SAN DIEGO COMMUNITY POWER

Finance and Risk Management Committee

Regular Meeting

September 17, 2026

Welcome and Call to Order

Roll Call

Land Acknowledgement

Items to be Withdrawn or Reordered on the Agenda

Public Comment on non-Agenda Items

Consent Calendar

1. Approve August 20, 2026, Meeting Minutes

Public Comment on Consent Calendar

Regular Agenda

2. Treasurer's Report for 12-Month Period Ending June 30, 2026

3. Quarterly Risk Oversight Committee Report

4. Recommend Board Approval for a Contract with Neighborhood National Bank for Qualified Public Depository Services for the Period September 24, 2026, through August 30, 2031, and Authorize the Acting Chief Executive Officer to Execute the Contract

Item No. 2

Treasurer's Report for 12-Month Period Ending June 30, 2026

Presenters:
Jeb Spengler, Associate Director of Strategic Finance & Procurement
Dan Delaney, Chandler Asset Management

Recommendation:

Receive and File Treasurer's Report for 12-Month Period Ending June 30, 2026

Financial Statement Highlights
Summary of Actual Results vs. Amended Budget

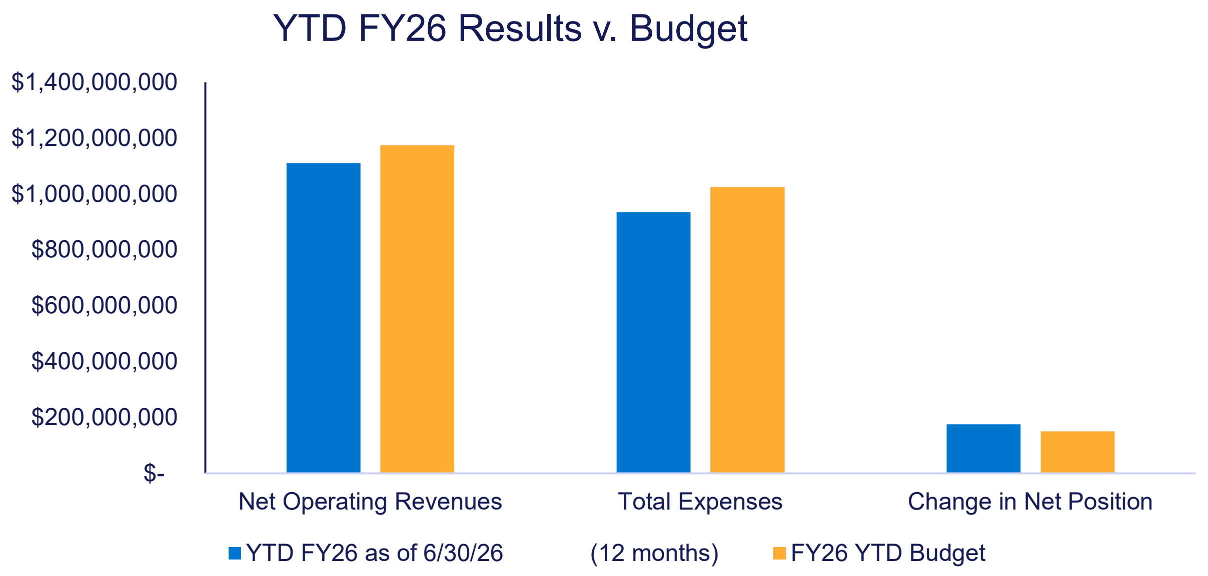
Unaudited results for the fiscal year ending June 30, 2026:

- Operating Revenues = 5.5% below budget*
- Operating Expenses = 8.8% below budget

Totals for Fiscal Year End 2026:

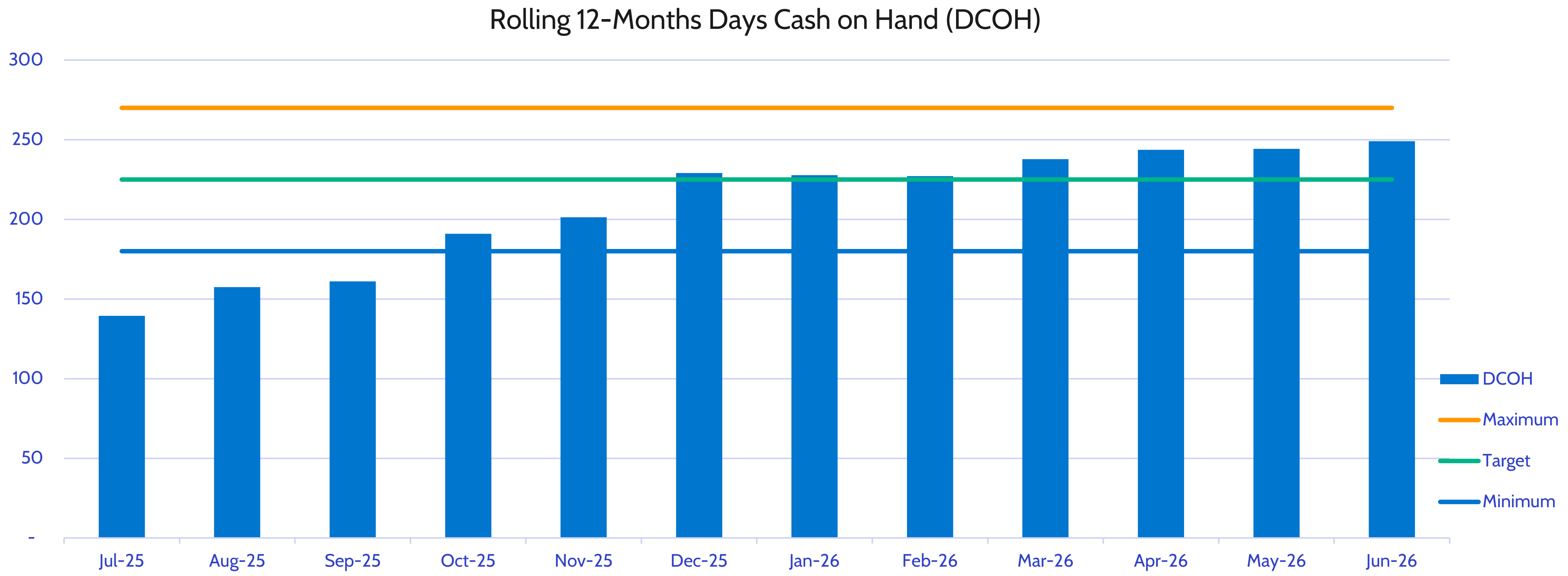
- $1.11B in net operating revenues
- $934.7M in total expenses (including energy costs of $885.8M)
- $176.0M change in net position

Budget Comparison							
		YTD FY26 as of 6/30/26 (12 months)		FY26 YTD Budget		Budget Variance ($)	Variance (%)
Net Operating Revenues	$	1,110,757,158	$	1,175,419,000	$	(64,661,842)	-5.50%
Total Expenses	$	934,735,976	$	1,025,009,000	$	(90,273,024)	-8.81%
Change in Net Position	**$**	**176,021,182**	**$**	**150,410,000**	**$**	**25,611,183**	



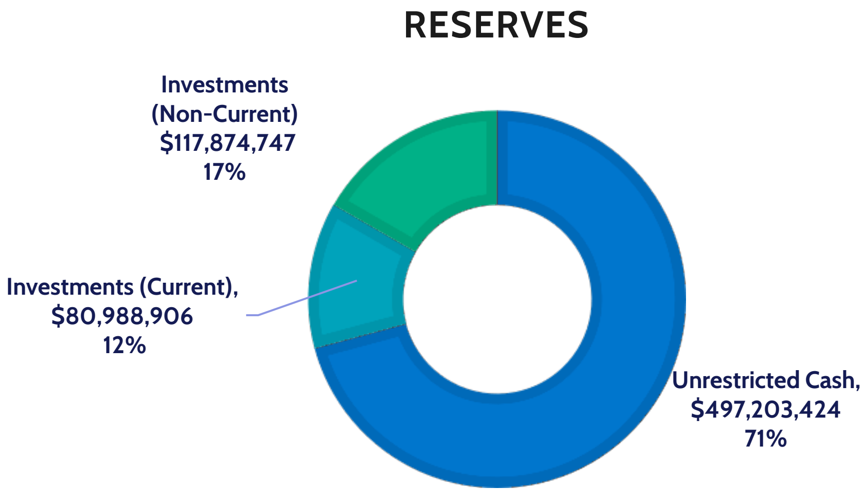
*Operating Revenues do not include the Rate Stabilization Reserve Deferral of $115 million

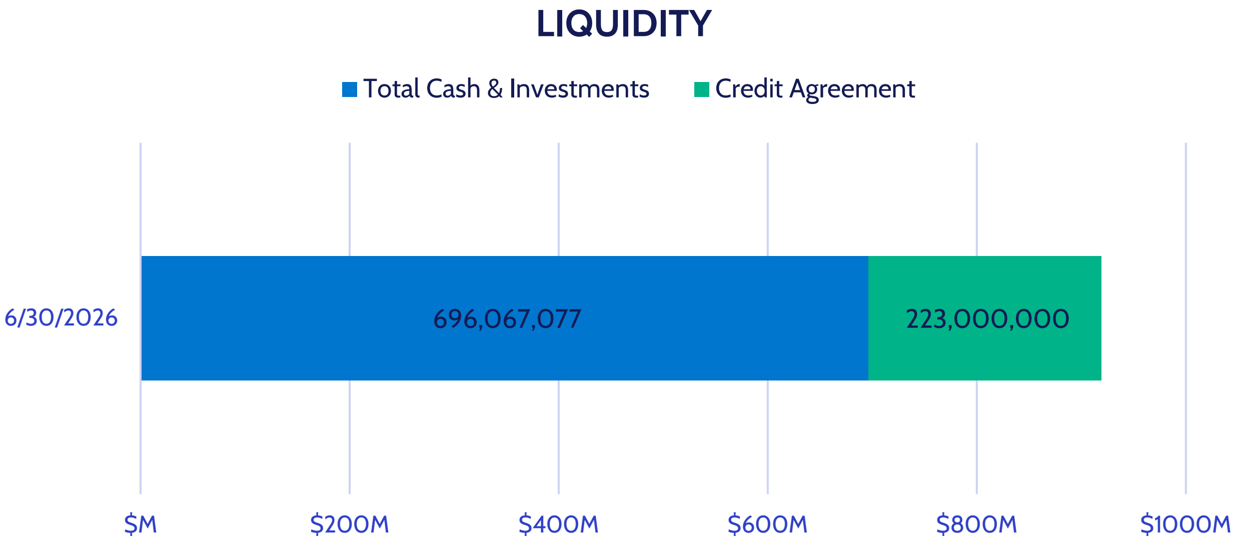
Reserves



	7/31/2025	8/31/2025	9/30/2025	10/31/2025	11/30/2025	12/31/2025	1/31/2026	2/28/2026	3/31/2026	4/30/2026	5/31/2026	6/30/2026
DCOH	139	157	161	191	201	229	228	227	238	244	244	249
Maximum	270	270	270	270	270	270	270	270	270	270	270	270
Target	225	225	225	225	225	225	225	225	225	225	225	225
Minimum	180	180	180	180	180	180	180	180	180	180	180	180

