

RESOLUTION NO. 2026-07

A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER, ADOPTING A RATE STABILIZATION RESERVE POLICY.

WHEREAS, 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”); and

WHEREAS, on June 24, 2021, the Board of Directors (the “Board”) approved a Financial Reserves Policy to provide a policy framework for accumulating and maintaining reserves as part of Community Power’s annual budget and rate setting processes, and was subsequently amended on February 22, 2022, and on June 27, 2024, to provide for and then to increase the financial reserve goal, and most recently amended on October 23, 2025, to make certain definitional changes, and further revised on December 11, 2025, to establish specific threshold levels for reserve accumulation and introduces a risk-based analysis framework to ensure that reserve targets are aligned with the financial risks and to introduce the concept of certain Reserves to be designated as Rate Stabilization Reserves; and

WHEREAS, Community Power operates in wholesale energy markets subject to volatility, including but not limited to power and capacity price fluctuations, weather-driven load variability, regulatory and tariff changes, counterparty and credit requirements, and other events that may impact Community Power’s costs and revenues; and

WHEREAS, establishing a designated Rate Stabilization Reserve is intended to provide a transparent, Board-adopted framework to (i) mitigate the rate and budget impacts of short-term market and operational variability, (ii) support maintenance of adequate liquidity and financial covenants, and (iii) preserve Community Power’s ability to deliver stable and predictable generation rate outcomes for customers over time; and

WHEREAS, the Board desires to formalize a policy that defines the purpose, target level funding approach, permitted uses, approval requirements, and reporting expectations for a Rate Stabilization Reserve consistent with prudent public power and community choice aggregation financial practices.

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

Section 1. The Board of Directors hereby approves and adopts a Rate Stabilization Reserve Policy, as provided in Exhibit A, attached hereto and incorporated herein.

Section 2. If any provision of this resolution, the attached policy, or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or

applications of the resolution or policy which can be given effect without the invalid provision or application, and to this end the provisions of this resolution and the policy are severable. The Board of Directors hereby declares that it would have adopted this resolution and the attached policy irrespective of the invalidity of any particular portion thereof.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED at a regular meeting of the Board of Directors of San Diego Community Power held on March 26, 2026, by the following vote:

- AYES: VICE CHAIR YAMANE, DIRECTORS INZUNZA, SAN ANTONIO AND SUZUKI AND ALTERNATE DIRECTOR LACAVA**
- NOES:**
- ABSTAIN:**
- ABSENT: CHAIR LAWSON-REMER AND DIRECTOR FISHER**

Ditas Yamane
Ditas Yamane (Mar 28, 2026 00:08:40 PDT)

Ditas Yamane, Vice Chair
San Diego Community Power

APPROVED AS TO FORM:

ATTEST:

Maricela Hernandez

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

Veera Tyagi

Veera Tyagi, General Counsel
San Diego Community Power

POLICY	RATE STABILIZATION RESERVE POLICY	ORIGINAL ADOPTION DATE	MARCH 26, 2026
APPROVAL DATE	MARCH 26, 2026	RESOLUTION NO.	2026-07

PURPOSE AND SCOPE

San Diego Community Power (Community Power) may maintain a Rate Stabilization Reserve (RSR) as recognized in the Board-adopted Financial Reserves Policy. Any RSR will be maintained and utilized as described in this policy for the intention of providing customer rate stability.

DEFINITIONS

- **Reserves:** Unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes. Any Reserves that are designated by the Board of Directors as Rate Stabilization Reserves are included in the total Reserves calculation and reserve thresholds.
- **Rate Stabilization Reserves:** A type of reserve intended to provide budget stabilization for the organization while mitigating financial impacts and cost of energy to customers due to cyclical cost of energy fluctuations. It is intended to reduce rate shocks while maintaining compliance with financial covenants.
- **Rate Stability Metrics:** The change in generation rates experienced by customers due to rate changes approved by the Board of Directors, which may be measured as year-over-year rate change or value proposition change. Regular components of rates that fluctuate independently of changes approved by the Board, such as seasonal or time-differentiated rates or changes to delivery rates may be excluded from rate stability metrics.
- **Fiscal Year (FY):** The consecutive twelve-month period of July through June, identified by the calendar year of the latter half (i.e., July 2025 through June 2026 is FY 26), for use in financial planning, or as otherwise established by the Community Power Board pursuant to Section 7.1 of the Joint Powers Agreement.
- **Calendar Year (CY):** The consecutive twelve-month period of January through December, aligned with the calendar, for use in rate-setting.

