



SAN DIEGO  
**COMMUNITY  
POWER**



SAN DIEGO COMMUNITY POWER

# Operating Budget

Fiscal Year 2024-25

**Resolution 2024-03**

June 27, 2024



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# How to Use This Book

San Diego Community Power's (SDCP's) approved Fiscal Year (FY) 2024-25 operating budget contains Agency budgetary and fiscal policy information as well as detailed operating budgets for Agency Divisions. The approved operating budget is organized into the following sections:

**EXECUTIVE SUMMARY** includes the Chief Executive Officer's Letter and the Executive Summary of the approved operating budget, and provides a high-level overview of the Agency's budget, the changes from the prior year, and other high-level details on specific highlights and changes in the approved operating budget.

**SDCP: An OVERVIEW** provides a high-level overview of SDCP's governance, structure, and Agency values and priorities.

**BUDGET PROCESS** describes the various financial planning and budgeting processes and reports that inform the budget process.

**BUDGET OVERVIEW** describes the budget-in brief, financial data summarizing the SDCP's approved budget, the Capital Investment Plan, and the agency's five-year financial plan.

**BUDGET INFORMATION AND SUMMARY TABLES** provides technical information on the structure, policies, and processes that govern the SDCP's budget development and implementation as well as high-level financial data summarizing the SDCP's approved budget. The tables detail changes over a two-year period: FY24 Amended Budget, and the approved FY25 Operational Budget. The variance column measures the dollar and position differences between fiscal years.

**OPERATIONAL BUDGETS** provides budgetary information and operational priorities for each of the SDCP's Departments. Department information is organized alphabetically by division name and includes the following information:

- Mission and Services
- Department Highlights
- Professional Services Agreement
- Objective Key Results
- Department Positions
- Organizational Chart depicts the department's organizational structure.
- Budget Data Summary; shows a summary of total expenditures and funded positions.

**ADDITIONAL RESOURCES** provides additional information related to the Community Choice Aggregator (CCA) industry as well as a glossary of commonly used terms.

# A Letter from the Chief Executive Officer

I am very proud and excited to present San Diego Community Power's (SDCP's) operating budget for Fiscal Year (FY) 2024-25. I could not be more excited to partner with such a smart, capable, and mission driven SDGP team, Board, and Community Advisory Committee to further our region's clean energy goals.

San Diego Community Power (SDCP) is a Community Choice Aggregator (CCA) committed to providing municipalities, businesses, and residents in the six-member cities and unincorporated San Diego County with clean, renewable energy at competitive rates and investing in innovative programs that benefit the environment and the economy in our communities.

Statistics show that the power sector produces more CO2 emissions than any other industry in the world. That is why the process and integration of renewable energy is so vital to our efforts for the environment. Renewables are projected to account for more than one-third of the world's electricity by 2025.

SDCP is very well positioned to have a significant impact in delivering 100% clean energy and community investment to a large set of commercial and residential customers. As the second largest CCA in California, there is much we can learn from our predecessor CCAs and much we can offer to further our collective goals.

The problems we face are complex, multi-faceted and require collaboration across government entities, utilities, the private sector, NGOs, and all our citizens. It takes a village, and so to be successful we are going to need to do a few key things out of the gate:

1. Listen closely to and collaborate with our current and future industry partners, city officials, constituents, customers, communities and regulatory bodies.
2. Ensure our investment dollars flow with high impact into our communities after deeply understanding their needs, aspirations, and challenges.



3. Hire the best and brightest who share our vision of a 100% clean energy future ([Career Opportunities - San Diego Community Power](#)).
4. Delight our customers with affordable clean energy, equitable opportunities, and tailored programs that encourage everyone to contribute to and be part of the clean energy transition ([Compare Service Plans - San Diego Community Power](#)).

As SDCP continues to grow, this budget will:

1. Develop a budget that will ultimately prioritize people, transparency, and our communities.
2. Invest in strategic marketing to ensure the community is informed about SDGP and that we continue to build professional-level name recognition, trust, and education.
3. Includes the addition of a Capital Investment Plan to inform the community of all future projects and programs.

Please join us at [www.sdcommunitypower.org](http://www.sdcommunitypower.org) as we embark on an exciting, impactful, and globally important mission to deliver 100% clean energy to customers by 2035 while investing back into our local communities for a brighter, healthier future!

Sincerely,  
Karin Burns  
Chief Executive Officer



# Overview of San Diego Community Power





# Overview of San Diego Community Power

## Who We Are

San Diego Community Power is a coalition of people who live and work in our communities, focused on moving towards a healthier and sustainable, clean energy future. We're friends and neighbors, teachers and students, employees, and bosses. We're of every color and ethnicity, every political stripe and religious belief. All of us have some important things in common: our goal is to manage our electricity supply, taking advantage of the affordable, common-sense options available for cleaner power, today and for future generations. We also prioritize people over profits, to create better health for everyone.

## About Community Choice

SDCP is a Community Choice Aggregate (CCA) program — one of dozens that have formed throughout California over the past 20 years. CCAs are not-for-profit public agencies that partner with local investor-owned utilities (San Diego Gas and Electric (SDG&E) in our case) to deliver cleaner electricity to their communities. CCAs introduce healthy competition into the energy marketplace and eliminate shareholders who profit on your electricity use. Power is cleaner, just as affordable, and just as reliable. It's a simple model that's focused on the future, and really works.

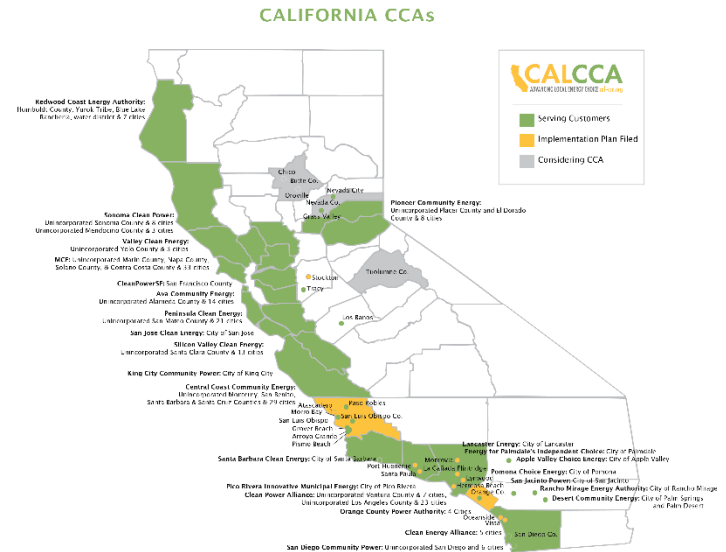
This not-for-profit model goes even further, eliminating for-profit shareholders who make a profit on your electricity use.

At SDCP, our only shareholder is you.

Community Choice Energy might be new to San Diego, but programs just like this one have been springing up throughout California for over 20 years. SDCP is one of 25 programs. Our members are successfully and reliably serving upwards of 14 million customers in more than 200 cities and counties in California. Why is Community Choice growing so fast? That's easy—it's a simple model that works for people of every age, ethnicity and

income group. The public gets choices that make real sense. Choices that are sensible, affordable, and focused on the future.

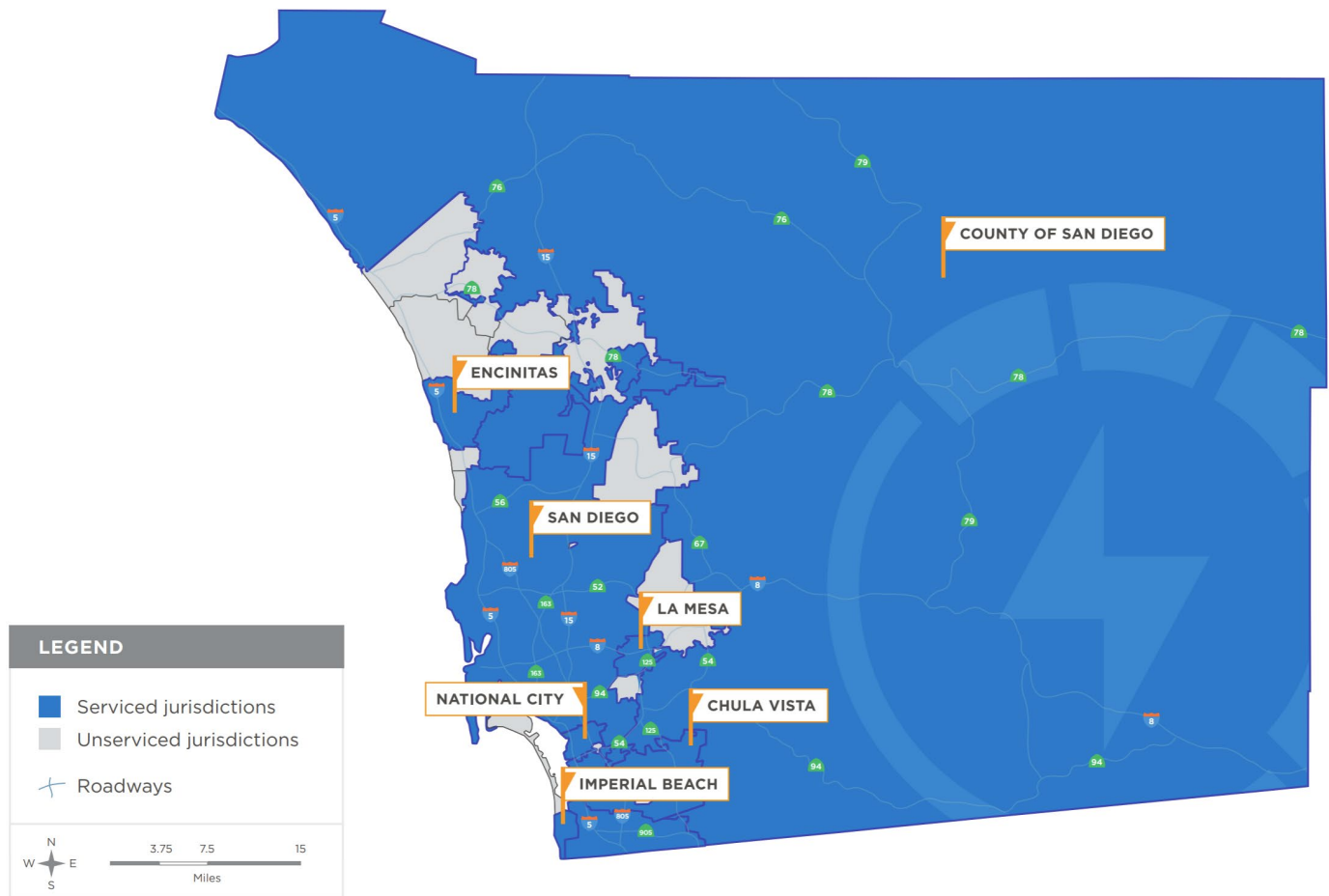
FIGURE 1: CCAs IN CALIFORNIA



# Serviced Communities

San Diego Community Power

## SERVICE AREA MAP



**FIGURE 2: SERVICE MAP IN CALIFORNIA**

## County Population

San Diego County, situated as the southernmost major metropolitan area in the State of California, boasts a diverse and vibrant population. According to the State of California Department of Finance, as of May 2022, the county's estimated population on January 1, 2022, stood at 3.29 million. This figure represents a decline of 0.85 percent (approximately 28,000 individuals) from the January 1, 2021, estimate reported in May 2021. San Diego County ranks as the second-largest county by population in California and the fifth-largest in the entire nation. These rankings are based on data from the U.S. Census Bureau, which relies on the 2021 population estimate.

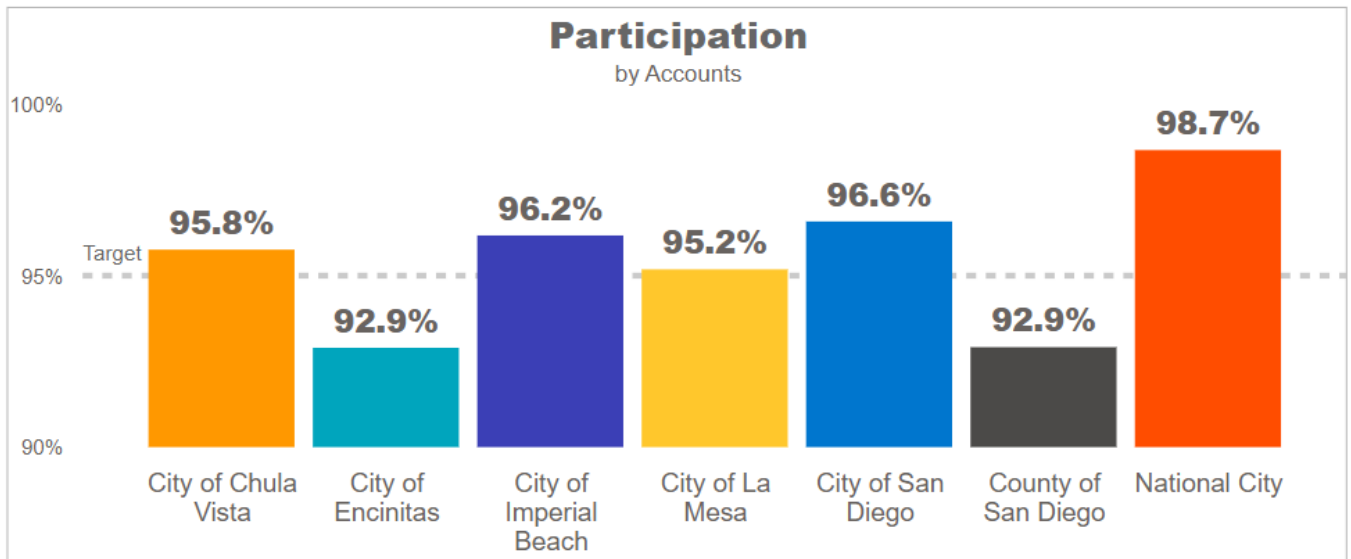


Looking ahead, population estimates from the San Diego Association of Governments (SANDAG) project significant growth. By the year 2035, the San Diego regional population is expected to reach approximately 3.62 million, reflecting a substantial 28.7 percent increase compared to the year 2000 and a 10.1 percent increase relative to 2022.

San Diego County Population					
COUNTY/CITY	4/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
San Diego County					
Carlsbad	115,029	115,373	115,033	115,045	114,319
Chula Vista	275,127	275,498	275,427	276,813	278,247
Coronado	23,504	22,415	22,082	22,272	21,589
Del Mar	3,951	3,927	3,909	3,918	3,919
El Cajon	106,321	106,112	105,171	104,804	104,180
Encinitas	61,506	61,593	61,283	61,254	61,028
Escondido	151,289	151,371	150,419	150,571	150,002
Imperial Beach	26,577	26,336	26,163	26,109	26,096
La Mesa	60,637	60,620	60,412	60,753	60,620
Lemon Grove	27,386	27,333	27,109	27,517	27,568
National City	58,643	58,524	58,545	58,374	58,555
Oceanside	173,283	173,354	172,463	172,186	171,483
Poway	48,781	48,637	48,515	48,620	49,273
San Diego	1,383,020	1,377,960	1,375,687	1,383,623	1,385,379
San Marcos	94,287	93,456	93,851	94,823	95,998
Santee	59,654	59,140	58,886	59,574	59,195
Solana Beach	12,931	12,890	12,792	12,831	12,887
Vista	98,690	99,320	99,997	100,113	99,723
Balance Of County	518,018	513,021	510,986	511,223	511,040
Incorporated	2,780,616	2,773,859	2,767,744	2,779,200	2,780,061
County Total	3,298,634	3,286,880	3,278,730	3,290,423	3,291,101

**FIGURE 3: SAN DIEGO COUNTY POPULATION**

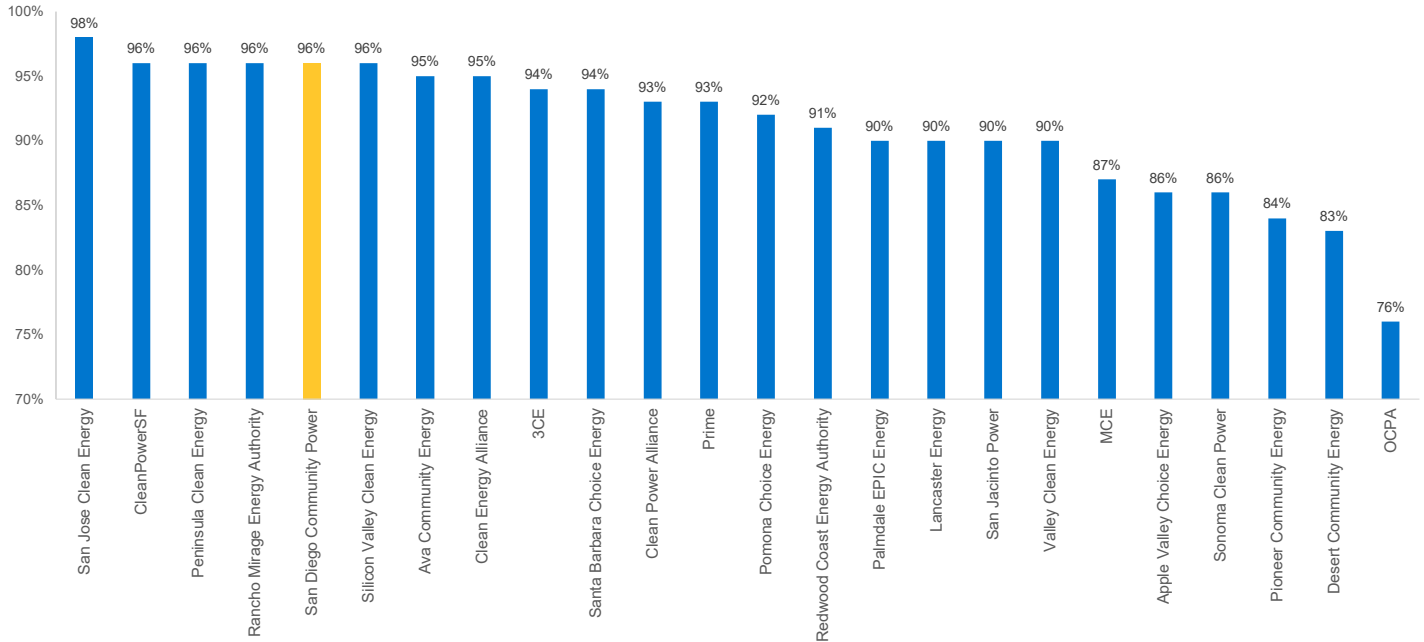
Source: U.S. Census - 2010 data, California Department of Finance 2021 estimate as of May 2, 2021 and California Department of Finance 2022 estimate as of May 2, 2024 estimate.



Jurisdiction	Active	Eligible	Opt Outs	Participation
<b>City of Chula Vista</b>	93,419	97,556	4,137	95.8%
<b>City of Encinitas</b>	26,429	28,450	2,021	92.9%
<b>City of Imperial Beach</b>	10,529	10,948	419	96.2%
<b>City of La Mesa</b>	28,005	29,422	1,417	95.2%
<b>City of San Diego</b>	599,220	620,435	21,215	96.6%
<b>County of San Diego</b>	153,881	180,516	12,791	92.9%
<b>National City</b>	18,546	19,213	257	98.7%
<b>Total</b>	<b>930,029</b>	<b>986,540</b>	<b>42,257</b>	<b>95.7%</b>

FIGURE 4: PARTICIPATION BY JURISDICTION

# Participation Rates Across CCAS



Source: <https://cal-cca.org/>. Current as of December 2023.

**FIGURE 5: PARTICIPATION RATES ACROSS CCAS**

## Governance and Structure

In September 2019, the cities of San Diego, Chula Vista, Encinitas, La Mesa, and Imperial Beach adopted an ordinance and resolution to form San Diego Community Power, a California joint powers agency. In 2021, the County of San Diego and National City voted to join SDCP.

SDCP’s Board is comprised of elected representatives from each member jurisdiction. The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings, where they establish policy, set rates, determine power options and maintain fiscal oversight.

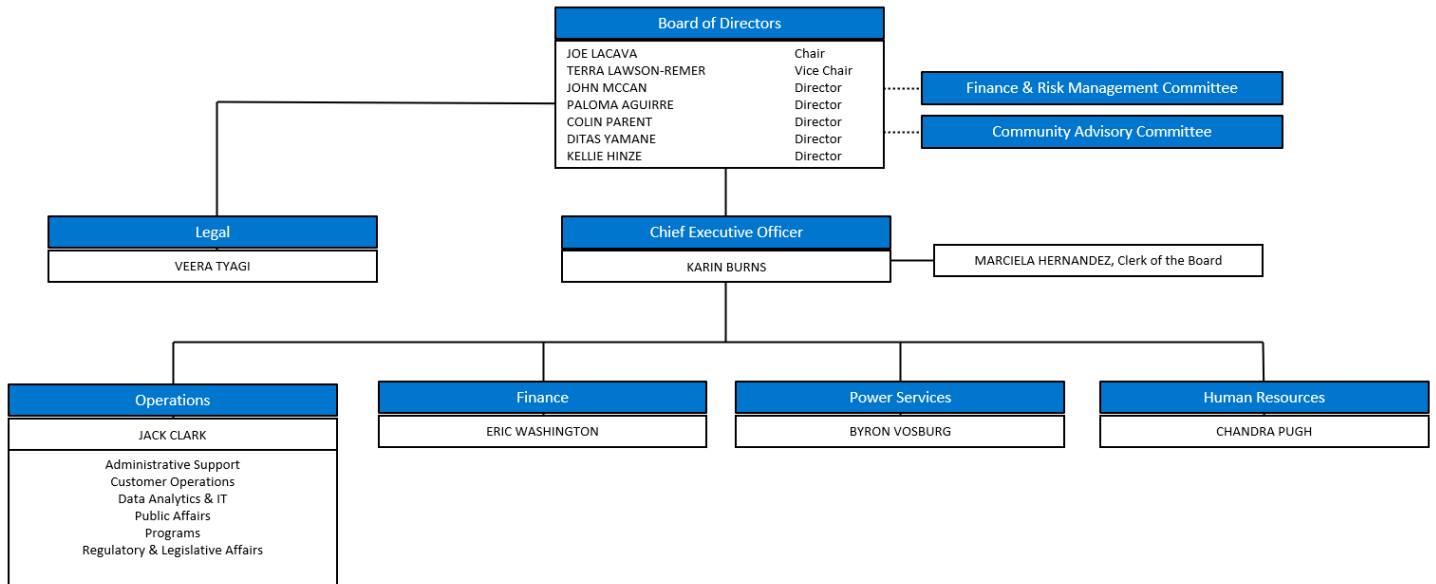
As a public agency, SDCP is designed to be fully transparent with all official meetings and information open to the public.

**FIGURE 6: SDCP MEMBER CITIES**





## Organization Structure



**FIGURE 7: ORGANIZATIONAL STRUCTURE**

# Executive Team

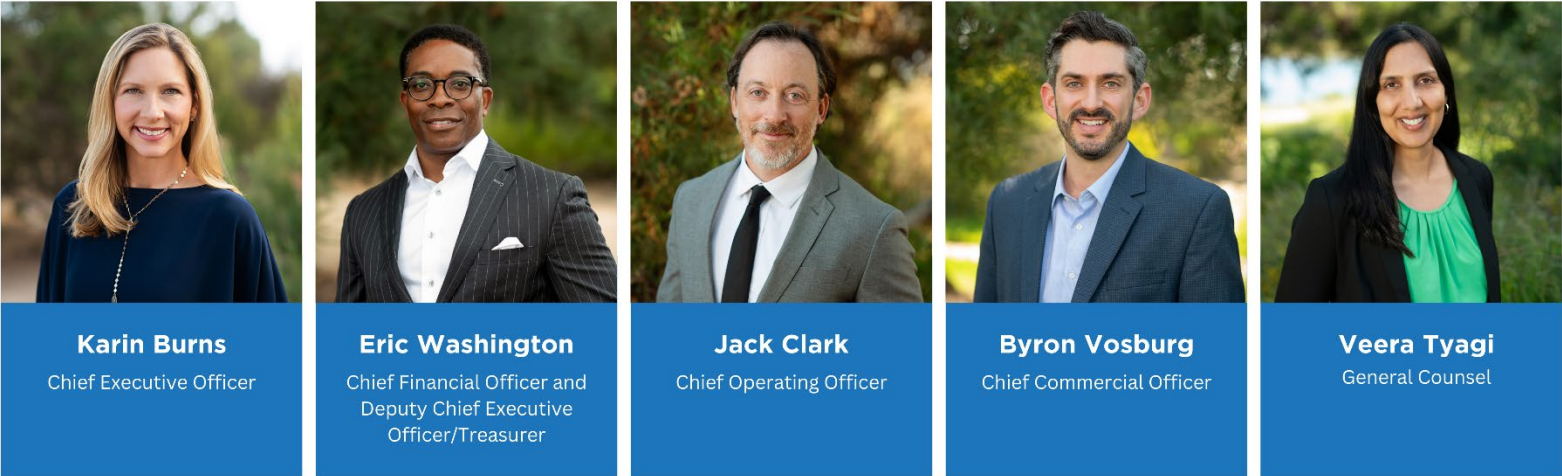


FIGURE 8: EXECUTIVE TEAM



# Budget Process





# Budget Process

## Annual Budget Cycle

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors shall adopt an annual budget with a fiscal year that runs from July 1 to June 30. Section 7.3.1 of the JPA additionally specifies that the board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses.

The SDCP Board of Directors adopted the [SDCP Budget Policy](#) on July 28, 2022, that formally outlined the agency's budget preparation steps and timeline.

The Chief Financial Officer (CFO) begins the annual budget process in February of any given year. The Finance department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, SDCP staff develop and refine budget proposals to develop an initial budget baseline for the Agency for the upcoming budget year. The budget is further refined through strategic planning sessions and through the SDCP Finance and Risk Management Committee (FRMC).

The CFO will then be required to prepare and submit to the SDCP Board of Directors (Board) a draft proposed budget for the next following fiscal year in May, or no later than the second month immediately preceding the start of the respective fiscal year. The budget shall be in alignment with established goals and shall reflect all activities including operating programs, revenues, and expenditures. The budget shall be approved by the Board at a public meeting in June, or no later than the month immediately preceding the start of the respective fiscal year.

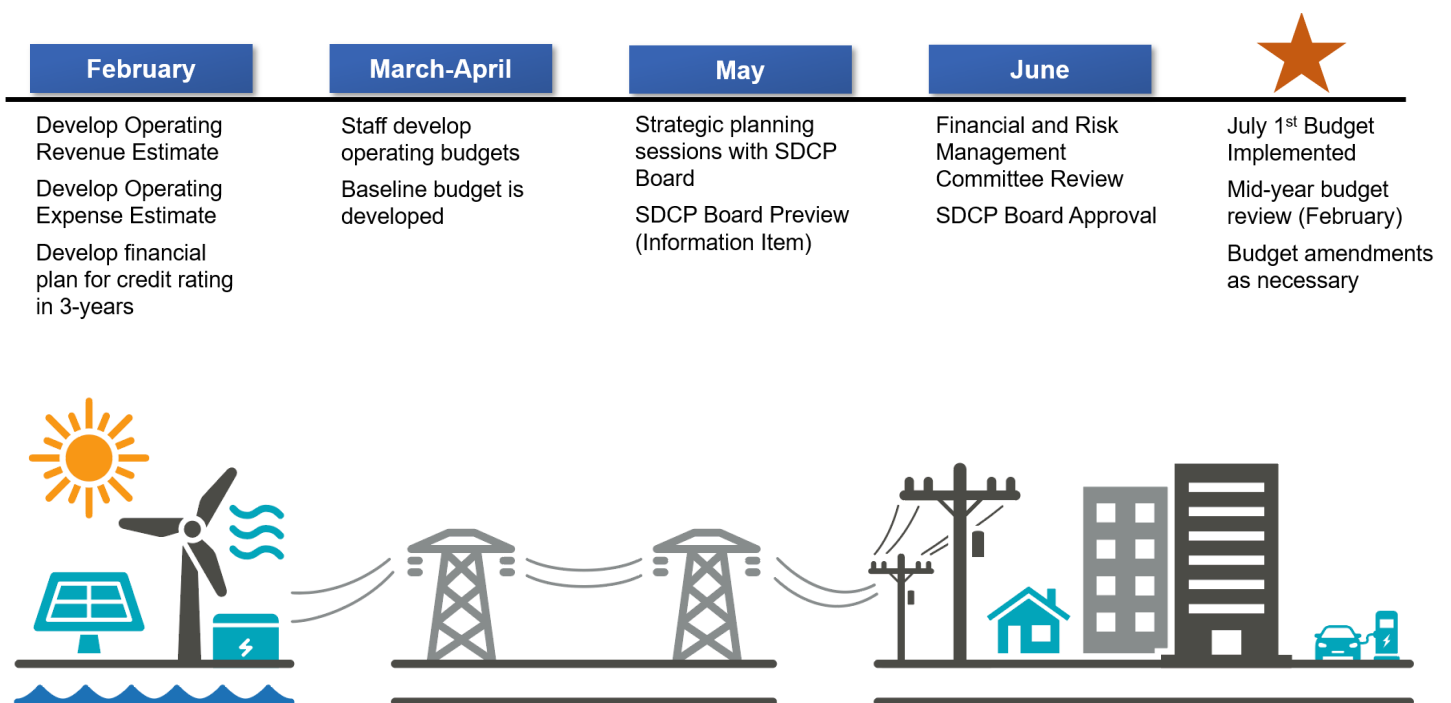


FIGURE 9: TYPICAL ANNUAL BUDGET PROCESS

## Budget Calendar

Date	Milestone
January 2024	Finance department prepares for February launch of the annual budget cycle.
February 2024	Budget process begins. Initial revenue and expense estimates are developed.
March to April 2024	Departments propose unconstrained expense requests for review.
April 2024	Staff set initial budget baseline.
May 16, 2024	Financial Management and Risk Committee reviews the FY 2024-25 budget and provides feedback.
May 23, 2024	FY 2024-25 budget is reviewed by the Board of Directors as an information item.
June 13, 2024	Citizens Advisory Committee reviews the FY 2024-25 budget and provides feedback.
June 20, 2024	Financial Management and Risk Committee reviews the FY 2024-25 budget and provides final feedback.
June 27, 2024	FY 2024-25 budget is potentially adopted by the Board of Directors as an action item.
July 1, 2024	FY 2024-25 budget is implemented.

**FIGURE 10: BUDGET CALENDAR**



# Strategic Planning

SDCP's budgeting process is built around the objectives outlined in its Strategic Plan. The Plan's framework assists staff in weighing the community's priorities against the limited resources available to achieve its strategic goals.

The Strategic Plan is an important management tool to guide operations, assessing the current environment and envisioning the future, to increase effectiveness, organizational commitment, and consensus of SDCP's strategies and objectives.

The Strategic Plan provides a comprehensive framework that ensures priorities set by the SDCP Board are clear to all staff and that SDCP is accountable to meeting community needs by setting objectives to meet identified goals.

On June 23, 2022, the SDCP Board adopted its mission, vision, core values and goals for 2023-2027 as part of its 2023-2027 Strategic Plan. Subsequently, on April 21, 2023, the SDCP Board updated its Strategic Plan.

SDCP then incorporated its Strategic Planning updates into the FY 2024-25 operating budget as part of its annual budget cycle adopted through its Budget Policy.

## Mission Statement

Through the Strategic Planning process, SDCP defined its overall Mission Statement. Our Mission summarizes at the highest level why we are here. Everything we do contributes to our ability to achieve the mission.

## Vision Statement

SDCP additionally defined its overall Vision Statement to guide the agency. Our Vision describes what we aspire to be as an organization. This is where we are going. Our vision is our commitment to making bold progress in this direction.



FIGURE 11: SDCP'S MISSION STATEMENT

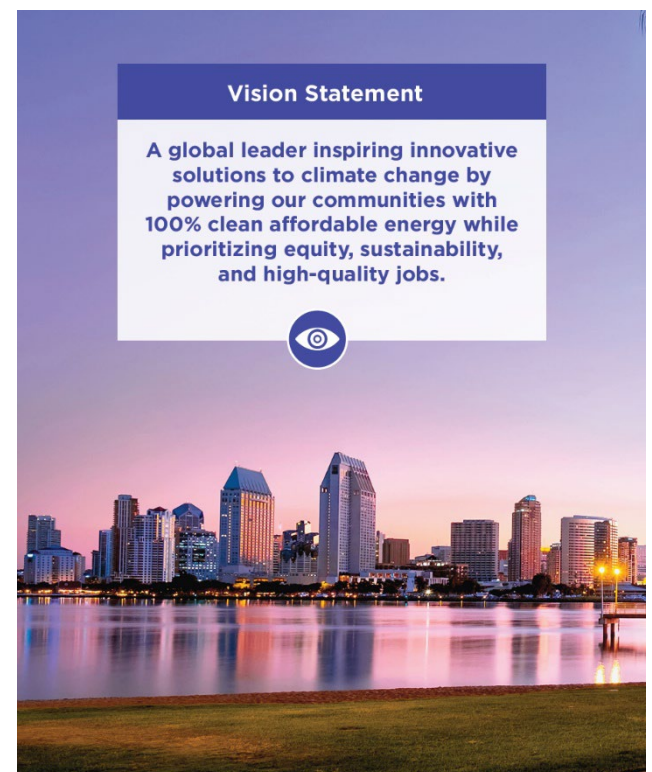


FIGURE 12: SDCP'S VISION STATEMENT



## Strategic Goals

To achieve our Mission and Vision, we work to balance our performance across seven Strategic Goals. These are high level, long-term goals that guide our work.