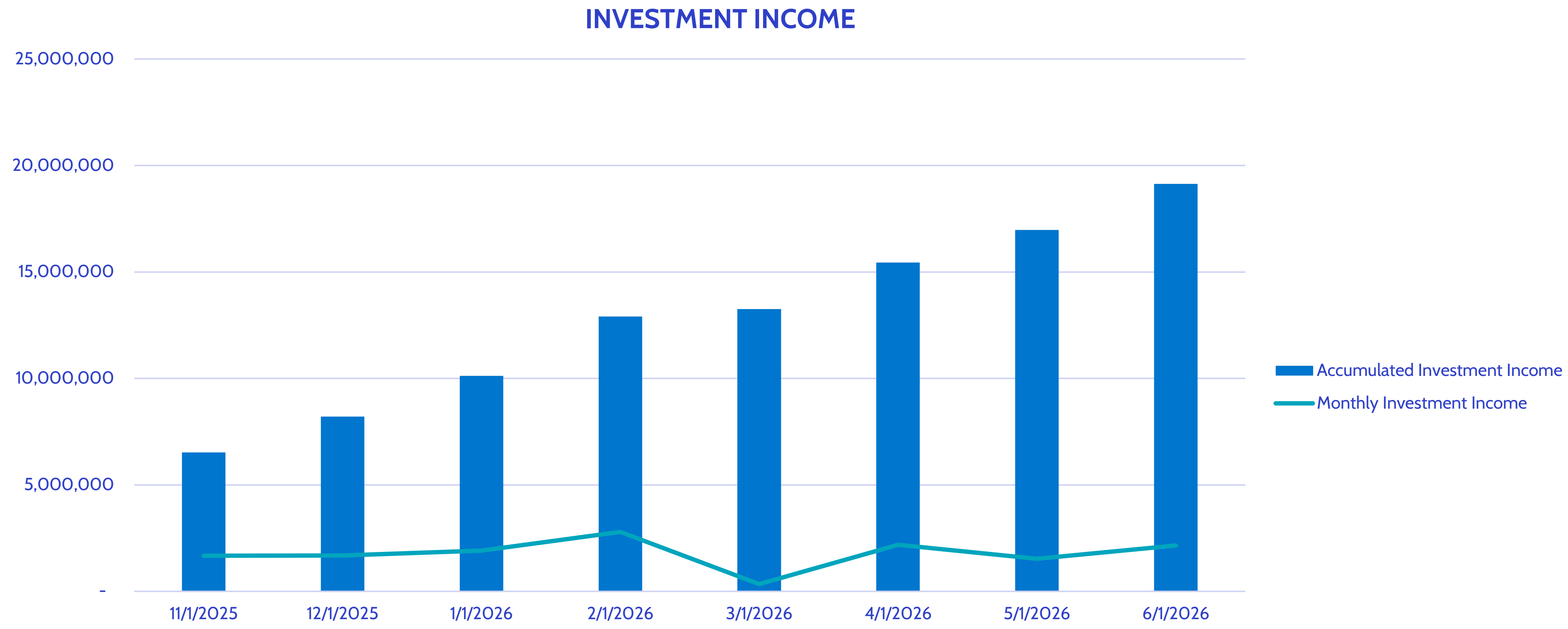
Reserves and Total Liquidity





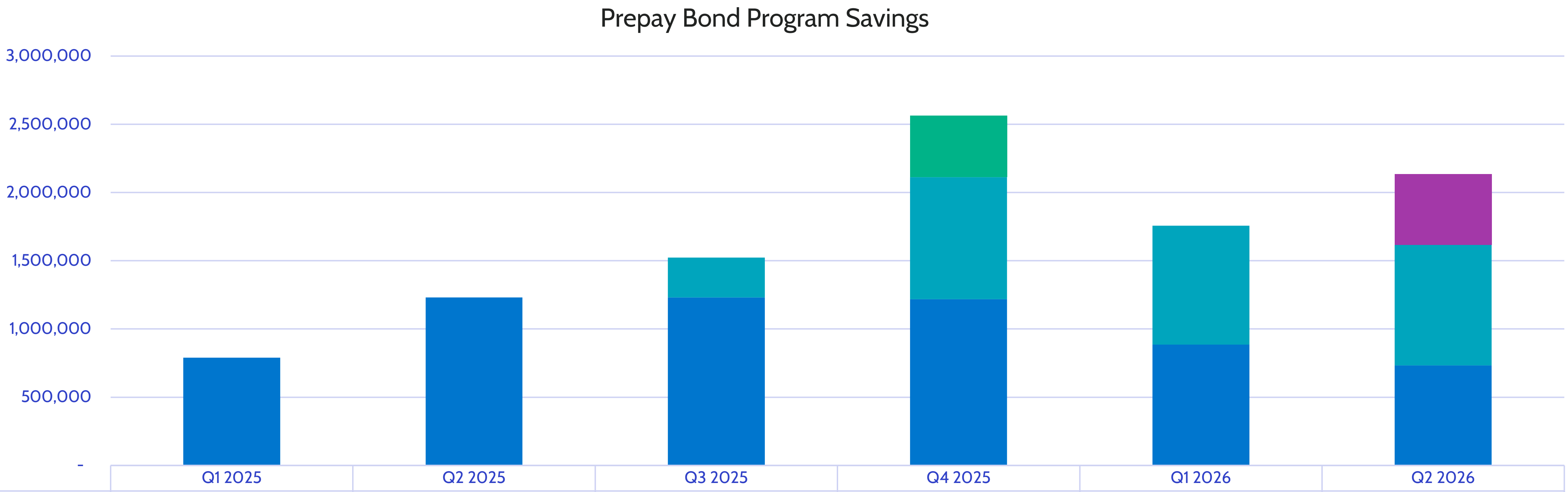
Reserves are defined as unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes.

FY26 Year-To-Date Investment Income



	11/30/2025	12/31/2025	1/31/2026	2/28/2026	3/31/2026	4/30/2026	5/31/2026	6/30/2026
Accumulated Investment Income	6,521,057	8,205,810	10,120,219	12,911,528	13,253,348	15,440,702	16,972,947	19,131,854
Monthly Investment Income	1,678,943	1,684,753	1,914,409	2,791,309	341,820	2,187,354	1,532,245	2,158,907

Quarterly Clean Energy Prepayment Bond Program Savings



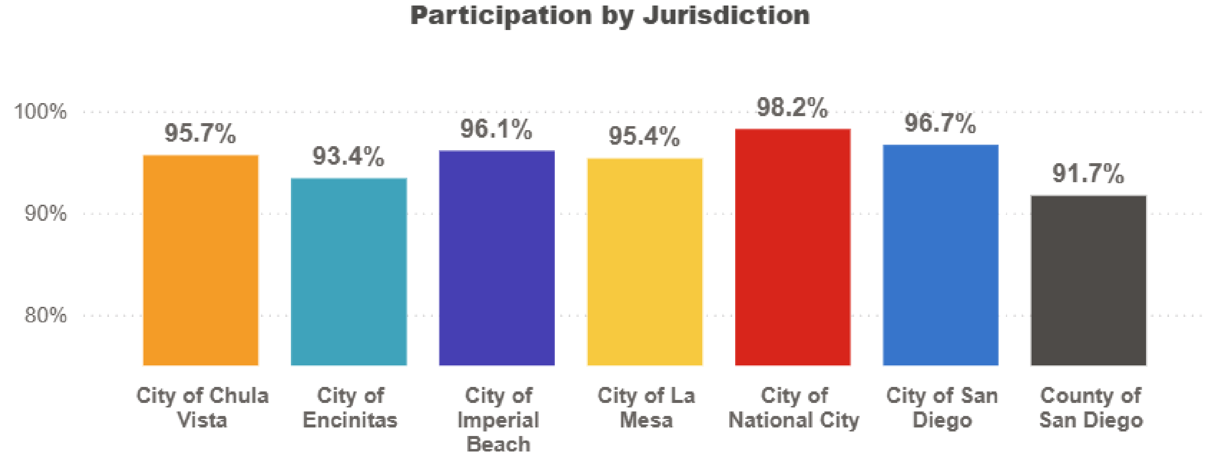
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
2026C Rebate						
2025D Rebate						518,678
2024F Rebate				451,563		
2026C					-	-
2025D			290,970	892,712	872,506	882,609
2024F	789,845	1,231,065	1,231,622	1,218,793	884,961	732,483

2024F 2025D 2026C 2024F Rebate 2025D Rebate 2026C Rebate

Participation by Jurisdiction

Enrolled Accounts	Participation Rate
972,571	95.5%

Participation



Jurisdiction	Service Option Default	Eligible Accounts	Enrolled Accounts	Participation Rate
City of Chula Vista	PowerOn	100,534	96,183	95.7%
City of Encinitas	Power100	29,187	27,265	93.4%
City of Imperial Beach	PowerOn	10,892	10,467	96.1%
City of La Mesa	PowerOn	29,669	28,296	95.4%
City of National City	PowerOn	19,693	19,344	98.2%
City of San Diego	PowerOn	636,371	615,361	96.7%
County of San Diego	PowerOn	191,566	175,655	91.7%
Total		**1,017,912**	**972,571**	**95.5%**

Rate Stabilization Reserve Determination

- $115 million set aside for rate stabilization reserve purposes from fiscal year 2025-26.
- Represents a full 45 days cash on hand determination, as described in the Rate Stabilization Policy.
- Based on FY 2025-26 fiscal year-end results and current reserve levels.
- Net operating revenues of $1.11 billion reflect the $115.0 million deferral, to be recognized in a future fiscal year.
- Preserves financial flexibility and supports rate stability for customers.
- Maintains compliance with the Financial Reserves Policy and overall liquidity targets.
- The $115 million remains included in Days Cash on Hand and liquidity calculations for reporting available liquidity.
- Further detail to be presented at the October FRMC and Board meetings as part of the full-year FY26 financial review.

