



FISCAL YEAR  
**2025**  
**2026**



SAN DIEGO COMMUNITY POWER

# Operating Budget

**Fiscal Year 2025–2026**

Resolution 2025-06

Final Adopted June 26, 2025



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished*  
*Budget Presentation*  
*Award*

PRESENTED TO

**San Diego Community Power  
California**

For the Fiscal Year Beginning

**July 01, 2025**

*Christopher P. Monell*

**Executive Director**

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# How to Use This Book

The San Diego Community Power (Community Power) Fiscal Year (FY) 2025–2026 operating budget contains agency budgetary and fiscal policy information as well as detailed operating budgets for agency divisions. The adopted operating budget is organized into the following sections:

## Executive Summary

Includes the Chief Executive Officer's Letter and the Executive Summary of the adopted 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 adopted operating budget.

## Overview

Provides a high-level overview of Community Power'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 Community Power's adopted 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 Community Power's budget development and implementation as well as high-level financial data summarizing Community Power's adopted budget. The tables detail changes over a two-year period: FY 2024–2025 Amended Budget and the adopted FY 2025–2026 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 Community Power'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, including applicable Community Power policies as well as a glossary of commonly used terms.





# A Letter from the Chief Executive Officer

At San Diego Community Power, we are shaping a future that is both sustainable and equitable. As a not-for-profit public agency and Community Choice Aggregator (CCA), we were created to bring competition to the local energy marketplace, offering cleaner energy at competitive rates and reinvesting revenues back into our communities.

Since launching in 2021, we've grown significantly in both reach and impact. In 2024, we remained focused on our mission: delivering reliable, clean power at competitive rates while advancing programs that make a tangible difference for our customers.

Affordability and long-term value remain central to our strategy. In February 2025, we reduced rates for the second year in a row — thanks to prudent financial planning and favorable market conditions — providing most customers with a discount compared with San Diego Gas & Electric's electricity generation rates.

Every decision we make, from lowering rates to expanding service options, is grounded in the needs of our customers and communities. Last summer, we introduced two new service options: **Power100 Green+**, for commercial customers seeking the highest level of renewable energy, and **PowerBase**, a more affordable option that still meets California's clean energy standards

Even as we deliver near-term savings, we continue to plan for long-term energy security and stability. The broader power market remains volatile, shaped by a constrained statewide resource supply and uncertain federal tax credit and trade policies. Our Power Services team is navigating these challenges through disciplined procurement and long-range planning.

To date, we've executed 17 long-term power purchase and energy storage agreements that will deliver reliable, renewable electricity to nearly 1 million homes and businesses across our region. These investments not only support our goal of 100% renewable energy by 2035, but also help insulate customers from future price spikes.

In 2024, we marked a major milestone with the ribbon cutting of the **Vikings Solar and Storage Project** in Imperial County. Developed by Arevon, with Community Power as the offtaker, Vikings is more than just a solar generation site. As one of the first utility-scale solar peaker plants in the United States, the project is designed to keep the lights on and costs down when demand is at its highest — powering the equivalent of 50,000 San Diego homes with clean, affordable energy. It exemplifies our broader procurement strategy: securing long-term renewable power while creating local and regional economic opportunity.

In addition to expanding customer choice and value, we've made progress on delivering innovative solutions that support customers across the region. Last summer, we launched our largest customer program to date, **Solar Battery Savings**, which offers upfront and performance-based incentives for home battery systems that boost resilience and reduce grid demand during peak hours. The program was recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report* as a model for customer-centered innovation in distributed energy.

We also secured approval from the California Public Utilities Commission to launch the **San Diego Regional Energy Network (SDREN)** in partnership with the County of San Diego. SDREN will generate nearly \$125 million in energy efficiency resources for the region through 2027 and marks the final major population area in California to establish a Regional Energy Network.



As we grow, we're also investing in the internal systems and strategic planning necessary to scale effectively, operate efficiently and remain accountable to the public.

The FY 2025–2026 adopted budget reflects these priorities, with a focus on smart investment and sustainable growth:

- 1. Expanding Programs and Incentives** — Scaling Solar Battery Savings and launching the SDREN portfolio to support clean energy adoption, equity and resilience
- 2. Capital Investment Planning** — Advancing our Capital Investment Plan to guide infrastructure development and ensure transparency
- 3. Stable, Competitive Rates** — Maintaining affordability through disciplined operations, long-term procurement and financial foresight
- 4. Customer-Centered Services** — Deepening engagement, broadening access and tailoring offerings to meet diverse community needs
- 5. Organizational Sustainability** — Strengthening our internal capacity to support long-term strategy and service delivery
- 6. Fiscal Sustainability** — Continuing to work toward our reserves goals to ensure long-term financial strength

As we look ahead, our focus remains on driving measurable impact: accelerating the region's clean energy transition, supporting local climate goals and building a more just and resilient energy system. With the continued leadership of our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to power the path toward a cleaner, more resilient future — together.

Thank you for your continued trust and partnership.



*Karin Burns*

Chief Executive Officer  
San Diego Community Power

01

# Overview of San Diego Community Power



# Overview of San Diego Community Power

## Who We Are

San Diego Community Power is a Community Choice Aggregator (CCA) that gives customers an option to power their homes and businesses with significantly higher levels of renewable power at competitive rates. Since 2021, Community Power has grown to serve nearly 1 million residential, business and municipal power customers in the cities of San Diego, Chula Vista, Encinitas, Imperial Beach, La Mesa and National City as well as the unincorporated communities of San Diego County.

Community Power is a not-for-profit public agency that provides affordable clean energy and invests in its local communities to create an equitable and sustainable future for the San Diego region.

Learn more at [www.sdcommunitypower.org](http://www.sdcommunitypower.org).

## Our Story

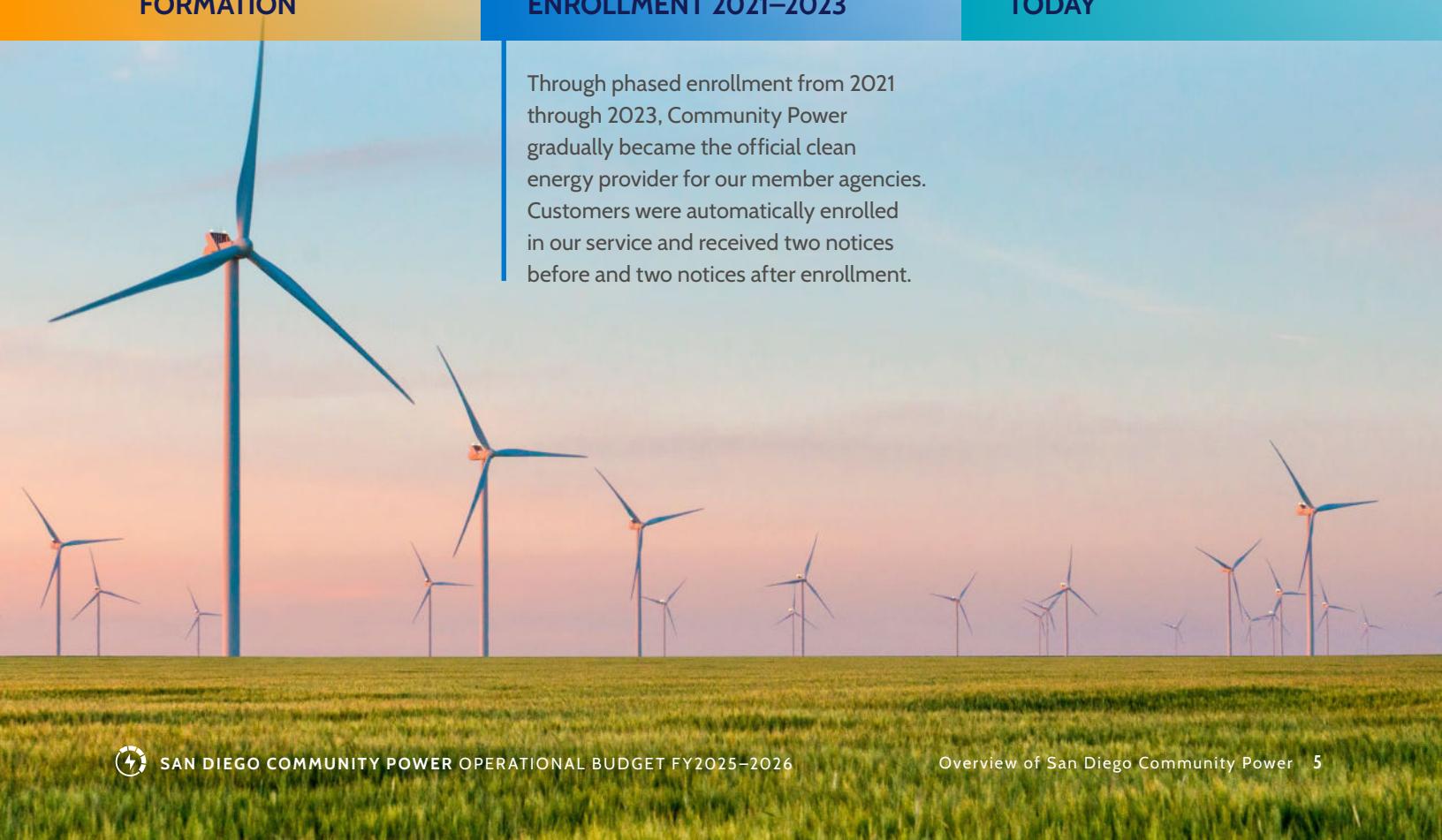
With support from local communities, Community Power was established as a Joint Powers Authority by five cities within the San Diego region. Community Power submitted an implementation plan to the California Public Utilities Commission, outlining the intended organizational structure, operations and funding. Once approved, our Board of Directors began to meet regularly, and implementation activities began. In 2020, a sixth city and the County of San Diego elected to join Community Power.

Community Power serves nearly 1 million customers with competitively priced clean energy; we are beginning to offer customer programs and rebates as well as supporting San Diego County's energy efficiency goals through the San Diego Regional Energy Network (SDREN).

### FORMATION

### ENROLLMENT 2021–2023

### TODAY



Through phased enrollment from 2021 through 2023, Community Power gradually became the official clean energy provider for our member agencies. Customers were automatically enrolled in our service and received two notices before and two notices after enrollment.

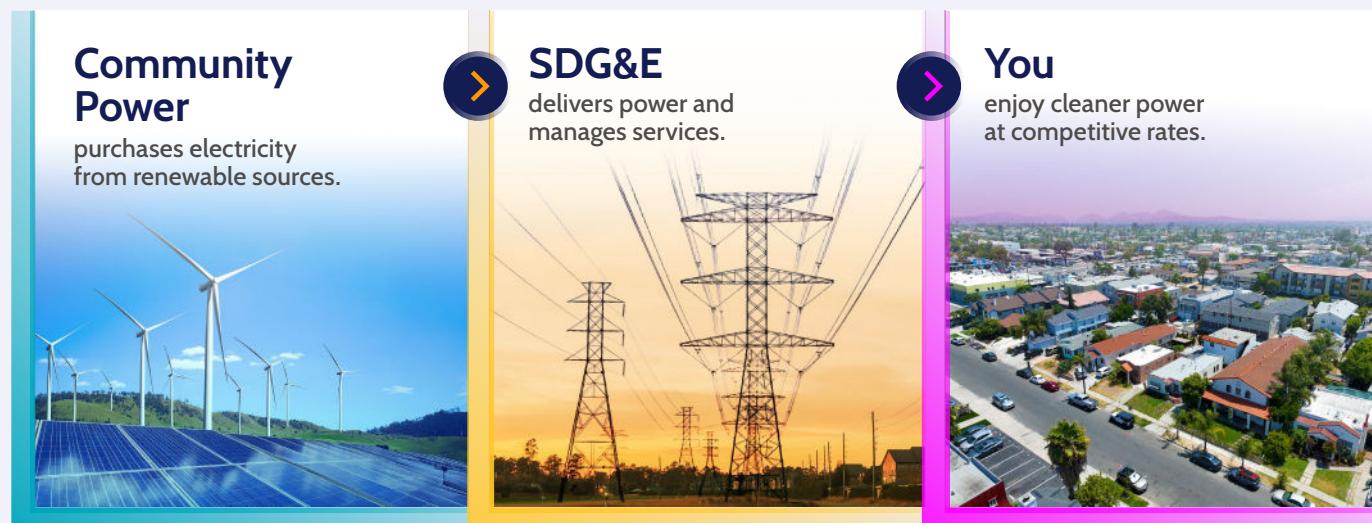


## About Community Choice

San Diego Community Power is a Community Choice Aggregator (CCA) — one of dozens that have formed throughout California over the past 20 years. There are currently 25 CCAs serving over 14 million customers in California.

Through CCAs, communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local clean energy projects and programs on behalf of their residents and businesses. CCAs like Community Power work in partnership with the region's existing investor-owned utilities (SDG&E in our case), which continue to deliver power and maintain the grid.

## How It Works



CCAs are making good on their commitments to invest in new renewable energy facilities throughout California. To date, CCAs have contracted for more than 18,000 megawatts (MW) of new clean generation capacity through long-term power purchase agreements (PPAs) with terms of 10 years or more. CCA PPAs equate to:

- More than 18 gigawatts (GW) of new solar, wind, energy storage, geothermal and demand response resources
- Projects totaling more than 7,900 MW that are already operational and serving CCA customers
- More than \$37 billion committed by CCAs to build and operate clean energy resources
- Support for more than 36,000 construction jobs

FIGURE 1. CCAS IN CALIFORNIA



02

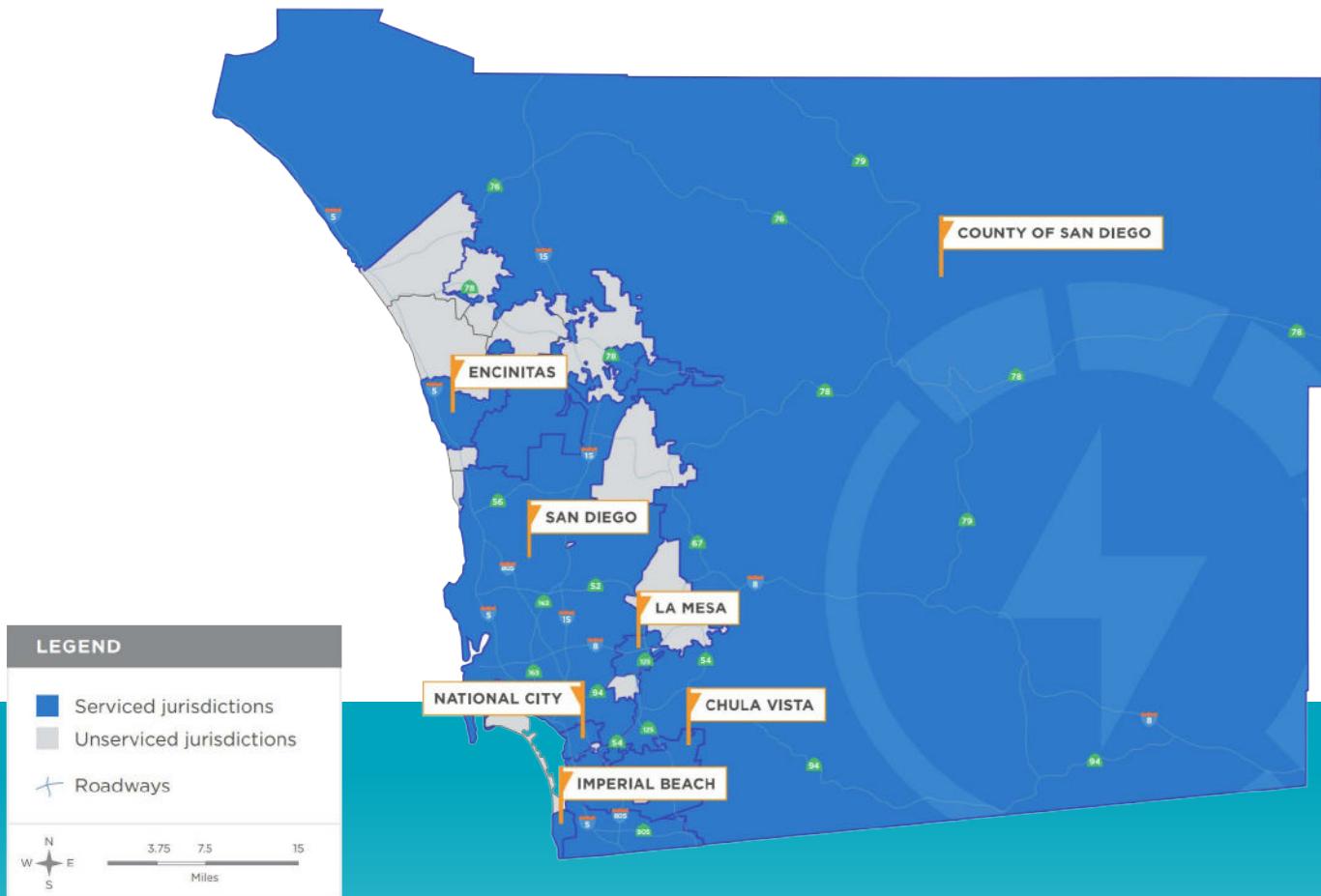
# Serviced Communities



# Serviced Communities

FIGURE 2. SAN DIEGO MAP IN SAN DIEGO COUNTY

## SERVICE AREA MAP



## County Population

San Diego County is the southernmost major metropolitan area in California and boasts a diverse and vibrant population. According to the State of California Department of Finance, as of May 2022, San Diego County's estimated population on January 1, 2022, stood at 3.29 million. This figure represents a decline of 0.85% (approximately 28,000 individuals) from the January 1, 2021, estimates reported in May 2021. San Diego County ranks as the second-largest California county by population and the fifth-largest county nationwide. 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% increase compared to the year 2000, or a 10.1% increase compared to the year 2022.

