling market and credit risks for the purchase of energy and related products, and amended the ERMP on January 15, 2021, to include Addendum 1 to provide a methodology to evaluate and mitigate congestion risk.
- E. Section 7.2 of the ERMP identifies the Board may amend the Energy Risk Management Policy as it deems necessary.
- F. CARB's Cap-and-Trade Program is a key element of California's strategy to reduce greenhouse gas (GHG) emissions. The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout the state and creates an economic incentive for investment in cleaner and more efficient technologies.
- G. Community Power may sometimes be assessed a carbon obligation under the Cap-and-Trade Program, for instance when Community Power relies on electric imports to meet resource adequacy requirements during periods of high demand.

- H. California carbon allowances are available for trade in CARB's quarterly auctions, and secondary carbon offset and carbon allowance markets. Because CARB auctions are the primary mechanism for allowance purchases, delegation of authority is required for Community Power staff to submit bids and participate in procurement. The dynamic nature of allowance prices and transactions in the secondary market also precludes staff ability to effectively procure without formal delegation.
- I. The Board seeks to amend the Energy Risk Management Policy to include Addendum 2: California Carbon Allowance and Carbon Offset Transactions and Obligations, to delegate to Community Power staff the ability to purchase carbon allowances and carbon offsets within certain parameters.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of Community Power as follows:

1. The Board of Directors has determined that the recitals herein are true and correct.
2. The Board of Directors hereby amends the Energy Risk Management Policy to include Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations, attached hereto as Exhibit A.
3. This resolution shall take effect immediately upon adoption.

**PASSED, APPROVED AND ADOPTED** at a meeting of the Board of Directors of San Diego Community Power held on June 26, 2025, with the following vote.

AYES:	Chair Aguirre, Vice Chair Lawson-Remer, Alternate Director Cazares, Directors Inzunza, San Antonio and Yamane
NOES:	None
ABSTAINED:	None
ABSENT:	Director Elo-Rivera

*Paloma Aguirre*

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Paloma Aguirre, Chair  
Board of Directors  
San Diego Community Power

ATTEST:

APPROVED AS TO FORM:

*Maricela Hernandez*

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Maricela Hernandez, MMC, CPMC  
Clerk of the Board/Secretary  
San Diego Community Power

*Veera Tyagi*

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Veera Tyagi, General Counsel  
San Diego Community Power

## **Addendum 2 to San Diego Community Power's Energy Risk Management Policy: California Carbon Allowance and Carbon Offset Transactions and Obligations**

### **I. Carbon Compliance**

CARB's Cap-and-Trade Program is a key element of California's strategy to reduce greenhouse gas (GHG) emissions. The Cap-and-Trade Regulation establishes a declining limit on major sources of GHG emissions throughout the state and creates an economic incentive for investment in cleaner and more efficient technologies. Carbon allowances are permits issued by CARB that authorize an entity to emit one metric ton of CO<sub>2</sub>. While a carbon offset also represents one metric ton of CO<sub>2</sub>, offsets are generated by projects that reduce emissions or remove CO<sub>2</sub> from the atmosphere. Both carbon allowances and carbon offsets can be used to meet GHG emissions obligations.

Under the Cap-and-Trade Program, electrical distribution utilities receive allocations of free carbon allowances. The Investor-Owned-Utilities (IOUs) are required to sell these allowances and return the sale proceeds to customers via a credit on their bills, known as the California Climate Credits.

As the electric sector continues to generate electricity from fossil fuel power plants, GHG emissions are generated, and entities are required to purchase carbon allowances or carbon offsets to meet compliance obligations. Electric importers have a carbon allowance obligation based on the type of electricity and whether they can identify the specific source of the electricity. Specified source electric imports may carry an emissions rate based on the resource type, and unspecified source imports are assessed at a default emissions rate.

### **II. SDCP Carbon Obligations**

SDCP has worked to achieve carbon reductions by purchasing electricity generated from renewable sources like wind and solar, essentially offsetting the need for carbon-emitting power plants, which are the energy producing entities typically required to purchase carbon allowances under California's Cap-and-Trade Program. While minimal, there are instances where SDCP may be required to purchase carbon allowances to meet a GHG emissions obligation.

SDCP has been contracting for long-term renewable power generation to meet renewable energy targets and to build a diverse portfolio of clean resources to serve customers. SDCP also prioritizes meeting all grid reliability requirements through Resource Adequacy (RA) Program compliance. In the short-term, SDCP may rely on electric imports to meet RA requirements during periods of high demand. The

combination of traditional fossil fuel resource retirements and delays impacting the ability for new clean energy resources to connect to the grid, has limited the available RA supply in the short-term markets.

In these limited instances, SDCP will be assessed a carbon obligation based on the specific resource type, or in the case of an unspecified import, a default GHG emissions rate, and will need to procure carbon allowance and/or carbon offsets to comply with established regulation.

### **III. Procurement of California Carbon Allowances and Carbon Offsets**

California carbon allowances are available for trade in CARB's quarterly auctions, and secondary carbon offset and carbon allowance markets. Because CARB auctions are the primary mechanism for allowance purchases, delegation of authority is required for SDCP staff to submit bids and participate in procurement. The dynamic nature of allowance prices and transactions in the secondary market also precludes staff ability to effectively procure without formal delegation.

SDCP will consider the cost of carbon, renewable priorities, and overall benefit to SDCP rate payers when evaluating any import energy strategies. SDCP will only acquire carbon allowances or carbon offsets to meet forecasted obligations, consistent with established Energy Risk Management Policy principles prohibiting taking speculative positions and trading.

By approving this policy, the Board delegates to the Chief Executive Officer, the ability to procure California Carbon Allowance (CCA) and Carbon Offset (CO) at the following product volumetric and notional transaction limits:

<b>Delegation of Authority per Transaction by Position/Title</b>	<b>Product Type</b>	<b>Volumetric Limit (MTCO<sub>2e</sub>)</b>	<b>Notional Value Limit</b>
Chief Executive Officer	CCA/CO	20,000	\$1,000,000

Any changes to this delegation of authority will require Board approval.