Year-End Financial Review Timing

- Full-year FY 2025-26 financial review is anticipated in October.
- Review will include additional detail on year-end results, the rate stabilization reserve determination, and related reserve considerations.
- Staff will also present a report on supplemental budget appropriation amounts at the October FRMC meeting.
- That report will detail appropriation amounts identified during the FY 2025-26 year-end review and any budgetary actions requiring Committee consideration.

Contract Execution between $50,000 and $150,000

To ensure transparency and comply with Community Power's Non-Energy Procurement Policy, the table below lists contracts or amendments with not-to-exceed values between $50,000 and $150,000 that were executed under the CEO's authority for the month of August.

Contract or Amendments:	Not-to-Exceed Amount:
Agreement 2026-21 Communities for Global Sustainability - C4GS LLC	$140,000.00

INVESTMENT REPORT

San Diego Community Power | As of June 30, 2026

CHANDLER ASSET MANAGEMENT | chandlerasset.com

Chandler Team:

For questions about your account, please call (800) 317-4747,
or contact clientservice@chandlerasset.com

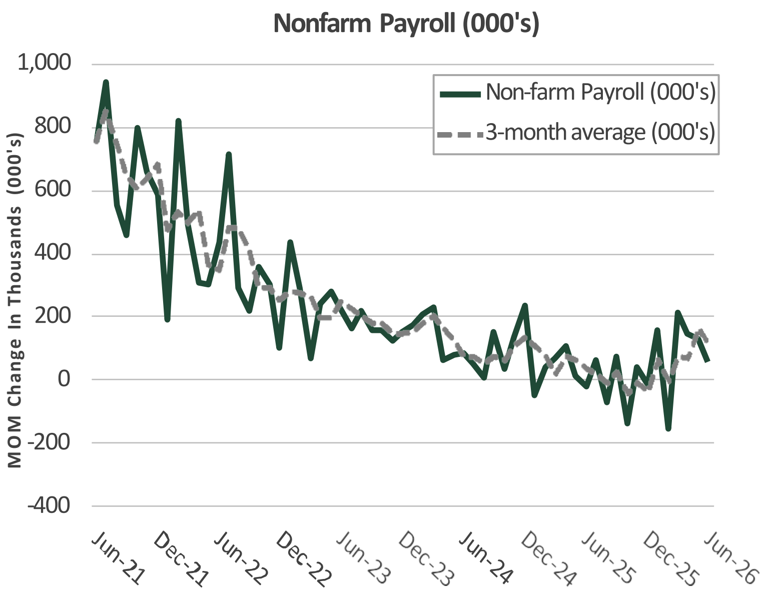
TABLE OF CONTENTS

ECONOMIC UPDATE

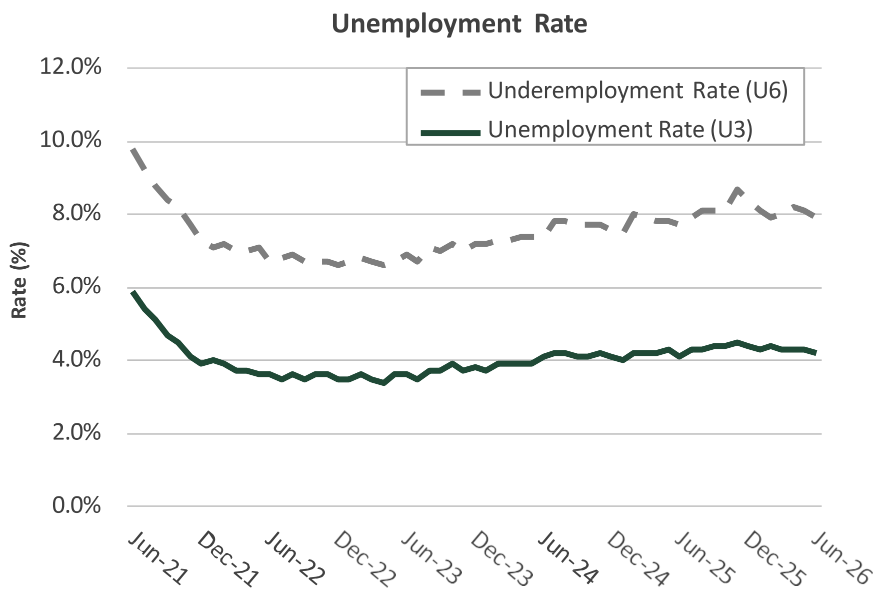
- Energy prices and inflation remained the primary drivers of the macro backdrop as the U.S.-Israel-Iran conflict entered its third month, disrupting global oil supply. Headline CPI accelerated at the fastest pace in more than three years, reflecting volatility in the energy component. Crude oil, however, retraced roughly 20% from its May–early June peak as diplomatic progress between the United States and Iran pointed to a potential framework for de-escalation. The labor market remained resilient, with continued payroll growth and subdued jobless claims. Risk assets held firm, as equities hovered near record highs and credit spreads remained historically tight amid broadly better-than-expected corporate earnings. Taken together, the current market environment has further constrained the case for near-term monetary policy easing, leading the Chandler team to push out its expected timing for rate cuts beyond the six-month investment horizon.

- The Federal Reserve's June FOMC meeting ended with policymakers unanimously holding the target range at 3.50%–3.75%, a notable shift from the 8–4 split at April's meeting, which marked Jerome Powell's final session as Chair. Under new Chair Kevin Warsh, sworn in on May 22, the Committee released an unusually concise statement that referenced Middle East tensions and energy supply disruptions while removing prior forward guidance that had suggested a bias toward rate cuts. Updated projections leaned more hawkish, with 9 of 18 officials expecting at least one rate hike this year and 6 anticipating multiple increases. The shift signals that restoring price stability has reemerged as the central focus of monetary policy deliberations.

- The Treasury yield curve flattened modestly in June as short-term yields responded to a more hawkish shift in Federal Reserve guidance. The 2-year yield rose to 4.15% from 3.98% the prior month, while the 10-year yield edged down slightly to 4.44% from 4.45%. As a result, the 2s/10s spread narrowed to 29 basis points, down from roughly 47 basis points a month earlier and significantly below the 69 basis point spread at the start of the year. Meanwhile, the 3-month/10-year spread remained positive at 64 basis points. Front-end rates absorbed the bulk of the Fed's updated rate outlook, while longer maturities were partly anchored by a late-month decline in oil prices.



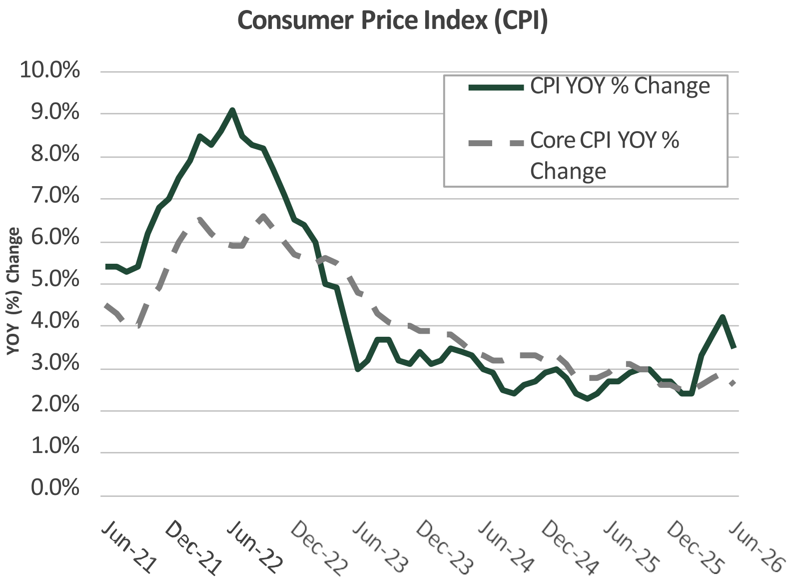
Source: US Department of Labor



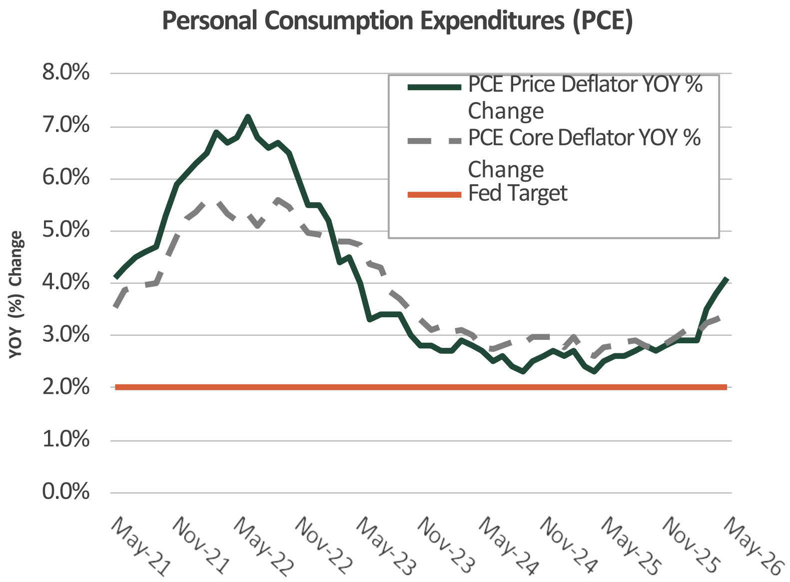
Source: US Department of Labor

Nonfarm payrolls increased by just 57,000 in June, well below the 113,000 consensus and marking a sharp slowdown from May's pace. The unemployment rate edged down to 4.2%, though the decline was driven by a drop in labor force participation to 61.5%, its lowest level since March 2021. Revisions further weakened the report's signal. April payrolls were revised down by 31,000 to 148,000, while May was lowered by 43,000 to 129,000, resulting in a combined two-month downward revision of 74,000.