FIGURE 3. SAN DIEGO COUNTY POPULATION

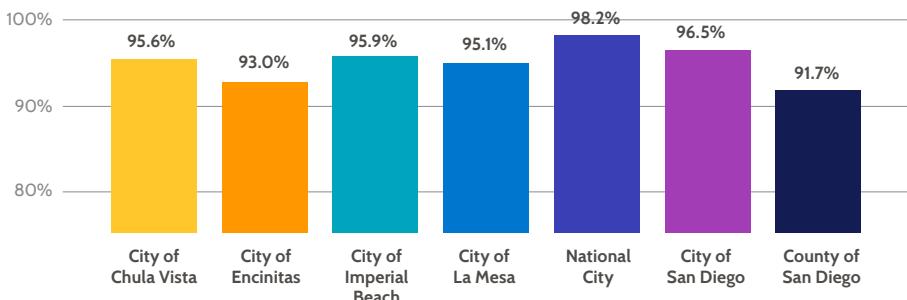
San Diego County Population					
COUNTY/CITY	4/1/2020	1/1/2021	1/1/2022	1/1/2023	1/1/2024
San Diego County					
Carlsbad	115,029	115,373	115,033	115,045	114,319
Chula Vista	275,127	275,498	275,427	276,813	278,247
Coronado	23,504	22,415	22,082	22,272	21,589
Del Mar	3,951	3,927	3,909	3,918	3,919
El Cajon	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

Source: U.S. Census, 2010 data; California Department of Finance 2021 estimates as of May 2, 2021, and May 2, 2024.



## Participation by Jurisdiction

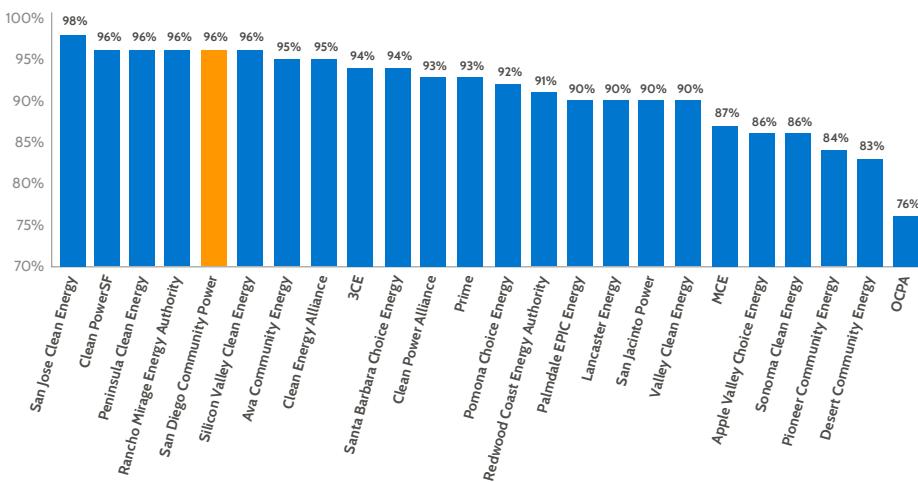
FIGURE 4. PARTICIPATION BY JURISDICTION



JURISDICTION	SERVICE OPTION DEFAULT	ELIGIBLE ACCOUNTS	ENROLLED ACCOUNTS	PARTICIPATION RATE
City of Chula Vista	PowerOn	98,635	94,255	95.6%
City of Encinitas	Power100	28,804	26,792	93%
City of Imperial Beach	PowerOn	10,852	10,403	95.9%
City of La Mesa	PowerOn	29,514	28,066	95.1%
National City	PowerOn	19,431	19,085	98.2%
City of San Diego	PowerOn	624,704	603,071	96.5%
County of San Diego	PowerOn	190,214	174,419	91.7%
<b>Total</b>		<b>1,002,154</b>	<b>956,091</b>	<b>95.4%</b>

## Participation Rates Across CCAs

FIGURE 5. PARTICIPATION RATES ACROSS CCAS



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

FIGURE 6. COMMUNITY POWER MEMBER AGENCIES



## Governance and Structure

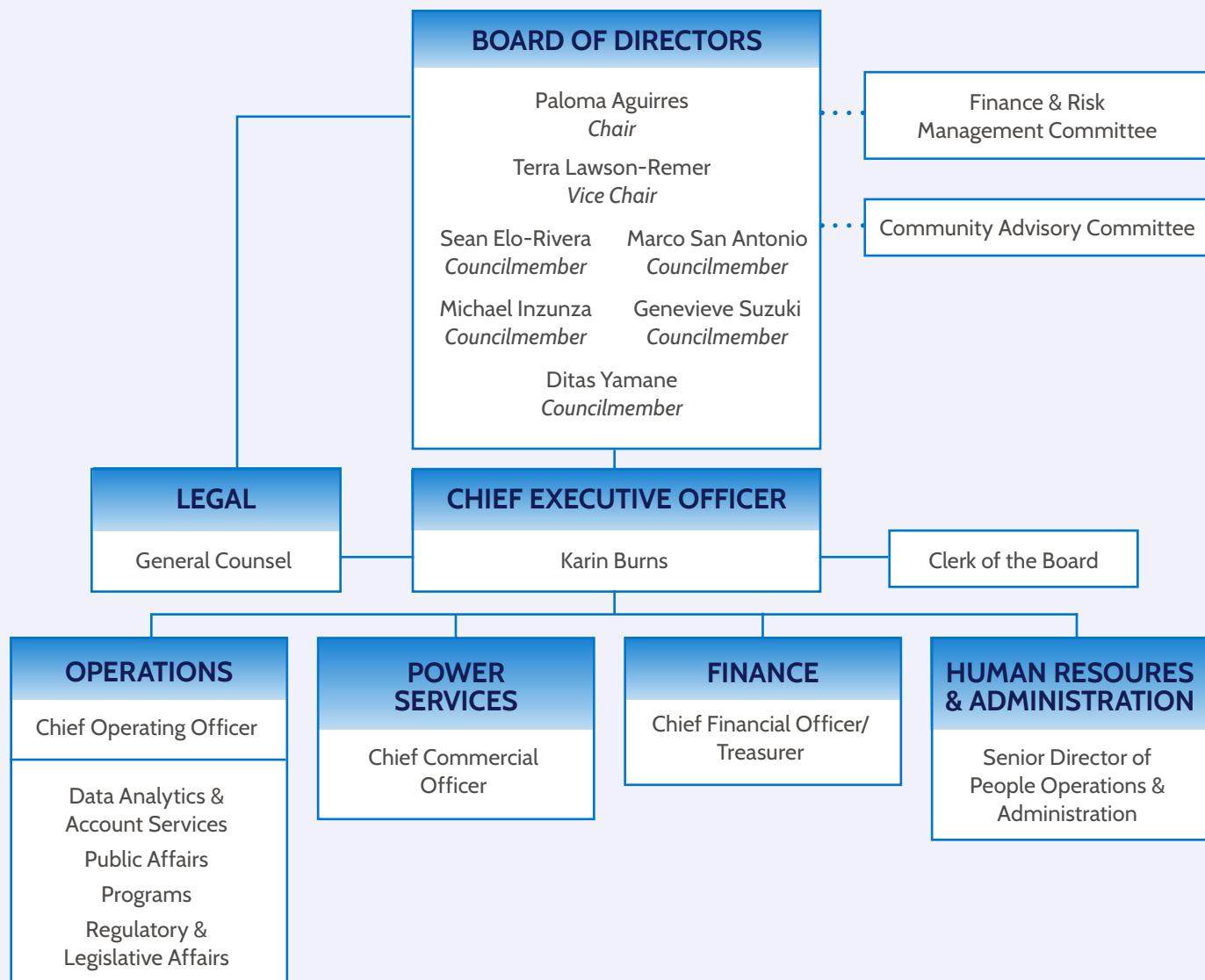
In September 2019, the cities of San Diego, Chula Vista, Encinitas, Imperial Beach and La Mesa adopted an ordinance and resolution to form San Diego Community Power, a California Joint Powers Authority (JPA). In 2021, National City and the County of San Diego voted to join Community Power.

Community Power's Board of Directors is composed of an elected representative from each member jurisdiction, with each member having an alternate from the agency they represent. The Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it establishes policy, sets rates, determines power purchase options and maintains fiscal oversight.

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

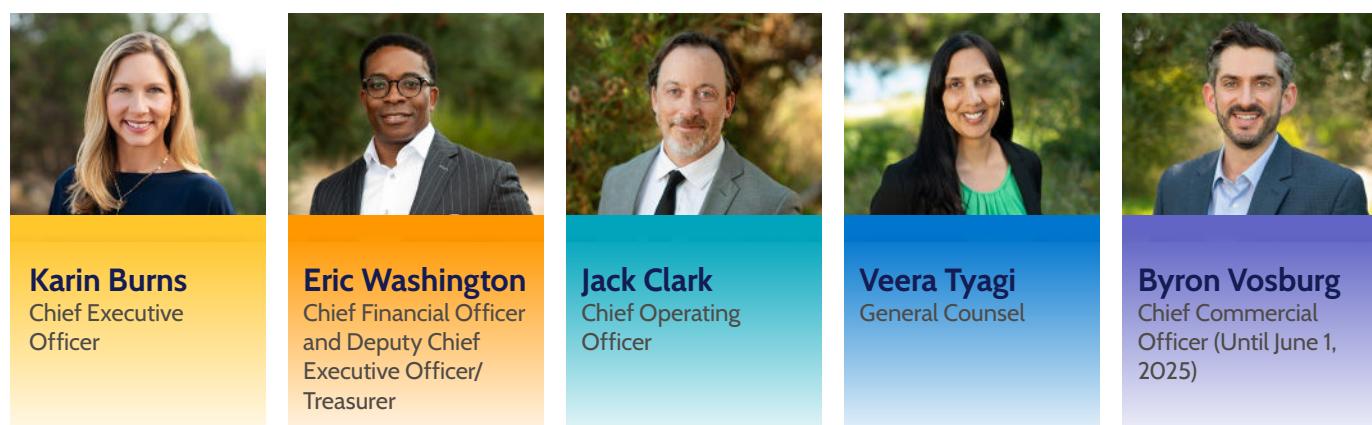
# Organizational Structure

FIGURE 7. ORGANIZATIONAL STRUCTURE



# Executive Team

FIGURE 8. EXECUTIVE TEAM



03

# Budget Process



# Budget Process

## Annual Budget Cycle

On October 1, 2019, the Founding Members of San Diego Community Power 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 Community Power Board of Directors (Board) shall adopt an annual budget prior to the commencement of the fiscal year. The JPA further provides that Community Power's fiscal year runs from July 1 to June 30, unless changed by the Board. 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 Community Power Boards adopted the [Community Power Budget Policy](#) on July 28, 2022, which formally outlined the agency's budget preparation steps and timeline. The chief financial officer (CFO) begins the annual budget process in February of each year. The Finance Department develops initial revenue and expense estimates and updates

its short-term financial plan. In March and April, Community Power staff develops and refines budget proposals in order to develop an initial budget baseline for the Agency's upcoming budget year. The budget is further refined through strategic planning sessions and through the Community Power Finance and Risk Management Committee (FRMC).

The CFO is then required to prepare and submit to the 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

FIGURE 10. BUDGET CALENDAR

DATE	MILESTONE
January 2025	Finance Department prepares for February launch of the annual budget cycle.
February 2025	Budget process begins. Initial revenue and expense estimates are developed.
March to April 2025	Departments propose unconstrained expense requests for review.
April 2025	Staff sets initial budget baseline.
May 22, 2025	FY 2025–2026 budget is reviewed by the Board of Directors as an information item.
June 12, 2025	Community Advisory Committee reviews the FY 2025–2026 budget and provides feedback.
June 12, 2025	Finance and Risk Management Committee reviews the FY 2025–2026 budget and provides final feedback.
June 26, 2025	FY 2025–2026 budget is potentially adopted by the Board of Directors as an action item.
July 1, 2025	FY 2025–2026 budget is implemented.

## Strategic Planning

San Diego Community Power's budgeting process is directly informed by its Strategic Plan — a document co-created by our Board, our CAC, our executives and our team — that translates community priorities into actionable goals. The Strategic Plan is a critical management tool, helping to align resources, guide operational decisions and drive long-term organizational focus across every department and initiative.

Now three years into our first strategic planning cycle, Community Power has reached a pivotal inflection point. Since the adoption of our 2023–2027 Strategic Plan in June 2022 and its subsequent update in April 2023, we've achieved many of the ambitious goals we set, made meaningful progress on others and thoughtfully recalibrated where needed. From October 2024 to March of 2025 we embarked on a revision and update to our strategic plan, setting aggressive new goals while continuing to focus our efforts, build our organization and deliver on the promise of community choice.

What hasn't changed is our mission, vision and core values. These foundational statements continue to guide our work even as we refine our priorities and strategies to reflect new opportunities, challenges and lessons learned. With our team, customer base and clean energy infrastructure

significantly expanded, we now turn toward a new two- to three-year horizon — one defined by sustained growth, increased financial responsibility and a deeper investment in the people and systems that power our organization.

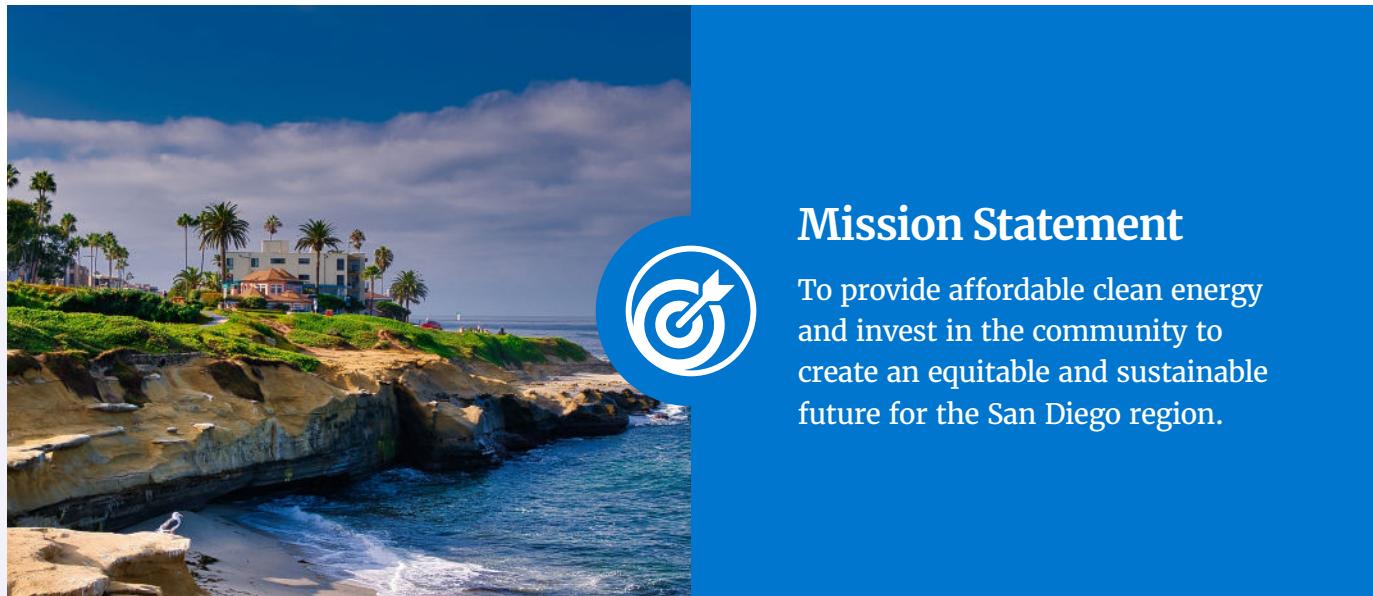
As we evolve, we continue to ask a simple but powerful question: Does this activity serve our purpose? Every program, investment and initiative we pursue should answer "yes" to at least one of the following:

- Does it make energy more affordable for our customers?
- Does it make things easier for our customers?
- Does it make our energy more renewable?
- Does it maintain or improve the health of our organization?
- Does it build trust with our communities, stakeholders and local governments?

These questions — and the values underlying them — serve as a filter and a guidepost, helping to ensure that our Strategic Plan remains grounded in what matters most to our customers and communities.



FIGURE 11. SAN DIEGO COMMUNITY POWER MISSION STATEMENT



## Mission Statement

To provide affordable clean energy and invest in the community to create an equitable and sustainable future for the San Diego region.

As part of this new planning phase, Community Power has identified four overarching themes to guide our work:



### Fiscal Sustainability

We remain committed to building strong financial reserves, managing risk and pursuing strategies like clean energy prepay transactions that can reduce long-term costs for customers.