SDCP's Strategic Goals can be further defined and expanded as follows with specific actions to achieving these goals.

1. Financial Stability – Practice fiscal strategies to promote long-term organizational sustainability.

- Adopt financial controls and policies to meet or exceed best practices and manage risk.
- Obtain an investment-grade credit rating by November 2025.
- Adopt plan to increase reserves to \$175 million by October 2023 (90-days cash on hand) and \$360 million by October 2025 (180-days cash on hand).
- Develop Rate Stabilization Reserve of \$70 million to mitigate power cost fluctuations and economic downturns.



**FIGURE 13: SDCP'S KEY FOCUS AREAS AND GOALS**

2. Energy Portfolio Development - Provide sufficient, reasonably priced, clean electricity to our customers.

- Manage portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing, and staff training.
- Develop secure Clean Energy Portfolio with goals of: 50% RE (2022), renewable energy 5% (2027), 85% (2030), and 100% (2035).
- 15% of our energy coming from new, distributed infill storage/solar+ storage resources within Member Agencies by 2035.
- Support development of innovative energy sources to improve resiliency through pilot programs, grant programs, and partnerships.
- Create high quality local jobs in renewable energy that support healthy families and vibrant communities.

3. Community Program Delivery - Implement energy projects and programs that reduce greenhouse gas emissions, align energy supply and demand, and provide benefits to community stakeholder groups.

- Implement Community Power Plan (CPP) recommended programs through continuous community engagement and assessment of community benefits while considering technology/ market changes and changing community needs.
- Invest in programs that target communities of concern (underserved communities ) and are distributed throughout our Member Agencies.
- Invest in programs that promote residential and commercial solar, infill solar and/ or distributed battery storage.
- Develop local support for deep decarbonization through building and transportation electrification.
- Develop workforce opportunities in the local clean energy economy (green careers).
- Support local government and state initiatives to advance decarbonization in alignment with Member Agency Climate Action Plans.
- Provide all customers with actionable clean energy education.
- Maintain appropriate and sufficient data sources to support smart program design, implementation and evaluation.

4. Brand Building – Develop trusted brand reputation to help drive participation in programs and ensure support customer service and retention.
  - Identify and address gaps between perception and desired brand identity.
  - Translate policy issues into consumer-friendly information and communication.
  - Become known as leadership experts on the CCA model and the industry.
  - Foster relationships with city planning offices, CBOs, NGOs, and Trade Associations.
  - Develop relationships with industry media and influencers.
  - Engage community through participation in local events.
5. Public Policy – Advocate for public policies that advance SDCP organizational priorities.
  - Proactively educate and engage policymakers to develop policies that support SDCP’s organizational priorities, including advocacy around Power Charge Indifference Adjustment (PCIA) reductions.
  - Sponsor and support legislation and regulation that is consistent with SDCP’s mission, vision, and goals.
  - Develop annual legislative plan to advance and support SDCP objectives and share plan with local Senate and Assembly members and staff.
  - Develop plan to meet more proactively with and educate key decisionmakers (e.g. CEC, CPUC commissioners).
  - Coordination with Member Agency government affairs’ teams to align on legislative positions.
  - Continue to be an active participant in CalCCA and develop partnerships and coalitions to advance SDCP’s policy and legislative agenda through CalCCA efforts.
6. Customer Service – Ensure high customer retention and satisfaction.
  - Ensure customer satisfaction through key relationships including back-office support
  - and key stakeholders.
  - Continually strive to offer competitive rates.
  - Maintain and grow high levels of customer participation and satisfaction.
  - Achieve 10% of our load at the Power 100 service level by 2027.
  - Build a robust data ecosystem for effective procurement as well as program design, management and evaluation.
7. Organizational Excellence – Ensure excellence by adopting sustainable business practices and fostering a workplace culture of innovation, diversity, transparency and integrity.
  - Create an organizational culture of inclusion, mutual respect, trust, innovation, and collaboration that upholds organizational core values.
  - Develop an annual staffing plan that identifies and addresses resource needs and gaps.
  - Provide training and professional development opportunities that build new skills and abilities.
  - Foster culture of innovation to yield solutions that accelerate our mission and drive toward SDCP’s vision.
  - Design and implement an internship program that attracts workforce from our member cities and creates opportunities for candidates new to CCAs and the industry.
  - Build institutional capacity of CAC to support the mission and core goals of SDCP.



## Community Outreach Strategy

SDCP in general is in regular communication with regional media in the spirit of transparency and openness with the goal of providing factual, timely information to the public at large. SDCP's goal is to develop trusted brand reputation to help drive participation in programs and support customer service and retention.

SDCP and its marketing and communications contractor, have worked together to develop a high-impact campaign targeted at its recent Phase 4 enrollment but included additional education and outreach about SDCP that included the following:

- Multiple mailers sent directly to customer.
- Targeted marketing in local publications.
- Advertising on billboards in high-traffic areas.
- Created opportunities to meet with over 500k people at in-person events.

Radio, online and billboard advertisement campaigns began in March 2023. As of May 2024, there have been more than 3.5 million impressions from paid media campaigns related to enrollment for this year alone.

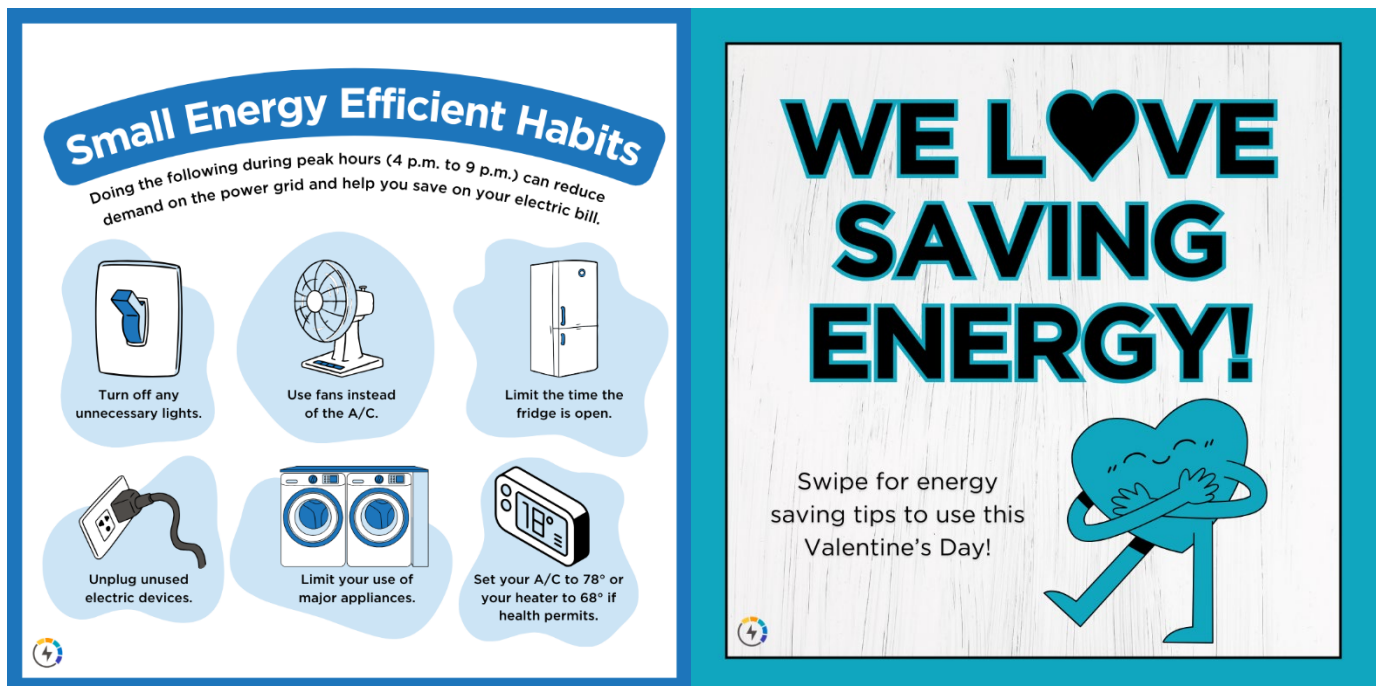
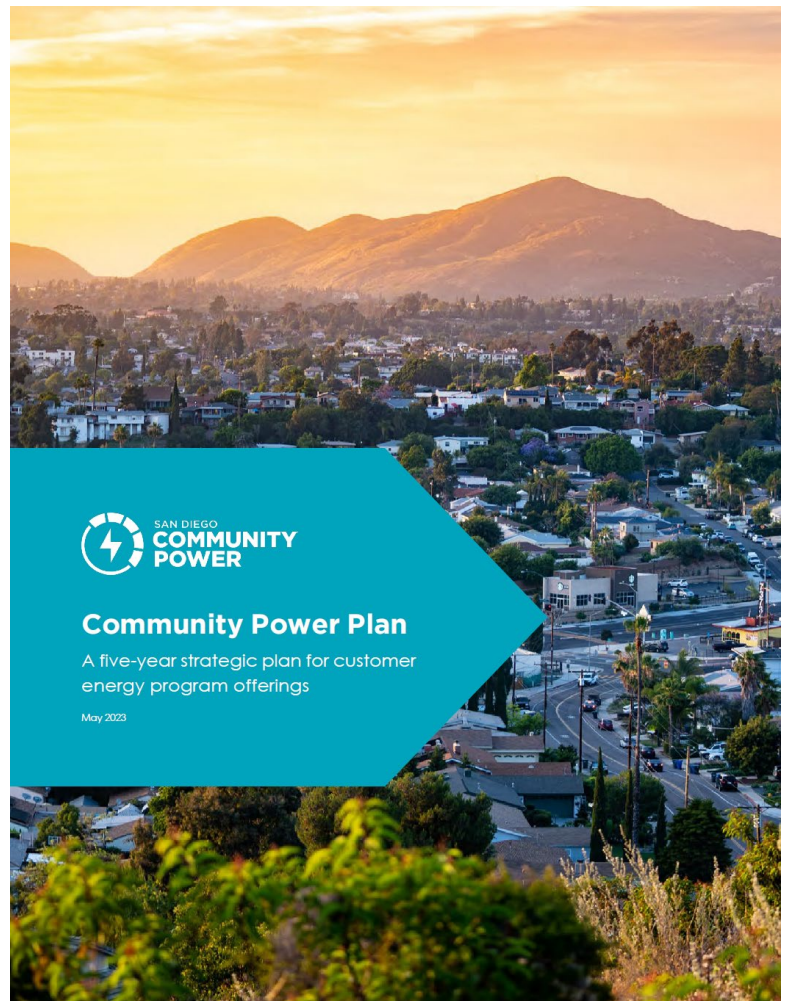


FIGURE 14, 15 & 16: SOCIAL MEDIA OUTREACH

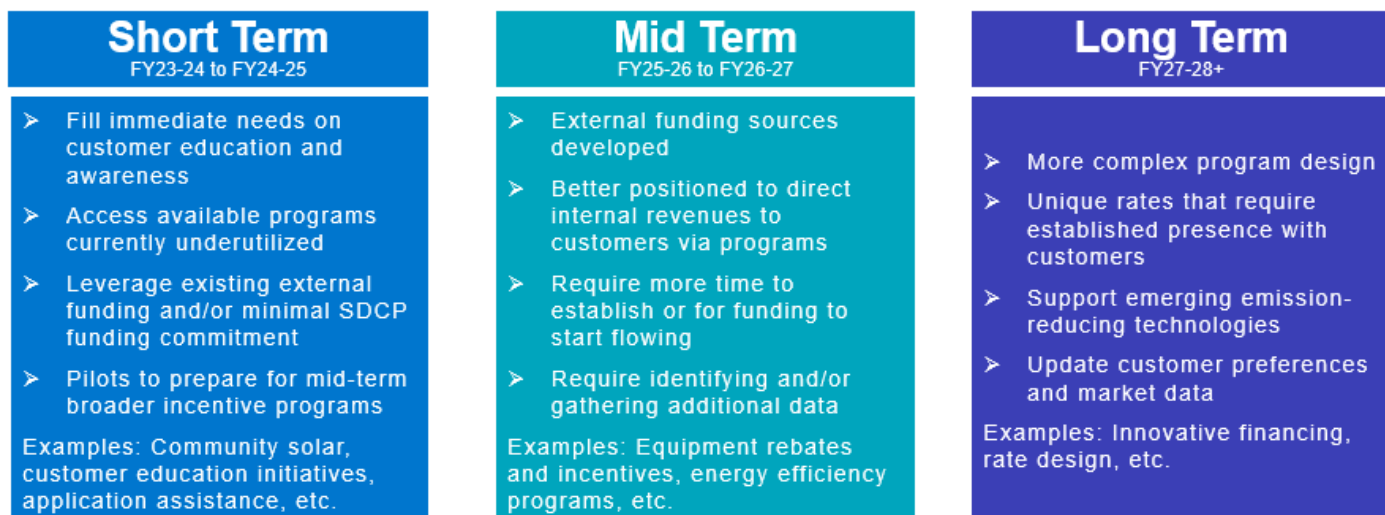
The SDCP Community Power Plan (CPP), adopted by the SDCP Board on May 25, 2023, is a key planning document that guided SDCP's Capital Investment Plan investments. The CPP provides strategic direction for developing customer energy programs over the next five years. As a not-for-profit public agency, SDCP is committed to developing a suite of customer energy programs that respond to community needs, with a focus on Communities of Concern.

The community engagement process for the CPP provided SDCP a key opportunity to hear directly from community members and to build relationships with community partners. SDCP is invested in developing and maintaining relationships with community partners so that community input can continue to inform future program design and implementation. The community engagement process conducted as part of this Plan should therefore be viewed as a key step in establishing an on-going relationship with the community, rather than as a one-time process.

The community needs assessment was a fundamental piece of the CPP and included extensive community outreach. Between May and November 2022, SDCP heard from more than 3,450 community members through listening sessions, workshops, pop-up events in harder-to-reach communities, and a customer-wide survey. This helped SDCP understand the challenges, needs, goals, and priorities that could be addressed through customer energy programs. Throughout the community engagement process, SDCP prioritized equity and Communities of Concern. Additionally, SDCP sought to develop foundational partnerships with community-based organizations.



**FIGURE 17: SDCP COMMUNITY POWER PLAN**



**FIGURE 18: COMMUNITY POWER PLAN TIMELINE**

**TABLE 1: COMMUNITY NEEDS ASSESSMENT**

Engagement Method	Estimated Number Engaged
Community-Based Organization Co-Hosted Listening Sessions (2 Rounds)	325
Business, Key Stakeholders, and Public Listening Workshops	45
Unincorporated San Diego County Pop-Up Events	100
Community Needs Survey	2,980
<b>Total</b>	<b>3,450</b>





**FIGURE 19: ANNUAL (DOING) BUSINESS FOR GOOD SUMMIT AT BREAD & SALT**



**FIGURE 20: CBS 8 SDCP TV FEATURE**

**FIGURE 21: GROSSMONT OUTREACH**



During the community needs assessment, SDCP's leadership—the Board of Directors, Community Advisory Committee, and staff—was also engaged to further explore the opportunities for SDCP to meet community needs through its program offerings. All the input received throughout the community and organizational engagement was used to identify key priorities that were later incorporated into a program prioritization framework tool. The program prioritization tool and community and organizational priorities helped in the evaluation of potential programs recommended in this Plan and served as important context for SDCP for future program design.

## Budget Guidelines

### **Joint Powers Agreement**

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. There are several sections of the JPA that guide the development and management of the budget.

Section 4.6 Specific Responsibilities of the Board. The specific responsibilities of the Board shall be as follows:

4.6.2 Formulate and adopt an annual budget prior to the commencement of the fiscal year;

### Section 7.2 Depository

7.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies and procedures.

### Section 7.3 Budget and Recovery Costs

7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

On July 28, 2022, the SDCP Board adopted the [SDCP Budget Policy](#) which outlined the timeline for annual budget preparation and for discretionary budget adjustments. This Policy was adopted pursuant to Government Code Section 6508 et seq.

### **Budget Policy**

Discretionary Budget Adjustments. The CEO or CFO will have the discretion to authorize expense transfers from line items between and within SDCP's budget level 2 categories as established and approved in the annual budget process by the SDCP Board, provided that net transfers total \$150,000 or less from the budget category.

The CEO under his or her discretion may still require approval of the Board for any budget changes that may fall under the discretion of the Policy. Amendments to the annual budget as approved by the Board will reset the original appropriation (revenue or expense) for the fiscal year for the purposes of the Policy.

A budget amendment is expected to occur in February of each calendar year to adjust the original appropriation as necessary and in alignment with SDCP's rate-setting policy in which SDCP's rates are expected to be adjusted in January, the month prior.

Balanced Budget. A balanced budget shall exist when the total projected revenues are greater than or equal to total projected expenses. Total revenues shall include all revenues from retail and wholesale sales of electricity. Total expenses shall include all operating expenses, program expenses, and contributions to reserve funds. Any year-end surplus will be used to maintain reserve levels. Any decrease in revenues and or increase in expenditures that causes the budget to become imbalanced will require an amended budget. The CFO shall prepare a proposed amended budget and submit to the Board for approval.



The Agency also maintains several policies posted to its [Key Documents](#) page on its website that provides further fiscal guidance.

- Budget Policy
- Financial Reserves Policy
- Procurement Policy
- Debt Policy
- Investment Policy
- Rate Development Policy

Other related policies that may directly affect SDCP's finances include:

- Energy Risk Management Policy
- Delegated Contract Authority
- Total Compensation Policy
- Board and Committee Compensation Reimbursement Policy
- NEM Program Policy
- Sponsorship Policy
- Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT)Tariff Terms and Conditions of Service+
- Net Billing Tariff (NBT)
- Collections and Delinquent Accounts Policy
- Member Agency Grant Program Policy

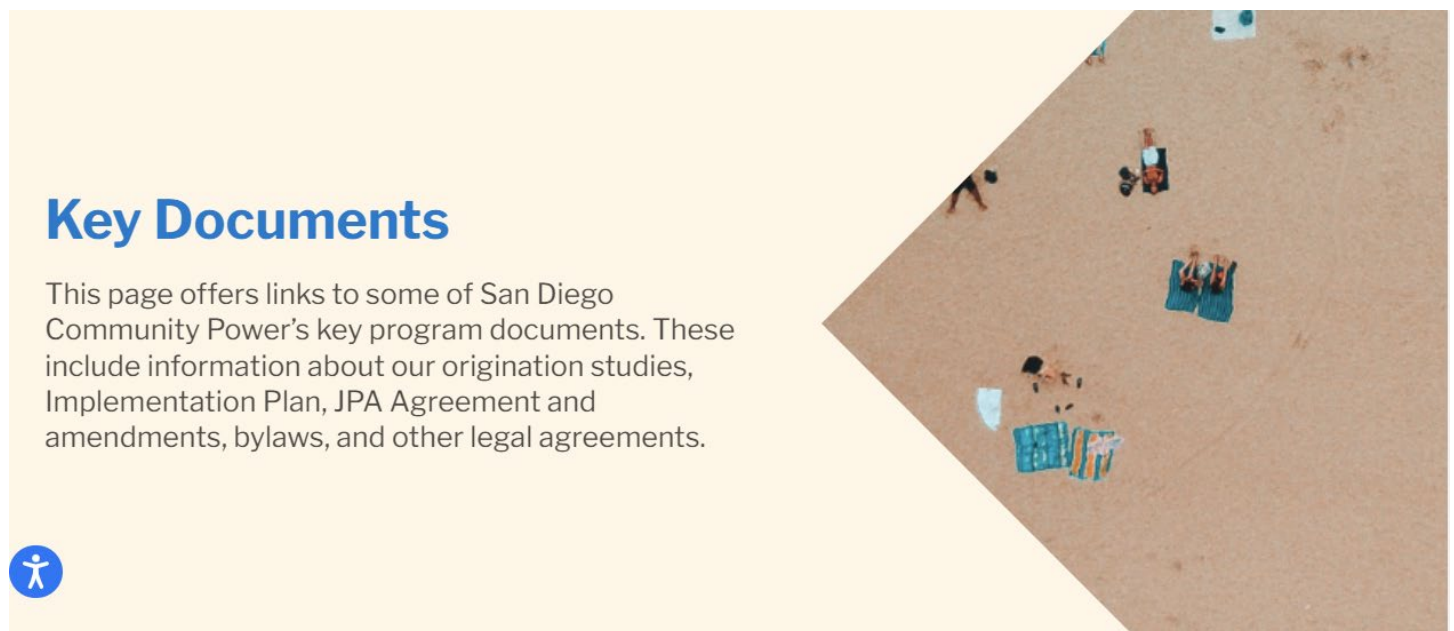


FIGURE 22: KEY DOCUMENTS PAGE ON WEBSITE

## Budget Structure

SDCP's basis of budgeting is through the accrual method. This method means planning that includes revenues and expenses in the budget of the year in which the underlying economic events are expected to occur, not necessarily in the year in which the related cash is expected to be received or paid.

SDCP's basis of accounting, similarly, in its financial statements are as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

### Department Hierarchy

SDCP's budget is developed as a line-item budget and is organized by department to indicate the Agency's organizational responsibility.

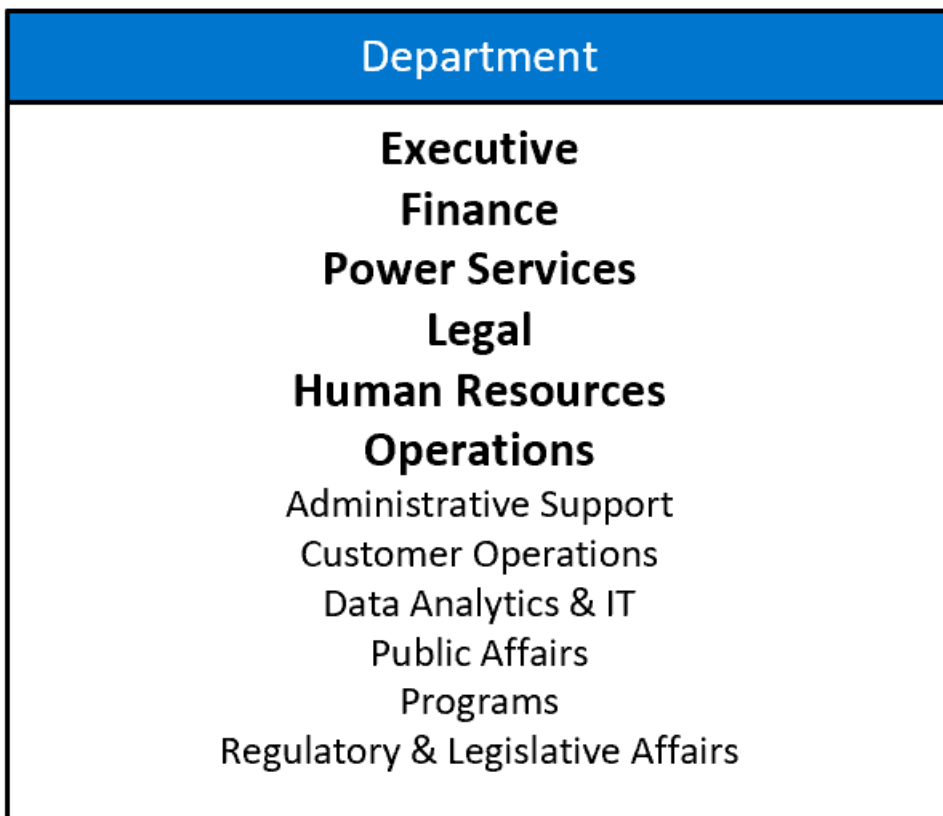


FIGURE 23: BUDGET STRUCTURE - DEPARTMENT HIERARCHY

### Budget Level Hierarchy

Additionally and separately, the budget is also organized by budget levels to organize expenses into relevant, related categories.

#### 1. Operating Revenues

For the first time since conception Operating revenues allow for revenues from sales of electricity to customers complete . Assumptions include an overall 5% opt-out rate.

## 2. **Operating Expenses**

SDCP's operating expenses fall into five categories: cost of energy, personnel costs, professional services and consultants, marketing and outreach, and general and administration.

- I. **Cost of Energy** – Includes all the various services purchased from the power market through our suppliers to supply energy to SDCP's customers.
  - II. **Personnel** – Include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately 24 new staff members and two interns during the FY 2024-25 budget cycle.
  - III. **Professional services and consultants** – Include SDG&E billing service fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services. Funding is also included for a program consultant to guide future program investments in the community. Professional services and consultants are further broken down into the below Budget Level 3 categories.
    - a. Data Management
    - b. SDG&E Fees
    - c. Technical Support
    - d. Legal/Regulatory
    - e. Other Services
    - f. Programs Consultant
  - IV. **Marketing and Outreach** – Includes expenses for mandatory enrollment notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP. Marketing and outreach are further broken down into the below Budget Level 3 categories.
    - a. Printing
    - b. Sponsorships and Local Memberships
    - c. Communications Consultants
  - V. **General and Administration** – Costs include leasing office space, industry fees or memberships (e.g., bank fees, CalCCA dues), equipment and software, as well as other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, logo gear, and team building.
  - VI. **Programs** – Includes funding to support initial pilot programs, grants to community organizations, investments that generate equitable energy-related benefits, education campaigns, opportunities for increased collaboration with member agencies and funding for a potential new CPUC energy-efficiency program.
3. **Non-Operating Revenues** – SDCP's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs are comprised of repayment of loan principle, associated interest costs as well as potential renewal fees on debt or letters of credit.



4. **Capital Investment Plan (CIP)** – SDCP’s budget also includes non-operating expenses related to a Capital Investment Plan. These expenses could be paid with internal or external fund sources and are considered one-time projects or programs.

Budget Level 1	Budget Level 2	Budget Level 3
Operating Revenue	Revenue	Gross Ratepayer Revenues
Operating Revenue	Revenue	(Less 4.5% Uncollectible Customer Accounts)
Operating Expense	Programs	Administration
Operating Expense	Professional Services and Consultants	Data Management
Operating Expense	Professional Services and Consultants	SDG&E Fees
Operating Expense	Professional Services and Consultants	Other Services
Operating Expense	Professional Services and Consultants	Legal/Regulatory
Operating Expense	Professional Services and Consultants	Technical Support
Operating Expense	Personnel Costs	Salaries
Operating Expense	Personnel Costs	Accrued PTO
Operating Expense	Personnel Costs	Benefits (retirement/health)
Operating Expense	Personnel Costs	Payroll Taxes
Operating Expense	Marketing and Outreach	Printing
Operating Expense	Marketing and Outreach	Partnerships/Sponsorships/Memberships
Operating Expense	Marketing and Outreach	Marketing and Communications
Operating Expense	General and Administration	Other G & A
Operating Expense	General and Administration	Rent
Operating Expense	General and Administration	Cal CCA Dues
Operating Expense	General and Administration	Insurance
Operating Expense	Cost of Energy	Cost of Energy
Non-Operating Expense	Debt Service	Interest and Related Expenses
CIP	CIP	CIP

**FIGURE 24: BUDGET STRUCTURE - BUDGET LEVEL HIERARCHY**

# Fund Structure

A fund is defined as a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources together with related liabilities. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. SDCP has two types of funds:

1. **Operating Fund** – Accounts for activities which are supported by ratepayer funds. All of SDCP’s general operating activities are included in the Operating Fund which functions very similarly to the general fund of a city or county. The Operating Fund is the primary fund of SDCP and is considered an annual fund in which all unused funds at the end of a fiscal year revert to the agency’s fund balance.

The only source for the Operating Fund is from ratepayer funding. SDCP believes strongly in maintaining a structurally balanced budget in which all ongoing operating activities are supported only by stable, ongoing revenue such as ratepayer funding.

SDCP offers four service levels to its customers which, taken together, ultimately comprise the source of ratepayer funds for the agency.

- PowerOn, our standard service offering which provides a minimum of 50% renewable power and is competitively priced to San Diego Gas & Electric (SDGE)
  - Power100, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a \$0.01/kWh adder to the PowerOn service.
  - Power100 Green+, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, only available to commercial and industrial customers, and is currently priced at a \$0.02/kWh adder to the Power On service.
  - PowerBase, our economical service whose renewable content is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 2.5% discount compared to SDG&E’s rates currently in effect as of March 1, 2024, for the period from July through December 2024.
2. **Continuing Fund** – Accounts for one-time activities in SDCP’s Capital Investment Plan and which are supported by one-time funds. The Continuing Fund is considered a continuing fund in which all unused funds at the end of the fiscal year continue to the next fiscal year. This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets or other one-time efforts.

SDCP’s Continuing Fund is composed of the following revenue sources:

- **SDCP Operating Transfers:** Through the annual budget process, the SDCP Board may approve an appropriation of funds to be transferred out of the operating budget and transferred into the CIP. These funds will remain in an SDCP continuing fund to be used across multiple fiscal years given that CIP projects generally last longer than one year.
- **CPUC DAC-GT/CSGT,** The Disadvantaged Communities - Green-Tariff (DAC-GT) program enables income-qualified, residential customers in DACs who may be unable to install solar on their roof to benefit from utility scale clean energy and receive a 20% bill discount. The Community Solar Green Tariff (CSGT) program enables residential customers in DACs who may be unable to install solar on their roof to benefit from a local solar project and receive a 20% bill discount. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.

- CPUC Regional Energy Network:** Public Purpose Program Surcharge funds available for RENs. The San Diego region is one of the last highly populated areas in the State not included in one. REN programs fill gaps in existing energy efficiency programs by serving “harder-to-reach” customers. They are also not held to the same cost-effectiveness thresholds, allowing for more flexibility in developing programs that serve Communities of Concern. These funds are contingent on CPUC approval of a Business Plan currently under review as of June 2024.
- CDFA Healthy Refrigeration Grant:** The California Department of Food and Agriculture (CDFA) notified SDCP that it was awarded partial funding in the amount of \$710,000 to support SDCP in providing technical assistance and refrigeration units to stock healthy foods at stores throughout SDCP’s service territory.

Fund Structure
Operating Fund
Continuing Fund

FIGURE 25 : SDCP FUND STRUCTURE

Fund Structure	Budget Level 1
Operating Fund	Operating Revenue
Operating Fund	Operating Expenses
Operating Fund	Non-Operating Expenses
Continuing Fund	CIP Revenue
Continuing Fund	CIP Expenses

FIGURE 26: SDCP FUND AND BUDGET LEVEL HIERARCHY RELATIONSHIP



# FY 2024-25 Budget Principles

FIGURE 27: BUDGET PRINCIPLES



## Fiscal Responsibility

Maintain a **fiscally responsible budget** in accordance with SDCP Budget Policy.



## Understandable and Transparent

Provide an **understandable** and **transparent** operating budget for internal and external users.



## Sufficient Funding

Ensure **sufficient funding** to meet procurement needs, sustain operational needs, and support sustained growth while delivering clean energy to the communities we serve.



## People and Community

Develop a budget that will ultimately **prioritize people** and our **communities**.



## Build SDCP Reserves

**Build SDCP reserves** and develop policies that **consider future economic conditions**.



## Informed

Keep the SDCP Board of Directors and staff **informed** of SDCP's fiscal condition.







SAN DIEGO  
**COMMUNITY  
POWER**

# Budget Overview



# Budget Overview

## Budget-in Brief

The approved FY 2024-25 Operating Budget is the first full fiscal year of full enrollment from Phases 1, 2, 3 and 4 for all potential ratepayers, inclusive of net-energy metering customers, from SDCP's member jurisdictions within the San Diego region. This budget therefore provides the first representation in the agency's history of what full revenues and expenses are expected to be moving forward.

As SDCP has scaled to full enrollment, the agency is additionally, thoughtfully scaling the agency by adding 24 staff to grow to 80 total staff. By the end of FY 2024-25, SDCP is expected to have similar a operating budget and staffing levels compared to its peer CCAs of similar customer and load size. Additionally, and similarly, by the end of FY 2024-25, SDCP's reserves and total liquidity are expected to be comparable to its CCA counterparts who have investment-grade credit ratings.

The approved FY 2024-25 Operating Budget furthermore includes continued outreach through community events, sponsorships and advertising to inform customers about SDCP.

Lastly, this budget continues to include a Capital Investment Plan (CIP) that shifts one-time revenue and one-time expenses from programs and projects over multi-year periods from the operating budget to the CIP.

By the end of FY 2024-25, SDCP will be on track to nearly hitting its 180-days cash on hand Strategic Plan Goal reserve target.

## Approved Operating Budget

The SDCP FY 2024-25 Approved Operating Budget is presented in further detail in the following pages. The table below summarizes the revenue and expense budgets approved for FY25 in comparison to the FY24 Amended Budget.