INFLATION

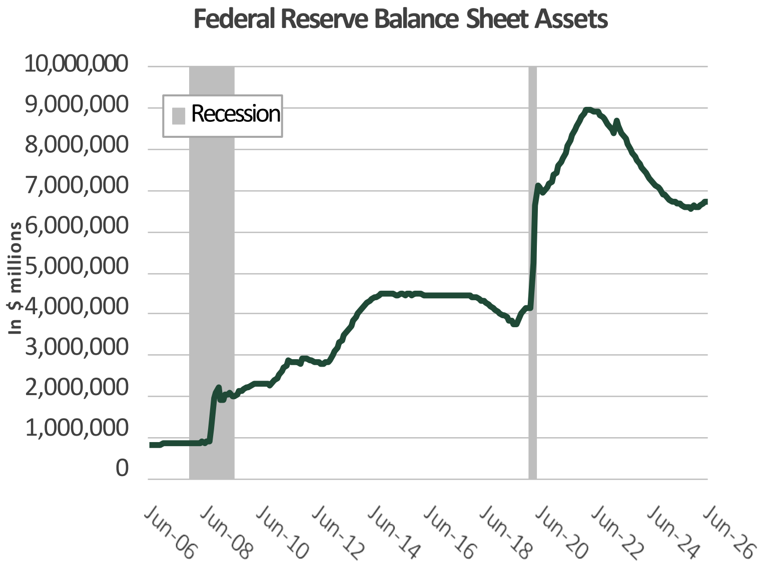


Source: US Department of Labor

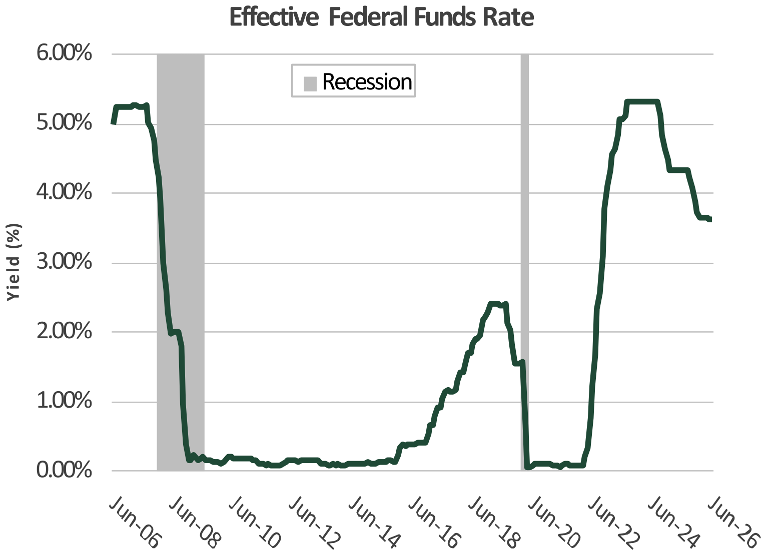


Source: US Department of Commerce

Inflation decelerated sharply in June, with the Consumer Price Index falling 0.4% on the month—its largest decline since the onset of the pandemic in 2020—and bringing the annual rate down to 3.5% from 4.2% in May. Core CPI (excluding food and energy) was flat on the month and rose 2.6% year over year, both coming in softer than expected after energy-driven pressures pushed inflation to a three-year high earlier in the quarter. The CPI report suggests at least a near-term reprieve in inflation. However, the latest available Personal Consumption Expenditures (PCE) price index tells a firmer story: headline PCE rose 0.4% in May and 4.1% year over year, up from 3.8% in April and marking the highest annual rate of the current cycle. Core PCE increased 0.3% on the month and 3.4% over the year. Energy prices remained the primary driver of recent headline acceleration, reflecting supply disruptions tied to the Iranian conflict, although price volatility remains elevated.



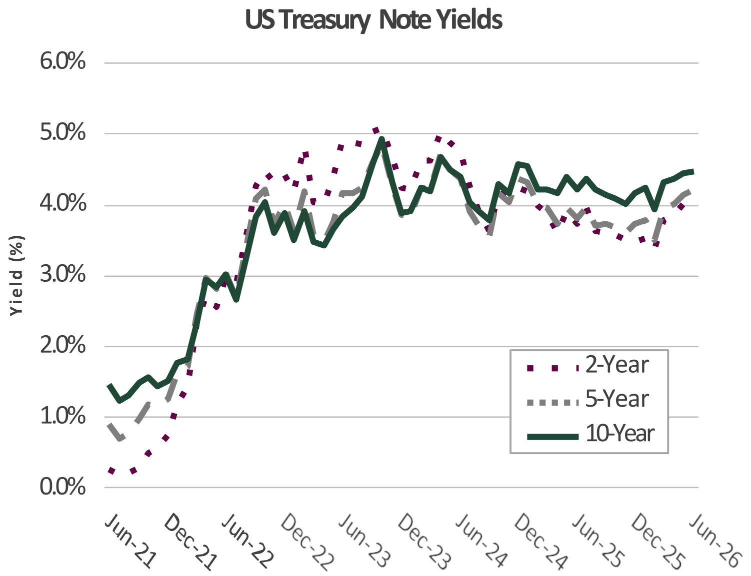
Source: Federal Reserve



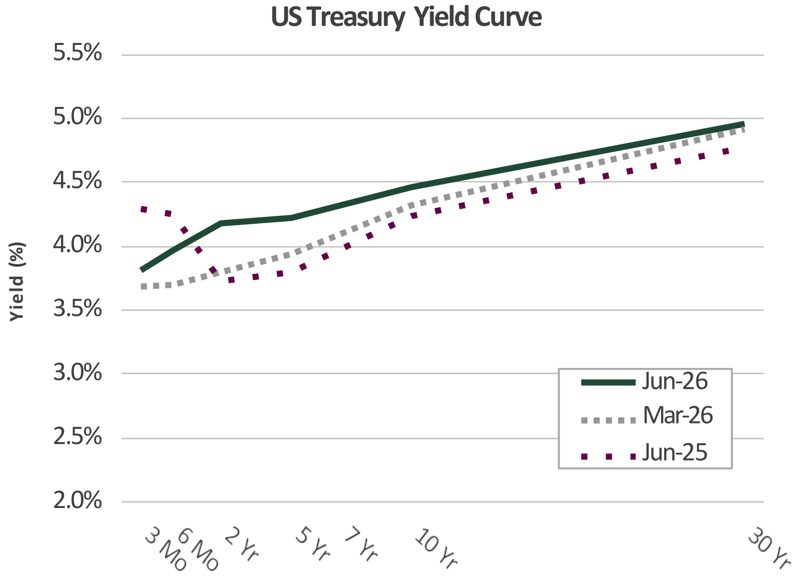
Source: Bloomberg

The Federal Open Market Committee (FOMC) held the target range for the federal funds rate at 3.50% to 3.75% at its June 16–17 meeting, with a unanimous 12–0 vote. This marked a notable shift from the April meeting—Jerome Powell's last as chair—which saw four dissents in an 8–4 decision. The return to consensus under Chair Kevin Warsh signals a clear change in tone. Minutes from the June meeting are scheduled for release in early July. The June Summary of Economic Projections reflected a more hawkish outlook. The median projection for the federal funds rate at year-end 2026 rose to 3.8%, up from 3.4% in March, before easing to 3.6% in 2027 and 3.4% in 2028. Officials also revised their inflation forecasts, with headline PCE projected at 3.6% in 2026 (from 2.7%) and core PCE at 3.3%. By contrast, median projections for real GDP growth and the unemployment rate—2.2% and 4.3%, respectively—were little changed.

CHANDLER ASSET MANAGEMENT



Source: Bloomberg



Source: Bloomberg

Treasury yields ended June mixed, with a modest flattening across the curve as markets digested a more hawkish Federal Reserve signal. The 2-year yield rose to 4.15% from 3.98% at the end of May, while the 10-year yield edged down to 4.44% from 4.45%. The 2s/10s spread narrowed to 29 basis points, down from 47 basis points a month earlier. The 3-month/10-year spread remained positive at roughly 64 basis points at month-end. Relative to the 69 basis point spread at the start of 2026, the curve has flattened materially year to date, reflecting a repricing higher in front-end rates as expectations shift toward the possibility of further Fed tightening rather than easing.

CHANDLER ASSET MANAGEMENT

ACCOUNT PROFILE

OBJECTIVES

Investment Objectives

The investment objectives of the San Diego Community Power are first, to provide safety of principal to ensure the preservation of capital in the overall portfolio; second, to provide sufficient liquidity to meet all disbursement requirements; and third, to earn an acceptable rate of return after first considering safety of principal and liquidity.

Chandler Asset Management Performance Objective

The performance objective for the portfolio is to earn a total rate of return through a market cycle that is equal to or above the return on the benchmark index.

Strategy

In order to achieve this objective, the portfolio invests in high-quality fixed income securities that comply with the investment policy and all regulations governing the funds.