### Infrastructure Investment

This includes both internal infrastructure, such as IT, legal, data and policy capacity, and external infrastructure, including local battery storage, distributed energy resources and virtual power plant development.



### Customer Affordability

Affordability remains the top concern voiced by our community and is front of mind with every power purchase, financial hedge, compliance obligation or additional long-term power resource we contract with to support our short- and long-term procurement efforts. Our additional activities — ranging from the development of targeted rates like PowerBase to launching the San Diego Regional Energy Network — will continue to focus on reducing energy bills while meeting state policy goals.



### People

As we grow, so does our responsibility to ensure a resilient and inclusive workplace culture. We are investing in management training, professional development and succession planning to ensure strong continuity and a high level of staff retention.

Together, these priorities inform the structure of our adopted FY 2025–2026 budget and the evolution of our Strategic Plan. That work is organized around seven long-term Strategic Goals that anchor the agency's planning and performance management. These goals guide not only how we invest our resources but also how we measure our progress as a public agency accountable to the communities we serve.

# Core Strategic Goals

## 1. Fiscal Sustainability

Practice fiscal strategies to promote long-term organizational sustainability.

- Execute at least six clean prepayment transactions over the next three years to generate \$30 million in annual power cost savings.
- Obtain a public investment-grade credit rating by November 2027.
- Grow reserves by \$150 million to maintain 180 days' cash on hand by December 2027.
- Build a \$70 million Rate Stabilization Reserve to mitigate cost volatility.
- Strengthen financial controls across contracting, risk management and procurement.

## 2. Energy Portfolio Development

Provide sufficient, affordable and clean electricity to our customers.

- Reach 100% renewable energy by 2035 with interim goals of 75% by 2027 and 85% by 2030.
- Support development of 1 gigawatt of new local clean energy capacity by 2035, including 300 MW of infill and distributed energy resources (DERs).
- Ensure reliable and cost-effective compliance with all regulatory requirements.
- Create good-paying local jobs in clean energy sectors.

## 3. Community Program Delivery

Implement programs that reduce greenhouse gas emissions, align energy supply and demand and benefit our diverse communities.

- Deliver 150 MW of local DER capacity (of the 300 MW total goal) by 2035 through programs like Solar Battery Savings.
- Launch all San Diego Regional Energy Network (SDREN) programs by FY 2026.
- Implement a robust program evaluation framework by FY 2026.
- Expand external funding for clean energy programs.

## 4. Legislative and Regulatory Advocacy

Advance policies that support Community Power's mission and customer goals.

- Educate policymakers and regulators to influence outcomes consistent with our policy platform.
- Support and sponsor legislation aligned with our values and needs.

- Remain an active participant in coalitions such as CalCCA to amplify our voice.
- Strategically pursue public funding aligned with agency goals.

## 5. Trusted Brand Building

Build a trusted brand that supports engagement, participation and program success.

- Position San Diego Community Power as a collaborative public agency rooted in transparency.
- Grow the Power Network of nonprofit and community-based partners to expand community reach.
- Elevate brand awareness through education and outreach.
- Empower customers to take advantage of savings and services through awareness, education and ongoing communication programs.

## 6. Customer Care

Ensure high customer satisfaction and retention.

- Refine rate structures to balance affordability, clean energy and fiscal prudence.
- Resolve SDG&E billing issues and improve customer experience.
- Explore options for a best-in-class customer service model.
- Address arrearages and connect customers to available resources.

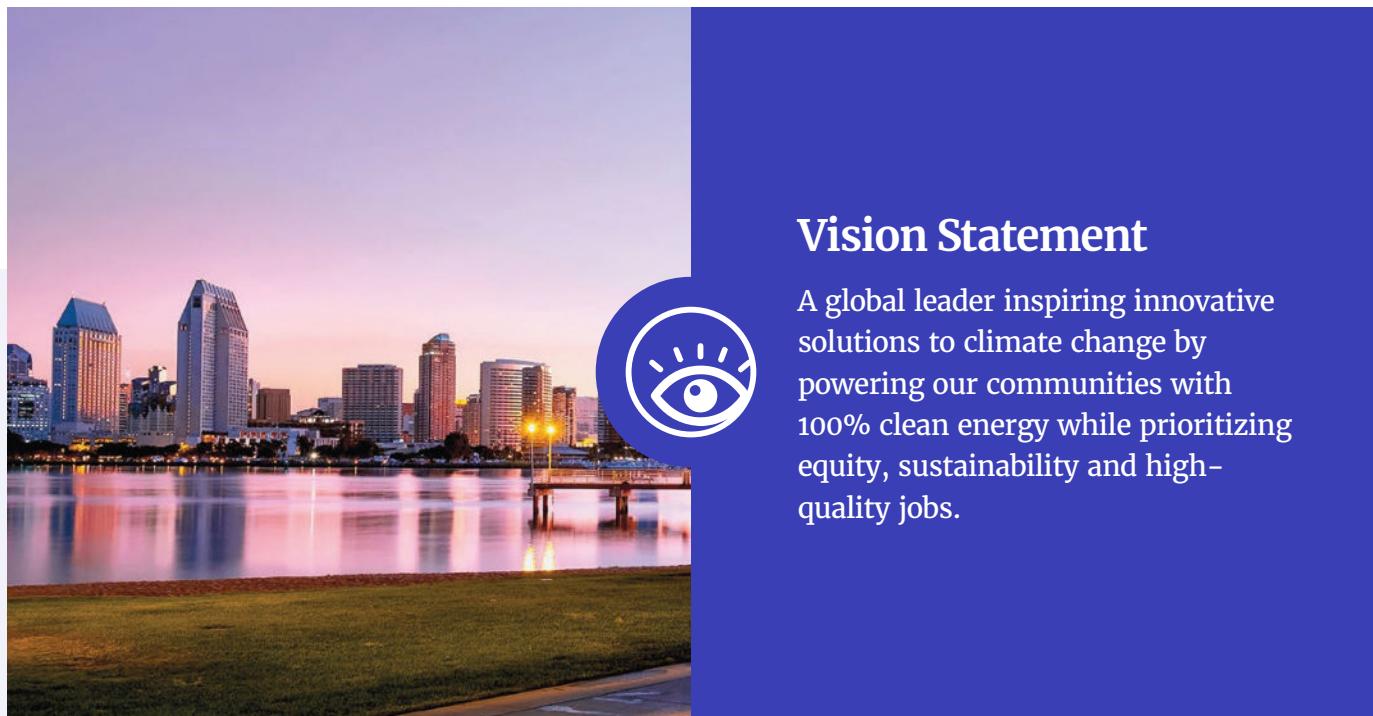
## 7. Organizational Excellence

Foster an innovative, inclusive and resilient workplace.

- Transition into a learning organization by late 2026 with robust staff development.
- Maintain a high level of employee satisfaction through engagement and continuous feedback.
- Launch a new internship program for local college students by FY 2027.



FIGURE 12. SAN DIEGO COMMUNITY POWER VISION STATEMENT



## Core Strategic Goals



# Community Outreach Strategy

As a public agency with a deep commitment to transparency and community accountability, San Diego Community Power approaches outreach not as a one-time event, but as a continuous, year-round effort. Our budget process is informed by this ongoing engagement with customers, stakeholders and local leaders, ensuring our financial planning reflects the needs and priorities of the people we serve.

## Public Meetings and Oversight

Core to our transparency is the public nature of our governance. Per our [Rate Development Policy](#), rate setting is done via a public process, developed by staff and ultimately approved by our Board of Directors (Board) — all through open meetings where the public is invited to participate. Our Board is publicly accountable to Community Power ratepayers and hosts monthly Board meetings, where it not only sets rates, but also establishes policy, determines power options and maintains fiscal oversight. Similarly, our Board is informed by a subset of members on the Finance and Risk Management Committee (FRMC), and the Community Advisory Committee (CAC) advises the Board and provides a venue for ongoing citizen support and engagement in Community Power. These monthly public forums offer meaningful opportunities for community input and serve as a foundation for budget development and agency decision-making.

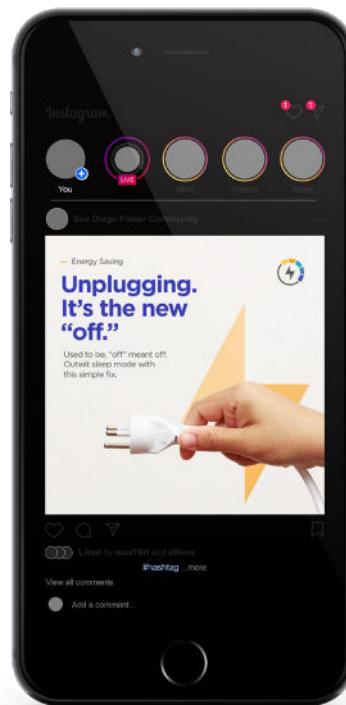
## Customer Notices and Transparency Tools

We also ensure customers have access to clear and timely information about their energy service. The annual Joint Rate Comparison — published in coordination with SDG&E — provides side-by-side rate and service comparisons to help customers make informed choices. Similarly, our Power Content Label offers a breakdown of the energy sources we procure on behalf of our customers, highlighting our commitment to cleaner energy and sustainability.

Our website is another key transparency tool, offering customers easy access to rate options, program details, meeting materials and more. Specifically, the bill comparison calculator offers customers an opportunity to evaluate Community Power rates alongside those of SDG&E. As part of our continued commitment to improving the customer experience, we are currently undertaking a website redesign to make resources easier to find, understand and apply.

## Targeted Outreach and Engagement

Beyond formal governance, Community Power regularly provides updates to our member agencies and their elected



FIGURES 13 & 14. SOCIAL MEDIA OUTREACH

bodies, including 2025 updates, which are currently underway. These presentations offer a transparent look at our progress, priorities and evolving initiatives.

We also continue to expand and refine our outreach efforts across the service territory to engage more residents and businesses. In 2024 alone, Community Power participated in more than 151 community events, resulting in 18,539 unique interactions with the public through in-person engagement. These efforts are bolstered by strategic partnerships, sponsorships and targeted media outreach, including our ongoing partnership with CBS 8's "Working for Our Communities" campaign, which helps us reach new audiences and share critical information about our programs and services.

Our quarterly newsletter provides regular updates on new initiatives, energy-saving tips and agency milestones. One of our more impactful recent engagement efforts has been the launch of a comprehensive customer feedback survey as part of our brand refresh and website redesign. This survey invites customers to share their priorities, service expectations and clean energy goals — insights that will help shape future programs and guide long-term planning.

Together, these efforts create a strong feedback loop between our agency and the public, ensuring our budget reflects both fiscal responsibility and community values and that every customer has a voice in building a clean, affordable and equitable energy future for our region.



FIGURES 15, 16 & 17. COMMUNITY OUTREACH AND EDUCATION



# Budget Guidelines



# Budget Guidelines

## Joint Powers Agreement

On October 1, 2019, the Founding Members of Community Power adopted the Joint Powers Agreement (JPA), which was amended and restated on December 16, 2021. Several sections of the JPA guide the development and management of the budget.

Section 4.6 Specific Responsibilities of the Board. The specific responsibilities of the Board of Directors (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 Community Power 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 Community Power Board shall adopt an annual budget with a fiscal year that runs from July 1 to June 30.

On July 28, 2022, the Community Power Board adopted the Community Power 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 Community Power's Budget Level 2 categories as established and approved in the annual budget process by the Community Power 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 Community Power's rate-setting policy in which Community Power'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.

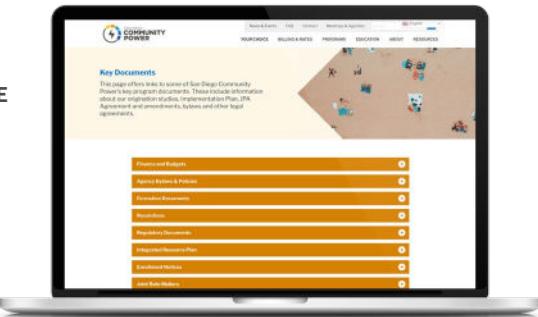
The Agency also maintains several policies posted to its [Key Documents](#) page on its website that provide further fiscal guidance.

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

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

- Energy Risk Management Policy
- Delegated Contract Authority
- Total Compensation Policy
- Board and Committee Compensation Reimbursement Policy
- Net Energy Metering (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 18.  
KEY DOCUMENTS  
PAGE ON WEBSITE



## Budget Structure

Community Power's basis of budgeting is 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.

Community Power's basis of accounting, similarly, in its financial statements is 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

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

FIGURE 19. BUDGET STRUCTURE – DEPARTMENT HIERARCHY

DEPARTMENT
Executive
Finance
Power Services
Legal
Human Resources and Administration
Operations
Data Analytics & Customer Operations
Public Affairs
Programs
Regulatory & Legislative Affairs

## 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 completed. Assumptions include an overall 5% opt-out rate.

### 2. Operating Expenses

Community Power'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 Community Power's customers.
- II. **Personnel** — Includes salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately seven new staff members during the FY 2025–2026 budget cycle.
- III. **Professional services and consultants** — Includes 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 these Budget Level 3 categories:
  - a. Data Management
  - b. SDG&E Fees
  - c. Technical Support
  - d. Legal/Regulatory
  - e. Other Services
  - f. Programs Consultants
- IV. **Marketing and Outreach** — Includes expenses for mandatory enrollment notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Marketing and outreach are further broken down into these 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 Expenses

Community Power's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs comprise repayment of loan principal associated interest costs as well as potential renewal fees on debt or letters of credit.

### 4. Capital Investment Plan (CIP)

Community Power's budget also includes non-operating expenses related to a Capital Investment Plan. These expenses may be paid with internal or external fund sources and are considered one-time projects or programs. The first year of the CIP is the agency's capital budget.

FIGURE 20. BUDGET STRUCTURE — BUDGET LEVEL HIERARCHY

BUDGET LEVEL 1	BUDGET LEVEL 2	BUDGET LEVEL 3
Revenue	Gross Ratepayer Revenues (Less 1.75% Uncollectible Customer Accounts)	Gross Ratepayer Revenues (Less 1.75% Uncollectible Customer Accounts)
Revenue	Cost of Energy	Cost of Energy
Operating Expenses	Personnel Costs	Salaries
Operating Expenses	Personnel Costs	Benefits (retirement/health)
Operating Expenses	Personnel Costs	Payroll Taxes
Operating Expenses	Personnel Costs	Accrued PTO
Operating Expenses	Professional Services and Consultants	Legal/Regulatory
Operating Expenses	Professional Services and Consultants	Technical Support
Operating Expenses	Professional Services and Consultants	Programs Consultant
Operating Expenses	Professional Services and Consultants	Other Services
Operating Expenses	Professional Services and Consultants	SDG&E Fees
Operating Expenses	Professional Services and Consultants	Data Management
Operating Expenses	Marketing and Outreach	Contingency
Operating Expenses	Marketing and Outreach	Communications Consultants
Operating Expenses	Marketing and Outreach	Printing
Operating Expenses	General and Administration	Sponsorships/Local Memberships
Operating Expenses	General and Administration	CalCCA Dues
Operating Expenses	General and Administration	Insurance
Operating Expenses	General and Administration	Rent
Operating Expenses	Programs	Other G & A
Operating Expenses	Debt Service	Programs
Non-Operating Expenses	CIP	Interest and Related Expenses
CIP		CIP



# 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. Community Power has two types of funds:

- 1. Operating Fund** – Accounts for activities that are supported by ratepayer funds. All of Community Power's general operating activities are included in the Operating Fund, which functions very similarly to the enterprise fund of a city or county. The Operating Fund is the primary fund of Community Power 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. Community Power 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.

Community Power offers four service levels to its customers that, taken together, ultimately comprise the source of ratepayer funds for the agency:

1. **PowerOn**, our standard service offering that provides 55% renewable power (and 11.7% carbon free) and provides a 3% discount compared with SDG&E's rates
2. **Power100**, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a \$0.01/kWh added to the PowerOn service
3. **Power100 Green+**, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, available only to commercial and industrial customers and currently priced at a \$0.02/kWh adder to the PowerOn service
4. **PowerBase**, our most affordable service option with renewable content that is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 5% discount compared with SDG&E's rates currently in effect as of February 1, 2025

- 2. Continuing Fund** – Accounts for one-time activities in Community Power's Capital Investment Plan and that 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.

Community Power's Continuing Fund is composed of the following revenue sources:

- **Community Power Operating Transfers** – Through the annual budget process, the Community Power 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 a Community Power continuing fund to be used across multiple fiscal years given that CIP projects generally last longer than one year.
- **California Public Utilities Commission (CPUC) DAC-GT** – 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. Funding originates from state Greenhouse Gas (GHG) Auction Proceeds and Public Purpose Program funds.
- **CPUC Regional Energy Network (REN)** – Public Purpose Program Surcharge funds are available for RENs. On August 7, 2024, the CPUC issued Decision 24-08-003, which approved and authorized Community Power's San Diego Regional Energy Network (SDREN) as a new Energy Efficiency Portfolio Administrator. This decision approved Community Power's application in its entirety, including 2024–2027 energy savings goals and funding, as well as a 2024–2031 Strategic Business Plan. SDREN will offer 10 energy-efficiency programs across San Diego County. These programs will be available, regardless of service provider and will focus on achieving energy savings, reducing emissions, enhancing grid reliability and educating customers on how to reduce energy usage.
- **California Department of Food and Agriculture (CDFA) Healthy Refrigeration Grant** – The CDFA notified Community Power that it was awarded partial funding in the amount of \$710,000 to support Community Power in providing technical assistance and refrigeration units to stock healthy foods at stores throughout Community Power's service territory.