**TABLE 2: OPERATING BUDGET OVERVIEW**

	FY24 Amended	FY25 Approved
Gross Revenue	1,365.7	1,233.4
Less Uncollectible Accounts	(61.4)	(54.5)
Net Operating Revenues	1,304.3	1,177.9
Cost of Energy	1,020.8	1,073.7
Non-Energy Costs	43.8	53.8
Subtotal Operating Expense	1,064.6	1,127.5
Debt Service	2.4	1.3
Capital Investment Program (Transfer Out)	3.9	15.2
Total Expenses	1,071.0	1,143.9

Net Position	233.3	34.0
--------------	-------	------

Amounts displayed in millions, \$

## Operating Revenue

SDCP's sole source of operating revenue is from the retail sale of electricity to its customers. Revenue budgeted for FY 2024-25 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base and retail sales to our residential customer base.

SDCP's retail sales of electricity is comprised of four rate products.

NEW Power100 Green+	Power100	PowerOn	NEW PowerBase
PowerOn + \$0.02 per kWh	PowerOn + \$0.01 per kWh	\$0.19 per kWh**	\$0.17 per kWh**
100% renewable, carbon-free, Green-e certified for businesses looking to meet LEED standards	100% renewable and carbon-free for residents and businesses who want to minimize their carbon footprint and support a clean energy future	55% renewable content at a competitive price compared to SDG&E's service that is the default rate for most Community Power customers	45% renewable and 2.5% less expensive than SDG&E's default service

**FIGURE 28: SDCP'S RATE PRODUCTS**

\*Prices valid July 1, 2024 through October 31, 2024.

\*\*Average rate across all SDCP rate schedules.

The following table summarizes the revenues for FY24 Amended Budget, and the FY25 Approved Operating Budget.

**TABLE 3: OPERATING REVENUE BY BUDGET LEVEL 2**

	FY24 Amended	FY25 Approved
Gross Ratepayer Revenues	1,365.7	1,233.4
(Less 4.5% Uncollectible Customer Accounts)	(61.4)	(54.5)
<b>Net Operating Revenues</b>	<b>1,304.3</b>	<b>1,177.9</b>

Amounts displayed in millions, \$

## Operating Expenses

Expenses in the SDCP Operating Budget fall into five budget level 2 categories: cost of energy, personnel costs, professional services and consultants, marketing and outreach, and general and administration. The Programs budget level 2 category was eliminated in FY25.

The table below summarizes the expenses for the FY24 Amended Budget and the FY25 Approved Operating Budget.



**TABLE 4: OPERATING EXPENSES BY BUDGET LEVEL 2**

	<b>FY24 Amended</b>	<b>FY25 Approved</b>
Cost of Energy	1,020.8	1,073.7
Professional Services and Consultants	22.3	24.8
Personnel Costs	11.7	18.6
Marketing and Outreach	2.9	3.0
General and Administration	6.8	7.4
Programs	0.1	0.0
<b>Subtotal Operating Expenses</b>	<b>1,064.7</b>	<b>1,127.5</b>
Interest and Related Expenses	2.4	1.3
Capital Investment Program (Transfer Out)	3.9	15.2
<b>Total Expenses</b>	<b>1,071.0</b>	<b>1,143.9</b>

Amounts displayed in millions, \$

## Operating Expenses by Department

The table below summarizes the FY25 Approved Operating Budget expenses by department. Several new departments were established as part of the development of the FY25 Approved Operating Budget and therefore a comparison is not shown from the prior year.

**TABLE 5: OPERATING EXPENSES BY DEPARTMENT**

	<b>FY25 Approved</b>
Power Services	1,075.6
Operations	22.5
Customer Operations	19.3
Finance	3.5
Public Affairs	1.8
Data Analytics and IT	1.4
Regulatory and Legislative Affairs	0.7
Human Resources	0.7
Legal	1.8
Programs	0.0
Executive Team	0.2
<b>Total Operating Expenses</b>	<b>1,127.5</b>

Amounts displayed in millions, \$

## Personnel by Department

The table below summarizes the actual personnel at the end of FY24 and the full-time equivalent (FTE) personnel in the FY25 Approved Operating Budget. While personnel may be authorized, they must be filled. Detailed information showing filled and approved FTE transfers by department is included in the following Section. All Personnel budget is included within the Operations department.

**TABLE 6: PERSONNEL BY DEPARTMENT**

	FY24	FY25 Approved
<b>Operating Funding</b>		
Power Services	16.0	16.0
Public Affairs	11.0	11.0
Programs	7.0	7.2
Finance	7.0	7.0
Customer Operations	6.0	7.0
Operations	7.0	7.0
Data Analytics and IT	6.0	8.0
Regulatory and Legislative Affairs	5.0	4.5
Human Resources	3.0	4.0
Legal	1.0	2.0
Subtotal Operating FTEs	69.0	73.8
<b>External Funding (CIP)</b>		
Programs	1.0	3.8
Regulatory Affairs	-	0.5
Finance	-	1.0
Public Affairs	-	1.0
Subtotal External Funding FTEs	1.0	6.2
<b>Total FTEs</b>	<b>70.0<sup>1</sup></b>	<b>80.0</b>

<sup>1</sup> 14 FTEs were approved but not hired in FY24 and need to be re-approved in FY25.



**FIGURE 29: SDCP'S DEPARTMENTS**

## Approved Capital Budget

Continuing in FY 2024-25 is the SDCP Capital Investment Plan (CIP) for FY 2025-29 which will contain all the individual capital projects, major equipment purchases, and major programs for the agency that are intended to span multiple years and that are considered one-time projects rather than recurring projects.

The first year of the FY2025-29 CIP represents the approved FY 2024-25 capital budget.

The FY 2024-25 budget proposes a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year.

The approved FY 2024-25 capital budget totals \$16.4 million and the FY 2025-29 CIP totals \$28.1 million. Additionally, \$3.9 million in unspent continuing funds were appropriated by the Board in prior fiscal years and is represented as Carryforward revenue. The FY2024-25 approved capital budget includes funding for 23 projects in all program areas in various geographic areas of San Diego.

**TABLE 7: FY 2024-25 CAPITAL BUDGET OVERVIEW**

	Carryforward	FY25 Approved
Operating Transfer Out	-	15.2
Operating Transfer In	3.2	15.2
DAC-GT CSGT	-	0.5
Regional Energy Network	-	0.7
CFDA Healthy Refrigeration Grant Program	0.7	-
CIP Revenue	3.9	16.4

Amounts displayed in millions, \$

Program	Carryforward	FY25 Approved
Energy Awareness and Education	0.4	0.0
Application Assistance	-	0.3
Disadvantaged Communities Green Tariff and Community Solar Green Tariff	-	0.5
Pilot Programs	2.2	1.0
Grant Programs	0.6	0.2
Distributed Energy Resources: Energy Storage Systems	-	10.6
Energy Efficiency	0.7	0.7
Flexible Load	-	0.5
Information Technology: Upgrades	-	2.6
CIP Expenses	3.9	16.4

Amounts displayed in millions, \$



# Capital Investment Plan (CIP)

## About the CIP

The SDCP Fiscal Year 2025 - 2029 Capital Improvement Plan (CIP) includes 23 projects that will receive funding in the five-year period, totaling \$28.1 million in investments across SDCP member jurisdictions. More detail can be found within the companion FY 2025-2029 Capital Improvement Plan book. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows SDCP to thoughtfully plan and design its projects and programs based on community and agency needs to deliver programs and projects that provide maximum public impact and that can potentially leverage other local, state and federal funds.

This plan continues SDCP's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects are a list that provides SDCP with the confidence to target a core set of program types focused on community needs. It also gives SDCP the flexibility to co-design programs with community partners and to be responsive to external funding opportunities as they emerge.

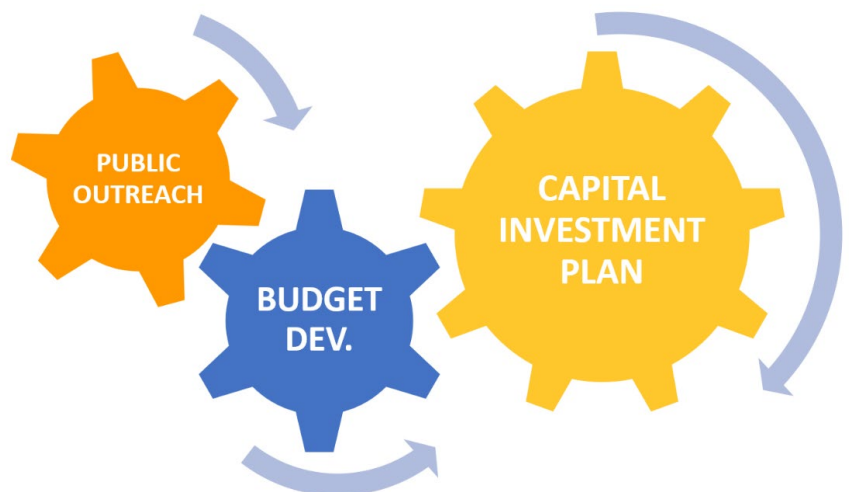
This plan is not a final or absolute list of funded projects and projects may not have funding identified. Each funded and partially funded project shows a potential source of funding but does not necessarily indicate actual funding of the project has occurred. As design requirements, budgets and priorities change, the planned projects may also move within the plan or may drop out entirely.

Likewise, this list is not all-inclusive. Often, unexpected requirements cause unforeseen projects to be inserted into the design and execution process. Further, funding sources identified in the CIP are potential funding sources which may not materialize. Projects, programs, and funding are additionally subject to Board approval consistent with the JPA and the internal policies and programs of the agency.

## CIP Development Process

SDCP will update the CIP annually during its budget-development process. Programs and projects are included in the CIP based on alignment with SDCP's strategic goals and based on community engagement.

The approved capital budget and CIP undergoes a public outreach process comprising a wide range of stakeholder groups. The CIP additionally is a dynamic document that is intended to be updated regularly as needs shift or as fund availability changes. All subsequent updates to the CIP will be brought to the SDCP Board for approval.

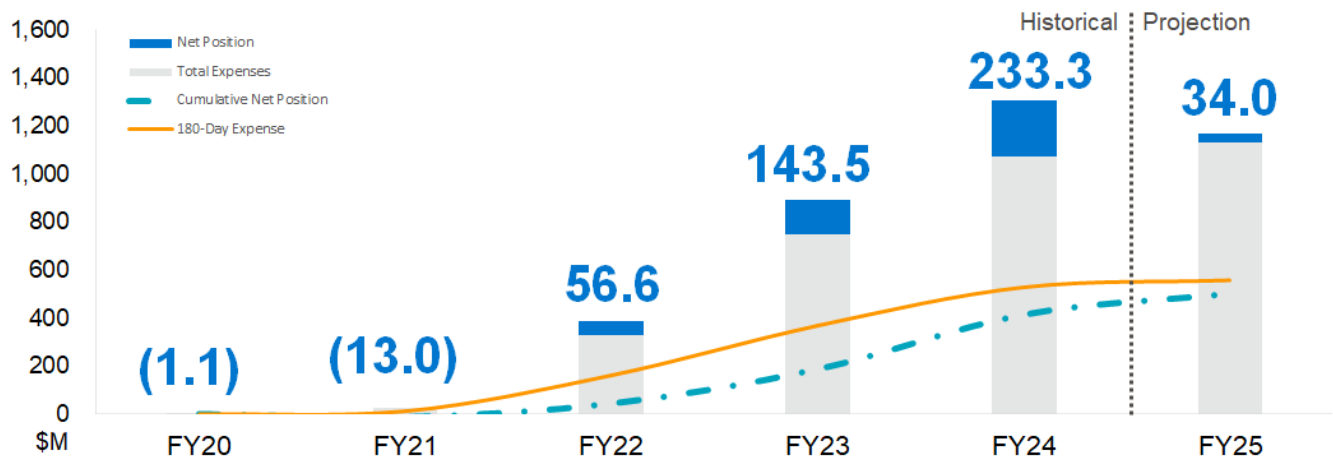


**FIGURE 30 : CIP Development Process**

## Five-Year Financial Plan

Given the recent volatility in the energy markets and the rate environment within the San Diego Region, SDCP is not publishing its five-year financial projection. SDCP is still on track to meet its 180-day cash on hand reserve target in its Strategic Plan Goals by October 2025.

The SDCP Board reassesses its projections, five-year financial plan and reserve targets annually during its rate-setting process in January and during its budget development process ending in June.



**FIGURE 31: SDCP RESERVES**

Key assumptions in SDCP's projections and five-year financial plan include:

- Full enrollment of customers is complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- A 4.5% uncollectible rate which maintains the same uncollectible rate from the fiscal year 2024-25 amended budget approved by the board February 22, 2024.
- Trifurcation of rates continues to ensure a fair, equitable, and balanced rate structure across customers with differing vintage years.
- Rates remain at the levels adopted by the Board on January 18, 2024, and on May 30, 2024. Further rate changes are subject to Board approval.



# Budget by Department





# Budget by Department

## Executive

### Mission and Services

The Executive team's mission is to provide organization-wide leadership while effectively managing and leading all departments. SDCP is committed to fostering an inclusive, collaborative team and culture that aligns with our core values and emphasizes accountability. To elevate the profile of SDCP, while actively engage in external speaking engagements and participate in local and regional events. Furthermore, SDCP strives to build thought leadership within CalCCA, establish strong relationships with local elected officials, and collaborate with legislative and regulatory teams in California.

### Department Highlights

- Leadership and strategy, spearheading organization-wide initiatives and setting strategic direction. Each executive serves in extra capacities in support of community activities.
- Technology and innovation, promoting a culture of continuous learning and adaptation with Nash Leadership training.
- Develop policy & procedures for internal processes to provide clarity & streamline activities across the organization.
- Lead the agency to achieving its strategic plan goals:
  - Financial Stability – Practice fiscal strategies to promote long-term organizational sustainability.
  - Energy Portfolio Development - Provide sufficient, reasonably priced, clean electricity to our customers.
  - Community Program Delivery - Implement energy projects and programs that reduce greenhouse gas emissions, align energy supply and demand, and provide benefits to community stakeholder groups.
  - Brand Building – Develop trusted brand reputation to help drive participation in programs and ensure support customer service and retention.
  - Public Policy – Advocate for public policies that advance SDCP organizational priorities.
  - Customer Service – Ensure high customer retention and satisfaction.
  - Organizational Excellence – Ensure excellence by adopting sustainable business practices and fostering a workplace culture of innovation, diversity, transparency and integrity.
  - Create an organizational culture of inclusion, mutual respect, trust, innovation, and collaboration that upholds organizational core values.
  - Develop an annual staffing plan that identifies and addresses resource needs and gaps.
  - Provide training and professional development opportunities that build new skills and abilities.
  - Foster culture of innovation to yield solutions that accelerate our mission and drive toward SDCP's vision.
  - Design and implement an internship program that attracts workforce from our member cities and creates opportunities for candidates new to CCAs and the industry.

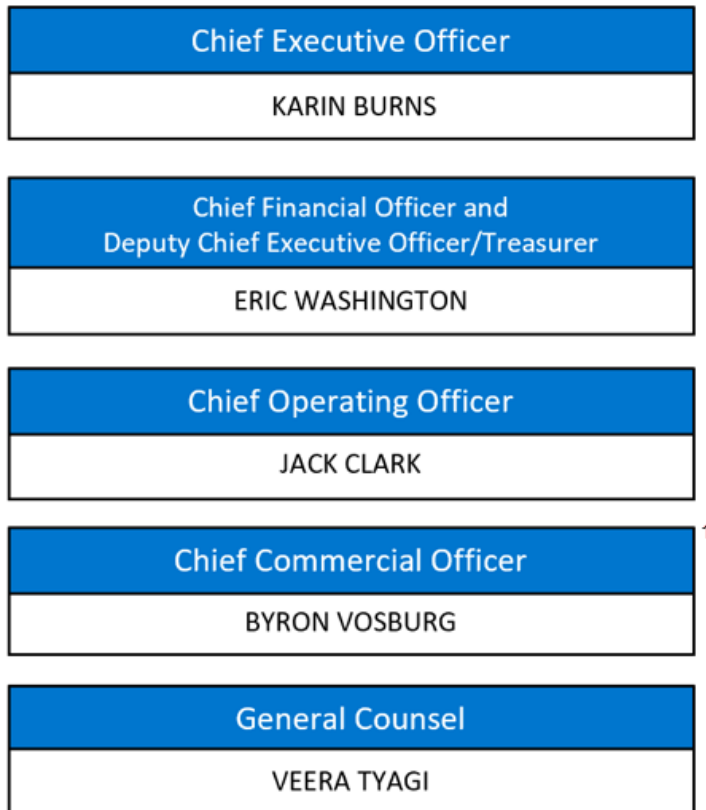
### Objective Key Results (OKRs)

SDCP Executives have established a comprehensive set of OKRs to achieve its strategic goals across various areas. Financially, the focus is on building strong reserves, with one key result targeting 130 days of cash on hand and 180 days of total liquidity. Additionally, keeping electric rates competitive with the local Investor-Owned Utility (IOU) is a key objective to minimize customer opt-outs. Operationally, the OKRs aim to strike a balance between innovation and



compliance by developing clear legal and operational procedures throughout the organization. Advocacy efforts will continue with active participation in legislative and regulatory proceedings, building credibility with the industry, CalCCA, and policymakers locally and in the State. SDCP remains committed to its communities, and its OKRs will measure investments in programs that strengthen customer connections. To maintain a strong workforce, attracting, engaging, and retaining top talent will be a priority, achieved through competitive benefits and a positive work environment. Finally, the OKRs acknowledge the importance of supporting JEDI (Justice, Equity, Diversity, and Inclusion Council) within the agency.

#### Department Organizational Structure



**FIGURE 32: EXECUTIVE ORGANIZATIONAL STRUCTURE\***

<sup>1</sup> Formerly titled Managing Director Power Services

# Operations

## Mission and Services

Under the guidance of the SDCP Board of Directors, the Operations department leads SDCP in having a significant impact to delivering clean energy and community investment to a large set of commercial and residential customers. The Operations department includes the Chief Executive Officer (CEO), Chief Operating Officer (COO), and administrative support. The Operations department ensures all departments work effectively with our partners and community stakeholders to serve our community by providing clean energy.

This mission statement outlines the core purpose of the COO role within San Diego Community Power. It emphasizes building a foundation for efficient and impactful operations. This will be achieved by leading and collaborating with various teams (Customer Operations, Data & IT, Legislative and Regulatory Affairs, Public Affairs, Programs), establishing clear processes through policies and standard operating procedures, and prioritizing safety through collaboration of teams. Additionally, the role focuses on strategic execution by overseeing the implementation of the current Strategic Plan while fostering strong community engagement in part, through the Community Advisory Committee and Board participation.

## Department Highlights

- General and administrative budget increased by 8% to support additional staff.
- SDCP budget allows up to 80 FTEs in FY25.

Based on the Finance department's review, San Diego Community Power is expanding its workforce with the strategic addition of 24 new full-time employees. This brings the total headcount to 80, placing SDCP in line with the staffing size of comparable Community Choice Aggregators (CCAs). While this growth will result in an increase in general and administrative (G&A) costs, the investment is necessary to support SDCP's mission and effectively serve its growing membership base.

## Objective Key Results (OKRs)

The Operations Department, led by the COO, plays a vital role in establishing efficient internal processes, fostering collaboration, optimizing resource utilization, and the execution of the SDCP Strategic Plan. These efforts directly contribute to the agency's overall success. The Operations Department works in close collaboration with all SDCP departments in working to achieve their collective OKR's. This is a balanced approach that exemplifies SDCP's cross collaboration and departmental support in the organizations priority in achieving its OKR's.

Department Positions

	FY24 Actual	FY25 Approved
Operations	7.0	7.0

TABLE 8: OPERATIONS POSITIONS

Department Organizational Structure

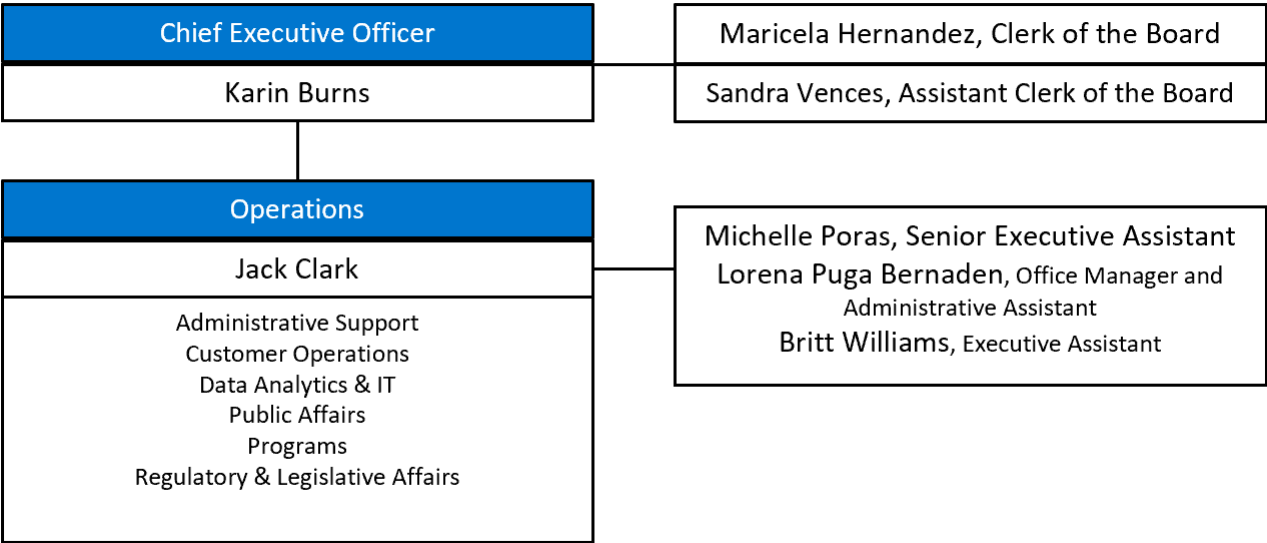


FIGURE 33: OPERATIONS ORGANIZATIONAL STRUCTURE

# Power Services

## Mission and Services

The Power Services Team is charged with overseeing the San Diego Community Power (SDCP) energy portfolio including, but not limited to, bilateral purchases and sales of electricity under short-, medium- and long- term contracts; development of wholesale energy generation and battery storage facilities to achieve SDCP's ambitious environmental and local development goals; administering requests for proposals and requests for offers for short-, medium- and long- term projects; scheduling of load and generation of electricity into California Independent System Operator (CAISO) markets; compliance with voluntary objectives and regulatory requirements that relate to carbon-free and Renewables Portfolio Standard (RPS) compliance; participation in the CAISO-administered Congestion Revenue Rights ("CRRs") market; management of the balance between load and generation over the short-, medium- and long-term planning horizons; and compliance with California Public Utilities Commission (CPUC) Resource Adequacy (RA) requirements.

Per SB 100 there is an RPS requirement for SDCP to have 60% of its portfolio be renewable by 2030. SDCP is already at 50% renewables in its portfolio and has set more aggressive internal goals of 75% by 2027 and 85% by 2030. Further, pursuant to Public Utilities Code section 399.13(b), from 2021 onwards, 65% of mandated renewable energy purchases must be sourced from long-term contracts of 10 years or more, commonly referred to as Power Purchase Agreements (PPA).

SDCP has been conscientiously pursuing contracting opportunities to meet these requirements. This contracting is done via competitive solicitations processes (RFPs or RFOs) that are public in nature. Staff administers the RFPs and then does an initial analysis of submitted projects to put together short-list recommendations. These recommendations are reviewed by a working group of the board that reviews the submitted projects to decide on the projects to shortlisted for long-term PPA negotiations based upon SDCP's energy procurement evaluation criteria. Upon successful negotiations, staff then prepares a package for the board to review the PPA. All PPA's must be reviewed and approved at the board level prior to execution.

In addition to long-term procurement and planning, the Power Services team oversees several short-term procurement and hedging activities ranging from resource adequacy ("RA") to RPS to Congestion Revenue Rights ("CRR") to CAISO and Inter-SC Trade ("IST") trading. These activities aim to both reduce risk and meet any open positions between the long-term procurement activities and the load forecast.

Once contracts are finalized, the Power Services team also handles settlement and payment to each counterparty. This process ensures the product(s) contracted are delivered at the quantity and price contracted.

Importantly, the Power Services team is also responsible for preparing several risk management reports regarding the various portfolios under management. These reports inform the load forecasting model as well as long and short-term procurement activities.

## Department Highlights

- Responsible for SDCP's largest expense (Cost of Energy), the Power Services department is expected to grow their staff to 16 in the approved FY25 Budget.
- Continued energy hedging for FY25 and for future fiscal years.
- An up to \$500K request for an Energy Trading Risk Management system implementation will be added into CIP as one time cost, consistent with the request for proposals that closed on March 8, 2024.
- Use of procurement counsel is approved to increase from \$500K to \$800K in anticipation of increased transactions.



Objective Key Results (OKRs)

San Diego Community Power's Power Services department is setting ambitious OKRs to navigate the evolving energy landscape. The first objective focuses on regulatory compliance, ensuring adherence to Reliability Assurance (RA) standards and preparing for Slice of Day RA in 2025. The department will also refine SDCP's "Path to 100% Renewable" strategy to adapt to a dynamic market. Balancing short-term energy procurement involves meeting both mandatory RPS targets and SDCP's voluntary goals, while supporting the launch of two new product offerings. Risk management remains a priority, with continued use of hedging, Cost of Renewable Resources (CRRs), scenario analysis, and support for the Energy Resource Management Plan (ERMP) revision. Optimizing procurement pathways aims to secure contracts for 35 MW of wholesale Distributed Energy Resources (DERs). Technology adoption is another focus, with the selection and integration of an Energy Trading Risk Management (ETRM) system planned. Maintaining compliance with a variety of regulations in the energy market is crucial. Internally, streamlining processes by clarifying, improving, and documenting procedures is a key objective. Strengthening collaboration with the Finance department will ensure timely tracking of budget impacts due to power supply and market activity. Finally, the department seeks to improve the accuracy of SDCP's Load Forecast.

Department Positions

	FY24 Actual	FY25 Approved
Power Services	16.0	16.0

TABLE 9: POWER SERVICES POSITIONS

Department Organizational Structure

Power Services
Byron Vosburg
Kenny Key Morgan Adam Carlos Gomes Tacko Diaite-Koumba Andrea Torres Asikeh Kanu Karlee Mink Erin Hudak Isabela Krall *Portfolio Analyst Energy *Director of Portfolio Management *Senior Settlements Analyst *Origination Manager *Senior Power Contracts Data Analyst *Senior Load Forecast Analyst

\*Positions authorized in FY24.

FIGURE 34: POWER SERVICES ORGANIZATIONAL STRUCTURE

# Finance

## Mission and Services

Under the guidance of the Chief Financial Officer, the Finance Department is responsible for fiscally positioning San Diego Community Power for the delivery of competitively priced cleaner energy choices and programs to the communities we serve. It provides financial resource management that supports SDCP contributions to a cleaner greener equitable energy future and supports SDCP's effort for the reduction of greenhouse gas emissions through sound fiscal management.

The Finance Department operates under six guiding principles: fiscal responsibility, ensuring sufficient funding, building SDCP reserves, providing an understandable and transparent budget, building a budget that prioritizes people, transparency and our communities, and keeping the Board and staff informed on SDCP's fiscal condition.

## Fiscal Monitoring

The Finance Department designs, implements, operates, and evaluates internal controls to provide reasonable assurance that SDCP is achieving its financial, operational, reporting, and compliance objectives.

The Finance Department leads SDCP's annual financial audit. The audit reviews SDCP's financial accounting procedures, risks of material misstatement in the Financial Statements, internal controls relevant to the Financial Statements, performing tests of year-end balances based on risk assessment, and evaluates the adequacy of disclosures. The FY 2023 Fiscal Year-End Audited Financial Statement, which the Board received and filed on November 16, 2023, ended with no findings or issues to report.

The Finance Department also closely manages SDCP's liquidity, debt, cash balances, and reserves. This practice ensures SDCP maintains sufficient liquidity for operations, maximizes its cash management, actively manages its debt in an effort to control the cost of funds through periodic principle paydown on credit facilities and focus on reaching the reserve goal of building 180-days cash on hand. As an illustration, the Finance Department publishes the following slide monthly at the Finance and Risk Management Committee (FRMC).

## Item 2: Treasurer's Report

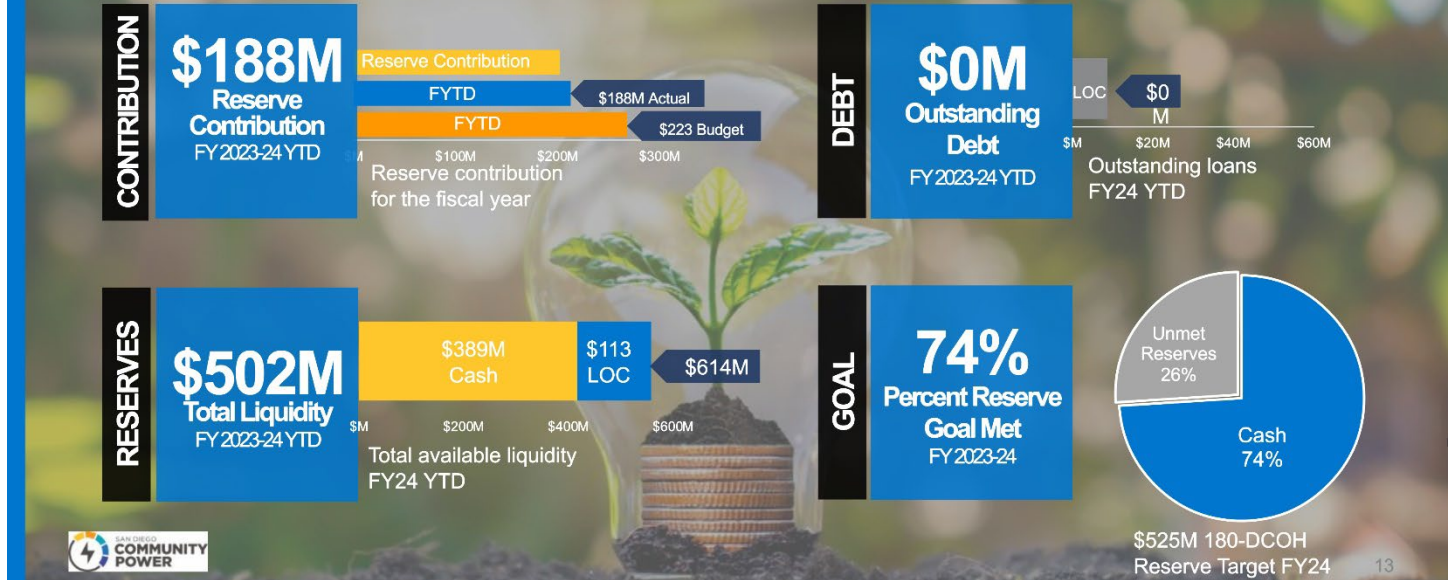


FIGURE 35: FINANCE TREASURER'S REPORT

Internally, the Finance Department additionally sets up and monitors controls to ensure that SDCP is compliance with Board-adopted policies and industry best practices including the Energy Risk Management Policy, Procurement Policy, Financial Reserves Policy, Delegated Contract Authority, Generally accepted accounting principles (GAAP), etc. This review includes reviewing invoices, reviewing contracts, etc.

### Annual Budget Cycle

Section 4.6.2 of the Joint Powers Agreement (JPA) specifies that the SDCP Board of Directors shall adopt an annual budget with a fiscal year that runs from July 1 to June 30. Section 7.3.1 of the JPA additionally specifies that the board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses.

The annual budget process typically starts in February of any given year. The budget is further refined through strategic planning sessions, through the SDCP Finance and Risk Management Committee, and through the SDCP Board of Directors, for final adoption no later than July 1st.

## Capital Investment Plan (CIP)

The Finance Department developed SDCP's first Capital Investment Plan (CIP) in FY24 and continues to grow its CIP moving into FY25. Projects may include energy infrastructure, one-time efforts such as programs, plans, evaluations, educational programs, sponsorships, member-agency contributions, etc.

SDCP generally will identify projects for funding and inclusion in the CIP based on:

- (1) input from public meetings and other community engagement;
- (2) input from the SDCP Board of Directors, citizen advisory committees and other member-agency bodies;
- (3) SDCP Board and other city and county-approved plans related to climate action;
- (4) the SDCP Strategic Plan; and
- (5) staff-identified needs related to in-house optimization, critical energy needs, concerns and best practices.

The CIP will aim to:

- Develop a fiscally constrained 5-year program of projects and programs
- Review and forecast capital and one-time revenue sources between FY 2025-2029
- Serve as an implementation tool for the SDCP Strategic Plan and other plans and strategies
- Minimize obstacles to project and program delivery which stem from fund availability limitations (i.e. grant requirements, regional allocation amounts, etc.)
- Foster credibility and trust with the public and external funding agencies by providing transparent and accessible information

## FY 2025 Annual Priorities

On June 23, 2022, the SDCP Board adopted the SDCP mission, vision, core values and goals for 2023-2027. Among the key focus areas and organizational goals was financial stability - practice fiscal strategies to promote long-term organizational sustainability.