- **Revenue Transfer:** A financial decision within a strong FY, defined by expected net position, to allocate a portion of revenues to the RSR. In this scenario, the allocation to the RSR is classified as a negative contribution to net position, so that these funds are not recognized as revenue within that FY.
- **Revenue Recognition:** A financial decision within a weak FY, defined by net position or rate stability metrics, to allocate a portion or all of funds in the RSR to revenues. In this scenario, the allocation from the RSR is classified as a positive contribution to net position, so that these funds are recognized as revenue within that FY.

POLICY

A. Objectives

The RSR allows Community Power to defer revenues in strong fiscal years and to withdraw revenues in weak fiscal years, relative to net position, in order to provide rate stability to customers and avoid substantial rate increases. The primary use case of the RSR is to mitigate rate volatility caused by Market Price Benchmark (MPB) and Power Charge Indifference Adjustment (PCIA) rate fluctuations, or for any other purpose, to reduce year-over-year rate changes and/or maintain Community Power's rate competitiveness between rate setting cycles.

Community Power staff will closely monitor reserves and metrics associated with rate stability and affordability to determine appropriate Revenue Transfers and Revenue Recognitions via the RSR during the fiscal year and the rate-setting process.

B. Target RSR Balance

The Target RSR Balance may be an amount up to or equivalent to 45 Days Cash on Hand, representing the Reserves between the Target Reserve Balance and Maximum Reserve Balance of Community Power's Financial Reserves, as defined in the Financial Reserves Policy. Community Power may reevaluate this Target RSR Balance annually to determine that the RSR is sufficient to cover identified risks and to mitigate rate volatility for customers. Should the balance increase above the amount equivalent to 45 Days Cash on Hand, the Community Power Board may authorize adjustment to the balance consistent with the Financial Reserves Policy.

C. Accounting

The RSR is accounted for under Government Accounting Standards Board Statements 62 which codify deferred outflows and inflows of resources. The balance of the RSR, including annual Revenue Transfers and Recognitions, will be recorded on the statement of net position in

Community Power's Statement of Revenues.

Trigger Mechanism: Revenue Transfers should be considered during fiscal years with positive net position, in which reserves are above the Target Reserve Balance as defined by the Financial Reserves Policy. Revenue Recognitions should be considered during fiscal years with an expected negative net position, or during the rate-setting process to mitigate substantial rate increases for customers. The impacts on financial or bank covenants and other appropriate financial metrics should also be a factor in the decision-making process. Community Power staff shall strive to not negatively impact the agency's financial standing via decisions related to the RSR.

Replenishment Mechanism: When Revenue Recognition decisions from the RSR are approved, Community Power staff must also present a plan to replenish the RSR within 2-4 years by the next regularly scheduled Board meeting, if feasible. Revenue Transfers and Recognitions may be made within the same fiscal year, provided that all other criteria are met.

D. Reporting and Authorization

The Chief Executive Officer (CEO) will have the discretion to authorize Revenue Transfer and Recognition decisions related to the RSR during the fiscal year. Any Recognition of the RSR during a fiscal year must be recommended by the CEO to the Board for approval of such use, subject to appropriation approved by the Board.

Revenue Transfer and Recognition decisions will be reported to the Board of Directors by Community Power staff at the next regularly scheduled meeting. The year-end financial report presentation to the Board will also include an update on the status of the RSR.

E. Policy Review

Community Power will complete a periodic review of this Rate Stabilization Reserve Policy and recommend updates to the Board, as appropriate.

F. Miscellaneous

Nothing in this policy shall supersede any provisions established or updated via Community Power's Financial Reserves Policy and Rate Development Policy.

PRIOR VERSIONS

DATE	ACTION	RESOLUTION NO.	POLICY NO.
N/A	N/A	N/A	N/A

RELATED POLICIES

Financial Reserves Policy – Resolution No. 2025-20

Rate Development Policy – Resolution No. 2022-12