FIGURE 21.  
COMMUNITY POWER FUND STRUCTURE

FUND STRUCTURE
Operating Fund
Continuing Fund

FIGURE 22.  
COMMUNITY POWER FUND AND BUDGET LEVEL HIERARCHY RELATIONSHIP

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

## FY 2025-2026 Budget Principles

FIGURE 23. BUDGET PRINCIPLES



### Fiscal Responsibility

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

### 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.

### Build Community Power Reserves

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

### Understandable and Transparent

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

### People and Community

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

### Informed

Keep the Community Power Board of Directors and staff informed of Community Power's fiscal condition.



05

# Budget Overview



# Budget Overview

## Budget in Brief

The adopted FY 2025–2026 Operating Budget is the second full fiscal year of full enrollment from Community Power's member jurisdictions, inclusive of net-energy metering customers, within the San Diego region. This budget therefore provides the second year of representation in anticipated full revenues and expenses, moving forward.

As Community Power has scaled to full enrollment, the agency has thoughtfully grown to 87 staff in the current fiscal year. Total staffing for the FY 2025–2026 period includes eight positions that are externally funded and in the Capital Investment Plan (CIP), and 86 positions supporting core operations. By the end of FY 2025–2026, Community Power is expected to have a similar operating budget and staffing levels compared to its peer CCAs of similar customer and load size. Additionally, by the end of FY 2025–2026, Community Power is likely to achieve its strategic goal of having 180 days' cash on hand, which will equip Community Power to earn and maintain a credit rating. This can translate to Community Power being better positioned to negotiate

and secure better and more favorable terms in our Power Purchase Agreements that can help reduce electricity rates for customers in the long term while also protecting the long-term solvency of Community Power. Given the positive financial landscape, Community Power expects to maintain minimal, if any, debt during the fiscal year and does not anticipate needing to use its credit facility to finance operations in FY 2025–2026.

The Adopted FY 2025–2026 Operating Budget furthermore includes continued outreach through community events, sponsorships and advertising to inform customers about Community Power.

Lastly, this budget continues to include a 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.

## Adopted Operating Budget

The Community Power FY 2025–2026 Adopted Operating Budget is presented in further detail in the following pages. The table below summarizes the revenue and expense budgets adopted for FY26 in comparison to the FY25 and FY24 Amended Budgets.

TABLE 1. OPERATING BUDGET OVERVIEW\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Gross Revenue	1,365.7	1,243.0	1,221.0
Less Uncollectible Accounts	(61.4)	(21.8)	(21.4)
Net Operating Revenues	1,304.3	1,221.2	1,199.6
Cost of Energy	1,020.8	1,116.8	956.7
Non-Energy Costs	43.8	50.8	54.3
Subtotal Operating Expense	1,064.7	1,167.6	1,010.9
Debt Service	2.4	1.3	1.9
Capital Investment Program (Transfer Out)	4.6	18.2	22.2
Total Expenses	1,071.7	1,187.1	1,035.0
Net Position	232.6	34.1	164.6

\*Amounts displayed in millions of dollars



# Operating Revenue

San Diego Community Power operates as a Joint Powers Authority (JPA), providing clean energy to residents and businesses within its service area. Revenue is generated primarily through electricity sales, with a core financial principle of maintaining a balanced budget. This requires electricity sales revenue to cover power generation costs — especially from renewable sources — and operational expenses. Financial sustainability is also pursued through strategies like building reserves.

Generally, operating revenue through electricity sales is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying the Board-approved generation rates to the energy load; and 3) applying a 1.75% uncollectible rate based on revenue that Community Power does not expect to collect — the result is Community Power's operating revenue for the fiscal year.

As a JPA, Community Power functions under distinct governing principles, unlike investor-owned utilities. Its primary goal is to deliver affordable, renewable power to diverse customers, ranging from large commercial and industrial entities to individual residential customers, including those with financial constraints. Affordability for our communities is highly valued, significantly shaping operational and rate-setting decisions.

The latest financial projections, through January 2025, informed Community Power's rate-setting process. The staff-recommended rates were developed to reasonably and appropriately cover operational expenses and projected revenues for fiscal years 2024–2025 and 2025–2026. These rates aim to balance customer affordability with the need to generate sufficient revenue to cover annual power supply and operating costs, debt service and a planned reserve margin contribution, ultimately achieving a balanced budget. The rate recommendations also allow Community Power to balance affordability for customers while maintaining reserves and progressing toward its 180-day cash-on-hand and reserve stabilization goals. Achieving these reserve targets is not feasible with additional rate discounts beyond the adopted rates. Furthermore, the adopted rates and reserve targets enable Community Power to meet key metrics for achieving an investment-grade credit rating, which is crucial for rate competitiveness by securing favorable terms for power procurement and credit activities. Finally, the adopted rates ensure compliance with financial covenants in agreements with JP Morgan Chase Bank (Revolving Credit Agreement), River City Bank (Security Agreement) and various power purchase agreements.

Community Power's retail sales of electricity are composed of four rate products.

FIGURE 24. COMMUNITY POWER'S RATE PRODUCTS\*

<p><b>Power100 Green+</b> PowerOn + \$0.02 per kWh  100% renewable, carbon-free, Green-e certified for businesses looking to meet LEED standards</p>	<p><b>Power100</b> PowerOn + \$0.01 per kWh  100% renewable and carbon-free for residents and businesses who want to minimize their carbon footprint and support a clean energy future</p>	<p><b>PowerOn</b> \$0.163 per kWh**  55% renewable content at a competitive price compared with SDG&amp;E's service that is the default rate for most Community Power customers</p>	<p><b>PowerBase</b> \$0.160 per kWh**  45% renewable and 5% less expensive than SDG&amp;E's default service</p>
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\*Prices valid as of February 1, 2025

\*\*Average rate across all Community Power rate schedules



FIGURE 25. COMMUNITY POWER REVENUE TREND

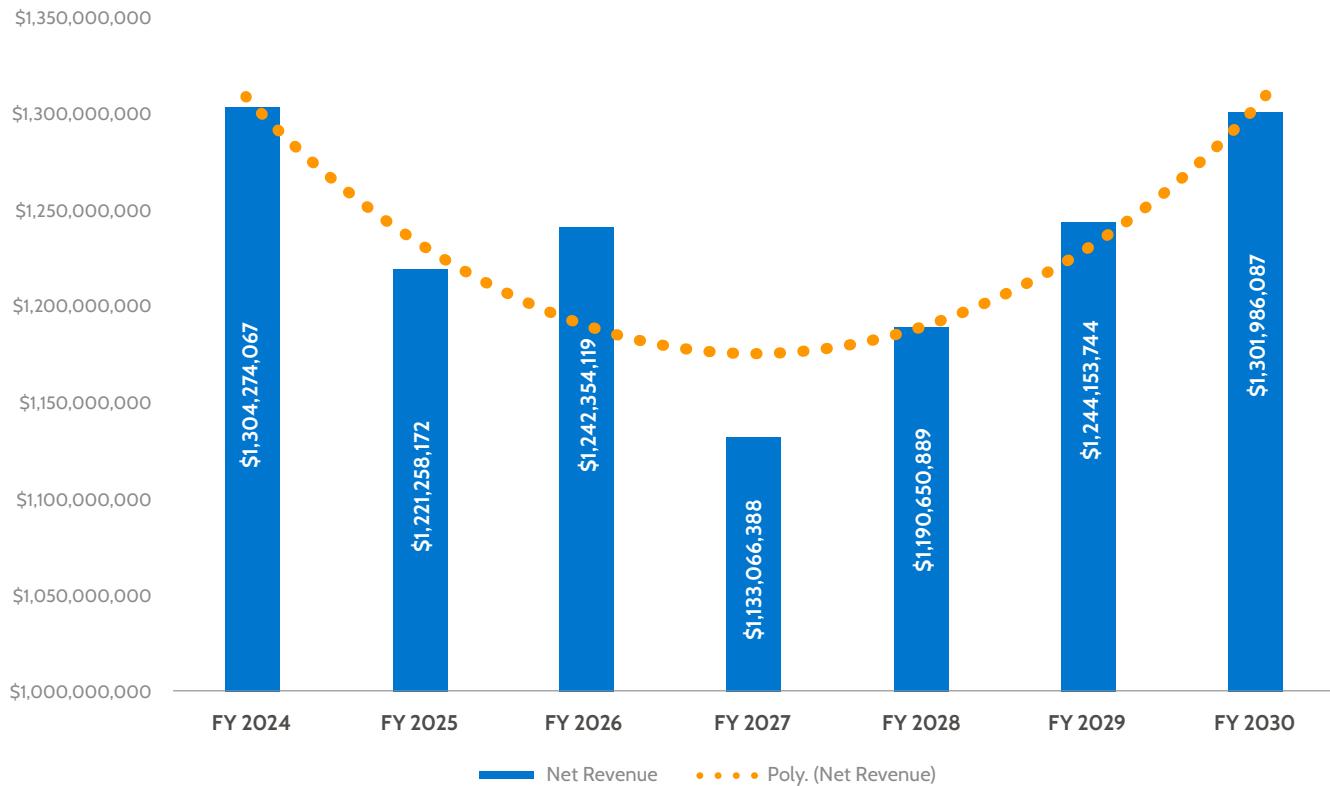


Table 2 summarizes the revenues for the FY24 Amended Budget, FY25 Amended Budget and FY26 Adopted Operating Budget.

TABLE 2. OPERATING REVENUE BY BUDGET LEVEL 2\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Gross Ratepayer Revenues	1,365.7	1,243.0	1,221.0
(FY24 Less 4.5% Uncollectible Customer Accounts; FY25 & FY26 Less 1.75%)	(61.4)	(21.8)	(21.4)
<b>Net Operating Revenues</b>	<b>1,304.3</b>	<b>1,221.2</b>	<b>1,199.6</b>

\*Amounts displayed in millions of dollars

# Operating Expenses

Expenses in the Community Power 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.

Table 3, below, summarizes the expenses for the FY24 Amended Budget, FY25 Amended Operating Budget and FY26 Adopted Operating Budget.

TABLE 3. OPERATING EXPENSES BY BUDGET LEVEL 2\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Cost of Energy	1,020.8	1,116.8	956.7
Professional Services and Consultants	22.3	24.3	24.6
Personnel Costs	11.7	18.6	21.1
Marketing and Outreach	2.9	3.0	2.6
General and Administration	6.8	4.9	5.9
Programs	0.1	0.0	0.0
<b>Subtotal Operating Expenses</b>	<b>1,064.7</b>	<b>1,167.6</b>	<b>1,010.9</b>
Interest and Related Expenses	2.4	1.3	1.9
Capital Investment Program (Transfer Out)	4.6	18.2	22.2
<b>Total Expenses</b>	<b>1,071.7</b>	<b>1,187.1</b>	<b>1,035.0</b>

\*Amounts displayed in millions of dollars

# Operating Expenses by Department

Table 4, below, summarizes the FY26 Adopted Operating Budget expenses by department. Several new departments were established as part of the development of the FY26 Adopted Operating Budget and therefore a comparison is not shown for the prior year.

TABLE 4. OPERATING EXPENSES BY DEPARTMENT

	FY24 Amended	FY25 Amended	FY26 Adopted
Power Services	1,022.4	1,118.9	958.6
Operations	16.3	20.6	22.6
Customer Operations	18.1	19.3	19.8
Finance	3.3	2.1	3.4
Public Affairs	1.5	1.8	1.9
IT and Data Analytics	1.0	1.4	1.6
Regulatory and Legislative Affairs	1.1	0.7	0.7
Human Resources and Administration	0.9	0.7	0.7
Legal	0.0	1.8	1.4
Programs	0.1	0.0	0.0
Executive Team	0.0	0.2	0.2
<b>Total Expenses</b>	<b>1,064.7</b>	<b>1,167.6</b>	<b>1,010.9</b>

Amounts displayed in millions of dollars



# Personnel by Department

Table 5, below, summarizes the actual personnel at the end of FY25 and the full-time equivalent (FTE) personnel in the FY26 Adopted Operating Budget. While personnel may be authorized, they may not yet be filled. Detailed information showing filled and adopted FTE transfers by department is included in the following Section. All of the Personnel budget is included within the Operations department.

TABLE 5. PERSONNEL BY DEPARTMENT

	FY24 Amended	FY25 Amended	FY26 Adopted
<b>Operating Fund</b>			
Power Services	17.0	16.0	17.0
Executive	1.0	5.0	5.0
Public Affairs	11.0	12.0	13.0
Programs	6.0	12.0	14.0
Finance	7.0	9.0	10.0
Customer Operations	6.0	8.0	5.0
Operations	6.0	5.0	4.0
IT and Data Analytics	6.0	9.0	12.0
Regulatory and Legislative Affairs	5.0	5.0	5.0
Human Resources and Administration	3.0	4.0	6.0
Legal	1.0	2.0	3.0
<b>Subtotal Operating FTEs</b>	<b>70.0</b>	<b>87.0</b>	<b>94.0</b>
<b>External Funding (CIP)</b>			
Programs	1.0	3.8	5.0
Regulatory Affairs	-	0.5	0.7
Finance	-	1.0	1.0
Public Affairs	-	1.0	1.0
Power Services	-	-	0.3
<b>Subtotal External Funding FTEs</b>	<b>1.0</b>	<b>6.3</b>	<b>8.0</b>
<b>Total FTEs</b>	<b>70.0<sup>1</sup></b>	<b>87.0</b>	<b>94.0</b>

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



FIGURE 26. COMMUNITY POWER'S DEPARTMENTS



## Adopted Capital Budget

Continuing in FY 2025–2026 is the Community Power Capital Investment Plan (CIP) for FY 2026–2030 that 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 FY 2026–2030 CIP represents the amended FY 2025–2026 capital budget.

The FY 2025–2026 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 adopted FY 2025–2026 capital budget totals \$54.7 million and the FY 2026–2030 CIP total \$344.3 million. Additionally, \$11.2 million in unspent continuing funds was appropriated by the Board in prior fiscal years and is represented as Carry Forward revenue. The FY 2025–2026 adopted capital budget includes funding for 21 projects in all program areas in various geographic areas of San Diego County.

TABLE 6. FY 2025–2026 CAPITAL BUDGET OVERVIEW\*

	Carry Forward <sup>[1]</sup>	FY26 Authorized Budget	FY26 Adopted Budget
Operating Transfer Out	9.2	-	22.2
Regional Energy Network <sup>[2]</sup>	-	31.9	-
DAC-GT	(0.1)	0.6	-
CDFA	0.7	-	-
Equitable Building Decarbonization	1.4	-	-
Other	-	-	-
CIP Revenue	11.2	32.5	22.2

\*Amounts displayed in millions of dollars

<sup>[1]</sup> The carry forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024–2025

<sup>[2]</sup> The Regional Energy Network was fully appropriated for \$124M in January 2025 for Calendar Year 2024–2027, and funded programs will be available across SDG&E service territory.



TABLE 6.1. FY 2026–2030 CIP PROGRAMS AND PROJECTS

	Beginning Bal.	Expenses	Carry Forward <sup>[1]</sup>	5-Year Budget								
				FY25	FY25	FY25	FY26	FY27	FY28			
<b>External Funding</b>												
Regional Energy Network <sup>[2]</sup>	2.1	2.1	-	31.9	59.5	51.4	42.0	43.7	228.6			
DAC-GT	0.9	1.0	(0.1)	0.6	0.5	0.5	0.5	0.5	2.4			
CDFA	0.7	-	0.7	-	-	-	-	-	0.7			
Equitable Building Decarbonization	1.5	0.1	1.4	-	-	-	-	-	1.4			
Other	-	-	-	-	-	-	-	-	-			
<b>Subtotal</b>	<b>5.2</b>	<b>3.2</b>	<b>2.0</b>	<b>32.5</b>	<b>60.0</b>	<b>51.9</b>	<b>42.5</b>	<b>44.2</b>	<b>233.0</b>			
<b>Internal Funding</b>												
Solar Battery Savings	10.6	7.4	3.2	18.8	11.1	10.4	8.3	8.5	60.3			
Energy Efficiency	0.3	0.3	0.0	-	-	-	-	-	0.0			
Pilot Programs	3.0	0.5	2.5	-	-	-	-	-	2.5			
Grants	0.8	0.6	0.2	1.3	-	-	-	-	1.5			
DER	0.1	0.1	0.0	-	-	-	-	-	0.0			
Flexible Load	0.6	0.3	0.3	0.3	0.6	0.6	0.8	0.7	3.3			
IT Projects	2.6	0.1	2.5	1.5	-	-	-	-	4.0			
Community Education	0.1	0.1	-	0.0	-	-	-	-	0.0			
Program Evaluation	-	-	-	0.3	-	-	-	-	0.3			
Application Assistance	0.3	-	0.3	-	-	-	-	-	0.3			
Other	-	-	-	-	7.4	8.7	11.2	11.7	39.1			
<b>Subtotal</b>	<b>18.4</b>	<b>9.2</b>	<b>9.2</b>	<b>22.2</b>	<b>19.1</b>	<b>19.7</b>	<b>20.3</b>	<b>20.9</b>	<b>111.3</b>			
<b>CIP Expense Total</b>	<b>23.6</b>	<b>12.5</b>	<b>11.2</b>	<b>54.7</b>	<b>79.1</b>	<b>71.6</b>	<b>62.8</b>	<b>65.1</b>	<b>344.3</b>			

<sup>[1]</sup> The carry forward amount represents actual financial data through March 31, 2025, updated April 30, 2025, and will be reconciled at the close of fiscal year 2024–2025

<sup>[2]</sup> The Regional Energy Network was fully appropriated for \$124M in January 2025 for Calendar Years 2024–2027, it is reflected in this table as anticipated spending by fiscal year.