Under this organizational goal, the Finance Department's annual priorities include:

- Adopt financial controls and policies to meet or exceed best practices and manage risk.
- Obtain an investment grade credit rating by Nov 2025.
- Adopt plan to increase reserves to \$175M by October 2023 (90-days cash on hand) and \$360M by October 2025 (180-days cash on hand).

## Objective Key Results (OKRs)

The Finance Department recommends several key metrics to monitor budget performance in the coming year. These metrics include:

Treasurer's Reports (Budget-to-Actual Monitoring): Regular assessments of actual spending compared to the budgeted amounts. Participation Rates: Tracking the level of engagement. Regulatory Proceedings: Monitoring compliance with financial regulations and legal requirements. Forward-Energy Market Curves: Analyzing energy



market trends and projections. Internal Monitoring: Ensuring responsible use of government funds within the organization. Cash Flow, Liquidity, and Reserves: Evaluating the availability of cash, liquidity, and financial reserves.

Department Highlights

- The Finance department will continue exercising financial discipline and risk management to help grow the agency’s reserves to its strategic goal of having 180-days of operating cash on hand.
- Active management of constrained finances to allocate resources to position other departments and programs to launch and to be successful such as the Programs department.
- Additional Budget for Financial Investment Advisor in anticipation of needing to invest excess cash once reserve goals have been reached.

Department Positions

	FY24 Actual	FY25 Approved
Finance	7.0	*8.0

TABLE 10: FINANCE POSITIONS

\*1 position will be supported through external funding (CIP)

Department Organizational Structure

Finance
Eric Washington
Tim Manglicmot Christopher Stephens Diana Gonzalez Christopher Do Julissa Mercedes Kevin Bateman

FIGURE 36: FINANCE ORGANIZATIONAL STRUCTURE

# Customer Operations

## Mission and Services

Under the guidance of the COO and under the direction of the Senior Director of Data Analytics and Customer Operations, the Customer Operations department maximizes customer experience and participation by ensuring clear, timely and accurate billing. The team utilizes customer data to foresee trends and patterns in energy usage to support potential rate adjustments and/or new rate structures. It also develops and maintains data warehouses, dashboards, and/or other data visualizations to track OKRs related to opt actions, revenues, A/R, load, cash receipts, customer engagement and costs. Finally, the Customer Operations team builds and nurtures positive relationships with customers (especially Key Accounts) to encourage continued participation in our service and opt-ups to Power100 and Power100 Green-e Certified Product while minimizing opt outs.

San Diego Community Power's (SDCP) Customer Operations Team is comprised of data professionals and account management experts who utilize proprietary data tools to best support SDCP's decision-making capabilities and provide SDCP customers with industry best customer support. The Customer Operations Team is currently tasked with a multitude of responsibilities in all facets of SDCP's retail operations, including but not limited to:

- Planning and execution of seamless customer migration from SDG&E to SDCP.
- Rate setting.
- Billing, load and revenue recognition analysis.
- Centralization of multiple streams of data feeds and inputs.
- Data analysis and utilization capturing customer opt actions, usage patterns & participation rate trends.
- Contact Center and customer engagement management.

## Who are our Stakeholders?

- Ratepayers – the residents, businesses and municipalities that SDCP serves are our most critical stakeholders. The balance between providing cleaner power while also realizing the economic realities of living in one of the most expensive areas of California requires nuanced and purposeful implementation of our organization's short and long-term strategies.
- Board of Directors – The Board is publicly accountable to SDCP ratepayers and hosts monthly Board meetings to establish policy, set rates, determine power options and maintain fiscal oversight. As a public agency, SDCP is designed to be fully transparent with all meetings and information open to the public.
- Board Committees – The committees advise the Board on matters related to the operations of San Diego Community Power.
- SDG&E – A working partnership and collaboration between the Data Analytics & Account Services Team and SDG&E is necessary for proper operations, customer support, and enrollment. This relationship is foundational for addressing issues, resolving differences, and creating a positive customer experience.
- Calpine – As our “back-office” service provider, Calpine plays a pivotal role in ensuring successful retail operations of SDCP. As one of their biggest CCA customers, SDCP expects a high level of service from this vendor.

- Internal Teams – The Customer Operations Team works collaboratively across the organization, including Executive, Data Analytics & IT, Legislative & Regulatory, Power Services, Programs, External Affairs and Finance Teams to ensure the delivery of outstanding service and value to our customers.
- Community Choice Aggregators – our successes (or failures) will play a critical role in shaping the future of Community Choice Aggregation in California. Due to our size and influence, we have the ability (if not the responsibility) to be a leader amongst our peers – whether through advocacy or simply through implementation.

#### Professional Services Agreements

The following key professional services agreements are integral to the performance of the Customer Operations team:

- Calpine Energy Solutions \$14.6M
- SDG&E \$3.4M
- Neyesesh Printer \$1.1M

The increases year-over-year in the Calpine and SDG&E contracts are based on the increased number of accounts as FY25 is the agency's first year of full customer enrollment, including NEM customers. Additionally, it is pertinent to note that no other CCA has a complete internal back-office infrastructure which this budget proposes to start building.

#### Objective Key Results (OKRs)

At SDCP, our Customer Operations team is laser-focused on achieving key objectives. We prioritize customer satisfaction by nurturing strong relationships with back-office support and key stakeholders. Simultaneously, we continually strive to offer competitive rates, ensuring affordability for our customers. Our commitment extends to maintaining and growing high levels of customer participation and satisfaction. By 2027, we aim to achieve 10% of our load at the Power 100 service level, guaranteeing reliability and responsiveness. To enhance our procurement strategies, we're building a robust data ecosystem. Additionally, we're developing two new rate products: one emphasizing sustainability and the other addressing affordability. Our goal is to minimize Opt Outs and limit Opt Downs, ensuring customer engagement. As we prepare for Real Time Pricing regulations, we remain agile and adaptable. Finally, our rates for 2025 will strike a balance between financial sustainability and customer retention. These OKRs empower us to provide reliable, sustainable, and affordable energy services to our valued customers.

## Department Highlights

- Completion of customer enrollment. 955k customer accounts enrolled in SDCP service as of 5/21.
- Calpine Energy Solutions contract regarding professional services or potential in housing of services is the largest professional service contract for SDCP.
- Introducing two new service offerings to meet diverse sustainability and affordability needs of our customers.

## Department Positions

	FY24 Actual	FY25 Approved
Customer Operations	6.0	7.0

**TABLE 11: CUSTOMER OPERATIONS POSITIONS**

## Department Organizational Structure

Customer Operations
Lucas Utouh
Carly Newman Elaine Mezta Aaron (Yichen) Lu Brynn Gallahue *Data/EDI Engineer

\*Positions approved for hire in FY24.

**FIGURE 37: CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE**



# Data Analytics and IT

## Mission and Services

Under the strategic leadership of the COO and the operational oversight of the Director of Data Analytics and IT, our organization is committed to creating a world-class IT and data ecosystem. Our mission is to harness the power of data to drive sustainable energy solutions that benefit local communities while making a global impact. By ensuring the integrity, accessibility, and security of our data, we empower decision-makers with actionable insights. Our team leverages advanced analytics to identify trends and patterns, enabling strategic investments in IT infrastructure. We construct and manage robust data repositories, interactive dashboards, and comprehensive visualizations to monitor objective key results (OKRs). Through collaboration and innovation, we foster a culture of data-driven excellence, supporting clean energy initiatives and reducing our environmental footprint.

SDCP receives a vast amount of data from its vendors and partners including SDG&E and Calpine (our back-office provider). To best utilize this data to effectively run our operations, make data-driven decisions, and optimize the customer experience, the Data Analytics & IT Team has developed and is expanding a data analytics platform that consists of a set of analytical tools built on a cloud-based platform that helps with customer management, load forecasting, rate design, program marketing, and accounting.

- Maximize customer experience and participation by ensuring clear, timely and accurate billing.
- Utilize customer data to foresee trends and patterns in energy usage and demand to support potential programs, products and/or new rate structures.
- Build and nurture positive relationships with all customers, particularly the Key Accounts, to encourage continued participation in our service and opt ups to Power100 while minimizing opt outs.
- Develop and maintain data infrastructure, dashboards, and/or other data analytics visualizations to track KPIs related to opt actions, revenues, A/R, load, cash receipts, customer engagement and costs.

**Professional Services Agreements** The following key professional services agreements are integral to the performance of the Data Analytics and IT team:

- IT Managed Services \$300K

## Objective Key Results (OKRs)

The Data Analytics and IT Department propose the following metrics to track budget performance in the upcoming year.

The Data Analytics & IT team at SDCP is set on a path to achieve significant milestones that resonate with customer needs. The OKRs are tailored to enhance cost efficiency, empower the workforce and community through digital transformation, and modernize IT infrastructure to boost productivity. A secure, centralized data platform is in development, alongside a commitment to nurturing in-house talent and ensuring seamless integration of business applications. Embracing agile principles and prioritizing cybersecurity, the team aims to deliver a consistent and secure experience for all stakeholders, positioning SDCP as a leader in innovation and service excellence.

Department Highlights

- Creation of a world-class organization-wide dedicated Data & IT Team to drive SDCP's data analytics & IT needs.
- Drove implementation of new forecast models to address solar hours.
- Delivered enterprise-wide discovery, assessment and opportunities for enterprise transformation and effectiveness.
- Launching new IT Managed Services for FY 2025, with a more comprehensive scope aligned with our IT strategy.

Department Positions

	FY24 Actual	FY25 Approved
Data Analytics and IT	6.0	8.0

TABLE 12: DATA ANALYTICS AND IT POSITIONS

Department Organizational Structure

Data Analytics and IT
Kiran Singh
Linda Robertson Ryan Hanke *Data Scientist *Data Engineer *IT systems Engineer

\*Positions authorized in FY24.

FIGURE 38: DATA ANALYTICS ORGANIZATIONAL STRUCTURE

# Public Affairs

## Mission and Services

Under the strategic guidance of the COO and under the direction of the Director of Public Affairs, the Public Affairs department is a community- and customer-focused team. The Public Affairs department leads SDCP's outreach strategy and provides strategic support and visionary leadership to build SDCP's recognition and establish SDCP as a trusted and vital member of the community. The department is engaged, connected, and focused on building meaningful partnerships to lead the organization's Public Affairs strategic direction.

The Public Affairs team often acts as the public face and the voice of San Diego Community Power to our stakeholders and customers. Whether we are meeting with representatives from our member agencies, setting up information tables at community events or being interviewed by members of the media, the Public Affairs team strives to provide timely, engaging, transparent and factual information about our organization.

The team is composed of three key sections: Strategic Partnerships, Community Engagement and Marketing and Communications. Each section focuses on different audiences, but there is one common thread: all of us are working to increase awareness about the services and programs SDCP has to offer in our quest to providing affordable, 100 percent renewable energy to San Diegans while investing back into our communities.

The Strategic Partnerships section works with local governments and large, local organizations to collaborate on initiatives that elevate and prioritize equity, sustainability and high-quality jobs. They are responsible for developing strong partnerships across the greater San Diego region and encouraging businesses to opt-up to 100 percent renewable energy as Power100 Champions. Current Power100 champions include Illumina, the San Diego County Regional Airport Authority, the San Diego Padres baseball team, the San Diego Loyal soccer team, San Diego Wave Fútbol Club and Sharp HealthCare.

Our growing Community Engagement section meets our customers wherever they may be. They bring activities for children and informational materials to events that range in size from swap meets to some of the largest civic events in the region. They are true utility players who aim to educate, answer questions and get the general public excited about the work we do at SDCP.

The Community Engagement section also provides staff support for SDCP's Community Advisory Committee (CAC), which advises the SDCP Board of Directors and comprises two volunteer representatives from each member agency.

The Marketing and Communications section is responsible for the copy writing, advertising and media relations work done on behalf of SDCP. The section manages the organization's social media accounts and seeks to provide engaging information to the public at large. This section works also closely with its marketing, communications, and website redesign and website maintenance partners.

## Department Highlights

- Created opportunities to meet with over 500k people at in-person events.
- Attended 84 community events & activities since January 2024.
- Over 3,500,000 impressions through earned and paid media.
- Expanded partnerships with local community leaders such as the City of San Diego for December Nights and CBS8.
- Implemented Marketing and Communications request process for faster service updating the website and other internal needs.
- Staffed up to professionalize outreach and prepare for program launches.

- The Public Affairs department are tasked to help inform the community which has a correlation with SDCP participation rates.

Objective Key Results (OKRs)

The Public Affairs Department propose the following metrics to track budget performance in the upcoming year.

- Economic trends: The consumer price index is going up across the board. The SDCP Public Affairs team is monitoring local and national economic trends to provide helpful, easy-to-understand information to our customers who need it most.
- Local government priorities: Each of the SDCP’s seven member agencies have unique challenges and goals as they work toward implementing their Climate Action Plans. SDCP aims to tailor its support to each of the member agencies to provide top-notch service.
- Fellow community choice aggregators: SDCP is in its infancy. We can learn an enormous amount from CCAs that have paved the way before us. Some CCAs have done very well, while others have struggled. We constantly read the news about what is working and what could be improved in CCAs throughout California.
- Local and regional events: Key events in each of SDCP’s member agencies serve as points of community pride and gathering spaces for our customers. SDCP attends, sponsors and provides educational materials at major events to show our solidarity with the community and meet people where they are.

Department Positions

	FY24 Actual	FY25 Approved
Public Affairs	11.0	*12.0

**TABLE 13: PUBLIC AFFAIRS POSITIONS**

\*1 position will be supported through external funding (CIP)

Department Organizational Structure



Public Affairs
Jen Lebron
Lee Friedman Jill Monroe Xiomalys Crespo Rachel Hommel Ashley Rodriguez Alyson Smith Jushaun Jamieson Adana Martinez *Community Engagement Associate *Marketing Manager

\*Positions authorized in FY24.

FIGURE 39: PUBLIC AFFAIRS ORGANIZATIONAL STRUCTURE

## Programs

### Mission and Services

Under the guidance of the COO and under the direction of the Director of Programs, the Programs department is a community- and customer-focused team that sets the strategy in the implementation of customer energy programs. The department works internally and with outside consultants, customers and industry leaders to evaluate, design, and implement a variety of customer programs, as well as collaborate with the Community Advisory Committee to promote accessibility of SDCP services to our Communities of Concern.

### FY 2025 Annual Priorities

1. Launch SD Regional Energy Network (REN) and prepare organization for REN rollout
2. Launch Residential Solar Battery Savings Program supported by industry partnerships
3. Establish regional partnerships and initiatives to support member agencies’ Climate Action Plans
4. Identify and seek state and federal funding to support program goals

### Current Programs and Initiatives

#### California Energy Commission (“CEC”) Equitable Building Decarbonization Program

Since May 2023, Staff have been working with a coalition of Southern California agencies led by the Southern California Regional Energy Network (SoCalREN) to prepare for the CEC’s Equitable Building Decarbonization (EBD) direct install program. On March 14, 2024, staff attended the CEC’s pre-solicitation workshop to seek input on the draft Request for Proposal (“RFP”) for the EBD program administrators. The CEC walked interested parties through the RFP’s rules, draft scope of work, and budget. At the workshop, Staff learned that the CEC expects to release the RFP on or after April 30,

2024, with responses due 60 days later. Staff will continue to work with the coalition to prepare a strong response to the anticipated RFP for regional administrators.

### **U.S. Environmental Protection Agency (EPA) Climate Pollution Reduction Grant (CPRG) Program**

The U.S. EPA's CPRG Program provides \$5 billion in grants to states, local governments, tribes, and territories to develop and implement ambitious plans for reducing greenhouse gas emissions and other harmful air pollution. Authorized under Section 60114 of the Inflation Reduction Act, this two-phase program provides \$250 million for noncompetitive planning grants and approximately \$4.6 billion for competitive implementation grants. During the first phase of the program (planning grants), the San Diego Association of Governments (SANDAG) was awarded a grant to conduct climate action planning in the region. SANDAG worked with local governments, community-based organizations, and other stakeholders to create a Priority Climate Action Plan (PCAP), which was published in March 2024. It identifies near-term actions and policies that can be implemented quickly to reduce air pollution. The second phase of the program (implementation grants) was open until April 1, 2024; for the general competition, EPA anticipates awarding individual grants between \$2 million and \$500 million, with funding tiers allowing comparably sized projects to compete against one another. SANDAG is leading a regional application for grant funding to implement measures included in the PCAP. SDCP, via its role as the approved SDREN administrator, is identified as the regional program administrator for building electrification and solar + storage incentive programs. A approved building electrification program would focus on providing upfront incentives for heat pump water heaters and space heating/cooling equipment that would nearly eliminate the incremental cost to install these technologies. A approved solar + storage program would expand SDCP's Residential Solar and Storage Program's upfront incentive to the full San Diego County (instead of only SDCP customers), continuing to support the solar industry after Net Billing Tariff (NBT) implementation.

SDCP provided a Letter of Commitment to support the application in late March 2024. Grant awards are anticipated in October 2024.

### **Energy Education Website**

In January 2024, promotional activities of the marketplace and SDCP's Power Your Life and Electrify Your Life webpages kicked off to help educate customers and encourage adoption of these technologies. This was mentioned in SDCP's inaugural newsletter that went out to over 1,500 subscribers and had a 56% open rate and led to 41 unique clicks on the Electrify Your Life webpage. SDCP's social media posts have generated 4,000 impressions with an average engagement rate of 6% across Instagram, Facebook, and LinkedIn.

Implementation of the marketing campaign for the marketplace is underway by SDCP's Public Affairs department. Staff will be collaborating with Electrum to expand the list of eligible local contractors in the Electrum database and promote the marketplace.

### **California Department of Food and Agriculture ("CDFA") Healthy Refrigeration Grant Program**

At the January 2024 Board meeting, the Board adopted a Resolution that authorizes SDCP to accept, appropriate, and expend the CDFA grant funding. SDCP has also executed the grant agreement and associated scope from CDFA. Staff expect to launch the pilot program in Q2/Q3 2024. Following execution of the agreement, Staff will develop program materials, issue solicitations as necessary to contract subconsultants, and start program outreach.

### **FLEXmarket Pilot**

On July 27, 2023, SDCP and Calpine Energy Solutions, LLC (Calpine) amended its contract allowing Calpine and its partner, Recurve Analytics (Recurve), to develop and launch a Summer Peak Load Reduction Pilot (Pilot). The intent of the Pilot was to test out new approaches for meeting summer peak load utilizing Recurve's FLEXmarket approach (measured, pay-for-performance savings) and to evaluate pilot design and scalability for future summer and year-

round peak load reduction programs. The total funding to support the Pilot is \$450,000 (\$150,000 from Calpine and \$300,000 from SDCP). Additionally, Calpine and Recurve are contributing \$100,000 of in-kind support to the Pilot. Under the Pilot, SDCP provides direct funding only for actual savings realized relative to a control group of buildings. SDCP has not yet incurred direct costs to support the Pilot. Currently, the contract terms are effective through November 30, 2024, which includes a 12-month evaluation period for projects submitted through November 30, 2023. SDCP Staff intend to adjust the scope of work and extend the contract terms to accept additional projects. The adjusted scope of work includes having the eligibility requirements focus on small and medium sized commercial customers located in “hard to reach”<sup>1</sup> communities to further inform the anticipated SDREN program of similar design.

SDCP will execute a no-cost contract amendment with Calpine for services related to the Pilot and will work with Calpine and Recurve through November 30, 2025 to implement the Pilot. The findings of this Pilot will inform future larger competitive procurement efforts expected through SDREN.

### **Regional Energy Network (REN) Formation**

The REN Business Plan Application was submitted to the California Public Utilities Commission (CPUC) on January 5, 2024. Staff will attend relevant statewide meetings related to the REN Business Plan Application, continue coordination with SDG&E, and respond to any data requests, questions, or comments from the CPUC or stakeholders during the evaluation period (i.e., post-application submittal through when a CPUC decision is made).

### **Flexible Load Strategy**

Staff have completed the software requirements gathering process that will guide the procurement process for a Distributed Energy Resources Management System (DERMS) software. Staff also requested existing bids from other public agencies that ran a DERMS solicitation and are using the requirements and existing bids to guide the procurement process. If required, staff anticipate releasing a DERMS Request for Proposal for bidders in June 2024 and anticipate the DERMS software to be under contract by Q3 CY 2024.

### **Vehicle-Grid Integration (VGI) Strategy**

Staff have been developing a VGI strategy to guide development of SDCP’s V1G and V2X programs portfolio. Staff presented an overview of the strategy at the April CAC 2024 meeting and will present the same update at the April 2024 Board meeting. Staff plan on designing and launching the associated pilot(s) beginning in Q3 CY 2024.

### **Community Clean Energy Grant Program**

The FY 2023-24 grant cycle closed on April 5, 2024, and the grant evaluation process is currently taking place throughout April and May 2024. Staff anticipate grant agreements to be executed and grant awards to be made by June 2024 and for potential work in the upcoming fiscal year.

### **Member Agency Grant**

SDCP’s FY 2023-24 Member Agency Grant Program closed on April 12, 2024. Grant applications were received from all seven of SDCP’s member agencies and are currently being evaluated. Staff anticipate grant agreements to be executed and grant awards to be made by June 2024.

### **Net Energy Metering (NEM) and Net Billing Tariff (NBT)**

In November 2023, the CPUC approved new subtariffs for virtual and aggregation Net Billing Tariff. In these new subtariffs, the current Virtual Net Energy Metering and Net Energy Metering Aggregation are closed to new customers interconnecting after February 2024. The new net billing subtariffs mirror the Net Billing Tariff adopted by the CPUC in December 2022 meaning that electricity exports will continue to be compensated at the Avoided Cost Calculator

(“ACC”) values, while imports (consumption) would be charged retail rates. The utilities have until March 31, 2025, to align their billing systems to support full implementation of the virtual and aggregation net billing subtariffs. The CPUC also extended the ACC “Plus” adders to these subtariffs.

Staff are evaluating the development of the subtariffs by the utilities. Staff expect to bring an updated Net Billing Tariff (approved by the Board in October 2023) to include provisions to allow for virtual and aggregation subtariffs.

### **Residential Solar + Storage Program**

Staff have continued to obtain feedback from stakeholders on the design for a solar plus battery storage incentive program. In January 2024, staff held two virtual industry workshops to ensure maximum industry feedback was received. The 72 attendees at the workshops included installers, aggregators, providers, and battery manufacturers. Staff learned that many in the industry are unfamiliar with SDCP and therefore it is key to continue to engage with the industry to ensure the program can be successful. Overall, the industry responded positively to the program with additional feedback expected from California Solar & Storage Association (CALSSA) members. Based on feedback collected to date and research on other related existing solar and storage incentive programs, staff have developed an initial program design that includes a one-time, upfront incentive and an annual performance incentive; the performance incentive will be based on SDCP managing a daily dispatch of the participating batteries. Staff are drafting a Program Manual in addition to developing battery and installer requirements to ensure the highest quality for SDCP customers. At the February 2024 CAC meeting, Staff solicited feedback on the initial program design.

Staff anticipate bringing the final program design to the March 2024 Board meeting prior to the anticipated program launch in Q2/Q3 2024.

### **Disadvantaged Communities–Single-Family Affordable Solar Homes (“DAC-SASH”) Readiness Pilot**

The DAC-SASH Readiness Pilot was launched with GRID Alternatives (GRID) in April 2024 upon finalization of the pilot Guidelines. The Guidelines stipulate how GRID will implement the pilot and provide no-cost roof repairs or replacement to homes that are otherwise eligible to participate in the DAC-SASH program. By providing repairs or replacement of roofs, GRID will be able to enroll more homes in the DAC-SASH program and complete more solar system installations within SDCP’s service territory. GRID is now working to identify eligible homes and homeowners and is focusing their targeting techniques on homes within the Transformative Climate Communities (TCC) project area to support the TCC grant. The identification work is expected to continue through August 2024. Roof repair/replacement work may be completed simultaneously for eligible homes and may continue into March 2025. Staff will meet with GRID monthly to keep track of the progress of the pilot and ensure success.

### **Solar for Our Communities**

Since securing California Public Utilities Commission (CPUC) approval for SDCP’s solicitation documents in August 2023, staff have proactively pursued the implementation of the Disadvantaged Communities Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) programs, with the aim of delivering renewable energy access to disadvantaged communities. Following the issuance of the Request for Offer (RFO) on August 25, 2023 to 1,555 pre-qualified vendors, staff facilitated a Q&A session on November 3, 2023 to address developer inquiries. While formal offer submissions are yet to be received, proactive engagement with potential developers suggests strong interest, particularly in DAC-GT projects. Staff have implemented a comprehensive outreach strategy to maximize program outreach. This strategy included hosting three well-attended webinars (56 participants), actively engaging in relevant conferences, and



launching the dedicated "Solar for Our Communities" webpage, a centralized resource hub for developers featuring program information and essential materials.

The deadline for RFO submissions was on February 24, 2024. Staff have followed up with RFO respondents as necessary from February 26 to March 25, 2024 and have sent supplier notification for SDCP’s short list selection in April. The evaluation team have begun reviewing offers in early May 2024 and anticipate completing the evaluation by June 2024 in time for FY25.

Objective Key Results (OKRs)

The Programs Department propose the following metrics to track budget performance in the upcoming year. The Programs Team will be actively leading efforts to develop a Regional Energy Network (REN) in San Diego. REN program offerings can include residential and commercial energy efficiency, workforce education and training, and public sector support, among other focus areas.

In addition to the potential funding from forming a REN, we anticipate programs to be funded through the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA); both of which we are monitoring closely and are central in our efforts to bring federal funding to San Diego.

Department Highlights

- Increases positions to eleven by the end of FY25 to position SDCP to have an increased focus on customer programs including a Program Manager - Transportation Electrification.
- Potential new pilot programs in FY25 including customer program pilot projects and community grants.
- \$35K Operating Budget allocated to Programs department for General and Administrative costs.
- \$15.2M of Total CIP fund will be allotted for FY25 including the below programs:
  - Residential Solar + Storage Incentive Programs – Incentives
  - Customer Program Pilot Projects
  - C&I Incentive Program
  - Community Grants from
  - CDFA
  - DERMS Software Platform
  - Customer Education Platform
  - C&I Application Assistance Program
  - Building and Housing Stock Analysis (BHSA)
  - Procurement Support - DAC-GT / CSGT
  - Outreach & Materials - DAC-GT / CSGT
  - Information Technology & Billing Operations - DAC-GT / CSGT
  - PUC Energy Efficiency Program Launch Costs
  - Member Agency Grants
  - Regulatory Compliance - DAC-GT / CSGT

Department Positions

	FY24 Actual	FY25 Approved
Programs	*8.0	*11.0

TABLE 14: PROGRAMS POSITIONS

\*1 position was externally funded in FY24. 3.8 positions are externally funded in FY25.

## Department Organizational Structure

PROGRAMS
Colin Santulli
Sheena Tran Timothy Treadwell Emily Fisher Nelson Lomeli Alyson Scurlock Tessa Tobar *Programs Operations and Proposal Manager

\*Position authorized in FY24.

**FIGURE 40: PROGRAMS ORGANIZATIONAL STRUCTURE**

# Regulatory and Legislative Affairs

## Mission and Services

Under the strategic leadership of the COO and the operational oversight of the Director of Regulatory and Legislative Affairs, the Regulatory and Legislative Affairs team is responsible for advancing SDCP's policy interests before the California Legislature as well as the agencies that impact energy policy in California, including the California Public Utilities Commission (CPUC), the California Energy Commission (CEC), the California Air Resources Board (CARB) and the California Independent System Operator (CAISO). The Regulatory and Legislative Affairs team is also responsible for overseeing compliance with various orders, statutes and regulations that are implemented by these agencies. Lastly, the team tracks developments and funding opportunities coming out of the Federal government such as the Infrastructure and Investment Jobs Act (IIJA) and the Inflation Reduction Act (IRA) that will have impacts in California and the San Diego region.

On the regulatory affairs front, our team monitors over 35 regulatory proceedings at the CPUC, CEC and CARB to determine how and where to engage strategically as necessary. For some proceedings, we work with external regulatory counsel and consultants to develop policy positions and regulatory filings. On other proceedings, we work with the California Community Choice Association (CalCCA), our trade association, to ensure that their filings are reflective of our policy positions and serve the interests of SDCP. Our CEO is on the Executive Committee of the CalCCA for the 2024-2025 period, and we are a voting member within the CalCCA Regulatory Committee. We further participate in small group policy discussions, which are referred to as Tiger Teams. We also work with ad hoc groups of other CCAs across California to develop filings for issues where there may not be alignment among all CCAs or there are unique interests, such as most recently in the Net Energy Metering proceeding. For all of our regulatory engagement, our team works closely with staff across all departments to best understand the potential implications of approved regulations on SDCP's operations in order to develop our positions and offer solutions.

On the legislative affairs front, we participate as a voting member on the CalCCA Legislative Committee, where we analyze bills and vote on policy positions for CalCCA to lobby. SDCP will generally be in alignment with positions taken by CalCCA, however, SDCP has in the past teed up legislative positions on bills that CalCCA was unwilling to confront. SDCP also has a California based lobbyist who diligently represents our interests in Sacramento. Our lobbyist also helps us develop and maintain key relationships, including with our legislative delegation as well as key decisionmakers at the CPUC, CEC and in the Governor's Office.

On the compliance front, we have a spreadsheet inventory of compliance obligations, which include comprehensive planning documents and regular data requests from various state agencies. Our team ensures that we plan for and meet all of these obligations through coordination with the relevant internal teams. Many of these obligations are handled by an external consultant, Pacific Energy Advisors, and some are handled by outside regulatory counsel, while others we develop and execute in house.

## San Diego Community Power Legislative Platform

San Diego Community Power's (SDCP) Legislative Policy Platform (Platform) serves as a guide to the SDCP Board of Directors and SDCP staff in their advocacy efforts and engagement on policy matters of interest to SDCP. The Platform allows both Board members and staff to pursue actions at the local, regional, state and federal legislative levels in a consistent manner and with the understanding that they are pursuing actions in the best interest of the organization and its mission, its member agencies, and its customers. The Platform enables the organization to move swiftly to respond to issues before Legislature and Executive Branch agencies including California Public Utilities Commission (CPUC), the California Energy Commission (CEC), California Independent System Operator (CAISO), and the California Air Resources Board (CARB) so that SDCP's views can be heard on important matters in a timely fashion. This Platform is applicable to statewide referenda, grant funding opportunities, and local ballot initiatives. The Platform provides guidance to the Chief Executive Officer on support or oppose positions that should be taken on legislative matters identified by the SDCP Director of Regulatory and Legislative Affairs and the California Community Choice Association (CalCCA) Board of Directors.

The Platform outlines the legislative priorities and stances of SDCP with the intent to inform customers, representatives, and policymakers on the myriad of public policies that intersect with SDCP's priorities, programs, and services.

SDCP has three major legislative priorities:

1. Accelerating Deep Decarbonization, including electrification of buildings and the transportation sector;
2. Promoting Local Development, and
3. Stabilizing Community Choice.

SDCP support of legislation will be contingent upon that legislation adhering to these legislative priorities as well as SDCP's organizational goals and priorities. Moreover, SDCP supports any and all policies that will preserve or enhance the ability of SDCP to promote these priorities at the local level.

Any questions regarding this Platform can be directed to Laura Fernandez, Director of Regulatory and Legislative Affairs, at [lfernandez@sdcommunitypower.org](mailto:lfernandez@sdcommunitypower.org).

### General Legislative Principles

SDCP has three general legislative principles. These priorities serve as the foundation for all actions SDCP will take, including the lobbying for policies that promote those same guiding priorities. Public policy encompasses a myriad of subject and topic areas. However, as these policies intersect at the local level, they have the ability to impact SDCP revenues, programs, and/or administrative discretion and control. SDCP will support policies that accelerate deep decarbonization, promote local development, stabilize community choice, or any combination thereof. If a given policy does not meet these criteria, SDCP will oppose, support with amendments, or in some cases take no stance on that policy or legislation. The General Legislative Principles for SDCP are:



## Accelerating Deep Decarbonization

- Support the creation or expansion of federal, state, and local policies, programs and funding that enable SDCP to provide 100% renewable energy by 2035 or sooner to customers within its service territory as well as contribute to the State's efforts to reduce greenhouse gas emissions, including through building electrification and transportation electrification.
- Oppose any legislation, policies, programs, referenda, unfunded mandates and budgets that would have an adverse impact on SDCP's ability to advance decarbonization through its procurement, programs, projects, and services.

## Promoting Local Development

- Support any legislation, policy, funding, referenda, and budgets that enhance community choice energy providers' ability to invest in local clean energy, distributed energy resources, grid resiliency, zero-emission transportation, all while promoting equity in the communities that it serves.
- Oppose any legislation, policy, funding, referenda, and budgets that limit or undermine SDCP's ability to invest in local clean energy, distributed energy resources, zero-emission transportation, all while promoting equity in the communities that it serves.