PORTFOLIO CHARACTERISTICS

San Diego Community Power ConsAgg | Account #11452 | As of June 30, 2026

	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	0.55	0.55
Average Modified Duration	0.46	0.47
Average Purchase Yield	3.70%	3.73%
Average Market Yield	3.73%	3.79%
Average Quality**	AA+	AA+
Total Market Value	691,604,047	662,161,715

*Benchmark: NO BENCHMARK REQUIRED
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

STATEMENT OF COMPLIANCE

San Diego Community Power ConsAgg | Account #11452 | As of June 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
AGENCY MORTGAGE SECURITIES				
Max % (MV)	100.0	1.9	Compliant	
Max % Issuer (MV)	30.0	1.9	Compliant	
Max Maturity (Years)	5.0	4.6	Compliant	
Min Rating (A-1 by 1, A- by 1)	0.0	0.0	Compliant	
ASSET-BACKED SECURITIES (ABS)				
Max % (MV; ABS & MBS)	20.0	3.8	Compliant	
Max % Issuer (MV)	5.0	0.2	Compliant	
Max Maturity (Years)	5.0	4.6	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
BANKERS' ACCEPTANCES				
Max % (MV)	40.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	180.0	0.0	Compliant	
Min Rating (A-1 by 1)	0.0	0.0	Compliant	
CERTIFICATE OF DEPOSIT PLACEMENT SERVICE				
Max % (MV)	50.0	25.8	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (A-1 by 1, A- by 1)	0.0	0.0	Compliant	
COLLATERALIZED BANK DEPOSITS				
Max % (MV)	100.0	36.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
COLLATERALIZED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (A-1 by 1)	0.0	0.0	Compliant	
COMMERCIAL PAPER				
Max % (MV)	25.0	0.0	Compliant	

STATEMENT OF COMPLIANCE

San Diego Community Power ConsAgg | Account #11452 | As of June 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Days)	270.0	0.0	Compliant	
Min Rating (A-1 by 1, A- by 1)	0.0	0.0	Compliant	
CORPORATE MEDIUM TERM NOTES				
Max % (MV)	30.0	5.0	Compliant	
Max % Issuer (MV)	5.0	0.2	Compliant	
Max Maturity (Years)	5.0	5.0	Compliant	
Min Rating (A- by 1)	0.0	0.0	Compliant	
FDIC INSURED TIME DEPOSITS (NON-NEGOTIABLE CD/TD)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (A-1 by 1, A- by 1)	0.0	0.0	Compliant	
FEDERAL AGENCIES				
Max % (MV)	100.0	0.1	Compliant	
Max % Issuer (MV)	30.0	0.1	Compliant	
Max Callables (MV)	20.0	0.0	Compliant	
Max Maturity (Years)	5.0	1.1	Compliant	
Min Rating (A-1 by 1, A- by 1)	0.0	0.0	Compliant	
JOINT POWERS AUTHORITY (JPA) / LOCAL GOVERNMENT INVESTMENT POOL (LGIP)				
Max % (MV)	100.0	2.9	Compliant	
LOCAL AGENCY INVESTMENT FUND (LAIF)				
Max % (MV)	100.0	10.8	Compliant	
MONEY MARKET MUTUAL FUNDS				
Max % (MV)	20.0	0.1	Compliant	
Max % Issuer (MV)	20.0	0.1	Compliant	
Min Rating (AAA by 2)	0.0	0.0	Compliant	
MORTGAGE-BACKED SECURITIES (NON-AGENCY)				

STATEMENT OF COMPLIANCE

San Diego Community Power ConsAgg | Account #11452 | As of June 30, 2026

Rules Name	Limit	Actual	Compliance Status	Notes
Max % (MV; ABS & MBS)	20.0	3.8	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
MUNICIPAL SECURITIES				
Max % (MV)	30.0	0.1	Compliant	
Max % Issuer (MV)	5.0	0.1	Compliant	
Max Maturity (Years)	5.0	3.3	Compliant	
Min Rating (A-1 by 1 or A- by 1)	0.0	0.0	Compliant	
NEGOTIABLE CERTIFICATES OF DEPOSIT (NCD)				
Max % (MV)	30.0	0.0	Compliant	
Max % Issuer (MV)	5.0	0.0	Compliant	
Max Maturity (Years)	5.0	0.0	Compliant	
Min Rating (A-1 or A- by 1)	0.0	0.0	Compliant	
SRI PROHIBITED INVESTMENTS				
Prohibited Investment - Fossil Fuels	0.0	0.0	Compliant	
SUPRANATIONAL OBLIGATIONS				
Max % (MV)	30.0	0.1	Compliant	
Max % Issuer (MV)	10.0	0.1	Compliant	
Max Maturity (Years)	5.0	4.3	Compliant	
Min Rating (AA- by 1)	0.0	0.0	Compliant	
U.S. TREASURIES				
Max % (MV)	100.0	8.8	Compliant	
Max Maturity (Years)	5.0	4.8	Compliant	
Min Rating (A-1 by 1, A- by 1)	0.0	0.0	Compliant	

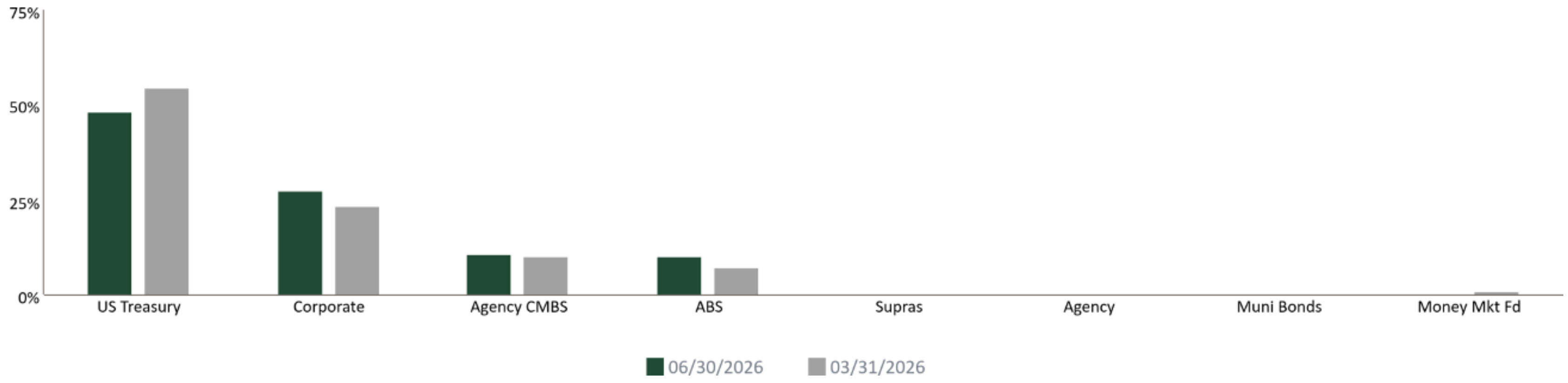
PORTFOLIO CHARACTERISTICS

San Diego Community Power | Account #11293 | As of June 30, 2026

	Benchmark*	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	2.64	3.04	2.93
Average Modified Duration	2.46	2.55	2.51
Average Purchase Yield		4.13%	4.09%
Average Market Yield	4.16%	4.33%	4.02%
Average Quality**	AA+	AA	AA+
Total Market Value		125,351,435	124,884,349

*Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

SECTOR DISTRIBUTION

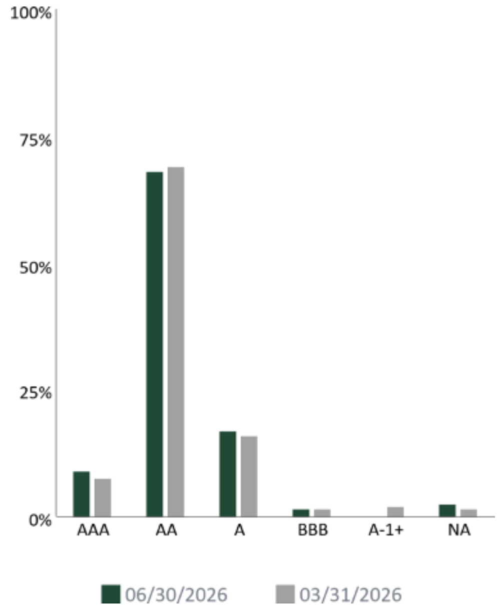


Sector as a Percentage of Market Value

Sector	06/30/2026	03/31/2026
US Treasury	48.69%	55.53%
Corporate	27.69%	23.61%
Agency CMBS	10.80%	10.46%
ABS	10.31%	7.52%
Supras	0.78%	0.79%
Agency	0.72%	0.73%
Muni Bonds	0.70%	0.71%
Money Mkt Fd	0.30%	1.44%
Cash	0.00%	-0.80%

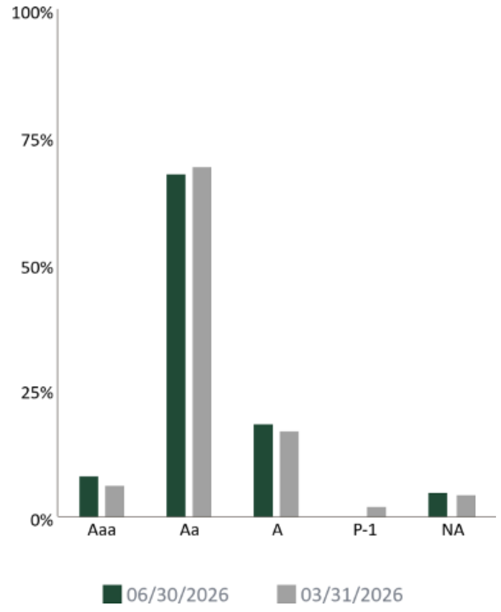
QUALITY DISTRIBUTION

S&P Rating



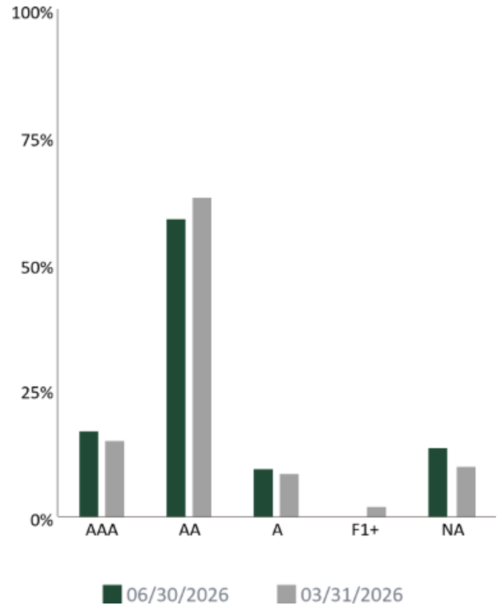
Rating	06/30/2026	03/31/2026
AAA	9.30%	8.11%
AA	68.22%	69.51%
A	17.41%	16.12%
BBB	2.05%	2.06%
A-1+	--	2.39%
NA	3.01%	1.81%