# Capital Investment Plan (CIP)

## About the CIP

The Community Power Fiscal Year 2026–2030 Capital Investment Plan (CIP) includes 21 projects that will receive funding in the five-year period, totaling \$344.3 million in investments across San Diego County. More detail can be found within the companion FY 2026–2030 Capital Investment Plan book. Projects include a number of short- and medium-term programs and projects that are largely pilot and planning studies. This allows Community Power 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 Community Power's commitment to plan and finance programs and projects that align with community and organizational priorities. The programs and projects compose a list that provides Community Power with the confidence to target a core set of program types focused on community needs. It also gives Community Power 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 this does not necessarily indicate that actual funding of the project has occurred. As design requirements, budgets



5-Year period

\$344.3M total investment

21 projects to be funded

*Across San Diego County*

and priorities change, the planned projects may also move within the plan or drop out entirely.

Likewise, this list is not all inclusive. Unexpected requirements often cause unforeseen projects to be inserted into the design and execution process. Furthermore, funding sources identified in the CIP are potential funding sources that 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

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

The adopted capital budget and CIP undergo a public outreach process comprising a wide range of stakeholder groups. Additionally, the CIP 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 Community Power Board for approval.

FIGURE 27. CIP DEVELOPMENT PROCESS



# Operational Impact of Capital Projects

Projects outlined in Community Power's Capital Investment Plan and Budget are generally designed to address the needs of existing assets without significantly impacting operational costs. However, if a technology or any project was planned that had a significant operational impact, projected costs would be reflected in Community Power's Five-Year Financial Plan, issued annually. Additionally, staffing, building maintenance, equipment maintenance and utility costs associated with these facilities would be approved as part of the annual Budget Process. As a result, these costs would be specified within the Budget document and categorized under the "Budget by Department" section and attributed to the relevant department sponsoring the project.

Capital improvements are strategic investments made by Community Power to enhance its physical assets, technology and infrastructure. These improvements are not just about upgrading facilities or equipment but are also aimed at driving efficiency within our organization's operations over the long term. By investing in capital improvements, the organization seeks to optimize its processes, reduce costs and improve overall productivity.

Several projects driven by our IT and Data Analytics Department are at the forefront of these efforts. These projects are prioritized to leverage data and enable advanced data analytics techniques. The goal is to better understand the organization's operations and discover operational efficiencies. Here's how these projects contribute to long-term efficiency:

**Data Collection and Integration** — IT and Data Analytics focuses on collecting data from various sources within the organization. This includes data from production processes, supply chain activities, customer interactions and more. By integrating this data into a centralized system, the organization can gain a comprehensive view of its operations.

**Advanced Data Analytics** — With a robust data infrastructure in place, the IT and Data Analytics Department employs advanced data analytics techniques such as machine learning, predictive analytics and big data analysis. These techniques help in identifying patterns, trends and anomalies in the data that might not be apparent through traditional analysis methods.

**Operational Insights** — The insights gained from data analytics are used to understand the efficiency of current operations. For example, analytics can reveal bottlenecks in production,

inefficiencies in supply chain management or areas where customer service can be improved. These insights are crucial for making informed decisions about where to focus improvement efforts.

**Process Optimization** — Based on the operational insights, the organization can implement changes to optimize processes. This might involve automating certain tasks, reallocating resources or redesigning workflows to eliminate inefficiencies. The goal is to streamline operations and enhance productivity.

**Continuous Improvement** — Capital improvements driven by data analytics are not one-time efforts. The organization continuously monitors its operations and uses data to identify new opportunities for improvement. This ongoing process ensures that the organization remains agile and can adapt to changing market conditions and technological advancements.



## Multiyear Trends

This section presents a multi-year financial trend report for Community Power, reviewing the actuals from Fiscal Years 2022, 2023 and 2024 and the Fiscal Year 2025 Amended Budget. The report includes visualizations that illustrate key financial trends and variances, providing a clear and comprehensive picture of the organization's fiscal trajectory over the past three years. By examining these figures, Community Power can gain insights into revenue patterns, expenditure changes and overall financial stability. This analysis is essential for understanding how past financial outcomes align with future budgetary goals, ensuring effective financial planning and management.

Community Power has experienced substantial growth in both operating revenues and expenditures from FY22 to FY24. In FY22, Community Power's operating revenues were \$386 million, increasing to \$891 million in FY23, and further rising to \$1.2 billion in FY24. This growth is primarily driven by expanding electricity sales and an increased customer base. Concurrently, operating expenses have also escalated, from \$329 million in FY22 to \$746 million in FY23, and reaching \$1.083 billion in FY24, reflecting higher costs associated with electricity procurement and use of contract services. Despite these rising costs, Community Power has consistently maintained a positive operating income, indicating effective financial management and strategic planning. The FY25 Amended Budget continued growth and stability, ensuring Community Power's ability to meet its operational goals and effectively serve the community.

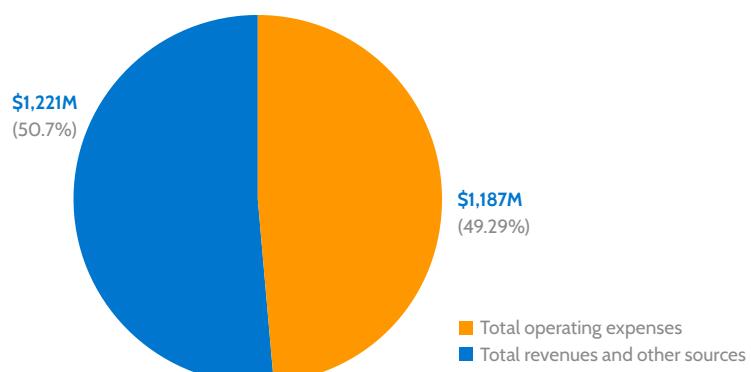
FIGURE 28. OPERATING REVENUES VS. EXPENDITURES



	FY 2021/22	FY 2022/23	FY 2023/24
<b>OPERATING REVENUES</b>			
Electricity sales, net	\$383,800,198	\$891,178,064	\$1,252,787,768
Grant revenue	\$0	\$0	\$983,500
Liquidated damages	\$2,437,500	\$0	\$0
Other income	\$0	\$0	\$10,598,252
<b>Total operating revenues</b>	<b>\$386,237,698</b>	<b>\$891,178,064</b>	<b>\$1,264,369,520</b>
<b>OPERATING EXPENSES</b>			
Cost of electricity	\$319,686,027	\$720,327,704	\$1,047,553,476
Contract services	\$3,520,098	\$15,957,376	\$19,750,534
Staff compensation	\$3,662,441	\$6,726,270	\$11,399,388
Other operating expense	\$2,098,031	\$2,866,222	\$3,261,424
Depreciation and amortization	\$0	\$253,553	\$727,567
<b>Total operating expenses</b>	<b>\$328,966,597</b>	<b>\$746,131,125</b>	<b>\$1,082,692,389</b>
<b>NET POSITION</b>	<b>\$57,271,101</b>	<b>\$145,046,939</b>	<b>\$181,677,131</b>

Community Power's FY25 amended budget reflects the organization's strong financial growth and stability observed in past fiscal years. The budget included total operating revenues of \$1.22 billion and total expenses of \$1.18 billion, maintaining a balanced approach similar to previous years. Revenue growth, driven by expanding electricity sales and an increasing customer base, aligns with the upward trend seen from FY22 to FY24. Increased costs in FY25 are primarily due to higher electricity procurement expenses and investments in the CIP. Despite these rising costs, the positive net operating income highlights effective financial management and strategic planning.

FIGURE 29. OPERATING BUDGET



# Five-Year Financial Plan

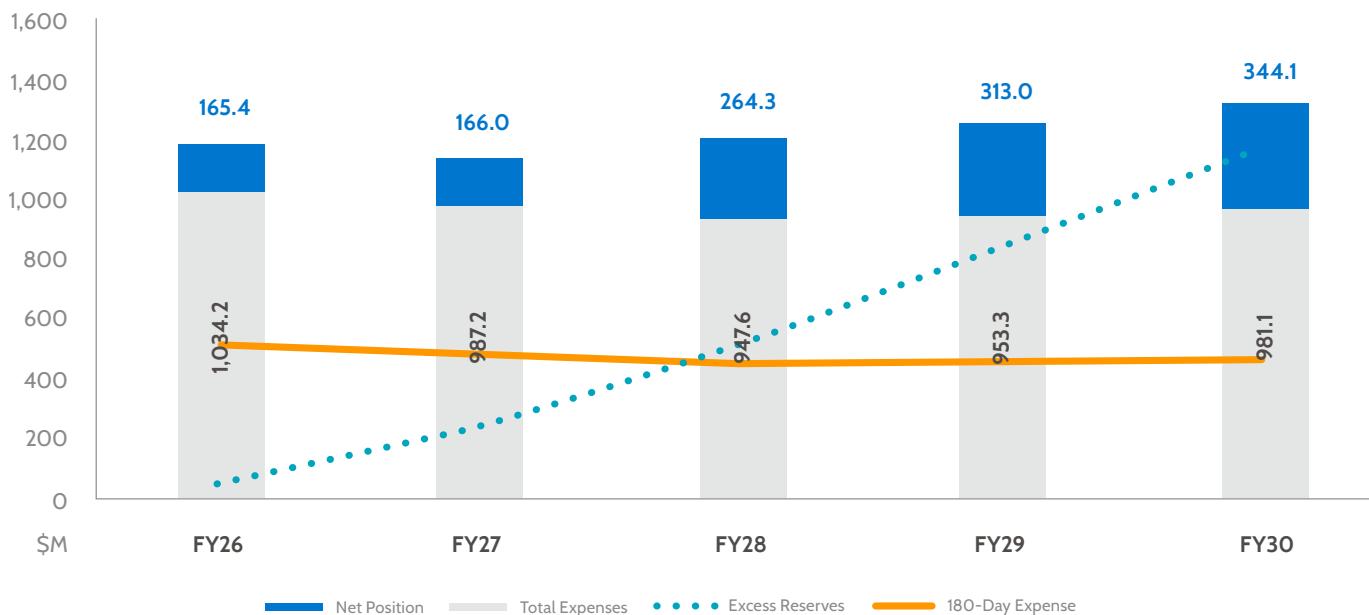
Community Power's five-year financial plan projects that the agency will meet its 180-days cash-on-hand reserve target in its Reserve Policy by October 2025. The current reserve policy supports the distribution of excess reserves for specific purposes, including funding a rate stabilization reserve. Additionally, the plan projects that Community Power will achieve its Strategic Plan goal of funding a Rate Stabilization Reserve by FY 2026–2027. The plan assumes that rates remain at the same level adopted by the Board on February 7, 2025, and are subject to change based on Community Power's rate-setting cycle.

The Community Power 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.

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

- Full enrollment of customers is complete from all member jurisdictions
- A 95% participation rate across all jurisdictions
  - A 1.75% uncollectible rate, which maintains the same uncollectible rate from the fiscal year 2024–2025 amended budget approved by the board February 27, 2025
- Trifurcation of rates continues to ensure a fair, equitable and balanced rate structure across customers with differing vintage years
  - Rates in FY26 and beyond remain at the levels adopted by the Board on February 7, 2025. Further rate changes are subject to Board approval.

FIGURE 30. SAN DIEGO COMMUNITY POWER RESERVES



OPERATING BUDGET, \$M	FY26	FY27	FY28	FY29	FY30
Net Revenue	1,119.6	1,133.1	1,190.7	1,244.2	1,302.0
Total Expense	1,035.0	967.0	926.4	931.1	957.9
Annual Reserve (Net Position)	164.6	166.0	264.3	313.0	344.1
Cumulative Net Position	574.1	740.1	1,004.4	1,317.5	1,661.6
180-Day Expense	510.4	486.8	467.3	470.1	483.8
Projected Excess Reserves	63.7	253.3	537.1	847.4	1,177.7



# Budget by Department



# Budget by Department

## Executive

*Providing strategic leadership to guide the agency and deliver on its mission*

### Mission and Services

The Executive team provides agency-wide leadership and strategic direction for Community Power. Led by the chief executive officer and supported by the executive team, the department ensures alignment across departments, cultivates an inclusive and accountable culture and oversees implementation of the strategic plan.

The Executive team represents Community Power in public forums, guides internal systems development and advances partnerships with local governments, stakeholders and industry peers. Through consistent engagement with member agencies, the Board of Directors and Community Advisory Committee, and regional coalitions, the team builds trust and helps position Community Power as a leading voice in California's clean energy transition.

### Department Highlights

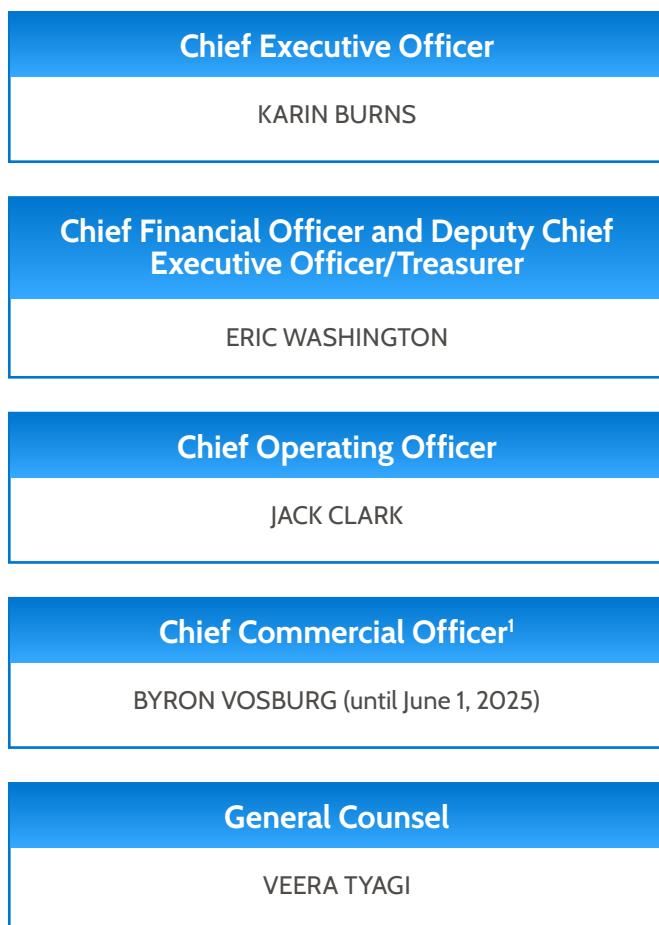
- Led development and rollout of the FY 2025–2026 strategic plan
- Continued engagement with CalCCA and participation in key state policy forums
- Oversaw internal management systems and staff training initiatives
- Supported cross-functional alignment through quarterly strategy check-ins
- Advanced initiatives to promote equity, transparency and operational integrity

### Key Performance Indicators (KPIs)

- Strategic goals aligned across departments (target: seven)
- Annual rate setting via public process (target: effective Feb. 1)
- Reserve balance and days cash on hand (target: 180 days by FY 2027)
- Number of external events attended by executive staff (target: 60)

### Department Organizational Structure

FIGURE 31. EXECUTIVE ORGANIZATIONAL STRUCTURE



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



# Operations

*Improving internal operations and alignment to support strategic execution*

## Department Description: Mission and Services

Operations ensures that Community Power functions effectively and efficiently across all departments. Led by the chief operating officer and supported by senior directors and project management staff, Operations drives internal coordination, facilitates collaboration and operationalizes the agency's strategic objectives.

The team oversees internal governance, agencywide administrative systems and policy development. Operations is also responsible for engagement with the Community Advisory Committee (CAC), ensuring transparency and accountability. The newly created Project Management Office (PMO), housed within Operations, leads efforts to align project execution with strategic priorities, standardize workflows, create efficiencies and improve internal delivery.