## Stabilizing Community Choice

- Support any legislation, policies, funding, referenda, and budgets that maintain or improve the stability of community choice energy providers by ensuring regulatory structure is equitable and enables Community Choice Aggregators (CCAs) to meet their mission and goals. Maintaining local decision-making authority, including rate-setting authority and procurement of energy, is a key pillar for this stability.
- Oppose any legislation, policies, funding, referenda, and budgets that undermine or circumvent CCAs and impede the ability of SDCP to achieve its mission and goals or its value proposition.

The list of policy positions below is by no means exhaustive. In addition to the general legislative priorities, SDCP takes the following more specific public policy positions:

- I. Governance and Authority
  - a. Oppose legislation that limits the local decision-making authority for CCAs, including rate-setting authority and procurement of energy and capacity to serve their customers.
  - b. Oppose legislation that limits SDCP's ability to effectively serve its customers.
  - c. Support legislation that makes it easier for other cities and counties that are not served by a publicly owned utility to form a CCA, become members of SDCP or other CCAs, and oppose legislation that restricts that ability.

## II. Deep Decarbonization

- a. Advocate for and support legislative efforts to accelerate deep decarbonization of the energy sector, transportation and the built environment.
- b. Advocate for and support legislative efforts to support and expand access to transportation and building electrification.
- c. Advocate for and support efforts to ensure flexibility in program design so that local data and local needs directly inform program offerings.
- d. Support state funding for electric vehicle infrastructure grant programs.
- e. Advocate for and support legislative efforts to provide incentives to support communities of concern achieving deep decarbonization.

## III. Environmental Justice

- a. Support legislation that supports the ability of communities of concern in the SDCP service area to have affordable, reliable and clean energy.
- b. Support legislation that strengthens the resilience of vulnerable communities to the impacts of climate change.
- c. Support legislation that enables all communities, including emerging and historically marginalized communities in California, to participate in deep decarbonization efforts.
- d. Support legislation that would take into account the concept of social cost of carbon.
- e. Support legislation and initiatives that would reduce local air pollution, reduce other negative local impacts associated with energy production, and boost adoption of distributed energy resources within communities of concern.
- f. Oppose legislation and initiatives that have the potential to disproportionately and negatively impact communities of concern.

## IV. Environmental Sustainability

- a. Support legislation and initiatives that increase funding for the creation of sustainable and stable energy supply infrastructure.
- b. Support legislation and initiatives that encourage the conservation of energy resources as well as the development of dynamic load-shifting capabilities.
- c. Support legislation and funding for renewable and advanced energy technology that increase efficient consumption.
- d. Support legislation and funding for pilot energy and resource efficiency programs.
- e. Support legislation and initiatives with the goal of reducing and mitigating the effects of climate change and building local resiliency.

- V. Investor-Owned Utility (IOU) Charges and Exit Fees - Power Charge Indifference Adjustment (PCIA)
- a. Support efforts that seek to eliminate exit fees including the PCIA or wind down exit fees within a reasonable time frame.
  - b. Support efforts to minimize the cost of the PCIA generally and minimize its impact on SDCP's rates.
  - c. Support CalCCA efforts to increase the transparency of IOU electricity contracts that provide the basis for PCIA charges.
  - d. Support legislation that would bring stability to the PCIA and/or provide new mechanisms for CCAs to securitize PCIA charges.
  - e. Support legislation that advances ratepayer equity.
  - f. Oppose legislation that would increase or expand exit fees on CCA customers.
- VI. Resource Adequacy
- a. Support legislation by CalCCA to implement the recommendations from Working Group 3 via statute.
  - b. Oppose legislation that would supplant CCAs' procurement authority for Resource Adequacy.
  - c. Support reform of the CPUC Resource Adequacy program to allow for stability in the resource adequacy value of existing resources.
  - d. Advocate for and support efforts to remove barriers to demand response, microgrids and behind the meter resources to provide Resource Adequacy.
- VII. Non-by passable Charges
- a. Oppose legislation that restricts or limits SDCP's ability to procure its own energy products to meet state policy goals.
  - b. Support legislation that promotes a level playing field between CCAs and other market participants.
  - c. Support legislation that enhances the flexibility of CCA programs to support statewide procurement policy and develop and expand programs, local options, and rate design to support SDCP's community and customers.
- VIII. Community Resilience
- a. Advocate for and support funding for programs implemented by CCAs and their member jurisdictions to increase community resilience to wildfires, public safety power shutoff (PSPS) events and other potential service disruptions.
  - b. Support legislation that reduces barriers to microgrid development by CCAs.
  - c. Oppose legislation that would enable IOUs to be the only developer of microgrids.
  - d. Support legislation that increases development of community-level resources and distributed energy resources that increase resilience and reduce the need for new transmission and distribution infrastructure.

IX. Local Economic Development

- a. Support legislation that is consistent with SDCP's commitment to an inclusive and sustainable workforce.
- b. Support legislation that enhances opportunities for CCAs to promote local economic development through locally designed programs that meet the unique needs of their member agencies, communities, and customers.
- c. Support efforts to enhance development of local and regional sources of renewable energy.
- d. Support legislation that enables CCAs to collaborate with their member jurisdictions on local energy resources and projects to advance environmental objectives.
- e. Advocate for and support efforts to direct federal economic stimulus/recovery funding to CCAs to deliver local energy resources and projects, as appropriate.

X. California Energy Market Structure

- a. Oppose legislation that expands direct access or the ability or economic incentives for electric service providers to selectively recruit CCA or IOU customers.
- b. Support legislation that would create renewable content and environmental standards for electric service providers to match the products offered by CCAs.
- c. Support legislation that changes California's market structures towards innovative models that reduce costs of energy service and support the expansion of carbon-free resources.
- d. Support legislation that advocates for equitable and timely data access/sharing between the IOUs, CCAs and other LSEs to support accurate and timely load forecasts, which aid in overall statewide grid reliability and resiliency efforts.

XI. Finance

- a. Support legislation that enhances the financial standing of CCAs and their ability to receive a positive credit rating.
- b. Oppose legislation that reduces or removes the tax-exempt status of municipal bonds.
- c. Oppose any legislation that would divert CCA revenues to the State or other governmental entities.

XII. Educational, Neighborhood and Social Services

- a. Support legislation that aids or helps to fund SDCP to provide energy support services, education, and opportunities for reducing energy costs to people who are low-income, seniors, veterans, and/or people with disabilities.
- b. Support legislation and initiatives that increase funding for energy efficiency, demand response, solar plus storage, and transportation electrification programs, and energy literacy services.



## Professional Services Agreements

The following key professional services agreements are integral to the performance of the Regulatory and Legislative team:

- Primary external counsel Keyes Fox \$420K
- Newgen Strategies \$333K
- BBSW \$120K
- Federal Lobbyist \$120K
- State Lobbyist \$132K
- Additional general consultant support \$60K

## Objective Key Results (OKRs)

The Regulatory and Legislative Affairs team proposes the following metrics for budget tracking:

- Ensure the power procurement team is not unduly hindered by state mandates to buy particular resources, by lobbying against central procurement and other proposals.
- Ensure that ratemaking autonomy is not infringed upon via mandates by state agencies to offer certain types of rates to customers.
- Ensure that the programs department has flexibility in offering the types of programs it would like to offer to customers and also possibly has outside funding for these programs.

The Regulatory and Legislative Affairs team is successful when we are able to retain procurement, programs and ratemaking autonomy for SDCP. The Regulatory and Legislative Affairs team will also aim to secure federal funding for member agencies or programs, though there is no guarantee our efforts will result in funding. Legislative efforts that we are engaging on are posted on our website, including bills we send position letters on and the status of those bills.

## Department Highlights

- Proactively educate and engage policymakers to develop policies that support SDCP's organizational priorities, including advocacy around PCIA reductions.
- Sponsor and support legislation and regulation that is consistent with SDCP's mission, vision, and goals.
- Develop annual legislative plan to advance and support SDCP objectives and share with local Senate and Assembly members and staff.
- Develop plan to meet more proactively with and educate key decisionmakers (e.g. CEC, CPUC commissioners).
- SDCP is currently individually supporting 7 pieces of legislation introduced in 2024 addition to the 7 bills we engaged on in the first year of the 2 year legislative cycle.
- Updated Policy Platform to include language around Regional Grid integration developments, after thoughtful engagement with labor leaders.
- One new position is recommended. For a Senior Analyst If approved, as they are onboarded, we recommend examining professional services contract spend for a proportional reduction in burn ate.

Department Positions

	FY24 Actual	FY25 Approved
Regulatory and Legislative Affairs	5.0	*5.0

\*0.5 POSITIONS WILL BE EXTERNALLY FUNDED IN FY25

TABLE 15: REGULATORY AND LEGISLATIVE AFFAIRS POSITIONS

Department Organizational Structure

Regulatory & Legislative Affairs
Laura Fernandez
Stephen Gunther Aisha Cissna Patrick Welch *Senior Regulatory Manager

\*Position approved to be hired in FY24.

FIGURE 41: REGULATORY AND LEGISLATIVE AFFAIRS ORGANIZATIONAL STRUCTURE

# Human Resources

## Mission and Services

The Human Resources department serves as a key business partner and peer to the management team in leading and creating initiatives, systems, and best practices to recruit, develop, and train a diverse and high-performing workforce and build an organizational culture that supports advancement of our mission and strategic plans.

The department reviews and refreshes the core human resource functions including hiring processes, onboarding, and performance management. The department works with management to ensure that benefits administration is carried out timely in coordination with our benefit partners, (e.g., Paychex Payroll services, Empower retirement plan platform, risk management.)

## Lead Culture Cultivator

- Collaborates with leadership and staff to build a positive team culture environment where HR and business activities are guided by our principles: Justice, Equity, Diversity, and Inclusion (JEDI); and values: Impact, Integrity, Innovation, Servant Leadership, and Togetherness.
- Identifies JEDI training opportunities and potential outreach partnership programs with resources in the San Diego County area to generate knowledge and interest about SDCP employment opportunities and learning community resources that may be beneficial to HR and SDCP programs. As an example, this may include networking with community colleges to build internship opportunities.

## General Administrator of HR Systems & Staff

- Understands, interprets, and shares relevant labor laws and public agency administration and ensure all people processes, policies, and actions comply with these laws.
- Administers all HR systems with internal support from Finance and SDCP's IT Service provider as needed.
- Reviews current HR systems and explore, and ultimately implement, new systems based on organizational needs. Review current vendor performance, services and contracts as the organization grow to support HR/HRIS reporting, onboarding, group health benefits, risk management/Workers' Compensation, training platforms or training consultants, and staffing/recruiting consultants to identify partners who work to support SDCP organizational needs and objectives.

## Candidate Recruitment, Hiring, and On-Boarding

- Develops and implement targeted recruitment strategies to ensure a robust and diverse applicant pool for all openings.
- Manages the hiring process to ensure consistency across departments and appropriate communication among program, administrative, and fiscal staff.
- Provides on-boarding services and agency orientation to all new staff members and ensure department and/or program level orientations are standardized and effective. Onboarding program will be in partnership with the Hire Managers and executives to insure an effective and welcoming introduction. Onboarding is a SDCP team program.

## Professional Development and Performance Management

- Trains, coaches, and supports managers to navigate evaluation, training, promotion, discipline, termination, and other HR issues.
- Collaborates with managers to update job descriptions across the agency and implement a system for regular review and revision to descriptions.
- Designs and implement an enhanced performance management tool and process for the exchange of employee feedback and evaluation.
- Develops internal staff trainings and identify relevant available external trainings such as required Respectful, Inclusive workplace and harassment prevention. Leadership development tactics are a key development program need.

## Professional Services Agreements

The following key professional services agreements are integral to the performance of the Human Resources team:

- Futura Energy Group \$100K
- A-Star Staffing \$10K
- HR Professional \$20K

## Objective Key Results (OKRs)

San Diego Community Power's Human Resources department has set ambitious OKRs focused on building a strong, inclusive, and innovative workplace. The first objective aims to cultivate a high-performing environment by boosting employee engagement, fostering a culture of respect and trust, and encouraging innovation. The second objective prioritizes talent management through a strategic annual workforce plan, comprehensive training programs, and high completion rates for core training. Building a robust local workforce pipeline also takes center stage, with programs targeting candidates from member cities and partnerships with educational institutions. Finally, the OKRs acknowledge the importance of the Community Advisory Committee (CAC) by focusing on training, participation, and feedback mechanisms to strengthen their contributions to SDCP's mission.



Department Highlights

- In FY25 SDCP will have an internal Human Resources team for the first time since conception.
- HR department will manage SDCP employee benefits, hiring and general administration of staff, including Board and CAC Members.
- SDCP will review Futura Energy Group contract regarding professional services or potential in housing of services. This is the largest professional service contract for HR.

Department Positions

	FY24 Actual	FY25 Approved
Human Resources	3.0	4.0

TABLE 16: HUMAN RESOURCES POSITIONS

Department Organizational Structure

Human Resources
Chandra Pugh
Charlene Hoffman Bria Betz

FIGURE 42: HUMAN RESOURCES ORGANIZATIONAL STRUCTURE

# Legal

## Mission and Services

The Legal Department directly reports to the Board of Directors, serving as a vital resource for staff and leadership. They consistently assess and monitor risk factors, communicating these to executive management in support of SDCP's mission and strategic plans. The department provides legal counsel and ensures compliance with local, state, and federal laws, covering contract and transactional law, municipal law, and employment law.

The Department at San Diego Community Power (SDCP) is instrumental in guiding the organization through the complexities of legal compliance, ensuring that all business decisions are in line with local, state, and federal laws. General counsel's expertise extends to employment law, managing contracts, benefits, and workplace policies to maintain a fair and lawful working environment. Through vigilant oversight and collaboration with various SDCP departments, the Legal department upholds a secure and compliant operational framework, significantly contributing to the organization's success and integrity.

## Legal Duties

- Monitor and provide the requisite legal services and advice within SDCP and ensure that SDCP is fully represented in any judicial, administrative, regulatory, or similar action or proceedings.
- Assist SDCP to develop, maintain, or modify policies and procedures as to be in compliance with or in conformance with applicable law.
- Keep fully informed on all legislation and regulatory developments affecting SDCP's operations and pertinent developments in corporate and regulatory legal matters, and where needed, inform, and advise affected SDCP management of changes in law that materially affect SDCP's business or transactions.

## Professional Services Agreements

The following key professional services agreements are integral to the performance of the Legal team:

- Best Best & Krieger \$200K
- Employment Counsel \$100K
- External Counsel \$50K
- Public Contracting Counsel \$50K

## Objective Key Results (OKRs)

The Legal Department at SDCP has crafted a set of OKRs to enhance its operational efficiency and internal collaboration. Aiming to streamline processes, the department is focused on reducing the time required for contract approvals and legal consultations, thereby accelerating decision-making, and improving overall efficiency. In parallel, the department is dedicated to informing and collaborating with other departments, promoting a unified approach to legal and regulatory compliance. Integral to these objectives is the commitment to uphold the highest standards of legal compliance, which includes a thorough evaluation of cost-effectiveness of the Professional Service Agreements. These strategic OKRs are pivotal in driving the department's contribution to SDCP's mission and ensuring its continued success.

Department Highlights

- SDCP in-housed a General Counsel to establish and lead the Legal Department.
- General Counsel plans to hire Attorney to provide support.

Department Positions

	FY24 Actual	FY25 Approved
Legal	1.0	2.0

TABLE 17: LEGAL POSITIONS

Department Organizational Structure

Legal
Veera Tyagi

FIGURE 43: LEGAL ORGANIZATIONAL STRUCTURE



# Budget by Level 2 and Level 3





# Budget by Level 2 and Level 3

## Operating Revenue

SDCP's sole source of revenue currently is from the retail sale of electricity to its customers. Revenue budgeted for FY 2024-25 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base as well as for the majority of the residential customer base.

SDCP offers four service levels to its customers which, taken together, ultimately comprise the source of ratepayer funds for the agency.

- PowerOn, our standard service offering which provides a minimum of 50% renewable power and is competitively priced to San Diego Gas & Electric (SDGE)
- Power100, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a \$0.01/kWh adder to the PowerOn service.
- Power100 Green+, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, only available to commercial and industrial customers, and is currently priced at a \$0.02/kWh adder to the Power On service.
- PowerBase, our economical service whose renewable content is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 2.5% discount compared to SDG&E's rates currently in effect as of March 1, 2024, for the period from July through December 2024.

Additional assumptions for net operating revenue include:

- Enrollment of customers is substantially complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- A 4.5% uncollectible rate which is an increase from the 1% uncollectible rate assumed in all other prior budgets.
- Trifurcation of rates continues to ensure a fair, equitable, and balanced rate structure across customers with differing vintage years.
- Rates remain at the levels adopted by the Board on January 23, 2023, from July 2023 through December 2023 and are reduced from January 2024 to June 2024. A rate reduction, however, is subject to Board approval.

**TABLE 18: OPERATING REVENUE BY BUDGET LEVEL 2 AND LEVEL 3**

	FY24 Amended	FY25 Approved
Gross Ratepayer Revenues	1,365.7	1,233.4
(Less 4.5% Uncollectible Customer Accounts)	(61.5)	(55.5)
Net Operating Revenues	1,304.3	1,177.9

Amounts displayed in millions, \$



# Cost of Energy

SDCP purchases electricity that is generated from renewable sources like solar or wind. The agency purchases enough electricity to cover the needs of our customers. SDG&E delivers that electricity through their existing power lines and continues to provide meter reading, billing and line maintenance to customers.

While San Diego Community Power (SDCP) emphasizes its commitment to clean energy, there are factors that can influence the cost of this energy for SDCP, impacting the overall cost of energy for the company. The following topics are key considerations:

**Market Fluctuations:** Unlike traditional energy sources with more stable pricing, renewable energy sources like solar and wind are subject to fluctuations in the electricity market. This means that during periods of lower renewable energy production or higher demand, SDCP may need to purchase additional power from the market, potentially at a higher cost. These costs can then be passed on to customers.

**Seasonal Variations:** San Diego could experience significant heat waves in the summer months. During these periods, peak electricity demand rises due to increased usage from air conditioning. This can put a strain on renewable energy sources, forcing SDCP to supplement with power from the market, potentially at a premium, similar to market fluctuations.

**Increased Load:** As SDCP serves a growing customer base, the overall demand for electricity (load) increases. To maintain grid reliability, SDCP may need to secure additional power sources, potentially impacting the cost of energy.

Beyond market-driven factors, regulations play a role in SDCP's energy costs such as Resource Adequacy (RA). The California Public Utilities Commission (CPUC) mandates RA requirements. These require SDCP to procure a predetermined amount of electricity based on its projected load. This always ensures a reliable grid with sufficient energy available. Meeting these RA requirements might necessitate purchasing additional power, especially during peak demand periods, potentially at higher costs.

The potential for cost increases due to these factors is a trade-off inherent in pursuing renewable energy. While costs may fluctuate, SDCP's commitment to clean energy aligns with California's sustainability goals.

It's important to note, SDCP strives to offer competitive rates compared to traditional energy providers. They achieve this through various strategies, including long-term power purchase agreements and a diverse renewable energy portfolio to mitigate market fluctuations.

**TABLE 19: COST OF ENERGY BY BUDGET LEVEL 2 AND LEVEL 3**

	FY24 Amended	FY25 Approved
Cost of Energy	1,020.8	1,073.7
Cost of Energy	1,020.8	1,073.7

Amounts displayed in millions, \$

## Professional Services and Consultants

Professional Services and Consultants include SDG&E fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services.

- **Legal/Regulatory Services** – SDCP retains legal counsel to assist with the complex aspects of the regulatory, compliance, power supply contract negotiations as well as its general legal needs. This line item will also allow for the retention of both a state and federal lobbyist to support SDCP’s legislative and regulatory efforts.
- **Technical Support** – SDCP engages consultants to assist with rate setting, policies, joint rate comparisons with the IOU, load analysis, and a scheduling coordinator. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing a number of other market and regulatory requirements. As SDCP grows its internal staff, it will look to in-house portions of this service.
- **Other Services** – SDCP contracts or plans to contract for IT Services, Audit services (data and financial), Accounting services, and other services as needs. SDCP continues to examine if these services are more cost effective or efficient to bring in-house and, in particular, SDCP is growing its IT function in house and expecting a reduction in its IT Services professional services agreement.
- **SDG&E Service Fees** – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The rollout of all enrollment phases add significant costs compared to FY 2024-25. The fees cover SDG&E’s costs associated with meter reading additional data processing and bill coordination as mandated and regulated by the California Public Utilities Commission (CPUC). There are also numerous small fees associated with data requests.
- **Data Management** – Broad scope of services that includes all “back office” billing data validation, bill coordination with SDG&E, call center services and billing technical support, customer enrollment database management, move- in/move-out services, customer research for enrollment support, and many support functions related to data reporting. With full enrollment from all phases, the cost for Data Management will be higher compared to prior fiscal years.

**TABLE 20: PROFESSIONAL SERVICES AND CONSULTANTS BY BUDGET LEVEL 2 AND LEVEL 3**

	FY24 Amended	FY25 Approved
Data Management	13.5	14.6
SDG&E Fees	3.4	3.4
Legal/Regulatory	1.5	2.1
Other Services	2.1	2.7
Technical Support	1.3	2.0
Professional Services and Consultants	22.3	24.8

Amounts displayed in millions, \$

## Personnel Costs

Personnel costs include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. In addition, costs include assumptions from the Board adopted compensation policy including potential merit and cost-of-living increase.

The recruitment strategy includes the addition of approximately 24 new staff members during the FY 2024-25 budget cycle growing the agency to 80 total staff.

**TABLE 21: PERSONNEL COSTS BY BUDGET LEVEL 2 AND LEVEL 3**

	FY24 Amended	FY25 Approved
Salaries	9.1	14.2
Benefits (retirement/health)	1.8	2.5
Payroll Taxes	0.6	1.0
Accrued PTO	0.1	0.9
Personnel Costs	11.7	18.6

Amounts displayed in millions, \$

## Marketing and Outreach

Marketing and Outreach includes expenses for mandatory rate mailers, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP. Marketing and outreach are further broken down into the below Budget Level 3 categories:

**Printing** – The agency is periodically required to send mailers to its customers notifying the community about several aspects of rates including changes to rates through Joint Rate Comparisons.

**Marketing and Communications** – An important focus of SDCP is ensuring the community is informed about SDCP and that we build professional-level name recognition, trust, and education. This also covers the design of all required notifications sent out to customers, opt-out procedures, rate comparisons, as well as other notices or educational or marketing information.

**Partnerships/Sponsorships/Local Memberships** – In addition to required noticing, SDCP performs outreach to educate the community of the benefits of community choice and to encourage awareness of our mission. This will come in the form of media advertising, sponsorships of community events and organizations, mailers, as well as targeted customer communications.

**TABLE 22: MARKETING AND OUTREACH BY BUDGET LEVEL 2 AND LEVEL 3**

	FY24 Amended	FY25 Approved
Printing	2.4	1.2
Partnerships/Sponsorships/Local Memberships	1.2	1.2
Marketing and Communications	0.6	0.7
Marketing and Outreach	4.1	3.0

Amounts displayed in millions, \$

## General and Administration

General and Administration costs include leasing office space, industry fees or memberships (e.g., CalCCA dues), equipment and software, as well as other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, team building, etc.

**TABLE 23: GENERAL AND ADMINISTRATION BY BUDGET LEVEL 2 AND LEVEL 3**

	FY24 Amended	FY25 Approved
Other G & A	5.7	3.8
Cal CCA Dues	0.4	0.5
Rent	0.4	0.7
Partnerships/Sponsorships/Memberships	0.0	0.0
Insurance	0.1	0.1
General and Administration	6.6	5.0

Amounts displayed in millions, \$



# Programs

Given the small size of the Budget Level 2 category for Programs, SDCP is removing this budget category in FY 2024-25.

TABLE 24: PROGRAMS BY BUDGET LEVEL 2 AND LEVEL 3

	FY24 Amended	FY25 Approved
Programs	0.7	0.0
Programs	0.7	0.0

Amounts displayed in millions, \$



# Debt Financing





# Debt Financing

## Credit Facility

On January 23, 2023, the SDCP Board approved a new credit to implement a new line of credit of \$150,000,000 from a JP Morgan credit facility.

The Credit Agreement with JP Morgan provides for a \$150 million multi-use revolving line of credit (LOC). This increased SDCP credit facility is up to a 5-year term from the date of renewal. The funds are available for general corporate purposes with a limit of \$50 million in funds for LOCs, and with a limit of \$100 million for collateral postings and postings for the provider of last resort collateral requirements. Should SDCP require additional credit, SDCP can reallocate the portion available for general corporate purposes to LOCs.

SDCP does not anticipate needing to use its credit facility to finance operations in FY 2024-25 but did satisfy a loan payment of \$37.53 million balance throughout FY 2024-25. Currently SDCP has zero debt.

**TABLE 25: DEBT PAYMENTS**

Year ended June 30, 2024	Beginnings	Additions	Payments	Ending
Bank note payable	37.5	-	37.5	-
Loans payable	-	-	-	-
Total	37.5	-	37.5	-

Amounts displayed in millions, \$

## Debt Considerations

The SDCP Board has taken several important steps to potentially achieve an investment-grade credit rating which include, among many items:

1. Developing a Reserve Policy to increase liquidity;
2. Establishing and funding an Operating Reserve;
3. Adopting strategic goals that build to 180-days cash on hand, ultimately leading to an investment-grade credit rating;
4. Approving rates effective February 1, 2025, that potentially allows SDCP to achieve 180-days cash on hand in calendar year 2025.

After an investment-grade credit rating is achieved, SDCP will have an enhanced ability to issue tax-exempt or taxable bonds to finance ownership in energy generation or energy storage asset. Direct asset ownership may provide the opportunity for SDCP to control energy cost.

SDCP's ability to issue tax-exempt debt to finance an ownership interest in a generating or storage facility is a distinct advantage over investor-owned utilities and direct access providers. There are no specific asset purchases currently under consideration by staff.

The Debt Policy enables SDCP to issue bonds which will ultimately be subject to Board approval as a separate action. The Debt Policy will help SDCP take advantage of ownership opportunities that may arise especially in conjunction with

state or federal funding that might be available, for example, through the federal Inflation Reduction Act of 2022. To date, SDCP has not issued debt.

The Debt Policy articulates:

1. The situations and steps necessary for the issuance of debt;
2. The types of debt that may be issued; and
3. How the debt fits into SDCP’s strategic plan and potential capital investment program.

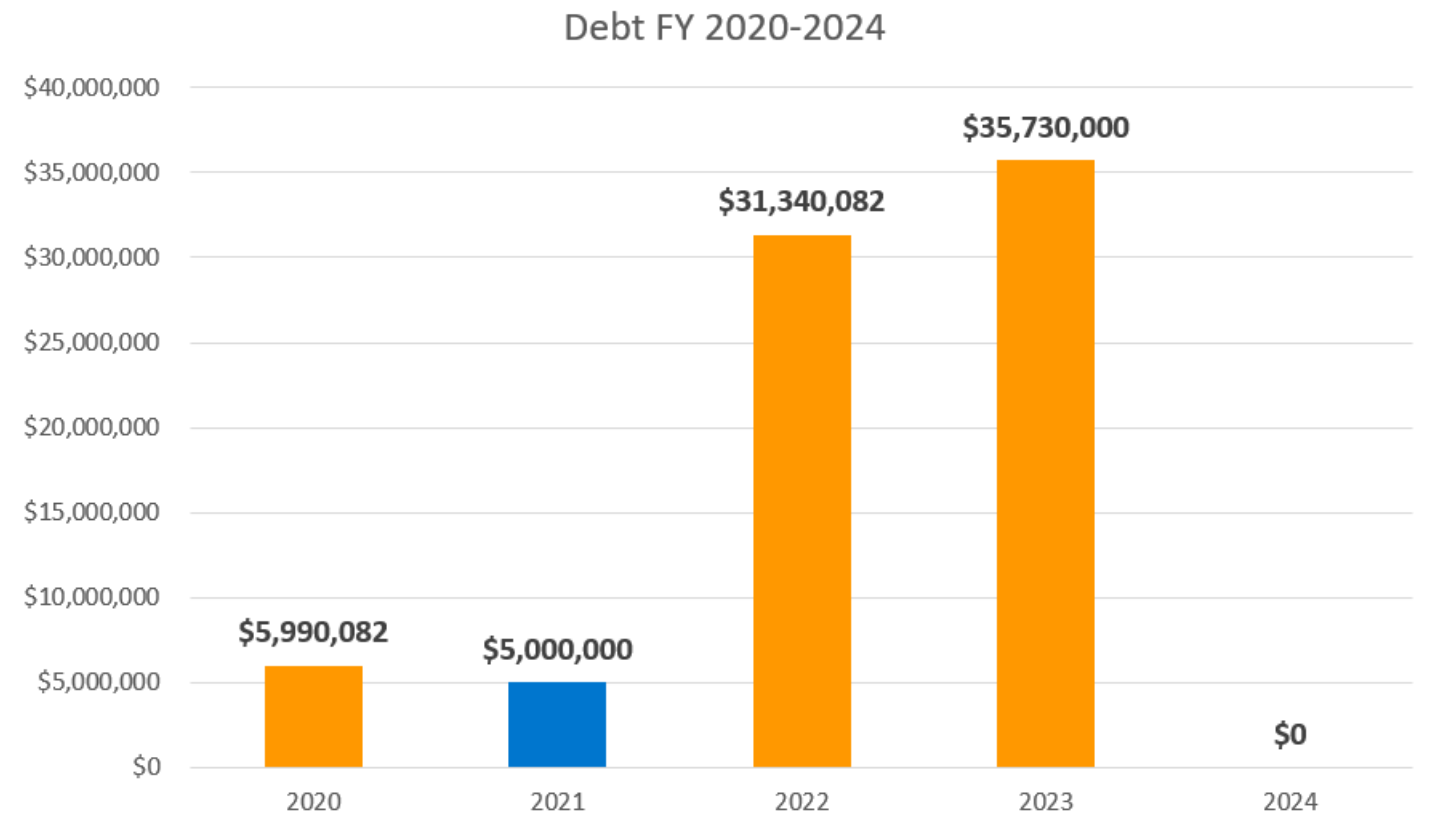
Permitted Debt Types			
SDCP may legally issue both short-term and long-term debt, through either a direct loan or through the public market, using the debt instruments described below.			
Long-Term Debt	Short-Term Debt	Variable Rate Debt	Refunding Debt
<ul style="list-style-type: none"> <li>➤ Finance capital expenditures</li> <li>➤ Structured within expected useful life</li> </ul>	<ul style="list-style-type: none"> <li>➤ Interim funding pending long-term debt</li> <li>➤ Maturity generally less than 7 years</li> </ul>	<ul style="list-style-type: none"> <li>➤ Long-term variable rate debt as needed</li> </ul>	<ul style="list-style-type: none"> <li>➤ Refinance bonds</li> <li>➤ Achieve debt service savings</li> <li>➤ Restructure debt service payments</li> <li>➤ Modify covenants</li> <li>➤ Reduce exposure to counterparties</li> </ul>



**FIGURE 44: SDCP'S PERMITTED DEBT TYPES**

The Debt Policy also includes sections to:

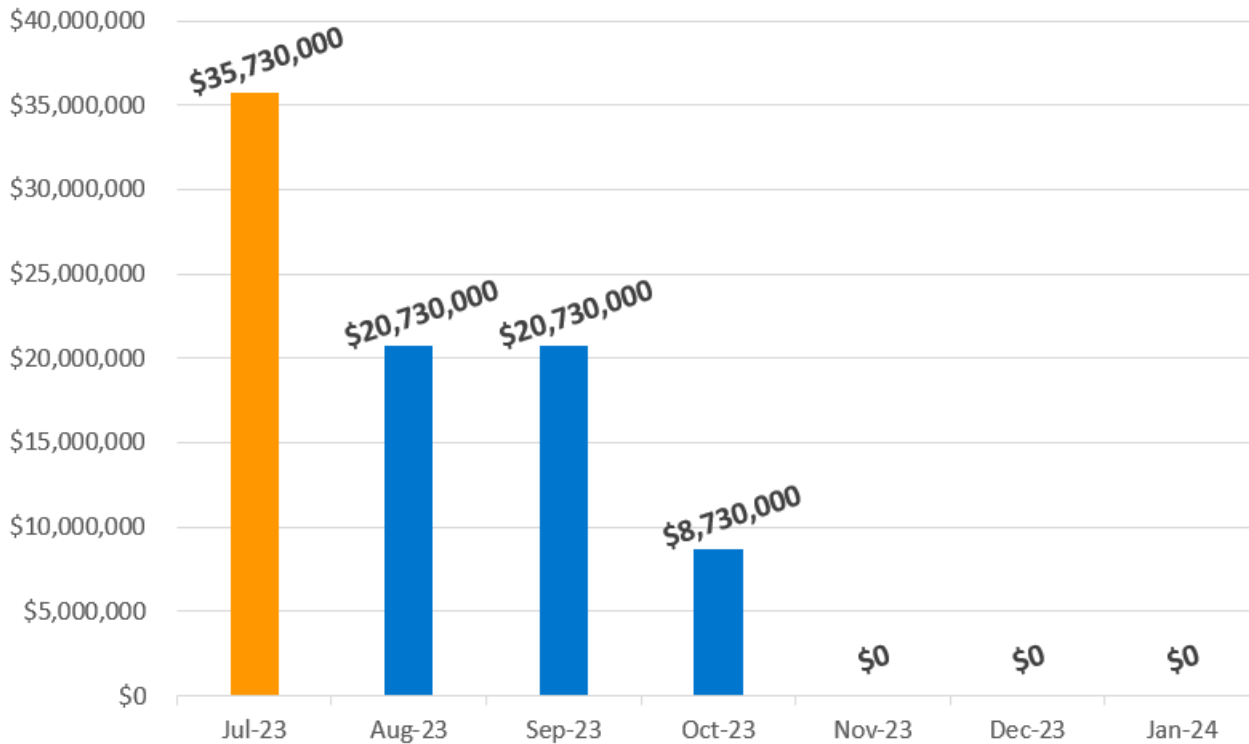
1. Facilitate decision making;
2. Establish basic parameters and principles; and
3. Other aspects to guide future Boards, staff and consultants.