Moody's Rating



Rating	06/30/2026	03/31/2026
Aaa	8.47%	6.65%
Aa	67.70%	69.16%
A	18.75%	17.28%
P-1	--	2.39%
NA	5.08%	4.52%

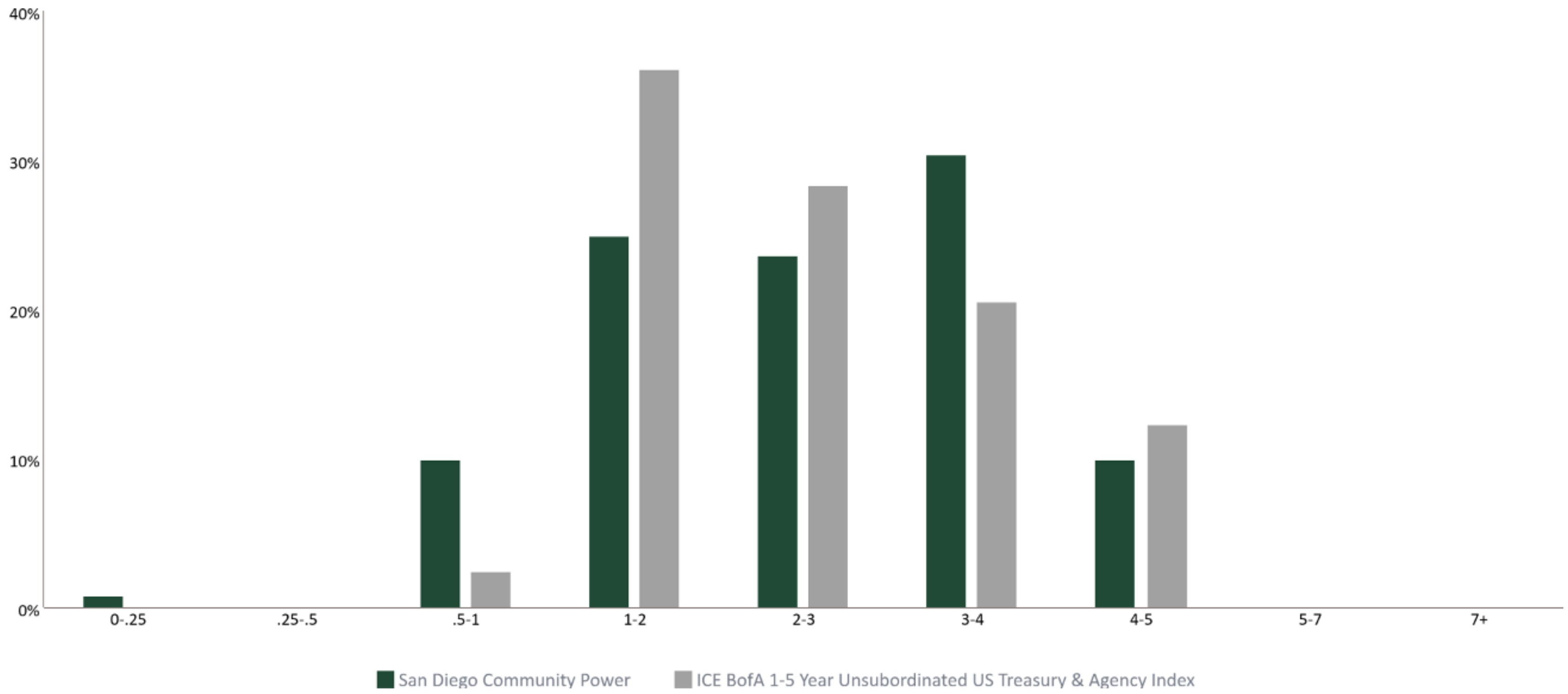
Fitch Rating



Rating	06/30/2026	03/31/2026
AAA	17.10%	15.32%
AA	58.91%	63.22%
A	9.83%	8.73%
F1+	--	2.39%
NA	14.16%	10.33%

DURATION DISTRIBUTION

Portfolio Compared to the Benchmark

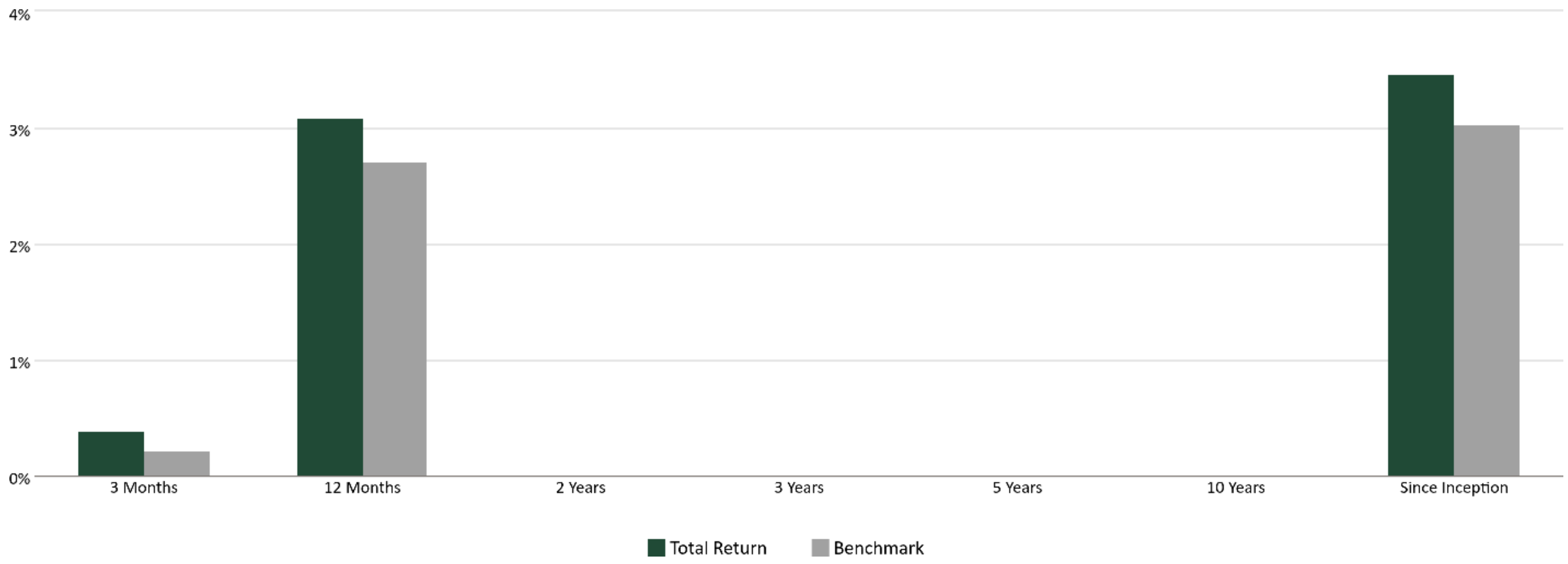


	0-.25	.25-.5	.5-1	1-2	2-3	3-4	4-5	5-7	7+
Portfolio	0.9%	0.0%	10.0%	25.0%	23.7%	30.4%	10.0%	0.0%	0.0%
ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index	0.0%	0.0%	2.5%	36.2%	28.4%	20.6%	12.3%	0.0%	0.0%

INVESTMENT PERFORMANCE

San Diego Community Power | Account #11293 | As of June 30, 2026

Total Rate of Return: Inception | 10/01/2024



TOTAL RATE OF RETURN*	3 Months	12 Months	2 Years	3 Years	5 Years	10 Years	Since Inception
San Diego Community Power	0.39%	3.10%					3.47%
Benchmark	*0.24%*	*2.71%*					*3.05%*

*Periods over 1 year are annualized.
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 market value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.
Benchmark: ICE BofA 1-5 Year Unsubordinated US Treasury & Agency Index

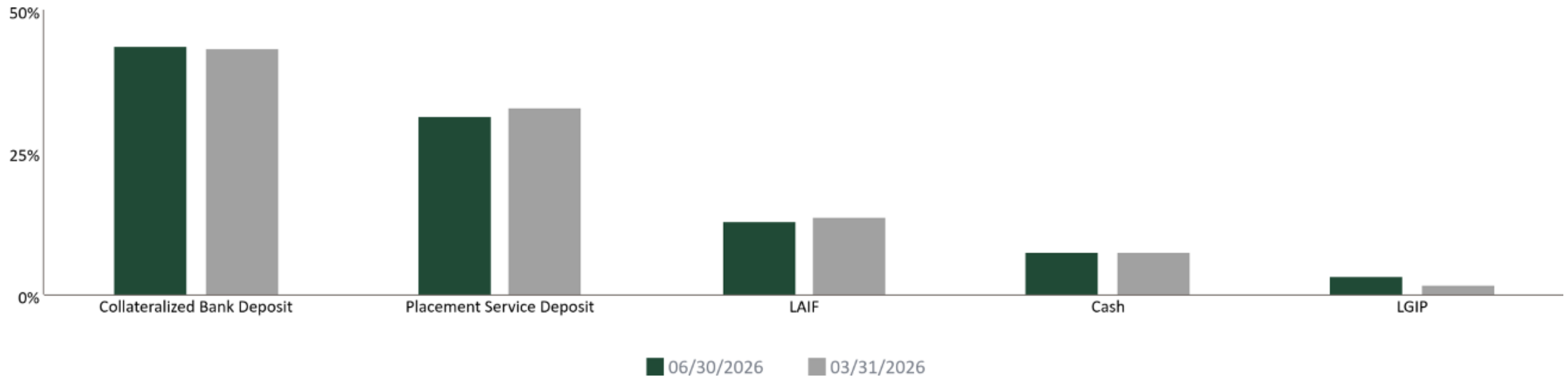
PORTFOLIO CHARACTERISTICS

San Diego Community Power Reporting | Account #11451 | As of June 30, 2026

	6/30/2026 Portfolio	3/31/2026 Portfolio
Average Maturity (yrs)	0.00	0.00
Average Modified Duration	0.00	0.00
Average Purchase Yield	3.60%	3.65%
Average Market Yield	3.60%	3.73%
Average Quality**	AAA	AAA
Total Market Value	566,252,611	537,277,366

*Benchmark: NO BENCHMARK REQUIRED
**The credit quality is a weighted average calculation of the highest of S&P, Moody's and Fitch.