## Operations Highlights

- Supported growth to 80 full-time positions with strategic resource planning
- Launched agencywide project intake and documentation process through PMO
- Conducted internal process audits to identify operational bottlenecks
- Improved CAC and Board engagement through increased coordination and support
- Advanced internal efficiency through cross-departmental collaboration systems

## FY 2025–2026 Priorities

- Enhance internal systems and tools to support cross-functional execution
- Improve agency-wide project visibility, reporting and governance
- Develop the internal infrastructure needed to scale efficiently as Community Power grows
- Strengthen alignment between agency goals, departmental workplans and staff resources

## Key Performance Indicators (KPIs)

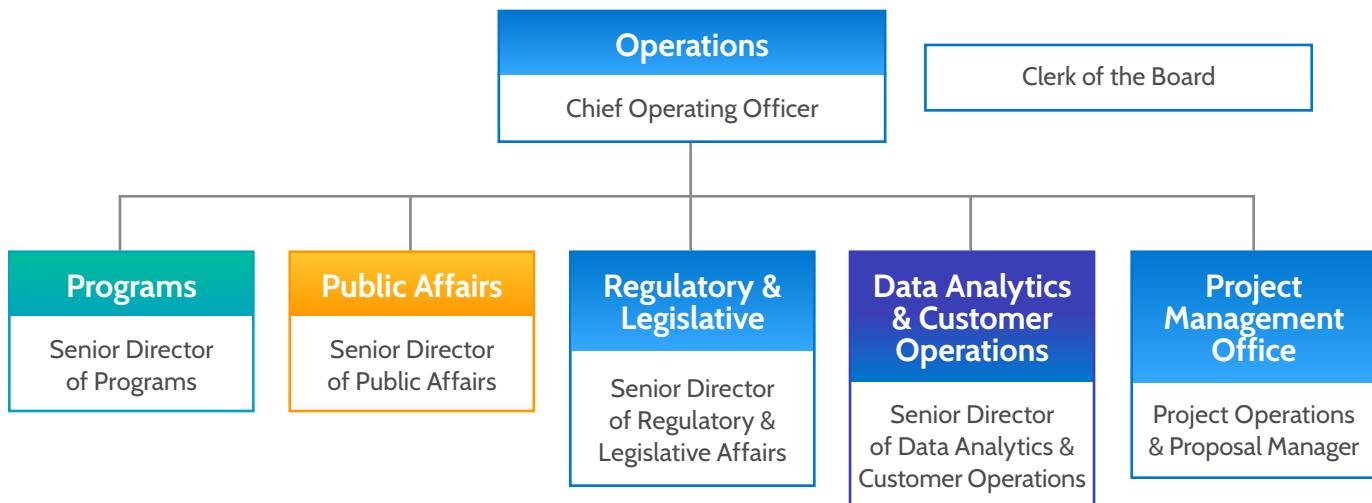
- Implement new project intake and tracking tools (target: Q2 FY 2025)
- Maintain a cross-functional project schedule (target: update quarterly)
- Implement a team utilization framework (target: Q3 FY 2025)
- Develop and launch a centralized internal dashboard for tracking project and policy updates (target: Q3 FY 2025)
- Conduct project reviews with the Executive team to ensure strategic alignment (target: review quarterly)

TABLE 7. OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Operations	5.0	4.0

## Department Organizational Structure

FIGURE 32. OPERATIONS ORGANIZATIONAL STRUCTURE



# Power Services

*Developing a clean energy portfolio that is reliable, affordable and increasingly renewable*

## Department Description: Mission and Services

The Power Services Department is responsible for managing Community Power's energy procurement and delivery portfolio, ensuring that customers receive clean, reliable and competitively priced electricity. This includes all long- and short-term energy contracting, load forecasting, power scheduling, wholesale market participation, energy risk management and compliance with state regulatory mandates.

Under the leadership of the chief commercial officer, Power Services oversees competitive solicitations and negotiation of power purchase agreements (PPAs) and Energy Storage Service Agreements (ESSAs), working to meet state mandates and voluntary goals related to the Renewable Portfolio Standard (RPS) and Resource Adequacy (RA). The department also plays a key role in diversifying supply, expanding clean energy development and accelerating the build-out of local energy infrastructure, including distributed energy resources (DERs).

## Department Highlights

- Expanded to 16 team members to manage procurement, forecasting and compliance functions
- Maintained energy hedging strategy to mitigate cost volatility and market exposure in FY 2026 and beyond
- Procured Energy Trading Risk Management (ETRM) system
- Worked with general counsel to bring transactional counsel in-house to support higher transaction volume and legal review of complex energy agreements
- Continued contracting for and managing developing long-term clean energy resources to meet Community Power's 100% renewable energy goals

## FY 2025–2026 Priorities

- Manage portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing and staff training
- Advance toward a 100% renewable energy portfolio by 2035, with interim targets of 75% by 2027 and 85% by 2030
- Support development of 1 gigawatt of local clean energy capacity by 2035, including at least 300 megawatts from DERs enabled through programs, tariffs and procurement
- Ensure cost-effective compliance with RA and RPS requirements and all other state regulatory obligations
- Prioritize projects and partnerships that help create high-quality local jobs in the clean energy economy

## Key Performance Indicators (KPIs)

- Maintain alignment with Community Power's energy risk management policy
- Ensure timely filing of all resource adequacy month-ahead filings as well as the year-ahead filing due in October 2025
- Submit annual Integrated Resource Plan, Renewable Portfolio Standard Plan and Mid-Term Reliability updates
- Finalize and implement Feed-In Tariff 2.0 and secure additional local energy contracts
- Implement and integrate an ETRM system to improve energy risk management and internal analytics by Q3 2025
- Bring online the first Power Purchase Agreement where SDCP has full control of scheduling coordinator responsibilities

TABLE 8: POWER SERVICES POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Power Services	16.0	*17.0

\*0.3 position will be externally funded in FY26

## Department Organizational Structure

FIGURE 33. POWER SERVICES ORGANIZATIONAL STRUCTURE



\*Positions authorized in FY26



# Finance

*Promoting long-term organizational sustainability through sound fiscal management and strategic investment*

## Department Description: Mission and Services

The Finance Department ensures the long-term fiscal health of Community Power through sound financial planning, risk management and transparency. The department manages budgeting, accounting, cash flow, reserves, audits, financial policy implementation, debt financing including clean prepayment financing, and fiscal compliance.

Finance supports the organization's mission by maintaining strong financial controls, enabling informed decision-making and positioning the agency to invest in programs, infrastructure and operations that advance clean energy access and community benefits.

## Department Highlights

- Continued focus on building reserves to meet the 180-day cash-on-hand goal
- Coordinated annual financial audit with no findings in FY 2023
- Developed internal financial controls and contracts tracking system
- Advanced implementation of the Capital Investment Plan
- Supported the execution of multiple clean energy prepay bond transactions

## FY 2025–2026 Priorities

- Execute 3–5 clean prepay bond transactions to reduce power costs by up to \$30 million annually
- Contribute \$80 million toward the reserve goal by the end of FY 2025–26
- Build a Rate Stabilization Reserve to mitigate power market volatility
- Launch a vendor and contracts tracking system to strengthen fiscal controls
- Establish a Middle Office to enhance energy risk monitoring and oversight
- Maintain fiscal transparency through regular public reporting and committee updates

## Key Performance Indicators (KPIs)

- Reserve balance and days cash on hand (target: 180 days by FY 2027)
- Number of clean energy prepay transactions executed and savings achieved
- Reviewing budget-to-actuals to identify financial efficiencies
- Achievement of investment-grade credit rating readiness benchmarks

TABLE 9. FINANCE POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Finance	9.0	*10.0

\*1.0 position will be externally funded in FY26

## Department Organizational Structure

FIGURE 34. FINANCE ORGANIZATIONAL STRUCTURE



\*Position authorized in FY26



# Customer Operations

*Ensuring high customer satisfaction and retention through responsive service, affordability and clear communication*

## Department Description: Mission and Services

The Customer Operations Department supports customer satisfaction and retention by ensuring clear, timely and accurate billing, analyzing usage trends and delivering exceptional account management. Under the guidance of the chief operating officer and leadership of the senior director of data analytics and customer operations, the team manages contact center operations, supports key accounts and provides analytical insights to guide rate setting, forecasting and customer service enhancements.

The department plays a central role in delivering Community Power's promise of clean, affordable energy through customer-focused strategies. It supports interagency coordination with SDG&E and Calpine to mitigate billing errors and maintains the tools and insights that drive high customer retention, satisfaction and service engagement.

## Department Highlights

- Lowered electricity generation rates for the second consecutive year for Community Power customers
- Launched two new rate offerings — PowerBase and Power100 Green+ — to meet customer needs
- Oversaw more than \$19 million in vendor service contracts, including Calpine and SDG&E
- Partnered closely with SDG&E and Calpine to improve billing accuracy and address customer concerns
- Continued enhancements to internal data tools that track opt actions, revenues and customer engagement
- Played a pivotal role in maintaining customers' participation rate of 95%+ over the last 3 years

## FY 2025–2026 Priorities

- Evolve rate strategy to ensure competitiveness, affordability and fiscal sustainability
- Develop targeted strategies to increase customer retention and promote opt-ups to Power100
- Resolve outstanding billing and communication issues with SDG&E that affect customer satisfaction
- Identify and evaluate potential enhancements to customer service delivery, including a future Energy Advisor Center
- Implement measures to reduce customer arrearages and improve long-term account health
- Support contact center training and performance monitoring for consistent, high-quality service

## Key Performance Indicators (KPIs)

- Customer retention rate (target: 90%+)
- Number of opt-ups to Power100 (target: 10% of total load by 2027)
- Customer satisfaction score via surveys (target: score 9/10)
- Rate of issue resolution and billing accuracy (target: 99%+ first-contact resolution)
- Close collaboration with SDG&E and the agency's collection vendor to reduce arrearages year over year
- Number of service enhancements implemented or piloted (target: 2–3 new initiatives in FY26)

TABLE 10. CUSTOMER OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Customer Operations	8.0	5.0

## Department Organizational Structure

FIGURE 35. CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE



# IT and Data Analytics

*Creating a secure and efficient environment that supports collaboration and innovation*

## Department Description: Mission and Services

The IT and Data Analytics Department empowers Community Power through secure, scalable and modern digital infrastructure. Reporting to the senior director of data analytics and customer operations and led by the associate director of IT and Data Analytics, the department manages enterprise-wide systems, data and analytics platforms, and cybersecurity.

The team develops and maintains centralized, cloud-based tools that enable real-time, data-informed decisions across rate development, customer programs, marketing and operations. By implementing robust security protocols and IT governance, the department ensures business continuity, system resilience and a strong data-driven culture throughout the agency.

## Department Highlights

- Launched agencywide managed IT services with cybersecurity protections
- Completed enterprise assessment to align systems with strategic goals
- Advanced development of an enterprise data platform (EDP) to centralize analytics
- Supported implementation of improved forecasting models that account for solar generation
- Partnered with the Project Management Office (PMO) to assess project management platforms

## FY 2025–2026 Priorities

- Strengthen cybersecurity framework and conduct annual penetration testing
- Launch enterprise data platform with integration of critical data systems by Q4 FY 2025
- Finalize IT policies and governance procedures by Q2 FY 2025
- Select and implement a project management system with PMO support by Q2 FY 2025
- Expand in-house analytics support to additional Community Power departments by FY 2026

## Key Performance Indicators (KPIs)

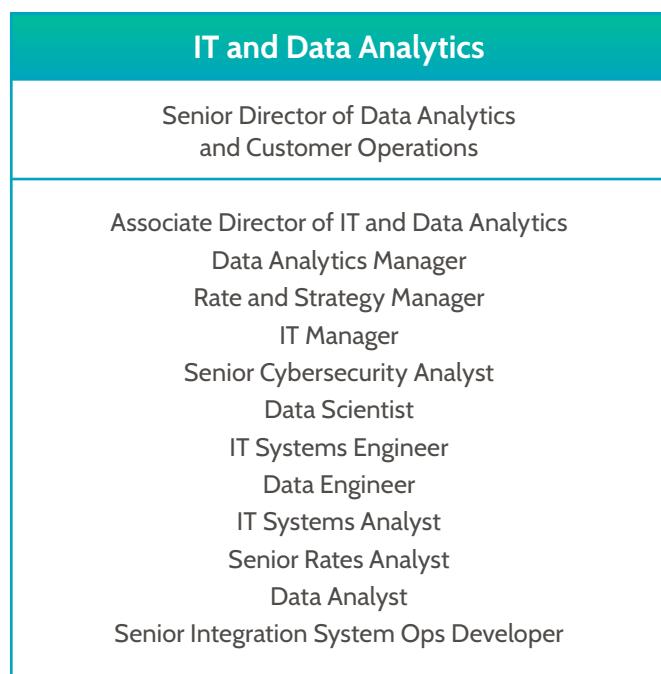
- Number of cybersecurity incidents reported (target: 0)
- Percentage of critical retail operations data systems integrated into EDP (target:  $\geq 98\%$ )
- Project management system implemented and training completed (target: Q3 FY 2025)
- Number of departments supported with internal analytics (target:  $\geq 4$ )
- Number of reporting dashboards deployed (target: four to six)
- Percentage of IT incidents resolved within service level agreement (SLA) (target:  $\geq 98\%$ )
- Adoption of IT policy and governance framework (target: approved by Q2 FY 2025)

TABLE 11. IT AND DATA ANALYTICS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
IT and Data Analytics	9.0	12.0

## Department Organizational Structure

FIGURE 36. IT AND DATA ANALYTICS ORGANIZATIONAL STRUCTURE



# Public Affairs

*Building a trusted public agency through strategic outreach, education and engagement*

## Department Description: Mission and Services

The Public Affairs Department connects Community Power with the people and communities it serves. Through strategic communications, local partnerships and public engagement, the team builds awareness of Community Power's mission, programs and benefits. The department also supports customer education, agency branding and transparency in all public-facing materials.

Led by the senior director of public affairs and reporting to the chief operating officer, the department includes three core focus areas: strategic partnerships, community engagement, and marketing and communications. Together, these teams advance Community Power's brand identity, foster connections with key audiences and ensure transparency through outreach, media engagement and public education. The department also supports the Community Advisory Committee (CAC) and helps ensure local priorities are reflected in agency decision-making.

## Department Highlights

- Participated in 151 community outreach events in 2024, resulting in 18,539 unique interactions
- Achieved an estimated 1.2 million impressions through in-person outreach and strategic media and partner efforts, including CBS 8's "Working for Our Communities" partnership
- Supported the CAC and provided updates to member agency city councils
- Managed the agency's brand refresh and website redesign efforts
- Produced quarterly newsletters, social media content and other tools to increase customer understanding and transparency

## FY 2025–2026 Priorities

- Expand public understanding of Community Power's clean energy programs and rate options
- Strengthen brand awareness and build community trust across diverse audiences with the launch of Community Power's new website
- Partner with member agencies and community-based organizations to reach underserved populations
- Support program launches and other resources through clear, multilingual and accessible messaging
- Ensure ongoing transparency through coordinated media outreach, digital engagement and community events

## Key Performance Indicators (KPIs)

- Number of public events attended or hosted (target: 100 annually)
- Total impressions across digital and earned media (target: 1.2 million)
- Newsletter open rate and click-through metrics (target: 40% open, 10% click-through)
- Number of reinvestments in member agencies through partnerships, sponsorships and engagements (target: partner, sponsor or fund at least four engagements in each member agency annually)
- Number of earned media opportunities (target: six annually)

TABLE 12. PUBLIC AFFAIRS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Public Affairs	12.0	*13.0

\*1.0 position will be externally funded in FY26

## Department Organizational Structure

FIGURE 37. PUBLIC AFFAIRS ORGANIZATIONAL STRUCTURE



\*Position authorized in FY26



# Programs

*Implementing energy projects and programs that reduce emissions, align supply and demand, and deliver community benefit*

## Department Description: Mission and Services

The Programs Department designs and implements initiatives that reduce customer bills, increase energy resilience and expand access to clean energy. Under the guidance of the chief operating officer and the leadership of the senior director of programs, the team manages incentive programs, pilots and partnerships that serve residential, commercial and public agency customers across the region.

Program area focus and design are guided by Community Power's Community Power Plan (CPP), Climate Action Plans from member agencies, and state and federal policy. From residential battery incentives to electric vehicle charging management, the department supports scalable, equitable decarbonization across sectors. The department works closely with community-based organizations, industry stakeholders and internal departments to ensure program design is equitable, cost-effective and scalable.

The department also leads the launch and administration of the San Diego Regional Energy Network (SDREN) in partnership with the County of San Diego, a transformative multi-year effort to deliver energy efficiency and demand-side management programs across San Diego County.

## Department Highlights

- Launched the Solar Battery Savings program, recognized in the U.S. Department of Energy's 2025 *Virtual Power Plant Liftoff Report*, to create a 7 MW Virtual Power Plant via customer-owned residential battery storage
- Received approval for the San Diego Regional Energy Network (SDREN) application, generating nearly \$125 million in program funding for the region through 2027
- Initiated customer-facing pilots in building decarbonization, flexible load management, healthy and efficient refrigeration and transportation electrification
- Built new strategies for vehicle-grid integration, virtual net billing and distributed energy resource deployment
- Executed state and federal grants, including the CDFA Healthy Refrigeration Grant and support for SANDAG's Climate Pollution Reduction Grant proposal
- Partnered in strong cross-departmental collaboration to integrate customer, regulatory and operational inputs into program design

## FY 2025–2026 Priorities

- Deliver 150 megawatts of local capacity from distributed energy resources (DERs) and Community Power's Virtual Power Plant (VPP) portfolio by 2035, including expansion of the Solar Battery Savings program
- Launch all SDREN programs and make them available by the end of FY 2026

- Develop and implement a formal program evaluation framework for all programs and pilots by FY 2026
- Secure new program funding from external sources, including state, federal and philanthropic entities
- Integrate Distributed Energy Resources Management System (DERMS) software and flexible load strategies into program implementation
- Support electrification and resiliency through targeted customer offerings in solar + storage, demand response and energy efficiency

## Key Performance Indicators (KPIs)

- DER capacity added through program implementation (target: 20 MW in FY 2025–26, 150 MW by FY 29–30)
- Ten SDREN programs launched and available (target: all core programs by FY 2025–26)
- Program evaluation framework completion and deployment (target: Q4 FY 2025–26)
- Equity-focused program participation from priority communities (target: 50% of total incentive funding)

TABLE 13. PROGRAMS POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Programs	12.0	*14.0

\*6.0 positions will be externally funded in FY26

## Department Organizational Structure

FIGURE 38. PROGRAMS ORGANIZATIONAL STRUCTURE



\*Positions authorized in FY26



# Regulatory and Legislative Affairs

*Advocating for policies that advance Community Power's mission and protect local decision-making*

## Department Description/Mission and Services

The Legislative and Regulatory Affairs Department monitors, engages in and influences proceedings, proposed policies and legislation that directly or indirectly impact Community Power's operations and customers. Under the guidance of the chief operating officer and leadership of the senior director of Regulatory and Legislative Affairs, the department represents Community Power's interests before the California Public Utilities Commission (CPUC), California Energy Commission (CEC), California Air Resources Board (CARB), California Independent System Operator (CAISO), the state Legislature and Congress, as well as at the federal level with relevant federal agencies, including but not limited to the Department of Energy and Federal Energy Regulatory Commission (FERC).