**FIGURE 45: SDCP'S DEBT 2020-2024**



## Debt Through FY24



**FIGURE 46: SDCP'S DEBT MONTHLY**

The SDCP debt policy additionally includes additional requirements as follows:

- **Green Bonds:** To the extent possible, SDCP bond issuances shall be green bonds. A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.
- **1.5x Max Annual Debt Service:** While the specific formulation of the Additional Bonds Test may vary depending on the type of bonds being contemplated, the SDCP will utilize an Additional Bonds which establishes a limitation on new issuances such that the pledged revenues are no less than one and a half times (1.5x) the maximum annual principal and interest and debt service for the aggregate outstanding senior lien bonds including the debt service for the new issuance.
- **5% Annual Debt Service Limit:** The Agency will also seek to maintain aggregate annual debt service on long-term debt at a level not-to-exceed 5% of the Agency's annual total operating expenses. The actual terms and conditions specific to each debt issue will be controlled by the applicable documents.





# Financial Policies



# Financial Policies

## Budget Policy

**Subject:** Budget Policy

**Purpose:** This policy (“Policy”) establishes San Diego Community Power’s (SDCP’s) timeline for annual budget preparation and for discretionary budget adjustments. This Policy is adopted pursuant to Government Code Section 6508 et seq. and must be adopted or amended by resolution.

**Budget Guidelines:**

On October 1, 2019, the Founding Members of SDCP adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021. There are several sections of the JPA that guide the development and management of the budget.

- **Section 4.6 Specific Responsibilities of the Board.** 4.6.2 Formulate and adopt an annual budget prior to the commencement of the fiscal year.
- **Section 7.2 Depository.** 7.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies and procedures.
- **Section 7.3 Budget and Recovery Costs.** 7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of SDCP shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval. Section 4.6.2 of the JPA specifies that the SDCP Board of Directors (Board) shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

**Budget Preparation:** The Chief Financial Officer (CFO) begins the annual budget process in February of any given year. The Finance department develops initial revenue and expense estimates and updates its short-term financial plan. In March and April, SDCP staff develop and refine budget proposals to develop an initial budget baseline for the Agency for the upcoming budget year. The budget is further refined through strategic planning sessions and through the SDCP Finance and Risk Management Committee.

The CFO will then be required to prepare and submit to the SDCP Board of Directors (Board) a draft proposed budget for the next following fiscal year in May, or no later than the second month immediately preceding the start of the respective fiscal year. The budget shall be in alignment with established goals and shall reflect all activities including operating programs, revenues, and expenditures. The budget shall be approved by the Board at a public meeting in June, or no later than the month immediately preceding the start of the respective fiscal year.

**CEO and CFO Authority:** The Chief Executive Officer (CEO) or CFO will have the discretion to authorize expense transfers from line items between and within SDCP's budget level 2 categories as established and approved in the annual budget process by the SDCP Board, provided that net transfers total \$150,000 or less from the budget category.

For example, within the Professional Services and Consultants budget level 2 category, the CFO may authorize that \$150,000 move from the Data Management to the Technical Support budget level 2 categories, provided that the total Professional Services and Consultants budget level 2 category remains the same.

**Table 1.** Example - Expense transfers within budget level 2 categories

<b>Professional Services and Consultants</b>	<b>FY23 Original Budget</b>	<b>FY23 Amended Budget</b>	<b>Change</b>
Data Management	\$ 10,541,810	\$ 10,391,810	\$(150,000)
Legal/Regulatory	\$ 1,330,000	\$ 1,330,000	\$ -
Other Services	\$ 1,111,000	\$ 1,111,000	\$ -
SDG&E Fees	\$ 2,563,226	\$ 2,563,226	\$ -
Technical Support	\$ 1,335,000	\$ 1,485,000	\$ 150,000
<b>Total Prof. Svcs. Expenses</b>	<b>\$ 16,881,036</b>	<b>\$ 16,881,036</b>	<b>\$ -</b>

Additionally, for example, the CEO may authorize that \$150,000 move from the Professional Services and Consultants to the General Administration budget level 2 categories.

**Table 2.** Example – Expense transfers between budget level 2 categories

<b>Budget Level 2</b>	<b>FY23 Original Budget</b>	<b>FY23 Amended Budget</b>	<b>Change</b>
Cost of Energy	\$ 661,638,828	\$ 661,638,828	\$ -
General and Administration	\$ 2,591,363	\$ 2,741,363	\$ 150,000
Marketing and Outreach	\$ 4,164,167	\$ 4,164,167	\$ -
Personnel Costs	\$ 7,951,499	\$ 7,951,499	\$ -
Professional Svcs. and Consultants	\$ 16,881,036	\$ 16,731,036	\$(150,000)
Programs	\$ 1,395,000	\$ 1,395,000	\$ -
Debt Service	\$ 1,314,922	\$ 1,314,922	\$ -
<b>Total Budget Level 2</b>	<b>\$ 695,936,815</b>	<b>\$ 695,936,815</b>	<b>\$ -</b>

The CEO under his or her discretion may still require approval of the Board for any budget changes that may fall under the discretion of the Policy. Amendments to the annual budget as approved by the Board will reset the original appropriation (revenue or expense) for the fiscal year for the purposes of the Policy.

**Balanced Budget:** A balanced budget shall exist when the total projected revenues are greater than or equal to total projected expenses. Total revenues shall include all revenues from retail and wholesale sales of electricity. Total expenses shall include all operating expenses, program expenses, and contributions to reserve funds. Any year-end surplus will be used to maintain reserve levels. Any decrease in revenues and or increase in expenditures that causes the budget to become imbalanced will require an amended budget. The CFO shall prepare a proposed

amended budget and submit to the Board for approval.

## Financial Reserves Policy

**Subject:** Financial Reserves Policy

**Purpose:** San Diego Community Power (SDCP) will maintain Financial Reserves (Reserves) as described in this policy to:

- Meet SDCP's strategic objectives
- Secure, maintain, and/or improve a standalone investment grade credit rating
- Secure favorable terms with vendors, including power producers
- Satisfy working capital requirements
- Adhere to contractual covenants
- Provide funds to cover unanticipated expenditures
- Support rate stability

**Policy Guidelines:**

SDCP's financial reserve goal is to secure 180-days of cash on hand.

The contribution to Reserves is determined through SDCP's annual budget process as defined in the agency's Budget Policy and/or SDCP's rate setting process as defined in the agency's Rate Development Policy. To the extent SDCP is able to meet operational expenses and maintain competitive rates, SDCP will establish rates and adopt budgets with the goal of building and maintaining Reserves at or above the 180- days of cash on hand target level.

**Definitions**

- **Days cash on hand:**  $\text{unrestricted cash and cash equivalents} \times 365 / (\text{operating expenses for the current fiscal year})$
- **Reserves:** Net position
- **Use of Reserves:** A projected or estimated reduction in the amount of reserves by the end of a fiscal year below the sum of the balance of the reserves at the commencement of the fiscal year plus the projected addition to the Reserves in the budget for the current fiscal year.



**Reserve Review:** Reserves and annual contributions will be reviewed on an annual basis as part of SDCP's budget process. Reserves will also be reviewed at the completion of SDCP's annual audit to reconcile the Reserve balance.

**Reserve Distribution:** If reserves exceed the 180-days of cash on hand target level established in this policy, the Board may authorize reserve distributions as follows.

- **Strategic Uses:** Use excess funds for capital projects, financing programs, paying down existing debt, rate reductions, or other strategic purposes.
- **Stabilization Reserve:** Use excess funds to fund a Rate Stabilization Reserve. A Stability Reserve mitigates financial and cost of energy risk due cyclical cost of energy fluctuations and rate shocks and may maintain compliance with financial covenants. The purpose of this reserve would be to provide budgetary stabilization and not to serve as an alternative funding source for new programs.
- **Programmatic Reserve:** Use excess funds to establish a contingency for programs and projects. Specifically, this Reserve could fund unforeseen and unexpected needs such as cost overruns, local leveraging or matching for external funds, or other programmatic needs as required.

#### **Conditions for Use of Reserves**

- Temporary reductions in Reserves for cash flow purposes to even out the expected peaks or dips in revenues and expenditures are normal cyclical occurrences to be expected during the fiscal year, and do not constitute a use of reserves. Transfers to and from Reserves to account for such temporary cash flow fluctuations is within the discretion of the CFO.
- The CEO will have the discretion to authorize the use of reserves during the fiscal year up to the lesser of 10% of the year's total budgeted costs, or \$100 million, for the following purposes:
  1. Cover increases in power supply expenses due to spikes in costs and/or due to higher customer demand;
  2. Meet any margin or collateral posting requirements under energy supply contracts; and
  3. Provide resources to meet emergency expenditures.
- Any further use of reserves as necessary or desirable, must be recommended by CEO to the Board for approval of such use.
- Any use of the reserves under the CEO's authority shall be reported to the Board at the next regularly scheduled meeting.

**Policy Review:** SDCP staff will complete a periodic review of this Financial Reserve Policy to ensure that the policy meets the needs of the organization.

# Procurement Policy

## Purpose

It is in the interest of San Diego Community Power (“SDCP”) to establish administrative procurement practices that facilitate efficient business operations and provide fair compensation and local workforce opportunities whenever possible within a framework of high quality, competitive service offerings.

## Policy

### 1. Procurement of Professional Services

SDCP may contract for professional services, including but not limited to consultant, legal, or design services, in its sole discretion. SDCP shall procure professional services in compliance with the Competitive Procurement Requirements in Section 5 of this Policy. SDCP shall endeavor to secure the highest quality professional services available and is not required to award a contract for services to the lowest proposer.

### 2. Procurement of General Services

SDCP may contract for general services, including but not limited to cleaning or maintenance services, in its sole discretion. SDCP shall procure general services in compliance with the Competitive Procurement Requirements in Section 5 of this Policy. Although SDCP shall not be required to award to the lowest proposer, SDCP staff shall seek to procure general services at the lowest costs.

### 3. Procurement of Supplies

SDCP shall procure supplies in compliance with the Competitive Procurement Requirements in Section 5 of this Policy. Although SDCP shall not be required to award to the lowest proposer, SDCP staff shall seek to purchase supplies at the lowest costs. SDCP is encouraged to jointly procure supplies with other governmental agencies to obtain the lowest cost when possible. In the event one or more SDCP employees are designated as purchasing agents, those individuals shall be included in SDCP’s Conflict of Interest Code as persons who must file an annual statement of economic interest.

### 4. Procurement of Public Works Projects

SDCP shall comply with California Public Contract Code Section 20160 *et seq.* and other applicable laws and regulations when procuring public projects in excess of \$5,000. For purposes of this section, a “public project” shall have the same meaning as defined in Public Contract Code Section 20160, and includes, among other things, projects for the erection, improvement, painting, or repair of public buildings and works.

### 5. Competitive Procurement Requirements

- a. Formal Bidding. SDCP shall issue a request for proposals (RFP), a request for qualifications (RFQ), or similar competitive instrument for the purchase of goods or services in excess of \$125,000 in any given contract year or term. Proposals shall be evaluated in accordance with Section 7 of this Policy. These contracts are subject to Board approval before final execution.

b. Informal Bidding Procedures.

- i. For contracts valued between \$50,000 and \$124,999.99, staff shall solicit informal written proposals from at least three providers, if feasible. An informal written proposal consists of a written proposal that includes the provider's name, address, phone number, professional license number (if applicable), the work to be performed, and the amount of the proposal. A written proposal may be in an electronic format.
- ii. For contracts valued between \$10,000 and \$49,999.99, staff shall solicit informal verbal proposals from at least three providers. Staff shall note the three verbal proposals by including the provider's name, address, phone number, and amount of the verbal proposal in SDCP's records.
- iii. For contracts valued at less than \$10,000, no formal or informal proposals shall be required, but SDCP staff is directed to seek the lowest cost supplies and the highest quality services available.
- iv. The Chief Executive Officer ("CEO"), at his or her discretion, may direct that SDCP solicit competitive procurements through the formal bidding process for contracts under \$125,000.

c. General Provisions. The provisions below shall apply to all methods of procurement described above.

- i. When procuring goods and services utilizing state or federal funds (e.g., grant or loan funds), SDCP shall comply with all state or federal project requirements in securing any goods or services necessary. If there is conflict between the foregoing, the more restrictive requirements shall apply.
- ii. SDCP shall not be required to award a contract to purchase goods or services from the lowest responsible bidder, unless required by California law.
- iii. No SDCP officer or employee shall split purchases into more than one purchase in order to avoid the Competitive Procurement Requirements in this Policy.
- iv. No SDCP officer or employee shall accept, directly or indirectly, any gift, rebate, money or anything else of value from any person or entity if such gift, rebate, money or anything of value is intended to reward or be an inducement for conducting business, placing orders with, or otherwise using the officer's or employee's position to secure a contract with SDCP.

d. Exceptions to Competitive Procurement Requirements.

- i. The Board of Directors may, consistent with applicable law, waive one or more purchasing procedures in this Policy and/or use sole source procurement in its sole discretion.
- ii. Based on the unique facts or circumstances described below and a written justification retained in SDCP's records, the CEO, after consultation with the General Counsel, may waive one or more purchasing procedures in this Policy and/or use sole source procurement if the CEO determines that the best interests of SDCP are served; provided, however, that such method is not in violation of applicable law or policy.

Sole source purchasing is authorized when the goods or services contemplated are capable of being supplied or performed by a sole provider, such as the holder of an exclusive patent or franchise, for purchase of unique or innovative goods or services including but not limited to computer software and technology, or for purchases of goods or services when there is a demonstrated need for compatibility with an existing item or service. Sole source procurement may also be utilized when it is apparent that a needed product or service is uniquely available from the source, or for all practical purposes, it is justifiably in the best interest of SDCP to utilize sole source procurement. The following factors shall not apply to sole source procurements and shall not be included in the sole source justification: personal preference for product or vendor; cost, vendor performance, or local service (this may be considered an award factor in competitive procurements); features that exceed the minimum requirements for the goods or services; explanation of the actual need and basic use for the equipment, unless the information relates to a request for unique factors.

- iii. No competitive procurement shall be required for goods or services valued at less than \$10,000 in any one contract term or contract year.
- iv. No competitive procurement shall be required to rent or lease equipment.
- v. Competitive procurement shall not be required when the contract, goods or services will be provided by another governmental agency. SDCP can rely on the competitive procurement process provided by another governmental agency, provided that such agency's procurement is in compliance with California law.
- vi. In the event of an emergency, the CEO may suspend the normal purchasing and procurement requirements for goods and services related to abatement of the impacts or effects of the emergency.

#### 6. Signing Authority:

SDCP's CEO and designated staff are authorized to execute contracts and related documents in accordance with SDCP's Delegated Contract Authority Policy.

#### 7. RFP/RFQ Issuance and Proposal Evaluation

- a. Proposals received through formal bidding procedures shall be subject to a set of criteria and a scoring system, reviewed and evaluated by relevant SDCP staff and an evaluation committee selected by the CEO or, at the discretion of the Board, members of a designated Board committee. Proposals received shall be evaluated based on competency to perform the scope of work, best fit, price competitiveness, compliance with subsections i (San Diego County Preference) and ii (Other Preferences) below, and other additional criteria added pursuant to SDCP's Inclusive and Sustainable Workforce Policy. The preferences below may not apply to procurements conducted jointly with other public agencies, and shall not apply when prohibited by state or federal statutes or regulations that require award to the lowest responsible bidder. Proposers may only pursue two of the four preferences.
  - i. Businesses with office(s) located in San Diego County and include at least 25% San Diego County residents under their employment shall receive a bonus of up to 5 points or 5% out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit



written information relating to the location of its office(s) in San Diego County and the percentage of San Diego County residents under its employment.

- ii. Businesses certified as disabled veteran business enterprises as by the Supplier Clearinghouse ([thesupplierclearinghouse.com](http://thesupplierclearinghouse.com)) shall receive a bonus of up to 5 points or 5% out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit proof of current, valid certification by the Supplier Clearinghouse. Such proof shall be subject to verification by SDCP.
  - iii. Businesses certified as a Persons with Disabilities business enterprise by the Supplier Clearinghouse or Disability:IN shall receive a bonus of up to 5% or 5 points out of a 100 point scoring system in competitive solicitations. To receive the preference, a proposer must submit proof of current, valid certification by the Supplier Clearinghouse or Disability: IN. Such proof shall be subject to verification by SDCP.
  - iv. Businesses certified as small business by the Department of General Services shall receive a bonus of up to 5% or 5 points out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit proof of current, valid certification by the Department of General Services. Such proof shall be subject to verification by SDCP.
- b. SDCP is committed to the highest standards of responsible behavior and integrity in all of its business relationships. SDCP will consider a company's business practices, environmental record, and commitment to fair employment practices and compensation in its procurement decisions.

#### 8. Nondiscrimination Contract Clause

Each SDCP contract and subcontract shall contain a nondiscrimination clause that reads substantially as follows:

Contractor shall not discriminate on the basis of race, gender, gender expression, gender identity, religion, national origin, ethnicity, sexual orientation, age, or disability in the solicitation, selection, hiring, or treatment of subcontractors, vendors, or suppliers. Contractor shall provide equal opportunity for subcontractors to participate in subcontracting opportunities.

#### 9. Information on Supplier Diversity

Public Utilities Code Section 366.2(m) requires certain community choice aggregators, including SDCP, to annually submit to the CPUC: (1) a detailed and verifiable plan for increasing procurement from small, local, and diverse business enterprises; and (2) a report regarding its procurement from women, minority, disabled veteran, and LGBT business enterprises.

General Order 156 (GO 156), adopted by the California Public Utilities Commission (CPUC), requires certain California public utilities to engage in outreach activities and meet specific procurement goals from women, minority, disabled veteran, persons with disabilities, and LGBT business enterprises. Qualified businesses become GO 156 certified through the CPUC and are then added to the GO 156 Supplier Clearinghouse database ([www.thesupplierclearinghouse.com](http://www.thesupplierclearinghouse.com)).

To assist SDCP with its reporting obligations under Public Utilities Code Section 366.2(m) and with evaluating its supplier outreach and other activities, proposers that are awarded the contract will be asked to voluntarily disclose their certification status with the CPUC Clearinghouse, as well as their efforts to work with diverse business enterprises, including WBEs, MBEs, DVBES, and LGBTBEs.

Except as otherwise expressly provided under this Policy and/or required by applicable state or federal law or funding requirements (including, without limitation, any grant or loan conditions), SDCP shall not use any demographic information received from potential vendors in any way as part of its decision-making or selection process. Rather, SDCP will use such information solely for compliance with its reporting obligations to the CPUC and evaluation of SDCP's outreach and other activities consistent with applicable law. Pursuant to Article I, Section 31 of the California Constitution, SDCP shall not discriminate against or give preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin except as otherwise allowed therein.

#### 10. Procurement of Power and Energy Attributes

SDCP must secure sufficient power resources and energy attributes to serve its customers, comply with State law, and meet SDCP's and its member agencies' goals. SDCP has adopted an Energy Risk Management Policy authorizing certain SDCP staff to enter into power purchase agreements and other agreements to secure power and energy attributes. This Procurement Policy shall not apply to the acquisition of power or energy attributes.

#### 11. Review and Approval as to Form by General Counsel

All SDCP agreements must be approved as to the form and content by the General Counsel or his/her designee prior to signature by any authorized individual.

# Debt Policy

**Subject:** Debt Policy

**Purpose:** This Debt Policy (“Policy”) establishes San Diego Community Power’s (“SDCP”) Debt Policy. The Policy articulates: (1) the situations and steps necessary for the issuance of debt; (2) the types of debt that may be issued; and (3) how the debt fits into SDCP’s capital investment program (CIP), Community Power Plan, integrated resource plan, or strategic policy goals.

This Policy is adopted pursuant to Senate Bill 1029 (Hertzberg, 2016) and Government Code Section 8855 et seq. and must be adopted or amended by resolution. The SDCP Board of Directors (“Board”) is required to adopt a formal Debt Policy before any debt can be used.

## Background

The SDCP Board adopts budgets and establishes and adjusts rates, as appropriate, each fiscal year to provide sufficient revenues to pay all operating expenses, make required payments and comply with commitments on all other debts or financial obligations of the Agency.

SDCP is committed to long-term financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. The SDCP Board further adopted its Strategic Plan on June 23, 2022, which included the goal to adopt financial controls and policies to meet or exceed best practices and manage risk.

SDCP utilizes financial policies that foster financial stability, support fiscal discipline, and enable SDCP to maintain strong investment-grade credit ratings.

This Policy confirms the commitment of the SDCP Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, allowing continuing ready access to the capital markets to achieve the most effective cost of capital within prudent risk parameters. The goals and objectives of this Policy are as follows:

- Maintain cost-effective access to capital markets
- Maintain a prudent level of financial risk
- Preserve future financial flexibility
- Finance capital projects, acquisitions, or improvements in a timely and cost-effective manner
- Manage debt effectively within SDCP Board established objectives and parameters
- Maintain strong credit ratings and good investor relations
- Maintain compliance with all relevant laws, reporting, and disclosure requirements
- Foster integrity in the debt management process

Further, this Policy is intended to comply with the regulatory requirements of California Government Code Section 8855 and Senate Bill 1029 which, among many things, requires debt issuers to adopt a local debt policy governing the issuance of debt and to enhance the management of government financial resources.

### **Scope and Authority**

This Policy shall govern the issuance and management of all bonds and other forms of indebtedness of SDCP, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (“bonds” or “debt”). It also considers certain financial targets which SDCP and its Board may contemplate in the future in order to continue to implement its capital investment program and to support cost-effective borrowing.

While this Policy specifically governs debt issued directly by SDCP, SDCP may consider joint arrangements with other municipal issuers or private parties to finance a project when it serves SDCP’s policy objectives. SDCP is authorized to join together with other municipal agencies to create a separate entity, such as a joint powers authority, to issue debt on behalf of SDCP or the project participants. Typically, joint venture debt is repaid through revenues generated by the project, and SDCP will be liable only for its share of debt service, as specified in a contract executed in connection with the joint venture debt. If the potential for a joint venture does exist, SDCP will examine and negotiate the financial arrangements, obligations, liabilities, tax issues and other factors that may arise in the context of impacts on SDCP and its direct debt obligations using this Policy and financial best practices as guidance. SDCP will comply with state law limitations and in general, avoid joint procurement situations if SDCP lends it credit or enhances the credit of another entity, unless doing so will result in other net tangible benefits to SDCP. Further, as with all SDCP debt, any joint venture debt would be subject to evaluation and authorization of the Board.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets, SDCP programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to best achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the SDCP Board is obtained.

This Policy shall be reviewed at least annually as described below and presented to the SDCP Board for approval of any changes as appropriate. This Policy will remain in effect as amended or restated in the future by the Board.

Notwithstanding anything in this Policy to the contrary, the failure of SDCP to comply with any provisions of this Policy shall not affect the authorization, validity, or enforceability of any debt or other forms of indebtedness that are otherwise issued in accordance with law.

### **Use of Debt**

To achieve its objectives, SDCP may consider debt financing for the construction, acquisition, rehabilitation, replacement, or expansion of physical assets, including real and personal property, equipment, furnishings, and improvements. Debt may also be issued for other Board-approved needs or for the refunding of prior outstanding debt.

For example, SDCP may consider the use of debt to finance ownership interest in generating or storage assets if it is determined to be a cost-effective alternative to a standard power purchase agreement or if asset ownership may afford synergies between SDCP’S other objectives (e.g., resiliency, GHG free energy, etc.) or additional measurable advantages in terms of operational efficiency.

SDCP, under the direction of the Board, will retain full flexibility in determining the best funding approach on a case-by-case basis

### **Types of Debt**

Types of bond issuance, further described in the Appendix, include:

- **New Money:** Debt may be incurred to provide for capital financing for future capital expenditures or reimbursement of prior expenditures.
- **Refunding:** Refunding bonds may be issued to realize debt service savings, restructure outstanding debt, modify covenants, or for other debt management purposes. Absent significant non-economic factors, refunding transactions contemplated solely for debt service savings must produce a minimum aggregate net present value debt service savings of at least 3% of the par value of the refunded bonds, calculated using the refunding issue's true interest cost ("TIC") as the discount rate. SDCP will work with its Municipal Advisor ("MA") to assess potential refunding opportunities.

Bonds may be issued as taxable or federally tax-exempt:

- **Tax-Exempt:** Interest received by bondholders of SDCP's bonds issued on a federally tax-exempt basis is exempt from federal income tax, and so typically may be issued at lower interest rates, reducing SDCP's cost of borrowing. Additional interest rate advantages may be available for bank qualified bonds (where SDCP will issue less than \$10 million of tax-exempt bonds in a year). However, SDCP is limited by federal tax law in the uses of tax-exempt bond proceeds and must comply with additional federal tax law requirements during the full term of any bond issue. Uses of proceeds typically require a governmental purpose and must be spent on capital improvements rather than operating expenses. Tax implications include having reasonable expectations for spending proceeds at the time of issuance, limiting private use of financed projects, and complying with arbitrage restrictions on the bond proceeds.
- **Taxable:** Taxable debt's interest is not exempt from federal income tax, and so is typically issued at higher interest rates than tax-exempt debt. However, the IRS restrictions described above do not apply, and so SDCP may wish to use taxable debt in situations where the project or purpose of borrowing may not meet federal tax law requirements. SDCP may also consider taxable tax credit or direct subsidy bonds, such as Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, etc., that offer lower costs of borrowing to SDCP through the issuance of taxable debt that is supported by federal subsidy payments on the interest expense to SDCP.

### **Method of Sale**

SDCP may choose to issue bonds using either a competitive or negotiated sale process. SDCP may also sell bonds by means of a private placement or direct sale with a financial institution or other accredited investor when this method is expected to result in cost savings or provide other advantages compared to a traditional public offering. SDCP staff will work with its Municipal Advisor to determine the most appropriate method of sale for each issuance. Please see the Appendix for a detailed description of the different methods of sale that SDCP may consider.

### **Structure and Term**



The repayment schedule of a bond issue can vary greatly from one sale to another. The same is true for other debt instruments. SDCP will consider which structures meet SDCP's strategic goals, are cost effective, minimize the new debt's impact on SDCP's overall debt service schedule, future debt capacity, and other factors when deciding how to structure new debt. In addition to debt amortization terms, structuring options may include the addition and procurement of credit enhancement, the establishment of reserves, the use of capitalized interest, and call or redemption options.

In structuring debt service, SDCP shall consider (1) current and forecasted revenues and any anticipated changes to rates, charges and operating expenses, (2) future borrowing plans, (3) meeting the Credit Considerations described in the next section, and (4) feedback from the Municipal Advisor and rating agencies on a structure's potential impacts to SDCP's credit worthiness. Generally, but not a requirement under this Policy, SDCP prefers level debt service over time. SDCP, consistent with tax law, will not structure debt with a maturity date that materially exceeds the average useful life of the assets or improvements being financed.

### **Green Bonds**

To the extent possible, SDCP bond issuances shall be green bonds. A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuing entity's balance sheet, so they usually carry the same credit rating as their issuers' other debt obligations.

### **Credit Considerations**

When SDCP issues debt, the Agency will have to execute certain bond documentation and agreements (herein generally referred to as 'indentures') that will bind SDCP to specific terms or requirements. Generally speaking, SDCP will agree to abide by certain covenants written in the indenture which describes in detail the obligations and responsibilities of SDCP and the rights of the bondholders which are designed to protect bondholders by setting standards by which SDCP agrees to comply. These types of covenants may require SDCP to meet certain requirements or, conversely, may forbid SDCP from undertaking certain activities that would jeopardize SDCP's ability to repay its debt. An indenture defines SDCP's contractual obligations and determines the parameters of SDCP's permissible financial behavior.

The incorporation of effective bond covenants into SDCP's future bond issues and respective documentation signal a commitment to abide by stated financial and operating parameters over the long-term and contribute towards SDCP's ability to maintain strong financial health. Credit ratings are ultimately statements about the likelihood of full and timely debt repayment. Because bond covenants govern an issuer's ongoing financial behavior, the analysis of bond/indenture covenants and their impact on the risk profile of a bond is an integral part of the credit rating process.

Credit ratings are fundamentally forward-looking opinions on the relative default risk associated with a particular issuer and its debt obligations. Credit ratings have a significant impact on the interest rates for SDCP debt, and therefore SDCP will work to address the cost and benefits of obtaining and maintaining strong credit ratings. Depending on the lien structure of the debt, some, or all, of the following factors may be included in its bond documentation in order to obtain and maintain strong credit ratings that would broaden the appeal of and lower the cost of debt issued by SDCP.

- **Debt Service Coverage Ratio:** The ability of an agency to pay debt service (i.e. principal and interest on debt obligations) when due is often measured by how much cash flow is available, after payment of operating expenses, to cover debt service payments (Debt Service Coverage Ratio). Debt Service Coverage Ratio is a common financial metric used in the utility industry and is used by the rating agencies and investors to determine the ability of a utility to fulfill its debt obligations and ensure that the utility generates sufficient revenues to make its debt secure. SDCP's future indentures will likely require cash flow in excess of debt service, or a Debt Service Coverage Ratio greater than 1.0x. Many public agencies target a Debt Service Coverage Ratio in its financial and debt policies higher than the minimum required by its indenture to improve debt ratings and lower their costs of borrowing. Should SDCP establish a minimum Debt Service Coverage Ratio in its future indentures, the Board may consider establishing a target ratio in this Policy that is higher than the legal minimum. Note, that a failure by SDCP to meet a target ratio proposed in this Policy will not result in a default under the indenture so long as the minimum Debt Service Coverage Ratio is achieved.
- **Rate Covenant:** A rate covenant is a promise to set rates or fees at levels that are set to recover sufficient revenues at a designated threshold level to cover operating expenses and debt service payments. This designated threshold level is the same as the Debt Service Coverage Ratio discussed previously. SDCP may develop one or more rate covenants in order to measure and govern operating performance. As noted, future indentures may establish minimum levels of coverage and SDCP's Board-adopted financial policies may establish internal goals that exceed these minimum coverage requirements.
- **Additional Bonds Test:** If SDCP were to issue bonds or other debt obligations, the indentures governing those obligations may have covenants that stipulate whether SDCP may sell additional bonds in the future that share that same pledged revenue stream as security. SDCP may develop conditions or standards in its indentures that describe the parameters whereby SDCP could issue additional bonds (referred to as an "additional bonds test"). This test is intended to ensure that future bond issuance does not reduce bondholder security by placing too high a burden on the revenue stream. The additional bonds test may require that SDCP demonstrate that it has sufficient revenues to meet or exceed the designated Debt Service Coverage Ratio before additional bonds can be issued.

While the specific formulation of the Additional Bonds Test may vary depending on the type of bonds being contemplated, the SDCP will utilize an Additional Bonds which establishes a limitation on new issuances such that the pledged revenues are no less than one and a half times (1.5x) the maximum annual principal and interest and debt service for the aggregate outstanding senior lien bonds including the debt service for the new issuance.

The Agency will also seek to maintain aggregate annual debt service on long-term debt at a level not-to-exceed 5% of the Agency's annual total operating expenses. The actual terms and conditions specific to each debt issue will be controlled by the applicable documents.

- **Reserves:** SDCP may maintain reserves including those in compliance with GASB 62 such as the adopted Operating Reserve Fund to act as a rate stabilization fund that can help mitigate the impacts of revenue variability. Depending on whether or not SDCP incorporates a rate stabilization fund reserve into its indentures, this reserve may be used to help meet Debt Service Coverage Ratio requirements during times of revenue shortfalls. This fund can be a valuable tool to manage and mitigate the risk related to any Debt Service Coverage Ratio requirements included in future indentures and to address revenue and rate volatility. There are other

reserves that the Board may consider adopting in the future that, for example, may be utilized for paying debt service, for funding specific capital projects, or for emergency purposes etc.

- **Additional Ratio Targets:** In the future the Board will continue to monitor this Policy and will establish enhancements to further strengthen the financial ratios and targets of SDCP. For example, while not a ratio included in Indenture covenants, another ratio that can help measure SDCP's financial health and position is the ratio of debt-funded capital to overall capital spending (i.e., debt to pay-go spending). Prudent use of debt financing rather than pay-go funding of capital projects can facilitate better allocation of resources over time and ensure payment equity across generations for the use of long-term assets.