SECTOR DISTRIBUTION



Sector as a Percentage of Market Value

Sector	06/30/2026	03/31/2026
Collateralized Bank Deposit	43.98%	43.32%
Placement Service Deposit	31.56%	32.94%
LAIF	13.24%	13.96%
Cash	7.66%	7.92%
LGIP	3.56%	1.86%

Public Comment on Item No. 2

Item No. 2

Committee Members Comments or Questions

Treasurer's Report for 12-Month Period Ending June 30, 2026

Recommendation:

Receive and File Treasurer's Report for 12-Month Period Ending June 30, 2026

Item No. 3

Quarterly Risk Oversight Committee Report

Presenters:

Tim Manglicmot, Senior Director of Finance and Risk
Diana Gonzalez, Risk Manager

Recommendation:

Receive and File Quarterly Risk Oversight Committee Report

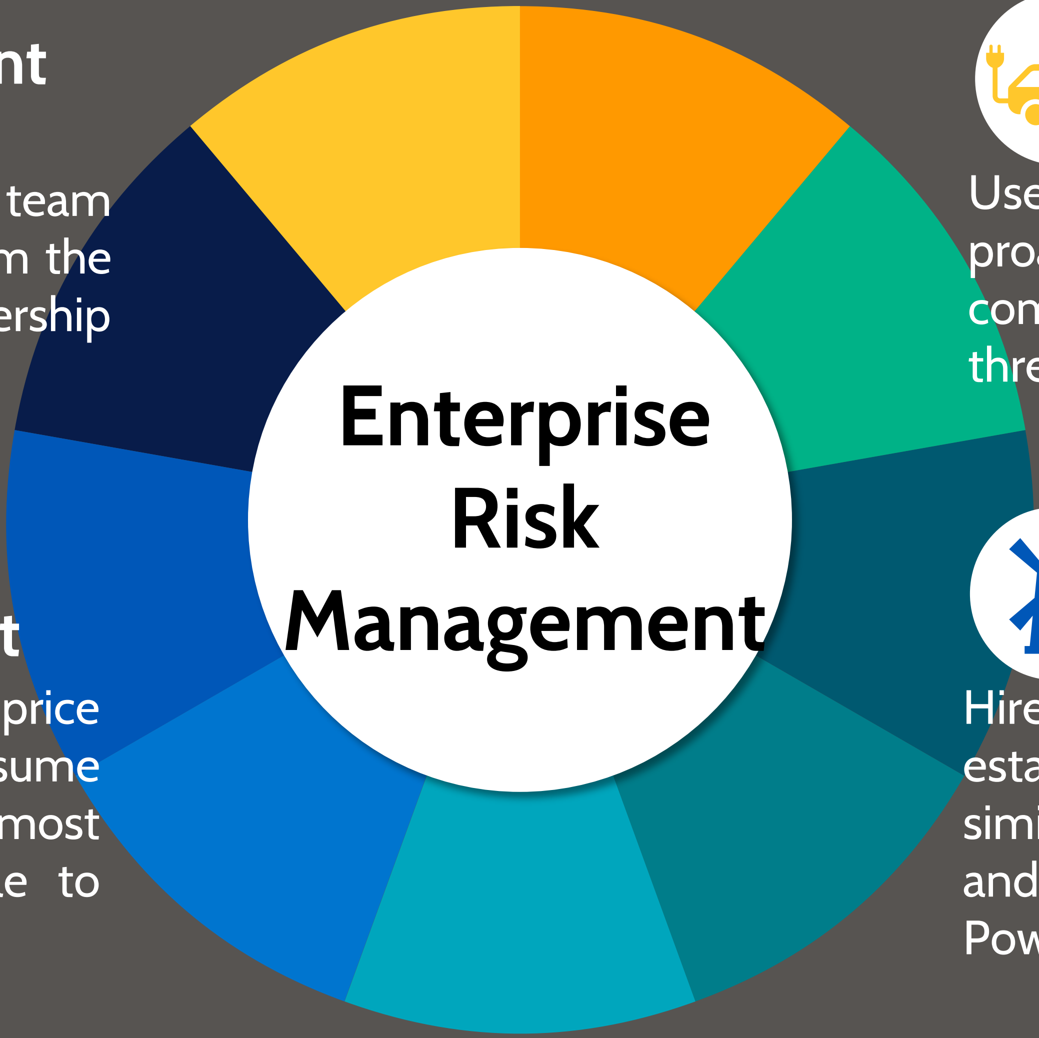
Risk Management Approach

Multi-Department Risk Team

Bolstered risk management team composed of representatives from the Community Power’s senior leadership and business units

cQuant Energy Risk Management

cQuant.io provides several price simulation models that consume internal data combined with the most up-to-date market data available to generate financial projections.



APPA Risk Best Practices

Used APPA risk framework to proactively identify, assess, respond, communicate, and monitor risks and threats to Community Power.

Risk Consultant Onboarded

Hired expert risk consultant to establish business-specific risk model similar to Silicon Valley Clean Energy and in alignment with American Public Power Association best practices.

Energy Risk Management Policy (ERMP)

San Diego Community Power

Energy Risk Management Policy

Version: 2.0
Revision Date: January 15, 2021

1.3 FRMC may **periodically recommend policy updates to the Board.**

7.2 Review and recommend approval of **substantive changes to this Policy**

7.3 No less than once per quarter, (the ROC shall) provide a **report to the FRMC**

7.3 **Gross policy violations** shall be reported to the FRMC

Six Dashboard Modules

M1: Portfolio & Market Position

Open positions, MTR/compliance, congestion

What's our market exposure?

M2: Liquidity & Reserves

Cash position, reserve targets, scenarios, budget

Can we handle it financially?

M3: Counterparty & Credit

Credit exposure, collateral, thresholds

Who are we exposed to?

M4: Regulatory & Legislative

Proceedings, PCIA, advocacy

What external rules constrain us?

M5: Operations

PPA performance, load forecast, Back Office, Pipeline

Did we execute as expected? (Settlements + Development Pipeline)

M6: Governance & Exceptions

Policy compliance, violations, remediation

Are controls working? Any problems?

Six Dashboard Modules

ROC Module 2 discussed previously

M2: Liquidity & Reserves

Cash position, reserve targets, scenarios, budget

Can we handle it financially?

M3: Counterparty & Credit

Credit exposure, collateral, thresholds

Who are we exposed to?

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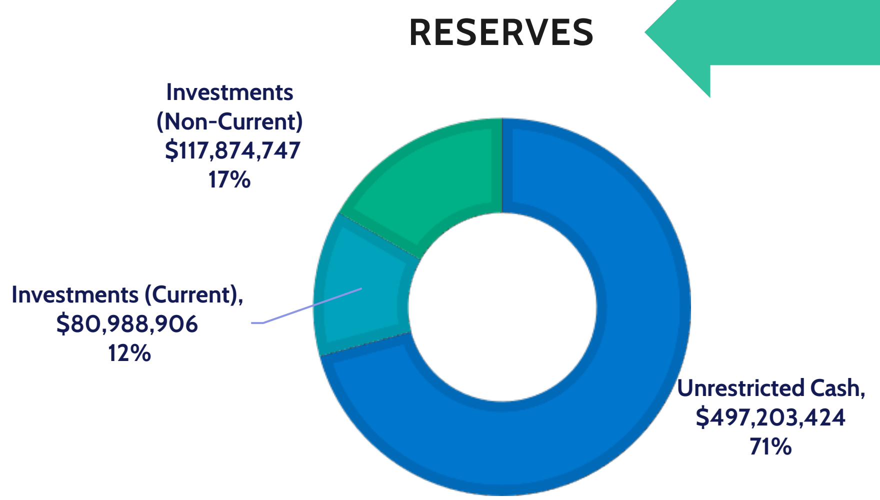
Policy compliance, violations, remediation