The department also supports regulatory compliance across multiple state agencies, assists with agencywide understanding of policy impacts and develops strategies for securing external funding and favorable regulatory outcomes. Community Power participates in trade associations such as CalCCA and works collaboratively with member agencies, industry partners and stakeholders across the state to ensure community choice remains a resilient and effective tool for climate action and energy equity.

The department's work is guided by Community Power's Regulatory and Legislative Platform, which outlines the agency's values-based approach to policy and advocacy, anchored in accelerating deep decarbonization, promoting local development and stabilizing community choice energy. The platform provides clear guidance for consistent engagement at the local, state and federal levels and ensures that policy advocacy reflects Community Power's mission and customer priorities. View the platform [here](#).

## Department Highlights

- Monitored and/or engaged in over 60 regulatory proceedings and associated policy working groups
- Provided analysis on approximately 150 pieces of legislation per year affecting Community Choice Aggregators and issued letters of support on approximately 10 pieces of legislation per year (all legislative letters issued by Community Power can be viewed [here](#))
- Participated in CalCCA's regulatory and legislative committees and tiger teams to advocate for inclusion of Community Power policy priorities in trade association filings and letters
- Developed Community Power's federal funding strategy and assisted with competitive grant applications

- Updated Community Power's Regulatory and Legislative Platform, available on Community Power's [website](#)

## FY 2025–2026 Priorities

- Continually engage policymakers to ensure alignment with Community Power's strategic priorities
- Sponsor or support state and federal legislation that promotes affordability, equity and local clean energy
- Advance regulatory outcomes that uphold procurement and rate-making authority for Community Power
- Identify and pursue grant and funding opportunities that benefit customers and member agencies
- Actively participate in trade associations and multi-agency coalitions to shape the policy landscape
- Track and manage compliance obligations to ensure timely and accurate filings

## Key Performance Indicators (KPIs)

- Number of regulatory proceedings tracked (target: 40+)
- Number of bills analyzed (target: 100+)
- Legislative positions advanced in alignment with platform (target: 10+)
- Number of unique interactions with state and federal policymakers (target: 50+)
- Grant or funding applications supported in coordination with internal and external partners (target: three or more)

TABLE 14. REGULATORY AND LEGISLATIVE AFFAIRS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Regulatory and Legislative Affairs	5.0	*5.0

\*0.7 positions will be externally funded in FY26

## Department Organizational Structure

FIGURE 39. REGULATORY AND LEGISLATIVE AFFAIRS ORGANIZATIONAL STRUCTURE



# Human Resources and Administration

*Fostering a high-performing, inclusive workplace through strategic talent development and operational excellence*

## Department Description: Mission and Services

The Human Resources and Administration Department serves as a strategic partner to leadership and staff, building the internal systems needed to support a high-performing, mission-aligned organization. The department combines two core functions — human resources and administrative operations — under a unified team that enables employee success and ensures internal consistency and support across all departments.

Human Resources (HR) leads efforts in recruitment, onboarding, benefits administration, compliance, professional development and performance management. These services are delivered in alignment with Community Power's values of integrity, innovation, servant leadership and collaboration.

The administrative team supports agencywide operations by managing internal documentation, scheduling, communications, executive support and coordination across departments. This function plays a vital role in maintaining day-to-day efficiency and ensuring smooth execution of internal processes.

FY 2025–26 marks the first full year of operations with a fully in-house HR team. With the addition of the administrative function, the department is well-positioned to drive internal excellence and provide responsive, effective support to employees, leadership and the Board of Directors.

## Department Highlights

- Brought the administrative team alongside the internal HR team
- Established internal HR systems for onboarding, hiring and staff support
- Partnered with Paychex and other vendors to streamline benefits administration
- Rolled out agencywide training programs and began design of a performance management framework
- Supported hiring and onboarding across the agency as Community Power reached 80 authorized FTEs

## FY 2025–2026 Priorities

- Evolve into a learning organization with robust professional development by Q4 2026
- Ensure that all staff receives annual safety and workplace training

- Refine and launch internship program to attract students from local colleges and underrepresented communities interested in the clean energy industry
- Finalize and implement a three-year staffing plan and internal job board
- Fully integrate administrative functions into the larger People Operations team
- Maintain employee satisfaction levels above 80% through annual surveys and onboarding feedback
- Develop a cadence for internal and external team events and activities that intentionally shapes our culture in alignment with our mission, vision, values and goals (MVVGs)

## Key Performance Indicators (KPIs)

- Headcount (78)
- Hired (22)
- Departed (four)
- Turnover Rate (target 5.6%)
- Time-to-fill for key positions (target: 78 days)

TABLE 15. HUMAN RESOURCES & ADMINISTRATION POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Human Resources and Administration	4.0	*6.0

*\*1 position will be externally funded in FY26*

## Department Organizational Structure

FIGURE 40. HUMAN RESOURCES AND ADMINISTRATION ORGANIZATIONAL STRUCTURE



# Legal

*Providing legal guidance, ensuring compliance, transparency and accountability to support organizational integrity*

## Department Description: Mission and Services

The Legal Department is led by Community Power's general counsel, who reports directly to the Board of Directors and serves as a member of the Executive team. Under the leadership of the general counsel, the department provides legal guidance across a range of areas including public agency governance, regulatory compliance, contract law, employment law and risk management.

The department plays a critical role in supporting internal policy development, mitigating organizational risk and maintaining transparency in all agency actions. As Community Power expands in scale and complexity, the department ensures the agency's decisions and operations remain aligned with local, state and federal legal requirements and uphold public trust.

## Department Highlights

- Established Community Power's first in-house Legal Department under general counsel leadership
- Hired two in-house attorneys to expand internal legal capacity
- Developed and implemented internal templates and review processes for contracting and risk mitigation
- Provided legal review and support for long-term power purchase agreements (PPAs) and clean energy prepay transactions
- Reviewed and updated internal policies and supported compliance with the Brown Act and other transparency laws

## FY 2025–2026 Priorities

- Support execution of three to five clean energy prepay transactions and associated legal review
- Provide legal guidance on long-term PPAs and related procurement efforts
- Review and update Board policies, bylaws and internal procedures
- Provide support for the launch of major customer programs, including Solar Battery Savings and the San Diego Regional Energy Network (SDREN)
- Expand legal training and education for agency staff and elected officials

TABLE 16. LEGAL POSITIONS

DEPARTMENT POSITIONS	FY25 Actual	FY26 Adopted
Legal	2.0	3.0

## Department Organizational Structure

FIGURE 41. LEGAL ORGANIZATIONAL STRUCTURE



*\*Position authorized in FY26*



07

# Budget by Level 2 and Level 3



# Budget by Level 2 and Level 3

## Operating Revenue

Community Power's sole source of revenue currently is the retail sale of electricity to its customers. Revenue budgeted for FY 2025–2026 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base as well as the majority of the residential customer base.

Generally, operating revenue through the retail sale of electricity is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying the Board-approved generation rates to the energy load; and 3) applying a 1.75% uncollectible rate based on revenue that Community Power does not expect to collect — the result is Community Power's operating revenue for the fiscal year.

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

1. PowerOn, our standard service offering that provides 55% renewable power (and 11.7% carbon free) and provides a 3% discount compared with SDG&E's rates
2. Power100, our premium service that provides customers with 100% renewable and carbon-free energy and is currently priced at a \$0.01/kWh added to the PowerOn service

3. Power100 Green+, our stand-alone 100% renewable and carbon-free service that is Green-e® certified, available only to commercial and industrial customers and currently priced at a \$0.02/kWh adder to the PowerOn service
4. PowerBase, our most affordable service option with renewable content that is intended to meet or exceed that of SDG&E whenever possible and provides customers with a 5% discount compared with SDG&E's rates currently in effect as of February 1, 2025

Additional assumptions for net operating revenue include:

- Enrollment of customers is complete for all member jurisdictions
- A 95% participation rate across all jurisdictions
- A 1.75% uncollectible rate that is a decrease from the 4.5% uncollectible rate assumed in the prior year budget
- 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 February 7, 2025, retroactive to February 1, 2025. Any rate changes are subject to Board approval.

TABLE 17. OPERATING REVENUE BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Gross Ratepayer Revenues	1,365.7	1,243.0	1,221.0
(Less 1.75% Uncollectible Customer Accounts)	(61.4)	(21.8)	(21.4)
Net Operating Revenues	1,304.3	1,221.2	1,199.6

\*Amounts displayed in millions of dollars



# Cost of Energy

The cost of energy is Community Power's largest expense. Generally, the cost of energy is derived by: 1) estimating Community Power's energy load for the upcoming fiscal year; 2) applying energy already contracted for to the projected energy load; and 3) applying forward market prices to the remaining energy load that Community Power has not yet contracted for — the result is Community Power's cost of energy for the fiscal year.

Community Power prioritizes purchasing 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 this electricity through its existing power lines and continues to provide meter reading, billing and line maintenance to customers.

While Community Power emphasizes its commitment to clean energy, there are factors that can influence the cost of this energy for Community Power, 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, Community Power 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 of air conditioning. This can put a strain on renewable energy sources, forcing Community Power to supplement with power from the market, potentially at a premium, similar to market fluctuations.

- **Increased Load** — Community Power's customer base is projected to remain steady; however, the overall demand for electricity (load) is projected to increase as California transitions to sourcing from more renewable energy. To maintain grid reliability, Community Power may need to secure additional power sources, potentially impacting the cost of energy.

Beyond market-driven factors, regulations such as resource adequacy (RA) requirements play a role in Community Power's energy costs. The California Public Utilities Commission (CPUC) mandates RA requirements. These require Community Power to procure a predetermined amount of electricity based on its projected load. This ensures a consistently 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, Community Power's commitment to clean energy aligns with California's sustainability goals.

It's important to note Community Power strives to offer competitive rates compared with traditional energy providers. The agency achieves this through various strategies, including long-term power purchase agreements and a diverse renewable energy portfolio to mitigate market fluctuations.

TABLE 18. COST OF ENERGY BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Cost of Energy	1,020.8	1,116.8	956.7

\*Amounts displayed in millions of dollars



# Professional Services and Consultants

Professional Services and Consultants includes SDG&E fees, data management fees from Calpine, technical support, legal/regulatory services and other general contracts related to IT services, audits and accounting services.

- **SDG&E Service Fees** – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The roll out of all enrollment phases adds significant costs compared to FY 2025–2026. 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** – This is a 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.
- **Technical Support** – Community Power engages consultants to assist with load forecast and scheduling our energy purchases. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electricity 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.
- **Legal/Regulatory Services** – Community Power retains legal counsel to assist with the complex aspects of the regulatory and compliance issues and 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 a federal lobbyist to support Community Power's legislative and regulatory efforts.
- **Other Services** – Community Power contracts or plans to contract for IT services, audit services (data and financial), accounting services and other services as needed. Community Power continues to examine if these services are more cost effective or efficient to bring in-house; in particular, Community Power is growing its internal IT function and expecting a reduction in its IT Services professional services agreement.

TABLE 19. PROFESSIONAL SERVICES AND CONSULTANTS BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Data Management	13.5	14.6	14.8
SDG&E Fees	4.0	3.4	4.0
Legal/Regulatory	1.5	2.1	1.7
Other Services	1.9	2.1	2.0
Technical Support	1.3	2.1	2.1
Professional Services and Consultants	22.3	24.3	24.6

\*Amounts displayed in millions of dollars



## 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 increases.

The recruitment strategy includes the addition of approximately seven new staff members during the FY 2025–2026 budget cycle, growing the agency to 94 total staff.

TABLE 20. PERSONNEL COSTS BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Salaries	9.1	14.1	15.4
Benefits (retirement/health)	1.8	2.6	3.3
Payroll Taxes	0.6	1.0	1.2
Accrued PTO	0.1	0.9	1.2
Personnel Costs	11.7	18.6	21.1

\*Amounts displayed in millions of dollars

## Marketing and Outreach

Marketing and Outreach includes expenses for mandatory rate mailers, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Marketing and outreach are further broken down into the following 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 Community Power is ensuring the community is informed about Community Power and that we build professional-

level name recognition and trust and provide education. This also covers the design of all required notifications sent out to customers, including opt-out procedures and rate comparisons as well as other notices or educational or marketing information.

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

TABLE 21. MARKETING AND OUTREACH BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Printing	1.4	1.2	0.8
Partnerships/Sponsorships/Local Memberships	0.9	1.2	1.1
Marketing and Communications	0.6	0.7	0.8
Marketing and Outreach	2.9	3.0	2.6

\*Amounts displayed in millions of dollars



## 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, professional development, etc.

TABLE 22. GENERAL AND ADMINISTRATION BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Other G & A	5.9	3.6	4.0
Cal CCA Dues	0.4	0.5	0.6
Rent	0.4	0.7	0.9
Partnerships/Sponsorships/Memberships	0.0	0.0	0.0
Insurance	0.1	0.1	0.3
General and Administration	6.8	4.9	5.9

\*Amounts displayed in millions of dollars

## Programs

Given the small size of the Budget Level 2 category for Programs, Community Power is removing this budget category in FY 2025–2026.

TABLE 23. PROGRAMS BY BUDGET LEVEL 2 AND LEVEL 3\*

	FY24 Amended	FY25 Amended	FY26 Adopted
Programs	0.1	0	0
Programs	0.1	0	0

\*Amounts displayed in millions of dollars



08

# Debt Financing



# Debt Financing

## Credit Facility

On January 23, 2023, the Community Power Board approved a new credit agreement to implement a new line of credit of \$150 million from a JP Morgan credit facility. Subsequently, on October 25, 2024, the Community Power Board approved an amendment to increase the credit facility to \$250 million.

The Credit Agreement with JP Morgan provides for a \$250 million multi-use revolving line of credit. This credit facility includes an up to 5-year term from the date of renewal. The funds are available for general corporate purposes including line-of-credit draws, collateral postings and postings for the provider of last resort collateral requirements.

TABLE 24. DEBT PAYMENTS\*

Year ended June 30, 2025	Beginnings	Additions	Payments	Ending
Bank note payable	-	47.0	47.0	-
Loans payable	-	-	-	-
Total	-	47.0	47.0	-

\*Amounts displayed in millions of dollars

## Debt Considerations

The Community Power Board has taken several important steps to potentially achieve an investment-grade credit rating that includes, among many items:

- Developing a Reserve Policy to increase liquidity
- Establishing and funding an Operating Reserve
- Adopting strategic goals that build to 180 days' cash on hand, ultimately leading to an investment-grade credit rating
- Approving rates effective February 1, 2025, that potentially allow Community Power to achieve 180 days' cash on hand in calendar year 2025

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

Community Power'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.

Community Power does not anticipate needing to use its credit facility to finance operations in FY 2025–2026 but periodically may access the credit facility for one-time needs. In FY 2024–2025, Community Power accessed \$47.0 million from the credit facility and satisfied the loan payment in December 2024. Currently, Community Power has zero debt. However, Community Power still pays debt service fees to maintain its \$250 million credit facility and to satisfy fees related to standby letters of credit.

The Debt Policy enables Community Power to issue bonds that will ultimately be subject to Board approval as a separate action. The Debt Policy will help Community Power take advantage of ownership opportunities that may arise, especially in conjunction with state or federal funding that might be available. To date, Community Power has not issued debt.