### **Financing Team and Professional Services**

SDCP will assemble a financing team that will provide advice and support for the development and implementation of debt issuance as well as ongoing analysis and support. The financing team will include both SDCP staff and outside professional consultants. When required by SDCP's procurement policy, SDCP will use a competitive process through a Request for Proposal ("RFP") in the retention of professional consultants. Otherwise, SDCP will adhere to its best practices in contracting to procure such vendors. The professional consultants selected by SDCP could be engaged to help develop a credit strategy, issue debt and/or assist SDCP with its compliance with applicable federal and state statutes, and Internal Revenue Code at the time of issuance as well as on a continuing basis. Please see the Appendix for a detailed description of the outside professional consultants SDCP may include on its financing team.

### **Debt Administration**

The Chief Executive Officer ("CEO"), or designee shall make recommendations on budget, stabilization transfers and rate adjustments. The Chief Financial Officer shall be responsible for the administration and implementation of this Policy and will have day-to-day responsibility for structuring, implementing and managing SDCP's debt program.

### **Internal Control Procedures**

When issuing debt, in addition to complying with the terms of this Policy, SDCP shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Please see the Appendix for a detailed description of SDCP's internal control procedures.

### **Post-Issuance Administration**

SDCP will comply with requirements pertaining to initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under Securities and Exchange Commission ("SEC") Rule 15c2-12; tax covenants and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements; and all California State reporting requirements. Please see the Appendix for a detailed description of SDCP's Post-Issuance Compliance Policy and additional information on SDCP's post-compliance procedures.

## **Training**

The Chief Financial Officer shall provide training the members of SDCP staff involved in the tax compliance and the initial or continuing disclosure process in coordination with the CEO, and the SDCP Board regarding their respective responsibilities for disclosure and tax compliance.

The Chief Financial Officer, or designee, shall arrange for periodic disclosure and tax training sessions conducted by SDCP's disclosure counsel or other professionals (e.g., seminars) which shall include education regarding disclosure policies, SDCP's disclosure obligations under applicable federal and state securities and tax laws, and the tax compliance and disclosure responsibilities of SDCP.

## **Policy Review**

In coordination with the CEO, the Chief Financial Officer, or designee, will be responsible for regularly reviewing and updating this Policy, and shall present any recommended revisions to the Board for consideration and adoption.

## APPENDIX

### Permitted Types of Debt

SDCP may legally issue both short-term and long-term debt, through either a direct loan or through the public market, using the debt instruments described below. SDCP in consultation with its internal Counsel, Bond Counsel and Municipal Advisors, shall determine the most appropriate instrument for a proposed debt offering.

SDCP may issue the following types of tax-exempt or taxable Debt:

- **Long-Term Debt:** Long-term debt generally includes debt issued to finance capital expenditures with the objective of structuring repayment within the expected life of the financed asset. Debt may be used as a tool for rate stabilization as repayment of the debt is spread over the useful life of the financed project. Long-term bonds may bear interest at fixed or variable rates or structured with level debt service payments or otherwise with term maturities. Long-term revenue bonds are a type of debt that may be entered into by SDCP and which may be secured by a lien on the revenues of SDCP. SDCP may also enter into long-term loans with state or federal agencies. These loans typically have fixed interest rates. Government loan programs may offer favorable interest rates and terms, and should be considered as alternatives to market rate debt when available. The use of long-term debt will be evaluated with pay-as-you-go capital investment and would not be expected (absent extraordinary circumstances) to fund non-capital operational expenditures or operating deficits.
- **Short-Term Debt:** Short-term debt generally has a maturity of less than 7 years and may take several forms, including notes, commercial paper, direct bank loans and other short-term products with either fixed or variable rates. Short-term debt products are flexible cash management tools that are primarily used to meet interim funding (pending the issuance of long-term debt). When approving short-term debt products, the Board may limit SDCP's percentage of short-term debt when compared to its long-term debt portfolio taking into account future market access, term-out provisions and retail rate stability.
- **Variable-Rate Debt:** In addition to interim financing, which includes commercial paper and similar short-term borrowing programs, it may be appropriate to issue long-term variable rate debt that bears an interest rate that is reset periodically at predetermined intervals, including entering into revolving credit facilities, to diversify the debt portfolio, to reduce interest costs, and to improve the match of variable rate assets (such as short-term investments and reserves) to liabilities. The amount of variable rate debt will generally not exceed a net 20% after consideration of investments and cash equivalents of the outstanding debt portfolio of SDCP.
- **Refunding Debt:** Refunding bonds may be issued to refinance existing bonds to achieve debt service savings, restructure the type of debt outstanding, modify SDCP's covenants to bondholders, restructure future debt service payments, take advantage of market opportunities, or to reduce exposure to certain counterparties. SDCP will work with its Municipal Advisor (MA) to assess potential savings and determine whether refunding bond issuance is warranted. If refunding bonds are being contemplated solely for debt service savings, the refunding should generally result in a reduction in average annual debt service or provide an overall savings target (net of all costs) set by the Board at the time it approves the financing. This savings target may be adjusted depending on the remaining term of the debt or under circumstances where the number of refunding options is then limited by federal tax law.



SDCP may consider the following types of fixed or variable rate debt:

- Revenue Bonds secured by general revenues or project revenues
- Commercial Paper or other Interim Funding Notes
- Capital Leases
- Certificates of Participation/Lease Revenue Bonds
- Installment Sale or Purchase Agreements Revenue Bonds
- Bond or Grant Anticipation Notes
- Tax and Revenue Anticipation Notes
- State and Federal Loans and Grants
- Direct Bank Loans or Lines of Credit
- Public Private Partnerships

This list is not meant to be inclusive of all options that may be available to SDCP as different circumstances may dictate. SDCP may from time to time find that other types of debt would be beneficial to further its purposes and may approve such debt without an amendment to this Policy.

### **Method of Sale**

SDCP may choose to issue bonds using either a competitive or negotiated sale process. SDCP may also sell bonds by means of a private placement or direct sale with a financial institution or other accredited investor when this method is demonstrated to result in cost savings or provide other advantages relative to a traditional public offering. SDCP staff will work with its Municipal Advisor to determine the most appropriate method of sale for each issuance.

- **Competitive Sale:** SDCP may elect to sell bonds in the public market on a competitive basis depending on market conditions, required size of issuance and relative complexity of structure. The Bonds are marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its bid for the securities. SDCP will award the sale of the competitively sold bonds on the basis of the lowest true interest cost basis. Pursuant to this policy, The Chief Financial Officer, or designee, is authorized to sign the bid form on behalf of the SDCP fixing the interest rates on bonds sold on a competitive basis.
- **Negotiated Sale:** SDCP may elect to sell bonds in the public market on a negotiated basis depending on market conditions, required size of issuance and relative complexity of structure. SDCP staff selects the underwriter, or team of underwriters, of its securities in advance of the bond sale on the basis of responses to a proposal review. With the assistance of the Municipal Advisor (MA), SDCP staff works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, SDCP staff will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the Chief Financial Officer or designee will be authorized to sign the bond purchase agreement on behalf of SDCP, fixing the interest rates on bonds sold on a negotiated basis.
- **Private placement:** SDCP may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt

issuance, or if it is determined that access to the public market is unavailable and/or timing considerations require that a financing be completed more quickly than required for a competitive or negotiated sale.

### **Financing Team and Professional Services**

SDCP will assemble a financing team that will provide advice and support for the best execution of each debt transaction. The financing team may consist of multiple parties with distinct responsibilities and is generally comprised of both SDCP staff and outside professional consultants. These outside professional consultants may include:

- **Municipal Advisors:** SDCP shall utilize the services of independent MAs in connection with debt-related issuances or projects. SDCP's MA will not serve as an underwriter on negotiated bond sales of SDCP.
- **Underwriters:** SDCP will utilize an underwriter in the sale of bonds on a competitive or negotiated basis. An underwriter is a financial services firm that acquires (by purchase) bonds for resale in the public bond markets. For a negotiated sale, SDCP will select an underwriter through a request for proposal process; basing the selection on value for SDCP including capital structure, underwriting capabilities, demonstrated expertise and experience as well as proposed fees. SDCP may also select an underwriting firm to act as placement agent in connection with a private placement of bonds. In a competitive sale, bonds are offered for sale at a designated date and time, and multiple underwriters may submit bids. The bonds are awarded to the underwriter (or group of underwriters) that submit the lowest bid.
- **Disclosure Counsel:** SDCP will endeavor to provide complete and appropriate disclosure of financial and legal condition in the issuance of debt. SDCP will also take steps and adopt policies in order to provide for compliance with continuing disclosure requirements. Disclosure counsel, which may be Bond Counsel, shall be responsible for assisting SDCP in the preparation of the Preliminary and Final Official Statements and any other disclosure documents. SDCP will select, through a request for proposal process, and retain qualified and experienced counsel in achieving this objective of appropriate disclosure.
- **Bond Counsel:** SDCP will retain qualified and experienced legal counsel as representation of SDCP to provide the customary opinions required for the issuance of bonds and other financial obligations. Bond counsel shall be responsible for developing the legal documents required for each transaction and draft and review documentation sufficient to provide approving legal opinions. Bond counsel will render customary approving legal and tax opinions for each transaction.
- **Trustee:** SDCP may select through a request for proposal process the services of a financial institution, acting through its trust division, to act as trustee. The trustee may hold, invest and disburse financing proceeds as directed by SDCP. The trustee will act as registrar as well as the paying agent for SDCP debt. The Chief Financial Officer or designee shall monitor the services rendered by the trustee.

### **Internal Control Procedures**

All debt transactions must be approved by the Board of Directors. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made consistent with the following guidelines: (1) compliance with federal tax arbitrage requirements, as applicable; (2) safety of

principal; (3) liquidity; (4) diversity; and (5) return on investment or yield, and may be held as cash. SDCP's Investment Policy guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Treasurer will oversee the investment of bond proceeds consistent with the foregoing guidelines.

Proceeds of debt will be held either by a third-party trustee or by SDCP. The trustee will disburse bond proceeds to SDCP upon submission of one or more written requisitions signed by an authorized SDCP officer. If the funds are held directly by SDCP, they must be held and accounted for in a separate fund or account, the expenditure of which will be documented by SDCP and subject to established internal controls consistent with SDCP's applicable policies and procedures. These procedures will include, in connection with each requisition or expenditure of proceeds held by SDCP, a written record of the particular capital project or program or other expense to which the funds drawn were applied or allocated.

For bond proceeds that are meant to reimburse SDCP for previous expenditures, SDCP staff will provide documentation that conform to tax requirements and other applicable regulations. To support this certification, staff will analyze capital expenditures and establish that requirements are met before the bond issuance takes place and maintain a written record of such analysis and the amount reimbursed to each particular capital project or program or other expense to which such reimbursed proceeds are to be allocated.

For bond proceeds intended to provide funding for ongoing or upcoming capital expenditures, SDCP staff will monitor the expenditure process. Staff will analyze the use of proceeds on an annual basis or more frequently, if deemed appropriate, until the proceeds are completely spent and will perform monitoring and record-keeping in accordance with SDCP's accounting guidelines and other applicable regulatory requirements.

Refunding bond proceeds are generally held by a third-party trustee or fiscal agent to be applied in connection with written directions generally prepared by bond counsel. SDCP will maintain records of the directions to the trustee, and will review of fund statements and other records received from, the trustee.

### **Post-Issuance Administration**

SDCP will comply with requirements pertaining to initial bond disclosure, continuing disclosure, tax-exemption, post-issuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under SEC Rule 15c2-12; tax covenants and related federal tax compliance requirements such as arbitrage restrictions and rebate requirements; and all California State reporting requirements.

- **Post-Issuance Compliance Policy:** SDCP will adopt a Post-Issuance Compliance Policy ("PICP") to provide for ongoing monitoring and reporting with respect to compliance with SEC requirements for publicly offered indebtedness and with tax regulations applicable to tax-exempt debt. The PICP will provide for the federal disclosure requirements, responsibility for reporting, training, and describe procedures for compliance with continuing disclosure agreements entered into for each such series of bonds from the date they are issued until

the bonds are no longer outstanding. The PICP may be administratively adopted and amended without approval of the Board.

- **Financial Disclosure:** SDCP will comply with applicable deliverable obligations and financial disclosure requirements, as specified in any and all bond and debt-related documents. Staff has developed and will maintain an updated schedule of the requirements in compliance with SDCP's internal record-keeping processes. SDCP will post required documents to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") website as required on a timely basis. SDCP, at its discretion, may also post documents voluntarily to EMMA. SDCP will provide financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, financial information using the appropriate channels/policies/procedures. The Chief Financial Officer is responsible for monitoring the compliance by SDCP of applicable disclosure requirements. SDCP also may contract with an outside service provider to monitor disclosure postings.
- **Tax Compliance:** SDCP will comply with applicable federal arbitrage and rebate regulations related to its bonds and other debt instruments. These responsibilities include monitoring the investment and expenditure of bond proceeds, maintaining a system of record-keeping and reporting and contracting for the services of outside arbitrage consultants as necessary. SDCP will establish and implement post-issuance procedures to guide its compliance with these requirements. The Chief Financial Officer is responsible for monitoring the compliance by SDCP of applicable tax requirements for debt issued on a tax-exempt basis.
- **Record Keeping:** A copy of all debt-related records shall be retained at SDCP's offices or otherwise electronically. At a minimum, these records shall include all official statements, bid documents, bond documents/transcripts, indentures, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). The following documents shall be maintained for the term of each issue of bonds (including refunding bonds) plus at least three years:
  - A copy of the bond closing transcript(s) and other relevant documentation delivered to SDCP at or in connection with closing of the issue of bonds;
  - A copy of material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for bond proceeds and evidence as to the amount and date for each draw down of bond proceeds, as well as documents relating to costs paid or reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds;
  - A copy of all contracts and arrangements involving the use of bond-financed or refinanced assets; and
  - A copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.

# Investment Policy

**Subject:** Investment Policy

**Purpose:** The San Diego Community Power (“SDCP”) Investment Policy (“Policy”) establishes investment guidelines for protecting SDCP’s cash reserves, deposits, and investments (“Funds”) while producing a reasonable rate of return on investments.

The Policy articulates: (1) the objectives and priorities for SDCP investments; (2) the types of investments that are permitted and prohibited; and (3) the controls SDCP will implement to ensure assets are protected.

This Policy is adopted pursuant to California Government Code Section (“Section”) 53600-53608 and must be adopted or amended by resolution. The SDCP Board of Directors (“Board”) is not required to adopt a formal Investment Policy by statute, however, it is in the best practice to ensure agency assets are protected.

## Background

On October 1, 2019, the Founding Members of San Diego Community Power (SDCP) adopted the Joint Powers Agreement (JPA) which was amended and restated on December 16, 2021.

Section 3.2.12 of the JPA specifies that the SDCP Board of Directors (Board) may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of SDCP.

Further, Section 4.5.5 of the JPA states that one of the general purposes of the Board is to set policy.

Section 5.10.2(C) of the JPA finally states one of the primary purposes of the Financial and Risk Management Committee (FRMC) is to review and recommend to the Board financial policies and procedures to ensure equitable contributions by Parties consistent with a recommendation for Board approval of the Investment Policy herein. Further, this section states the FRMC may have such other responsibilities as may be approved by the Board, including but not limited to advising the Chief Executive Officer on fiscal and risk management policies and procedures, rules and regulations governing investment of surplus funds, audits to achieve best practices in corporate governance and selection and designation of financial institutions for deposit of SDCP funds, and credit/depository matters.

## Investment Objectives

To the extent possible, investments will align with SDCP’s mission, vision, value, and goals. When managing Funds, SDCP’s primary objectives shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of SDCP, (3) achieve a return on funds invested, and (4) exercise a high standard of care on Funds within SDCP’s control.

- 1. Safety:** Safety of principal is the foremost objective of cash and investment management activities. The investment of Funds shall be undertaken in a manner that seeks to ensure the preservation of principal.
- 2. Liquidity:** The Funds of SDCP shall remain sufficiently liquid to meet all operating needs that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment of Funds in deposits or instruments that are available on demand is recommended.
- 3. Return on Investments:** SDCP’s deposit and investment portfolio shall be designed with the objective of attaining a market rate of return throughout the economic cycle while considering investment risk and liquidity constraints. The return on deposits and investments is of secondary importance compared to the safety and liquidity objectives described in Investment Objectives, Section A and Investment Objectives, Section B, above.



**4. Standard of Care:** SDCP will manage Funds in accordance with the “Prudent Investor Standard” pursuant to California Government Code Section 53600.32 as follows:

“All governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

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<sup>2</sup> All further statutory references are to the California Government Code unless otherwise stated.

## Delegation of Authority

Pursuant to Section 53607, the Board has the authority to delegate the responsibility to manage SDCP's funds to the Treasurer. The Treasurer has authority to appoint Deputy Treasurer(s) as the Treasurer deems necessary to carry the duties in accordance with the Investment Policy.

SDCP may engage the services from one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of SDCP's investment portfolio in a manner consistent with the SDCP's Policy. External investment advisers may be granted discretion to purchase and sell investment securities in accordance investment objective set forth in this Policy.

## Scope

This Investment Policy applies to all funds and investment under the direct authority of SDCP. This Policy does not apply to the investment of bond proceeds, which would be governed by any applicable bond documents and any other funds specifically exempted by SDCP's Board of Directors.

**Acceptable Investment Types:** To the extent possible, investments will align with SDCP's mission, vision, value, and goals.

**1. Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet SDCP's operating and collateral needs and grant requirements. Funds not needed for these purposes may be invested in interest-bearing depository accounts or Federal Deposit Insurance Corporation (FDIC) insured certificates of deposit with maturities not to exceed five (5) years. Banks eligible to receive deposits will be federally or state chartered and will conform to Section 53635.2 which requires that banks "have received an overall rating of not less than 'satisfactory' in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code." As per Section 53652, banks must collateralize the deposits of public agencies in an amount equal to no less than 110% of as currently stated in the value of the deposits. The Treasurer will monitor the credit quality of eligible banks holding SDCP deposits that exceed FDIC insurance limits to ensure the safety of SDCP deposits.

**2. Local Agency Investment Fund (LAIF):** Funds may be invested in the Local Agency Investment Fund established by the California State Treasurer for the benefit of local agencies. LAIF's investments in instruments prohibited by or not specified in SDCP's policy do not exclude the investment in LAIF itself from SDCP list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

**3. US Treasury Obligations:** Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.

**4. Federal Agency Securities:** Funds may be invested in Federal Agency Securities or Government-Sponsored Enterprise (GSE) obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. No more than 20% of the total portfolio may be invested in callable agency securities and no more than 30% of the total portfolio may be invested in any single Agency/ GSE issuer.

**5. Bankers' Acceptances:** Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent of better by at least one NRSRO (Nationally Recognized Statistical Rating Organization). Not more than 40% of the portfolio may be invested in Bankers' Acceptances, and no more than 5% of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.

**6. Negotiable Certificates of Deposit:** Funds may be invested in negotiable certificates of deposit in accordance with the requirements of Section 53601 and 53601.8, and subject to the following limitations:

A. Issued by an entity as defined in Section 53601(i); and

B. No more than 30% of the total portfolio shall be invested in certificates of deposit, no more than 5% of the total portfolio may be invested in any single issuer, and the maximum maturity does not exceed 5 years.

**7. Placement Service Deposits:** Funds may be invested in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Section 53601.8). The full amount of principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to the deposits placed pursuant to this section shall be limited by Section 53601.8.

**8. Money Market Funds:** Funds may be invested in money market funds pursuant to Section 53601(l)(2) and subject to Section 53601(l)(4). No more than 20% of the portfolio may be invested in the shares of any one Money Market Fund. No more than 20% of the total portfolio may be invested in these securities.

**9. Commercial Paper:** of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B:

A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.

B. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.

- No more than 10% of the outstanding commercial paper of any single issuer.
- No more than 25% of SDCP’s investment assets under management may be invested in Commercial Paper. Under a provision sunseting on January 1, 2026, no more than 40% of the total portfolio may be invested in Commercial Paper if SDCP’s investment assets under management are greater than \$100,000,000.
- No more than 5% of the total portfolio may be invested in any single issuer. The maximum maturity does not exceed 270 days.

**10. Medium Term Notes (MTN):** The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. (Section 53601 et seq). The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO. No more than 30% of the total portfolio may be invested in MTNs, no more than 5% of the total portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.

**11. Pass Thru Securities:** Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (Section 53601 et seq) from issuers not defined in sections 3 and 4 of the Acceptable Investment Types section of this policy, provided that: The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO, no more than 20% of the total portfolio may be invested in these securities, no more than 5% of the total

portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer and the maximum maturity does not exceed five (5) years.

**12. Municipal Securities:** include obligations of SDCP, the State of California and any local agency within the State of California,(Section 53601) provided that: The securities are rated in a rating category of “A” or its equivalent or better by at least one nationally recognized statistical rating organization (“NRSRO”)., no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

**13. Municipal Securities;** (Registered treasury notes or bonds) of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California (Section 53601). The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO, no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

**14. Supranationals:** Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. (Section 53601).The securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO, no more than 30% of the total portfolio may be invested in these securities, no more than 10% of the total portfolio may be invested in any single issue and the maximum maturity does not exceed five (5) years.

### **Prohibited Investment Types**

Pursuant to Section 53601.6, SDCP shall not invest Funds in any security that could result in a zero-interest accrual, or less, if held to maturity. These prohibited investments include, but are not limited to, inverse floaters, range notes, or mortgage-derived interest-only strips. The purchase of foreign currency denominated securities is prohibited. The purchase of Crypto Asset Securities is prohibited. The purchase of a security with a forward settlement date exceeding 45 days from the time of the investment is prohibited. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited. Purchasing or selling securities on margin is prohibited. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited. SDCP is prohibited from investing in any company or organization whose business do not align with SDCP’s mission, vision, value, and goals.

### **Investment Portfolio Management**

The term to maturity of any Funds invested shall not exceed five (5) years pursuant to Section 53601. The Treasurer will allocate Funds among authorized investments consistent with the objectives and standards of care outlined in this Policy.

### **Collateralization**

Certificates of Deposit (CDs). SDCP shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a Non-Negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to California Government Code, Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

Bank Deposits. This is the process by which a bank or financial institution pledges securities, or other deposits for the purpose of securing repayment of deposited funds. SDCP shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

### **Risk Management and Diversification**

SDCP's investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks associated with concentrating investments in specific security types, maturity segment, or in individual financial institutions. No more than 5% of the investment portfolio shall be in securities of any one issuer except for U.S. Treasuries, U.S. Government Agency issues, Supranationals and investment pools such as LAIF, and money market funds.

- A. **Credit Risk:** Credit risk, defined as the risk of loss due to failure of the insurer of a security, shall be mitigated by investing in those securities with an "A" or above rating and approved in the Investment Policy and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm SDCP's cash flow.
- B. **Market Risk:** Market risk or interest rate risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by implementing a short term and long-term investment strategies. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of overall investment return.

The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20%) of a Market Benchmark, an index selected by SDCP based on SDCP's investment objectives, constraints and risk tolerances.

### **Credit Rating**

This Investment Policy sets forth minimum credit ratings for each type of security. These credit ratings apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.

Minimum credit ratings:

- A. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one nationally recognized statistical rating organization (the "NRSRO").
- B. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

The monitoring of credit ratings consists of the following procedures:

1. When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, SDCP's Finance Department or external investment adviser will analyze and evaluate the credit rating to determine whether to hold or sell the investment.
2. In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit rating requirement, SDCP's Treasurer will report the rating change to the Finance and Risk Management Committee in the monthly public report. In the same manner, the Finance and Risk Management Committee will be informed on the decision to hold or sell a downgraded security.



3. The Investment Officials or authorized employees involved in the investment process and external investment advisers shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

### **Brokers**

The Treasurer shall endeavor to complete investment transactions in accordance with Section 53601.5, institutions eligible to transact investment business with SDCP include:

- A. Institutions licensed by the state as a broker-dealer.
- B. Institutions that are members of a federally regulated securities exchange.
- C. Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.
- D. Nationally or state-chartered banks.
- E. The Federal Reserve Bank.
- F. Direct issuers of securities eligible for purchase.

Broker/dealers shall be approved by the Chief Executive Officer upon recommendation by the Treasurer. Selection of broker/dealers shall be based upon the following criteria: the reputation and financial strength of the company or financial institution, the reputation and expertise of the individuals employed, and pursuant to the requirements of Section 53601.5. The Treasurer shall require any selected broker, brokerage firm, dealer, or securities firm to affirm that it has not, within any 48-consecutive month period, made a political contribution to any member of the SDCP Board, or any candidate who may join the SDCP Board in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, the Political Reform Act, including section 84308, or any applicable SDCP Policy, as amended from time to time. The selected broker or dealers shall be provided with and acknowledge receipt of this Policy.

### **Losses**

Losses are acceptable on a sale before maturity and may be taken if required to meet the liquidity needs of SDCP or if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregoing interest on the original investment.

### **Delivery and Safekeeping**

The delivery and safekeeping of all securities shall be made through a third-party custodian when practical and cost effective as determined by the Treasurer, or a duly appointed Deputy Treasurer, and in accordance with Section 53608.

The Treasurer shall review all transaction confirmations for conformity with the original transaction and monitor for excessive trading.

### **Ethics and Conflict of Interest**

The Investment Officials or authorized employees involved in the investment process, shall act as custodians of the public trust and will refrain from personal business activities that could conflict with proper execution of the investment

program, or which could impair their ability to make impartial decisions. Investment Officials and any external investment advisers acknowledge that all direct SDCP investments are subject to public review and evaluation.

SDCP Investment Officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

SDCP Investment Officials shall disclose to General Counsel or designee i) any material interests in financial institutions with which they conduct business, and ii) disclose any personal investments with a direct, indirect or beneficial interest totaling \$2,000 or more. Investment Officials shall refrain from undertaking any personal investment transactions with the same individual from the external investment adviser with whom business is conducted on behalf of SDCP.

Investment Officials, pursuant with all applicable laws, shall not accept honoraria, gifts, and gratuities from advisers, brokers, dealers, bankers, or other entity with whom SDCP conducts business.

Any external investment adviser contracted by SDCP will comply with Municipal Securities Rulemaking Board Rule G-37 and shall follow the Investment Adviser Fiduciary Standard established by the U.S. Securities and Exchange Commission.

### **Internal Controls**

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met.

Accordingly, the Treasurer shall establish and maintain internal controls that shall address the following points:

- A. Control of Collusion:** Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.
- B. Clear Delegation of Authority to Subordinate Staff Members:** Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
- C. Delivery-Versus-Payment (DVP):** All investment transactions shall be conducted on a delivery-versus-payment basis.
- D. Safekeeping and Custody:** Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not insured by the FDIC, shall be placed with an independent third party for custodial safekeeping. To protect against potential losses due to failure of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all cash and securities in SDCP's portfolio shall be held in safekeeping in SDCP's name by a third-party custodian, acting as agent for SDCP under the terms of a custody agreement executed by the bank and SDCP. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by SDCP from the custodian listing all securities held in safekeeping with current market data and other information. The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (1) local government investment pools; (2) time certificates of deposit, (3) Local Agency Investment Fund, and (4) mutual funds and money market mutual funds, since these securities are not deliverable.

- E. Avoidance of Physical Delivered Bearer Securities:** Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.
- F. Written Confirmation of Telephone Wire Transfers:** Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party.
- G. Audits:** SDCP's Funds shall be subject to a process of independent review by its external auditors. SDCP's external auditors shall review the investment portfolio in connection with SDCP's annual audit for compliance with the Policy pursuant to Section 27134. The results of the audit shall be reported to the Treasurer.

## Reports

**A. Monthly:** The Treasurer will perform a monthly review of the investment function. Following the commencement of investment transactions, the Treasurer shall submit a monthly report of all investment transactions to the Finance and Risk Management Committee. Investment transactions are defined as the purchase, sale or exchange of securities.

**B. Annually:** The Treasurer will submit an annual report to the Finance and Risk Management Committee within 60 days of the end of a fiscal year providing the following:

- A list of individual securities by investment type, issuer, credit risk rating, CUSIP number, settlement date of purchase, date of maturity, par value and dollar amount invested on all securities, the market value and source of the market value information;
  - A statement that the portfolio is in compliance with this Policy and in accordance with Section 53646 or the manner in which the portfolio is not in compliance; and
  - A statement of SDCP's ability to meet anticipated cash requirements for the upcoming 12 months.
  - The Treasurer shall monitor and evaluate the portfolio's performance relative to the chosen market benchmark(s), which will be included in the Treasurer's annual report. The Treasurer shall select an appropriate, readily available index to use as a market benchmark. Benchmarks may change over time based on changes in market conditions or cash flow requirements.
- C. Annual Review:** This Policy will be reviewed annually by the Treasurer. The Board is authorized to approve changes to this Policy following the review of proposed changes by the Finance Risk Management Committee.

**RESOLUTION NO. 2024-04**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
SAN DIEGO COMMUNITY POWER ADOPTING THE FIRST REVISION TO THE  
SDCP INVESTMENT POLICY**

A. San Diego Community Power (“SDCP”) is a joint powers authority 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 effective on October 1, 2019, and amended on December 16, 2021, (“JPA Agreement”).

B. The JPA Agreement provides that the SDCP Board of Directors (“Board”) may at its discretion adopt rules, regulations, policies, bylaws, and procedures governing the operation of SDCP.

C. The Board has determined that an Investment Policy that comports with the requirements of California Government Code Sections 53600-53608 is in the best interests of SDCP to ensure assets are protected.

D. The purpose of the Investment Policy is to identify (1) the objectives and priorities for SDCP investments; (2) the types of investments that are permitted and prohibited; and (3) the controls SDCP will implement to ensure assets are protected.

E. The SDCP Board proposes to adopt the First Revision to the SDCP Investment Policy, attached hereto as Exhibit A.

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

Section 1. The Board of Directors hereby adopts the First Revision to the SDCP Investment Policy.

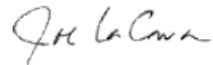
Section 2. This resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the Board of Directors of San Diego Community Power held on June 27, 2024, by the following vote:

**AYES: CHAIR LACAVA, VICE CHAIR LAWSON-REMER DIRECTORS AGUIRRE, HINZE, MCCANN, PARENT AND YAMANE**

**NOES: NONE**

**ABSENT: NONE**



\_\_\_\_\_  
Joe LaCava Chair  
Board of Directors  
San Diego Community Power

ATTEST:

APPROVED AS TO FORM:



\_\_\_\_\_  
Maricela Hernandez, MMC, CPMC  
Secretary, Board of Directors  
Community Power

  
Veera Tyagi (Jun 28, 2024 15:16 PDT)

\_\_\_\_\_  
Veera Tyagi, General Counsel  
San Diego Community Power San Diego

## **Glossary of Investment Terms**

**ASSET BACKED SECURITIES.** Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

**BANKERS' ACCEPTANCES.** A short-term, negotiable, unconditional, and time draft drawn on and accepted by a bank. It is typically used in trade to finance the purchase and sale of goods.

**BENCHMARK.** A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

**BROKER.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

**CALLABLE.** A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

**CERTIFICATE OF DEPOSIT (CD).** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

**CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS).** A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

**COLLATERAL.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

**COLLATERALIZED MORTGAGE OBLIGATIONS (CMO).** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

**COMMERCIAL PAPER.** The short-term unsecured debt of corporations.

**COUPON.** The rate of return at which interest is paid on a bond.

**CREDIT RISK.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

**CRYPTO ASSET.** Digital assets that use public ledgers over the internet to prove ownership. They use cryptography, peer-to-peer networks and a distributed ledger technology (DLT) – such as blockchain – to create, verify and secure transactions.

**CUSIP.** Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most financial instruments, including: stocks of all registered U.S. and Canadian companies, commercial paper, and U.S. government and municipal bonds.

**DEALER.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

**DELIVERY vs PAYMENT (DVP).** A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

**DISCOUNT.** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION.** Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

**DURATION.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

**FEDERAL FUNDS RATE.** The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

**ISSUER.** The entity identified as the counterparty or obligator related to a security trade.

**INVERSE FLOATER.** A bond or other type of debt whose coupon rate has an inverse relationship to a benchmark rate.

**INVESTMENT OFFICIALS.** This includes any applicable SDCP staff participating in the investment process; SDCP Treasurer; SDCP Deputy Treasurer(s); and SDCP Board of Directors.

**LEVERAGE.** Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

**LIQUID.** Term for securities that can be converted to cash quickly.

**LIQUIDITY.** The speed and ease with which an asset can be converted to cash.

**LOCAL AGENCY INVESTMENT FUND (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

**LOCAL GOVERNMENT INVESTMENT POOL.** Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

**MARGIN.** The difference between the market value of a security and the loan a broker makes using that security as collateral.

**MARKET RISK.** The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

**MARKET VALUE.** The price at which a security can be traded.

**MATURITY.** The final date upon which the principal of a security becomes due and payable.



**MEDIUM TERM NOTES.** Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

**MODIFIED DURATION.** The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

**MONEY MARKET.** The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

**MORTGAGE BACK SECURITY.** Debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property.

**MORTGAGE-DERIVED INTEREST-ONLY STRIPS.** A financial product created by separating the interest and principal payments of a mortgage-backed security.

**MORTGAGE PASS-THROUGH SECURITIES.** A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**MUNICIPAL SECURITIES.** Securities issued by state and local agencies to finance capital and operating expenses.

**MUTUAL FUND.** An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).** A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

**NEGOTIABLE CD.** A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

**PREMIUM.** The difference between the par value of a bond and the cost of the bond, when the cost is above par.

**RANGE NOTES.** A structured investment where the coupon is linked to the performance of a reference index

**REPURCHASE AGREEMENT.** Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

**SAFEKEEPING.** A service to bank customers whereby securities are held by the bank in the customer's name.

**SUPRANATIONAL.** A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

**TOTAL RATE OF RETURN.** A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

**U.S. TREASURY OBLIGATIONS.** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**TREASURY BILLS.** All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

**TREASURY NOTES.** All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

**TREASURY BONDS.** All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

**VOLATILITY.** The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

**YIELD TO MATURITY.** The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

# Rate Development Policy

Effective Date: November 17, 2022

## **BACKGROUND:**

San Diego Community Power (SDCP) advocates for ratepayers by providing a choice of electricity providers and shifting control of local energy decisions from profit-driven, incumbent utility into the hands of residents and businesses located in our service jurisdiction. This creates competition in rates that benefits customers, increased transparency and ensures a better overall customer experience.

## **PURPOSE**

This policy provides the framework for SDCP's Board of Directors and staff to ensure SDCP's rate design, development and implementation process remains transparent, fiscally responsible and centered on the customer.

As a public not-for-profit agency, SDCP must, at a minimum, set rates to recover costs associated with debt service and the purchase of power and operational costs. It is in the best interest of SDCP and its customers to design and implement rates that meet revenue requirements as well as targeted reserves, while maintaining rate competitiveness, stability and long-term financial viability.

## **GENERAL CRITERIA**

SDCP has established various objectives and priorities that shall be considered as part of SDCP's rate design process. SDCP's rate setting objectives are as follows:

1. **Cost Recovery**: rates must be sufficient to recover all expenses, debt service and other expenditure requirements.
2. **Reserves**: rates must be sufficient to build prudent reserves in line with [SDCP's Reserve Policy](#), which will provide funds to cover unanticipated expenditures, secure favorable terms with vendors, secure a standalone investment-grade credit rating and meet strategic objectives.
3. **Rate Competitiveness and Customer Value**: rates must allow SDCP to successfully compete to retain and attract customers while offering superior electricity service offerings with higher renewable content compared to the incumbent investor-owned utility.
4. **Rate Stability**: rate changes should be minimized to reduce customer bill impacts with a preference for annual rate adjustments. Additionally, a Rate Stabilization Fund may be established and over time sufficiently funded to help mitigate significant swings in rates.
5. **Equity among customers**: rate difference among customers should be justified by differences in usage characteristics and/or cost of service. Additionally, to the extent possible, rates shall be equalized from a value proposition perspective among customers enrolled during different Power Charge Adjustment Indifference (PCIA) Vintage Years.
6. **Rate Structures**: as new rates are developed, emphasis shall be put on rate-design simplicity and comparability as well as overall customer experience. SDCP reserves the right to design pilot rates as reviewed and approved by the Board.
7. **Transparency**: SDCP's Board will review and approve rates at an open and public meeting held in accordance with the Ralph M. Brown Act. SDCP shall post a copy of the adopted rates in both English and Spanish on its website within 14 calendar days of approval or by the rates' effective date, whichever is sooner. SDCP shall also make any rate design documents promptly available upon request under the California Public Records Act.

8. **Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.
9. **Cost of Service:** SDCP may explore a cost-of-service model for rate design. Cost-of-service studies are used to determine the total costs incurred by a utility in providing service to its customers and the allocation of those costs through rates back to customer classes. Revenue collected from each customer class then may be compared with that class's cost responsibility to determine the extent to which each class is reimbursing the utility for the costs it incurred in providing service.

### **SDCP's RATE SETTING TIMELINE**

SDG&E's Energy Resource Recovery Account (ERRA) application is usually approved by the CPUC in December, which provides the trajectory of bundled service commodity rates including the above market costs and other fees<sup>1</sup> that will be passed on from SDG&E to all customers. Once the ERRA is approved, SDCP staff shall present proposed rates for the year to the Board in January of each year for review, deliberation and approval to be effective no later than February 15. With ever-changing market developments and regulatory climate, there may be instances where SDCP staff also proposes intra-year changes to rates.

To the greatest extent possible, SDCP's rates will be competitive with SDG&E's rates. With each SDG&E and SDCP rate change, both entities are required to work collaboratively to co-publish and post a Joint Rate Comparison on their respective websites to allow customers to easily see how rates compare.

### **IMPLEMENTATION OF SDCP's RATES**

SDCP's rate setting process is and will always be open and transparent to the public. SDCP's Board of Directors, which is composed of a representative from each of its member agencies, will set rates according to agreed-upon strategic goals of SDCP and the cost of service.

Prior to the implementation of new rates, the Board will review and deliberate the proposed rates in a public setting and take comments from the public.

Once the Board approves proposed rates, the rates will be published on SDCP's website in advance of their effective date, giving customers time to compare, budget and better understand what to expect on their bills going forward. For more information on SDCP's rates, visit <https://sdcommunitypower.org/billing-rates/residential-rates/> for residential rates or <https://sdcommunitypower.org/billing-rates/commercial-rates/> for commercial rates.

<sup>1</sup> Fees passed on by SDG&E to "departing load" customers such as SDCP include the Power Charge Indifference Adjustment (PCIA) and Franchise Fees. The PCIA is a charge to ensure that both SDG&E customers and those who have left SDG&E service to purchase electricity from other providers pay for the above market costs for electric generation resources that were procured by SDG&E on their behalf. "Above market" refers to expenditures for generation resources that cannot be fully recovered through sales of these resources at current market prices.

The Franchise Fee is a surcharge applied to electricity transported over SDG&E systems that are constructed in public streets and highways. SDG&E collects the surcharge from customers and remits them to the appropriate municipality.

The surcharge is charged equally to customers regardless of who provides their electric generation.



# Glossary of Terms



# Glossary of Terms

**AB – Assembly Bill** - An Assembly Bill is a piece of legislation that is introduced in the Assembly. In other words, the Assembly, rather than the Senate, is the house of origin in the legislature for the legislation. In California, it is common for legislation to be referred to by its house of origin number (such as, AB 32) even once it becomes law.

**AL - Advice Letter** - An Advice Letter is a request by a CPUC jurisdictional entity for Commission approval, authorization, or other relief.

**ALJ – Administrative Law Judge** - ALJs preside over CPUC cases to develop the evidentiary record and draft proposed decisions for Commission action.

**ARB – Air Resources Board** - The California Air Resources Board (CARB or ARB) is the "clean air agency" in the government of California. CARB is charged with protecting the public from the harmful effects of air pollution and developing programs and actions to fight climate change.

**AReM – Alliance for Retail Energy Markets** - a not for profit corporation that advocates for continued development of successful customer choice in retail energy markets and provides a focused voice for competitive energy retailers and their customers in selected public policy forums on the state level. AREM represented direct access providers such as Constellation NewEnergy and Direct Energy.

**BayREN - Bay Area Regional Energy Network** - BayREN offers region-wide energy programs, services and resources to members of the public by promoting energy efficient buildings, reducing carbon emissions and building government capacity.

**CAISO – California Independent System Operator** - a non-profit independent system operator that oversees the operation of the California bulk electric power system, transmission lines and electricity market generated and transmitted by its members (~80% of California's electric flow). Its stated mission is to "operate the grid reliably and efficiently, provide fair and open transmission access, promote environmental stewardship and facilitate effective markets and promote infrastructure development." CAISO is regulated by FERC and governed by a five-member governing board appointed by the governor.

**CALCCA – California Community Choice Association** – Association made up of Community Choice Aggregation (CCA) groups which represents the interests of California's community choice electricity providers.

**CALSEIA – California Solar Energy Industries** - CALSEIA represents more than 200 companies doing solar-related business in California, including manufacturers, distributors, installation contractors, consultants, and educators. Members' annual dues support professional staff and a lobbyist who represent the common interests of California's solar industry at the Legislature, Governor's Office, and state and local agencies.

**CALSLA – California City County Street Light Association** - statewide association representing cities, counties and towns before the CPUC that is committed to maintaining fair and equitable street light electric rates and facilities charges, and disseminating street light related information.



**CAM – Cost Allocation Mechanism** - the cost recovery mechanism to cover procurement costs incurred in serving the central procurement function.

**CARB – California Air Resources Board** – The CARB is charged with protecting the public from the harmful effects of air pollution and developing programs and actions to fight climate change in California.

**CARE – California Alternative Rates for Energy** - A State program for low-income households that provides a 30% discount on monthly energy bills and a 20% discount on natural gas bills. CARE is funded through a rate surcharge paid by all other utility customers.

**CBE – Communities for a Better Environment** - environmental justice organization that was founded in 1978. The mission of CBE is to build people's power in California's communities of color and low-income communities to achieve environmental health and justice by preventing and reducing pollution and building green, healthy and sustainable communities and environments.

**CCA – Community Choice Aggregator** - A community choice aggregator, sometimes referred to as community choice aggregation, allows local governments to procure power on behalf of their residents, businesses, and municipal accounts from an alternative supplier while still receiving transmission and distribution service from their existing utility provider. CCAs are an attractive option for communities that want more local control over their electricity sources, more green power than is offered by the default utility, and/or lower electricity prices. By aggregating demand, communities gain leverage to negotiate better rates with competitive suppliers and choose greener power sources.

**CSSF – City and County of San Francisco** - The City and County of San Francisco often engage in joint advocacy before the CPUC. San Francisco operates CleanPowerSF, a CCA.

**CEC – California Energy Commission** - the primary energy policy and planning agency for California, whose core responsibilities include advancing state energy policy, achieving energy efficiency, investing in energy innovation, developing renewable energy, transforming transportation, overseeing energy infrastructure and preparing for energy emergencies.

**CEE – Coalition for Energy Efficiency** - non-profit comprised of US and Canadian energy efficiency administrators working together to accelerate the development and availability of energy efficient products and services.

**CLECA – California Large Energy Consumers Association** - an organization of large, high load factor industrial customers located throughout the state; the members are in the cement, steel, industrial gas, pipeline, beverage, cold storage, food packaging, and mining industries, and share the fact that electricity costs comprise a significant portion of their costs of production. Some members are bundled customers, others are Direct Access (DA) customers, and some are served by Community Choice Aggregators (CCAs); a few members have onsite renewable generation.

**CPUC – California Public Utility Commission** - state agency that regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies, in addition to authorizing video franchises.

**C&I – Commercial and Industrial** – Business customers. C&I customers generally consume much higher volumes of electricity and gas. Many utilities segment their C&I customers by energy consumption (small, medium and large).

**CP – Compliance Period** – Time period to become RPS compliant, set by the CPUC (California Public Utilities Commission)

**DA – Direct Access** – An option that allows eligible customers to purchase their electricity directly from third party providers known as Electric Service Providers (ESP).

**DA Cap** – the maximum amount of electric usage that may be allocated to Direct Access customers in California, or more specifically, within an Investor-Owned Utility service territory.

**DACC – Direct Access Customer Coalition** a regulatory advocacy group comprised of educational, governmental, commercial and industrial customers that utilize direct access for all or a portion of their electrical energy requirements

**DA Lottery** – a random drawing by which DA waitlist customers become eligible to enroll in DA service under the currently-applicable Direct Access Cap.

**DA Waitlist** – customers that have officially registered their interest in becoming a DA customer but are not yet able to enroll in service because of DA cap limitations.

**DAC – Disadvantaged Community** - Disadvantaged communities refers to the areas throughout California which most suffer from a combination of economic, health, and environmental burdens. These burdens include poverty, high unemployment, air and water pollution, presence of hazardous wastes as well as high incidence of asthma and heart disease. One way that the state identifies these areas is by collecting and analyzing information from communities all over the state. CalEnviroScreen, an analytical tool created by the California Environmental Protection Agency (CalEPA), combines different types of census tract-specific information into a score to determine which communities are the most burdened or "disadvantaged."

**DASR – Direct Access Service Request** – Request submitted by C&I customers to become direct access eligible.

**Demand** - The rate at which electric energy is delivered to or by a system or part of a system, generally expressed in kilowatts (kW), megawatts (MW), or gigawatts (GW), at a given instant or averaged over any designated interval of time. Demand should not be confused with Load or Energy.

**DER – Distributed Energy Resource** – A small-scale physical or virtual asset (e.g. EV charger, smart thermostat, behind-the-meter solar/storage, energy efficiency) that operates locally and is connected to a larger power grid at the distribution level.

**Distribution** - The delivery of electricity to the retail customer's home or business through low voltage distribution lines.

**DLAP – Default Load Aggregation Point** – In the CAISO's electricity optimization model, DLAP is the node at which all bids for demand should be submitted and settled.

**DR – Demand Response** - An opportunity for consumers to play a significant role in the operation of the electric grid by reducing or shifting their electricity usage during peak periods in response to time-based rates or other forms of financial incentives.

**DRP – Distributed Resource Plans** - plans that are required by statute that are intended to identify optimal locations for the deployment of distributed resources.

**DWR – Department of Water Resources** – DWR manages California’s water resources, systems, and infrastructure in a responsible, sustainable way.

**ECR – Enhanced Community Renewable** - An IOU program that reflects the "Community Solar" model of renewable energy purchasing. Customers sign up to purchase a portion of a local solar project directly from a Developer at a level that meets at least 25% of their monthly electricity demand, but up to 100%. The customer will pay the Developer for the subscribed output, and receive a credit on their utility bill that reflects their enrollment level.

**ED – Energy Division** - The CPUC's Energy Division develops and administers energy policy and programs to serve the public interest, advise the Commission, and ensure compliance with the Commission decisions and statutory mandates.

**EE – Energy Efficiency**- the use of less energy to perform the same task or produce the same result. Energy-efficient homes and buildings use less energy to heat, cool, and run appliances and electronics, and energy-efficient manufacturing facilities use less energy.

**ELCC – Effective Load Carrying Capacity** – The additional load met by an incremental generator while maintaining the same level of system reliability. For solar and wind resources the ELCC is the amount of capacity which can be counted for Resource Adequacy purposes.

**EPIC – Electric Program Investment Charge** – The EPIC program was created by the CPUC to support investments in clean energy technologies that provide benefits to the electricity ratepayers of PG&E, San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE)

**ERRA – Energy Resource Recovery Account** – ERRA proceedings are used to determine fuel and purchased power costs which can be recovered in rates. The utilities do not earn a rate of return on these costs, and only recover actual costs. The costs are forecast for the year ahead. If the actual costs are lower than forecast, then the utility gives money back, and vice versa.

**ES – Energy Storage** - the capture of energy produced at one time for use at a later time to reduce imbalances between energy demand and energy production.

**ESA – Energy Storage Agreement** - means a battery services contract, a capacity contract, demand response contract or similar agreement.

**ESP – Energy Service Provider** - An energy entity that provides service to a retail or end-use customer.

**EV – Electric Vehicle** - a vehicle that uses one or more electric motors for propulsion.

**FCR – Flexible Capacity Requirements** - “Flexible capacity need” is defined as the quantity of resources needed by the CAISO to manage grid reliability during the greatest three-hour continuous ramp in each month. Resources will be considered as “flexible capacity” if they can sustain or increase output, or reduce ramping needs, during the hours of “flexible need.” “FCR” means the flexible capacity requirements established for LSEs by the CPUC pursuant to the CPUC Decisions.

**GHG – Greenhouse gas** - water vapor, carbon dioxide, tropospheric ozone, nitrous oxide, methane, and chlorofluorocarbons (CFCs). A gas that causes the atmosphere to trap heat radiating from the earth. The most common GHG is Carbon Dioxide, though Methane and others have this effect as well.

**GRC – General Rate Case** – Proceedings used to address the costs of operating and maintaining the utility system and the allocation of those costs among customer classes. For California’s three large IOUs, the GRCs are parsed into two phases. Phase I of a GRC determines the total amount the utility is authorized to collect, while Phase II determines the share of the cost each customer class is responsible and the rate schedules for each class. Each large electric utility files a GRC application every three years for review by the Public Advocates Office and interested parties and approval by the CPUC.

**GTSR – Green Tariff Shared Renewables** - The GTSR program enables customers to receive 50 to 100 percent of their electricity demand from renewable sources. The GTSR program has two components: the Green Tariff (GT) component and the Enhanced Community Renewables (ECR) component. Through GT, a customer may pay the difference between their current generation charge and the cost of procuring 50 to 100 percent renewables. With ECR, a customer agrees to purchase a share of a community renewable (typically solar) project directly from a developer, and in exchange will receive a credit from their utility for the customer’s avoided generation procurement.

**GWh – Gigawatt-hour** - The unit of energy equal to that expended in one hour at a rate of one billion watts. One GWh equals 1,000 megawatt-hours.

**ICA – Integration Capacity Analysis** - The enhanced integrated capacity and locational net benefit analysis quantifies the capability of the system to integrate Distributed Energy Resources (DERs) within the distribution system. Results are dependent on the most limiting element of the various power system criteria such as thermal ratings, power quality, system protection limits and safety standards of existing equipment.

**IDER – Integrated Distributed Energy Resources** – A CPUC proceeding that aims to more effectively coordinate the integration of demand-side resources in order to better meet customer and grid needs, while enabling California to attain its greenhouse gas reduction goals.

**IDSMD – Integrated Demand-Side Management** - an approach that joins together all the resources utilities have at their disposal to plan, generate and supply electricity in the most efficient manner possible.

**IEP – Independent Energy Producers** – California’s oldest and leading nonprofit trade association, representing the interest of developers and operators of independent energy facilities and independent power marketers.

**IMD – Independent Marketing Division** - Under state law, IOUs are prohibited from lobbying or marketing on community choice unless the IOU forms an independent marketing division funded by shareholders rather than ratepayers. SDG&E’ and its parent company Sempra were permitted by the CPUC to create such an independent marketing division, which allowed SDG&E to lobby against plans to create a CCA program.

**IOU – Investor-Owned Utility** – A private electricity and natural gas provider, such as SDG&E, PG&E or SCE, which are the three largest IOUs in California.

**IRP – Integrated Resource Plan** – A plan which outlines an electric utility’s resource needs in order to meet expected electricity demand long-term.

**kW – Kilowatt** – Measure of power where power (watts) = voltage (volts) x amperage (amps) and 1 kW = 1000 watts

**kWh – Kilowatt-hour** – This is a measure of consumption. It is the amount of electricity that is used over some period of time, typically a one-month period for billing purposes. Customers are charged a rate per kWh of electricity used.

**LCE – Lancaster Choice Energy** - the CCA that serves the City of Lancaster, California.

**LCFS – Low Carbon Fuel Standard** – A CARB program designed to encourage the use of cleaner low-carbon fuels in California, encourage the production of those fuels, and therefore, reduce greenhouse gas emissions.

**LCR – Local (RA) Capacity Requirements** – The amount of Resource Adequacy capacity required to be demonstrated in a specific location or zone.

**LMP – Locational Marginal Price** – Each generator unit and load pocket is assigned a node in the CAISO optimization model. The model will assign a LMP to the node in both the day-ahead and real time market as it balances the system using the least cost. The LMP is comprised of three components: the marginal cost of energy, congestion and losses. The LMP is used to financially settle transactions in the CAISO.

**LNBA – Locational Net Benefits Analysis** - a cost-benefit analysis of distributed resources that incorporates location-specific net benefits to the electric grid.

**Load** - An end use device or customer that receives power from an energy delivery system. Load should not be confused with Demand, which is the measure of power that a load receives or requires. See Demand.

**LSE – Load-serving Entity** – Entities that have been granted authority by state, local law or regulation to serve their own load directly through wholesale energy purchases and have chosen to exercise that authority.

**LTPP – Long-Term Procurement Rulemaking** - This is an “umbrella” proceeding to consider, in an integrated fashion, all of the Commission’s electric procurement policies and programs.

**MCE – Marin Clean Energy** - the first CCA in California that began serving customers in 2010. They serve customers in Contra Costa, Marin, Napa and Solano counties in Northern California.

**MEO – Marketing Education and Outreach** - a term generally used to describe various strategies to inform customers, such as to motivate consumers to take action on energy efficiency or conservation measures and change their behavior.

**MW – Megawatt** – measure of power. A megawatt equals 1,000 kilowatts or 1 million watts.

**MWH – Megawatt-hour** – measure of energy

**NAESCO – National Association of Energy Service Companies** - – an advocacy and accreditation organization for energy service companies (ESCOs). Energy Service Companies contract with private and public sector energy users to provide cost-effective energy efficiency retrofits across a wide spectrum of client facilities.

**NBC – Non-Bypassable Charge** - fees that are paid on every kilowatt-hour of electricity that is consumed from the grid. These charges can be used to fund things like energy assistance programs for low-income households and energy efficiency programs. These charges apply even if customers buy grid-supplied power from an outside power company such as a CCA.

**NDA – Non-Disclosure Agreement** - a contract by which one or more parties agree not to disclose confidential information that they have shared with each other.

**NEM – Net Energy Metering** – A program in which solar customers receive credit for excess electricity generated by solar panels.

**NRDC – Natural Resources Defense Council** - non-profit international environmental advocacy group.

**NP-15 – North Path 15** – NP-15 is a CAISO pricing zone usually used to approximate wholesale electricity prices in northern California in PG&E’s service territory.

**OIR – Order Instituting Rulemaking** - A procedural document that is issued by the CPUC to start a formal proceeding. A draft OIR is issued for comment by interested parties and made final by vote of the five Commissioners of the CPUC.

**OSC – Order to Show Cause** - order requiring an individual or entity to explain, justify, or prove something.

**ORA – Office of Ratepayer Advocates** - the independent consumer advocate within the CPUC, now called Public Advocates office.

**PA – Program Administrator (for EE Business Plans)** IOUs and local government agencies authorized to implement CPUC-directed Energy Efficiency programs.

**PCE – Peninsula Clean Energy Authority** - CCA serving San Mateo County and all 20 of its cities and towns as well as the City of Los Banos.

**PCC1 – RPS Portfolio Content Category 1** – Bundled renewables where the energy and REC are dynamically scheduled into a California Balancing Authority (CBA) such as the CAISO. Also known as “in-state” renewables.

**PCC2 – RPS Portfolio Content Category 2** – Bundled renewables where the energy and REC are from out-of-state and not dynamically scheduled to a CBA.

**PCC3 – RPS Portfolio Content Category 3** – Unbundled REC

**PCIA or “exit fee”** - Power Charge Indifference Adjustment (PCIA) is an “exit fee” based on stranded costs of utility generation set by the California Public Utilities Commission. It is calculated annually and assessed to customers of CCAs and paid to the IOU that lost those customers as a result of the formation of a CCA.

**PCL – Power Content Label** – A user-friendly way of displaying information to California consumers about the energy resources used to generate the electricity they sell, as required by AB 162 (Statute of 2009) and Senate Bill 1305 (Statutes of 1997).

**PD – Proposed Decision** – A procedural document in a CPUC Rulemaking that is formally commented on by parties to the proceeding. A PD is a precursor to a final Decision voted on by the five Commissioners of the CPUC.

**PG&E – Pacific Gas & Electric** - the IOU that serves 16 million people over a 70,000 square mile service area in Northern California.



**PHC – Prehearing Conference** - CPUC hearing to discuss the scope of a proceeding among other matters. Interested stakeholders can request party status during these.

**Pnode – Pricing Node** – In the CAISO optimization model, it is a point where a physical injection or withdrawal of energy is modeled and for which a LMP is calculated.

**PPA – Power Purchase Agreement** – A contract used to purchase the energy, capacity and attributes from a renewable resource project.

**PRP – Priority Review Project** - transportation electrification pilot projects approved by the CPUC pursuant to SB 350.

**PRRR – Progress on Residential Rate Reform** – Pursuant to a CPUC decision, the IOUs must submit to the CPUC and parties periodic updates on the progress of their efforts to assist customers with residential rate design changes related to rate reform, including tier collapse and transition to a default time of use rate.

**PUC – Public Utilities Code** - California statute that contains 33 Divisions, and the range of topics within this Code includes natural gas restructuring, private energy producers, telecommunication services, and specific municipal utility districts and transit authorities. Primary statute for governance of utilities as well as CCAs in California.

**PURPA – Public Utilities Regulatory Policy Act** - federal statute passed by Congress to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. It was meant to promote energy conservation (reduce demand) and promote greater use of domestic energy and renewable energy (increase supply). The law was created in response to the 1973 energy crisis.

**RA – Resource Adequacy** - Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities—both independently owned utilities and electric service providers—to demonstrate in both monthly and annual filings that they have purchased capacity commitments of no less than 115% of their peak loads.

**RAM – Renewables Auction Mechanism** - a procurement program the Investor-owned Utilities (IOUs) may use to procure RPS eligible generation. The IOUs may use RAM to satisfy authorized procurement needs, for example, system Resource Adequacy needs, local Resource Adequacy needs, RPS needs, reliability needs, Local Capacity Requirements, Green Tariff Shared Renewables needs, and any need arising from Commission or legislative mandates.

**RE – Renewable Energy** - Energy from a source that is not depleted when used, such as wind or solar power.

**REC - Renewable Energy Certificate** - A REC is the property right to the environmental benefits associated with generating renewable electricity. For instance, homeowners who generate solar electricity are credited with 1 solar REC for every MWh of electricity they produce. Utilities obligated to fulfill an RPS requirement can purchase these RECs on the open market.

**RES-BCT – Renewables Energy Self-Generation Bill Credit Transfer** - This program enables local governments and universities to share generation credits from a system located on one government-owned property with billing accounts at other government-owned properties. The system size limit under RES-BCT is 5 MW, and bill credits are applied at the generation-only portion of a customer's retail rate.

**RFO – Request for Offers** a competitive procurement process used by organizations to solicit the submission of proposals from interested parties in response to a scope of services.

**RPS - Renewable Portfolio Standard** - Law that requires CA utilities and other load serving entities (including CCAs) to provide an escalating percentage of CA qualified renewable power (culminating at 33% by 2020) in their annual energy portfolio.

**SB – Senate Bill** - a piece of legislation that is introduced in the Senate. In other words, the Senate, rather than the Assembly, is the house of origin in the legislature for the legislation.

**SCE – Southern California Edison** - the large IOU that serves the Los Angeles and Orange County area.

**SCP – Sonoma Clean Power Authority** - CCA serving Sonoma County and surrounding areas in Northern California.

**SDG&E – San Diego Gas & Electric** - the IOU that serves San Diego county, they own the infrastructure that delivers SDCP energy to customers.

**SGIP – Self-Generation Incentive Program** – A program which provides incentives to support existing, new, and emerging distributed energy resources (storage, wind turbines, waste heat to power technologies, etc.)

**SUE – Super User Electric** - electric surcharge that's intended to penalize consumers for excessive energy use.

**SVCE – Silicon Valley Clean Energy** - CCA serving Silicon Valley Area.

**TCR EPS Protocol – The Climate Registry Electric Power Sector Protocol** – Online tools and resources provided by The Climate Registry to assist organizations to measure, report, and reduce carbon emissions.

**TE – Transportation Electrification** - For the transportation sector, electrification means replacing fossil fuels with electricity as the means of powering light-duty vehicles, medium- and heavy-duty trucks, and buses. The primary goal is to reduce greenhouse gas (GHG) emissions and, ultimately, contribute to mitigating the effects of climate change on the planet.

**Time-of-Use (TOU) Rates** — The pricing of delivered electricity based on the estimated cost of electricity during a particular time-block. Time-of-use rates are usually divided into three or four time-blocks per 24 hour period (on-peak, mid-peak, off-peak and sometimes super off-peak) and by seasons of the year (summer and winter). Real time pricing differs from TOU rates in that it is based on actual (as opposed to forecasted) prices that may fluctuate many times a day and are weather sensitive, rather than varying with a fixed schedule.

**TM – Tree Mortality** - refers to the death of forest trees and provides a measure of forest health. In the context of energy, the CPUC is tasked with utilizing its authority to extend contracts and take actions to authorize new contracts on bioenergy facilities that receive feedstock from high hazard zones.

**TURN – The Utility Reform Network** - A ratepayer advocacy group charged with ensuring that California IOUs implement just and reasonable rates.

**Unbundled RECs** - Renewable energy certificates that verify a purchase of a MWH unit of renewable power where the actual power and the certificate are “unbundled” and sold to different buyers.

**VPP – Virtual Power Plant** – A cloud-based network that leverages an aggregation of distributed energy resources (DERs) to shift energy demand or provide services to the grid. For example, thousands of EV chargers could charge at a slower

speed and hundreds of home batteries could discharge to the grid during a demand peak to significantly reduce the procurement of traditional supply resources.

**VAMO – Voluntary Allocation, Market Offer** - the process for SDG&E to allocate a proportional share of their renewable portfolio to SDCP and other LSEs within the service territory.



# Budget Resolution



# Budget Resolution

**RESOLUTION NO. 2024-03**  
**A RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF SAN DIEGO COMMUNITY POWER**  
**ADOPTING THE FISCAL YEAR 2024-2025 OPERATING BUDGET, THE**  
**FISCAL YEAR 2024-2025 CAPITAL BUDGET, AND THE FISCAL YEAR**  
**2025-2029 CAPITAL INVESTMENT PLAN**

A. San Diego Community Power (“SDCP”) is a joint powers authority 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 effective on October 1, 2019 and amended on December 16, 2021 (“JPA Agreement”).

B. The JPA Agreement provides that SDCP’s fiscal year (“FY”) shall be 12 months commencing each year on July 1 and ending on June 30 the following year.

C. The JPA Agreement further provides that all expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies and procedures.

D. The SDCP Board proposes to adopt the FY 2024-25 Operating Budget and the FY 2024-25 Capital Budget, attached hereto as Attachment A.

E. The SDCP Board further proposes to adopt the FY 2025-29 Capital Investment Plan that provides a comprehensive five-year plan for SDCP’s capital investment expenditures, attached hereto as Attachment B.

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

Section 1. The Board of Directors hereby adopts the FY 2024–25 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2024-25 Capital Budget.

Section 3. The Board of Directors hereby adopts the FY 2025-29 Capital Investment Plan.

Section 4. This resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** at a meeting of the Board of Directors of San Diego Community Power held on June 27, 2024.

AYES: CHAIR LACAVA, VICE CHAIR LAWSON-REMER DIRECTORS AGUIRRE, HINZE, MCCANN, PARENT AND  
YAMANE

NOES: NONE

ABSENT: NONE



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Joe LaCava Chair  
Board of Directors  
San Diego Community Power

ATTEST:



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Maricela Hernandez, MMC, CPMC  
Secretary, Board of Directors  
San Diego Community Power

APPROVED AS TO FORM:



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Veera Tyagi (Jun 28, 2024 15:03 PDT)

Veera Tyagi, General Counsel  
San Diego Community Power







# Acknowledgements

## Finance Department

San Diego Community Power's (SDCP's) Finance department works to maintain a fiscally responsible budget in accordance with SDCP Budget Policy. The department ensures sufficient funding to meet procurement needs, sustain operational needs, and support sustained growth while delivering clean energy to the communities we serve. In addition, the team actively works to build SDCP reserves and develop policies that consider future economic conditions, provides an understandable and transparent operating budget for internal and external users, strives to keep the SDCP Board and staff informed of SDCP's fiscal condition, and develops a budget that will ultimately prioritize people, transparency, and our communities.

### Board of Directors

Councilmember Joe LaCava, Chair  
Supervisor Terra Lawson-Remer, Vice Chair  
Mayor Paloma Aguirre, Director  
Councilmember Kellie Hinze, Director  
Mayor John McCann, Director  
Councilmember Colin Parent, Director  
Councilmember Ditas Yamane, Director

### Finance and Risk Management Committee

Mayor John McCann, Chair  
Mayor Paloma Aguirre, Director  
Councilmember Ditas Yamane, National City

### Community Advisory Committee

#### Chula Vista

- Anthony Sclafani
- (Vacant)

#### County of San Diego

- Peter Andersen
- (Vacant)

#### Encinitas

- Gary L. Jahns
- Tara Hammond

#### Imperial Beach

- Ilian Sandoval
- Kenneth Hoyt

#### La Mesa

- David Harris

- Lauren Cazares

#### National City

- Aida Castañeda, Vice Chair
- Larry Emerson

#### San Diego

- Eddie Price, Chair
- Matthew Vasilakis

#### SDCP Executive Team

Karin Burns, Chief Executive Officer  
Eric Washington, Chief Financial Officer and Deputy  
Chief Executive Officer/Treasurer  
Jack Clark, Chief Operating Officer  
Veera Tyagi, General Counsel  
Byron Vosburg, Chief Commercial Officer<sup>3</sup>

### Finance Department

Eric Washington, Chief Financial Officer and Deputy  
Chief Executive Officer/Treasurer  
Tim Manglicmot, Senior Finance Manager  
Christopher Stephens, Procurement Manager  
Diana Gonzalez, Risk Manager  
Christopher Do, Financial Analyst  
Julissa Mercedes, Financial Analyst  
Kevin Bateman, Financial Analyst

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<sup>3</sup> Formerly titled Managing Director Power Services