The Debt Policy articulates:

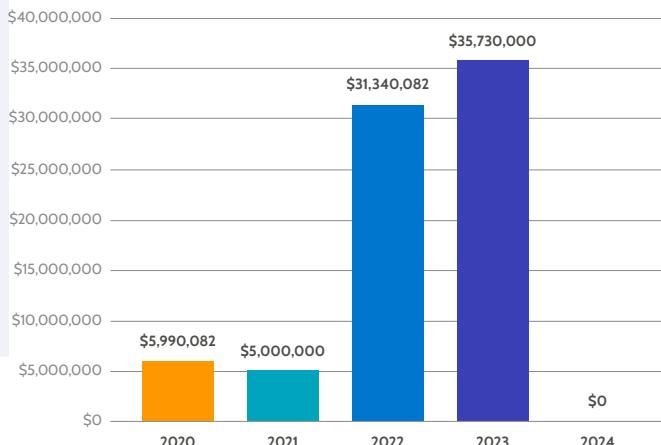
- The situations and steps necessary for the issuance of debt
- The types of debt that may be issued
- How the debt fits into Community Power's strategic plan and potential capital investment program

The Debt Policy also includes sections to:

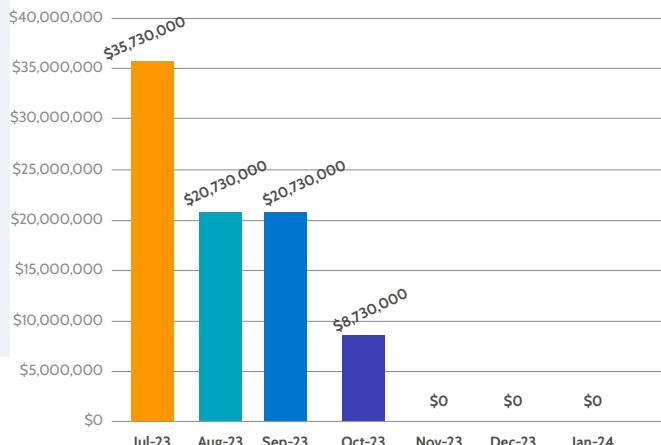
- Facilitate decision making
- Establish basic parameters and principles
- Articulate and clarify other related aspects to guide future Boards, staff and consultants



**FIGURE 42. COMMUNITY POWER'S DEBT 2020–2024**



**FIGURE 43. COMMUNITY POWER'S DEBT BY MONTH**



The Community Power debt policy also includes additional requirements as follows:

- Green Bonds — To the extent possible, Community Power 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, Community Power will utilize an Additional Bonds Test that 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 — Community Power will also seek to maintain aggregate annual debt service on long-term debt at a level not to exceed 5% of Community Power'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

### 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**

Professional Services and Consultants	FY23 Original Budget	FY23 Amended Budget	Change
Data Management	\$10,541,810	\$10,391,801	\$(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**

Budget Level 2	FY23 Original Budget	FY23 Amended Budget	Change
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	\$ -
Programs	\$1,395,000	\$1,395,000	\$ -
Debt Service	\$1,314,922	\$1,314,922	\$ -
<b>Total Prof. Svcs. Expenses</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

## 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:** unrestricted cash and cash equivalents  $\times 365 /$  (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 to 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 the 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

- **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.

### a. Informal Bidding Procedures.

- 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.
- 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.
- 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.
- 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.

### b. Informal Bidding Procedures.

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

- 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.



- SDCP shall not be required to award a contract to purchase goods or services from the lowest responsible bidder, unless required by California law.
- No SDCP officer or employee shall split purchases into more than one purchase in order to avoid the Competitive Procurement Requirements in this Policy
- 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.

**c. Exceptions to Competitive Procurement Requirements.**

- i. 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.
- 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.

- ii. No competitive procurement shall be required for goods or services valued at less than \$10,000 in any one contract term or contract year.
- iii. No competitive procurement shall be required to rent or lease equipment.
- 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.
- iv. 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

- 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.

- 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.
- 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.
- 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.
- 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 Community Power's and its member agencies' goals. Community Power has adopted an Energy Risk Management Policy authorizing certain Community Power 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

## Policy Guidelines

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 Community Power 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 its 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 SCDP 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, postissuance compliance, and investment of bond proceeds. This includes any continuing disclosure undertakings under Securities and Exchange Commission ("SEC") Rule 15c-2-12; 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 longterm 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.



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

- Revenue Bonds secured by general revenue 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.
- **Bond Counsel:** 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

## Policy Guidelines

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 53600.3<sup>2</sup> 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."

<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 with the 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. U.S. 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 or better by at least one Nationally Recognized Statistical Rating Organization (NRSRO). 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:

- 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.
- 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 sunsetting 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-Through 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 U.S. 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.



# 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 nonprofit 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 U.S. 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.
  - 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.
  - 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.
- 2. 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.

**3. 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.

- 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.
- 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.
- Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.
- 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 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

[sdcommunitypower.org/billing-rates/residential-rates/](http://sdcommunitypower.org/billing-rates/residential-rates/)

for residential rates or

[sdcommunitypower.org/billing-rates/commercial-rates/](http://sdcommunitypower.org/billing-rates/commercial-rates/)

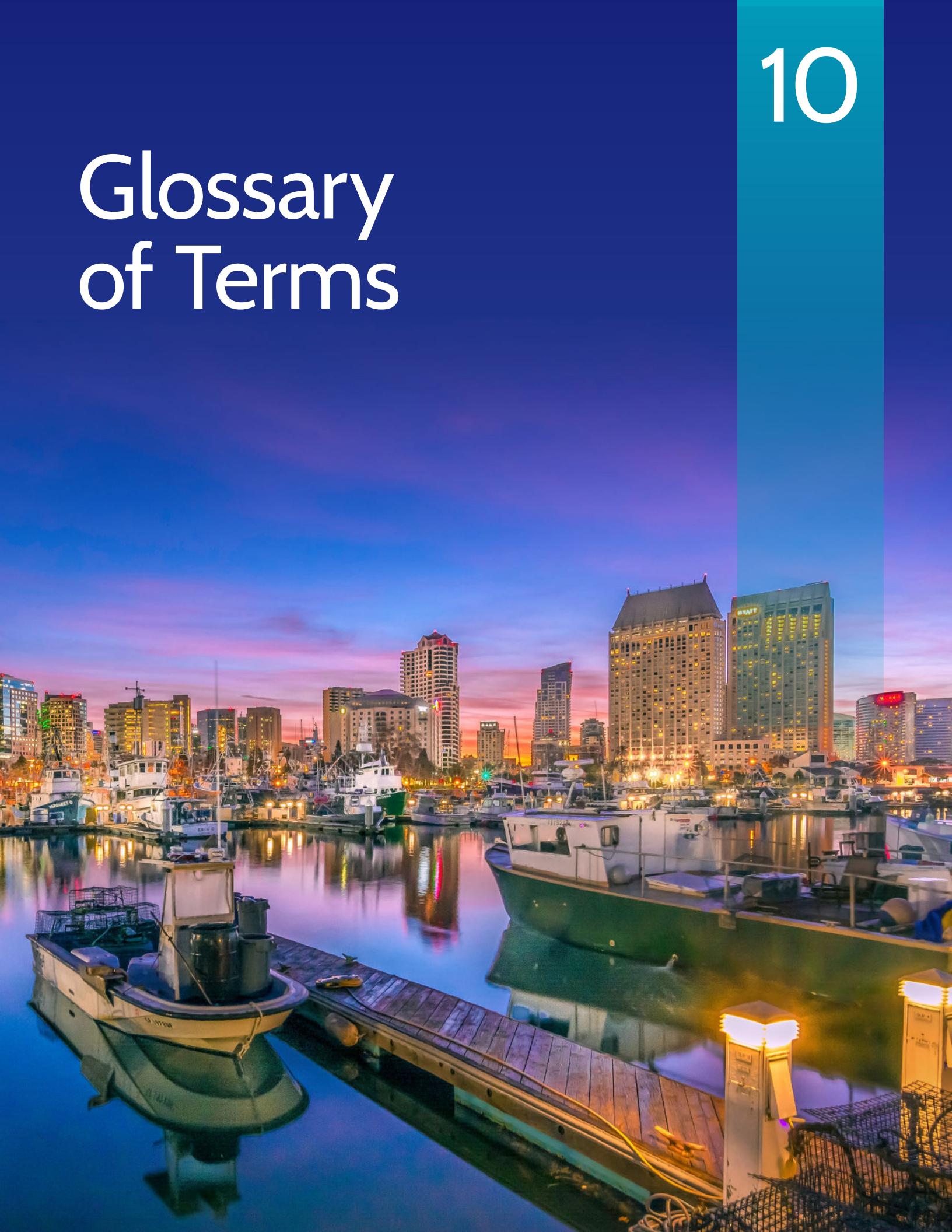
for commercial rates.

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.



# Glossary of Terms

A wide-angle photograph of a city skyline at sunset. The sky is a gradient of deep blue at the top, transitioning into orange and pink near the horizon. In the foreground, a marina is filled with various boats, including several large fishing boats with green hulls. The city skyline in the background features numerous skyscrapers of different heights and architectural styles, with their lights beginning to turn on as the sun sets. The overall atmosphere is a mix of natural beauty and urban development.

# 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 bill's house of origin in the Legislature. In California, it is common for legislation to be referred to by its house of origin number even after it becomes law. However, because bill numbers "reset" and start again from 1 in each legislative session, it is less confusing to include chapter and statute information when referring to a bill that has become law; for example, SB 350 (Chapter 547, Statutes of 2015).

**AL – Advice Letter:** An Advice Letter is a request by a California Public Utilities Commission (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 state 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 select public policy forums at the state level. AReM represents direct access providers such as Constellation NewEnergy and Direct Energy.

**BayREN – Bay Area Regional Energy Network:** BayREN offers regionwide 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 nonprofit public benefit corporation that oversees the operation of the California bulk electric power system, transmission lines and electricity market generated and transmitted by its members (approximately 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 the Federal Energy Regulatory Commission (FERC) and governed by a five-member governing board appointed by the governor.

**CalCCA – California Community Choice Association:** A statewide association, made up of Community Choice Aggregators (CCAs), that represents the interests of California's community choice electricity providers.

**CALSEIA – California Solar Energy Industries Association:** 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 represents 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:** A statewide association representing cities, counties and towns before the CPUC that is committed to maintaining fair and equitable streetlight electricity rates and facilities charges and disseminating streetlight-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:** An 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, is an entity of local governments that 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.

### **CCSF – 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:**

A nonprofit composed of U.S. 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; its members are in the cement, steel, industrial gas, pipeline, beverage, cold storage, food packaging and mining industries and their 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:**

A 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 Renewables Portfolio Standard (RPS) compliant, set by the California Public Utilities Commission (CPUC).

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

**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 composed 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 that most suffer from a combination of economic, health and environmental burdens. These burdens include poverty, high unemployment, air and water pollution and the presence of hazardous wastes as well as high incidences of asthma and heart disease. One way that the state identifies these areas is by collecting and analyzing information from communities statewide. 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 and intended to identify optimal locations for the deployment of distributed resources.

**DWR – Department of Water Resources:** DWR is the state agency charged with managing 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% and up to 100% of their monthly electricity demand. The customer pays the developer for the subscribed output and receives 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 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 and 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 that 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 Pacific Gas and Electric (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 that can be recovered in rates. The utilities do not earn a rate of return on these costs and recover only 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:** 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), which are gases that cause the atmosphere to trap heat radiating from the earth. The most common GHG is carbon dioxide.

**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 for and the rate schedules for each class. Each large electric utility files a GRC application every three years for review by the Public Advocate's Office and interested parties and for 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 quantify 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.

**IDSM – 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.

**IEPA – Independent Energy Producers Association:** 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 that outlines an electric utility's resource needs in order to meet expected electricity demand long-term.

**kW – Kilowatt:** A measure of power where power (watts) = voltage (volts) x amperage (amps) and 1 kW = 1,000 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 composed 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 CPUC’s electric procurement policies and programs.

**MCE – Marin Clean Energy:** The first CCA in California, which began serving customers in 2010. It serves 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:** A megawatt hour (Mwh) is equal to 1,000 Kilowatt hours (Kwh) or 1,000 kilowatts of electricity used continuously for one hour.

**MWH – Megawatt-hour:** A 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:** A nonprofit 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:** An 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 the 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:** A 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 Renewable Energy Certificate (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 Renewable Energy Certificate (REC) are from out of state and not dynamically scheduled to a CBA.

**PCC3 – RPS Portfolio Content Category 3:** Unbundled Renewable Energy Certificate (REC).

**PCIA or “exit fee”:** The 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 (Chapter 313, Statutes of 2009) and SB 1305 (Chapter 796, 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:** A CPUC hearing to discuss the scope of a proceeding, among other matters. Interested stakeholders can request party status during these conferences.

**Pnode – Pricing Node:** In the CAISO optimization model, this is a point where a physical injection or withdrawal of energy is modeled and for which an 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 (Chapter 547, Statutes of 2015).

**PRRR – Progress on Residential Rate Reform:** Pursuant to a CPUC decision, the IOUs must submit to the CPUC and other 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:** A California statute that contains 33 divisions; the range of topics within this code includes natural gas restructuring, private energy producers, telecommunication services, and specific municipal utility districts and transit authorities; the primary statute for governance of utilities as well as CCAs in California.

**PURPA – Public Utilities Regulatory Policy Act:** A federal statute passed in 1978 by Congress in response to the 1973 energy crisis to encourage fuel diversity via alternative energy sources and to introduce competition into the electric sector. It was intended to promote energy conservation (reduce demand) and promote greater use of domestic energy and renewable energy (increase supply).

**RA – Resource Adequacy:** Under its Resource Adequacy (RA) program, the California Public Utilities Commission (CPUC) requires load-serving entities — investor-owned utilities, electricity service providers and

CCAs — 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 megawatt-hour 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:** A law that requires California utilities and other load-serving entities (including CCAs) to provide an escalating percentage of California 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:** The CCA serving Sonoma County and surrounding areas in Northern California.

**SDG&E – San Diego Gas & Electric:** The IOU that serves San Diego County and owns the infrastructure that delivers Community Power energy to our customers.

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

**SUE – Super User Electric:** An electric surcharge intended to penalize consumers for excessive energy use.

**SVCE – Silicon Valley Clean Energy:** The CCA serving the communities in Santa Clara County.

**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 and 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:** A term that refers to the death of forest trees and provides a measure of forest health. In the context of energy, as part of the Governor's Tree Mortality Emergency Proclamation, 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 its renewable portfolio to Community Power and other LSEs within the service territory.

# Budget Resolution



# Budget Resolution

## RESOLUTION NO. 2025-06

### A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER ADOPTING THE FISCAL YEAR 2025-2026 OPERATING BUDGET, THE FISCAL YEAR 2025-2026 CAPITAL BUDGET, AND THE FISCAL YEAR 2026-2030 CAPITAL INVESTMENT PLAN.

A. San Diego Community Power ("Community Power") 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 Community Power'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 Community Power Board proposes to adopt the FY 2025-2026 Operating Budget and the FY 2025-2026 Capital Budget, attached hereto as Exhibit A.

E. The SDCP Board further proposes to adopt the FY 2026-2030 Capital Investment Plan that provides comprehensive five-year plan for Community Power's capital investment expenditures, attached hereto as Exhibit B.

F. The FY 2025-2026 Operating Budget, FY 2025-2026 Capital Budget, and the FY 2026-2030 Capital Investment Plan, are based on the reasonable and necessary costs incurred by Community Power to operate and provide electric services, programs, and other offerings to Community Power customers; that the services, programs, and other offerings are reasonable and necessary; and that the costs have a fair and reasonable relationship to the benefit, privilege, service or product provided to the customer.

**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 2025-2026 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2025-2026 Capital Budget.

Section 3. The Board of Directors hereby adopts the FY 2026-2030 Capital Investment Plan.

Section 4. The Board of Directors finds that the FY 2025-2026 Operating Budget, FY 2025-2026 Capital Budget, and the FY 2026-2030 Capital Investment Plan, are based on the reasonable and necessary costs incurred by Community Power to operate and provide electric services, programs, and other offerings to Community Power customers; that the services, programs, and other offerings are reasonable and necessary; and that the costs have a fair and reasonable relationship to the benefit, privilege, service or product provided to the customer.

Section 5. 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 26, 2025.

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

*Paloma Aguirre*

Paloma Aguirre, Chair  
Board of Directors  
San Diego Community Power

ATTEST:

APPROVED AS TO FORM:

*Maricela Hernandez*

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

*Veera Tyagi*

Veera Tyagi, General Counsel  
San Diego Community Power



# Acknowledgments



# Acknowledgments

## Finance Department

San Diego Community Power's Finance Department works to maintain a fiscally responsible budget in accordance with Community Power's 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 Community Power's 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 Community Power Board, committees and staff informed of Community Power's fiscal condition and develops a budget that will ultimately prioritize people, transparency and our communities.

### Board of Directors

Mayor Paloma Aguirre, Chair  
Supervisor Terra Lawson-Remer, Vice Chair  
Councilmember Sean Elo-Rivera, Director  
Councilmember Marco San Antonio, Director  
Councilmember Michael Inzunza, Director  
Councilmember Genevieve Suzuki, Director  
Councilmember Ditas Yamane, Director

### Finance and Risk Management Committee

Councilmember Ditas Yamane, Chair  
Councilmember Genevieve Suzuki, Vice Chair  
Councilmember Michael Inzunza, Director

### Community Advisory Committee

#### CHULA VISTA

- Anthony Sclafani
- (Vacant)

#### COUNTY OF SAN DIEGO

- Peter Andersen
- Ross Pike

#### ENCINITAS

- Gary L. Jahns
- Tara Hammond

#### IMPERIAL BEACH

- Ilian Sandoval
- Kenneth Hoyt

#### LA MESA

- David Harris
- Shaun Sumner

#### NATIONAL CITY

- Aida Castañeda
- Larry Emerson

#### SAN DIEGO

- Luis Montero-Adams
- Matthew Vasilakis

### Community Power 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 (until June 1, 2025)\*

### Finance Department

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

*\*Formerly titled Managing Director Power Services*