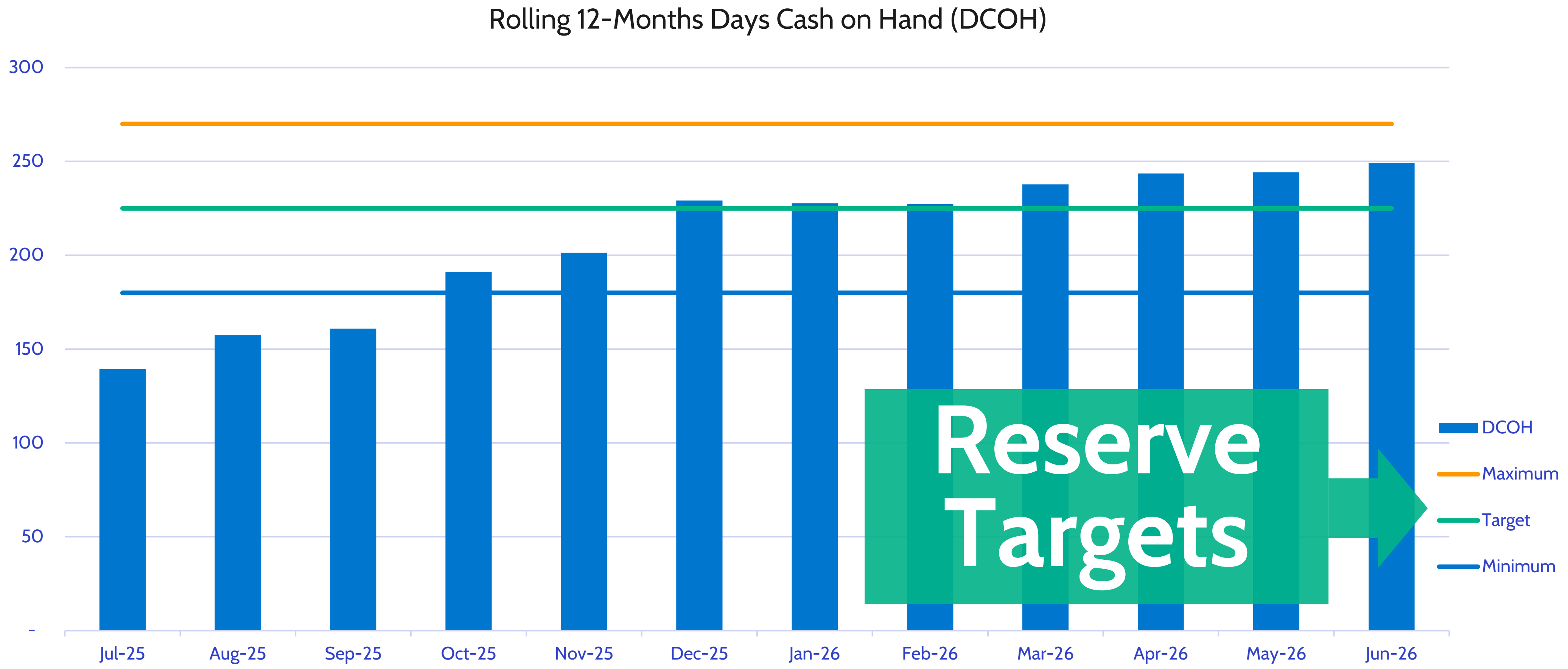
Are controls working? Any problems?

Reserves and Total Liquidity



Reserves are defined as unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes.

Reserves



	7/31/2025	8/31/2025	9/30/2025	10/31/2025	11/30/2025	12/31/2025	1/31/2026	2/28/2026	3/31/2026	4/30/2026	5/31/2026	6/30/2026
DCOH	139	157	161	191	201	229	228	227	238	244	244	249
Maximum	270	270	270	270	270	270	270	270	270	270	270	270
Target	225	225	225	225	225	225	225	225	225	225	225	225
Minimum	180	180	180	180	180	180	180	180	180	180	180	180

Risks to Community Power Stability

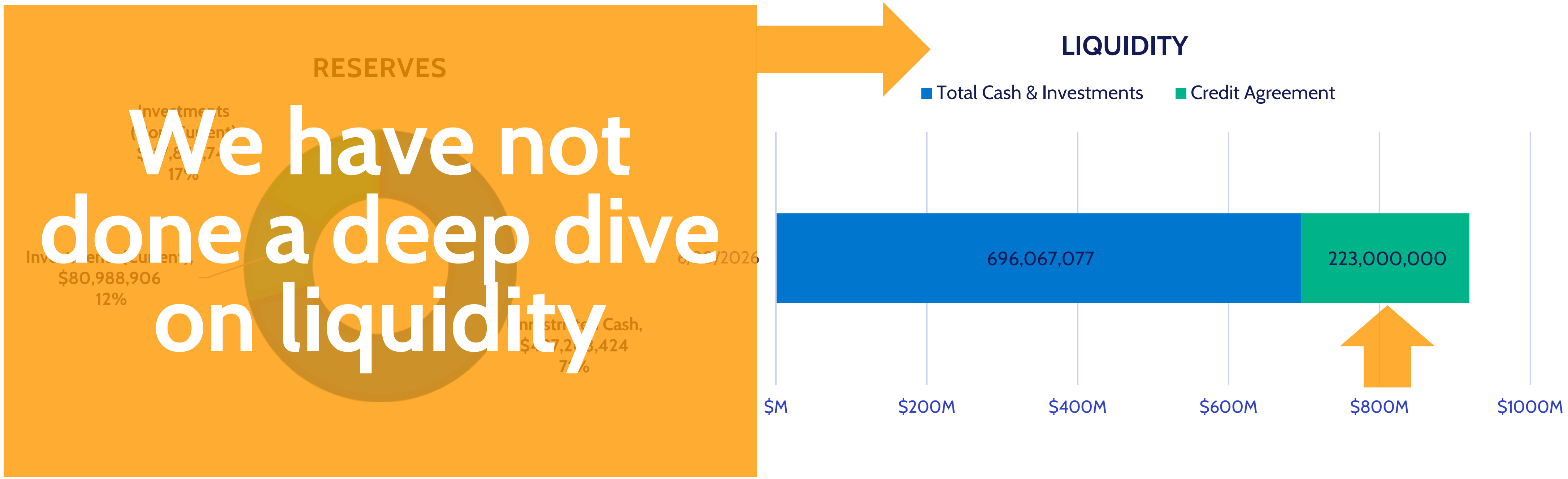
Bottom-Up Risk Analysis

1. Revenue (Load, Participation)
2. Expense (Energy, Operations, Litigation)
3. Other (Cybersecurity, Force Majeure)

Category	Risk	Estimate of Adverse Outcome
Market Price Benchmark Volatility*	**PCIA & Generation Rate “SNAPBACK”**	$420 million
Energy Costs*	**Wholesale, Load and Open Position Volatility**	$245 million
Load*	**Participation Rate Drops to 86%**	$51 million
Uncollectibles*	**Increase in uncollectibles to 5%**	$36 million
Prepay Savings Loss	**Prepay savings loss to unforeseen event**	$12 million
Operations	**Legal Loss**	$5 million
Operations	**Force Majeure or Cybersecurity Event**	$2 million
	Total	**$771 million (Approx. 278 DCOH)**

* Risk categories may fluctuate marginally due to changes in market conditions

Reserves and Total Liquidity



Reserves are defined as unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes.

Six Dashboard Modules

ROC Module 3 is where liquidity matters

M1: Portfolio & Market Position

Open positions, [illegible], congestion

What's our market exposure?

M2: Liquidity & Reserves

[illegible] position, reserve [illegible], scenarios, budget

Can we handle [illegible] financially?

M3: Counterparty & Credit

Credit exposure, collateral, thresholds

Who are we exposed to?

M4: Regulatory & Legislative

Proceedings, PCIA, advocacy

What external rules constrain us?

M5: Operations

PPA performance, load forecast, Back Office, Pipeline

Did we execute as expected? (Settlements + Development Pipeline)

M6: Governance & Exceptions

Policy compliance, violations, remediation

Are controls working? Any problems?

What Module 3 Answers

Module 3: Counterparty and Credit asks:

What is our portfolio worth today — and how bad could it get over time?

Current Snapshot

Mark to Market (MtM)

DEFINITION

Present fair value of all open contracts at today's forward prices. Unrealized gain or loss if entire portfolio closed today.

WHY IT MATTERS

Real-time scorecard on portfolio health. Foundation for measuring counterparty credit exposure.

MtM at 5th Percentile — Forward

Potential Future Exposure (PFE)

DEFINITION

Stress case estimate of how large MtM exposure could become over remaining contract life. PFE is to MtM what VaR is to the open position.

WHY IT MATTERS

Drives credit limits, collateral requirements, and SDCP's own collateral posting obligations.

Exposure Tiers

Credit, Collateral & Lockbox

DEFINITION

Credit = total potential loss on default.
Collateral = liquid subset posted (cash, LOC).
Gap = unsecured exposure.
Lockbox = counterparty has direct access to SDCP revenue.

WHY IT MATTERS

Not all exposure is equal. Collateralized = recoverable. Unsecured = at risk. Lockbox = SDCP liquidity exposure.

Market Risk vs. Credit Risk

Two distinct risks — managed differently, but connected through reserves

MARKET RISK

"Am I overpaying or underpaying for power?"

Measured by: MtM (positive or negative)

Managed by:
- Hedging strategy
- Open position limits
- Reserve adequacy

Reported in: Module 1

CREDIT RISK

"Will my counterparty perform on the contract?"

Measured by: Credit Exposure (always a potential loss)

Managed by:
- Collateral requirements
- Lockbox structure
- Credit limits & monitoring

Reported in: Module 3 (this deck)

CONNECTION: Market moves create the exposure that becomes credit risk · Credit losses drain reserves just like adverse market moves

What Is Mark to Market (MtM)?

Market to Market (MtM) presents fair value of all open contracts at today's forward prices. Unrealized gain or loss if entire portfolio closed today

Key Points

Unrealized	MtM is a paper gain/loss — not cash in hand. It changes every day as forward prices move.
Positive MtM	SDCP's contracts are below market (favorable). SDCP has credit risk — counterparty might not deliver.
Negative MtM	SDCP's contracts are above market (unfavorable). Counterparty has credit risk — SDCP might not pay.
Tracked by contract	SDCP monitors MtM for each individual contract, not just the aggregate portfolio.

ANALOGY: You signed a lease at $2,000/mo. Today identical apartments rent for $2,500. Your lease is "in the money" by $500/mo × remaining months.

MtM Example: Prices Fall — Counterparty Has Credit Risk

Credit risk in energy contracts flows in BOTH directions — it depends on where market prices are relative to the contract price

PRICES FALL (below contract price)

Counterparty has credit risk to SDCP

The counterparty has a valuable contract (selling above market). If SDCP defaults, they lose that premium revenue.

Counterparty demands:

- Collateral from SDCP, OR relies on lockbox waterfall priority

SDCP's risk here is market risk (overpaying), not credit risk.

PRICES RISE (above contract price)

SDCP has credit risk to counterparty

SDCP has below-market contracts. If counterparty defaults, SDCP must replace at higher market price.

SDCP demands:

- Collateral from counterparty, OR 2-way lockbox call

Counterparty's risk here is market risk (selling below market).

MtM tells you who has credit risk to whom. Positive MtM = SDCP has credit risk. Negative MtM = counterparty has credit risk to SDCP.

MtM Example: Prices Fall — Counterparty Has Credit Risk

SCENARIO: SP15 forward drops to $30/MWh (market falls below both contract prices)

Counterparty	Type	Contract $/MWh	Volume (MWh/yr)	MtM (Annual)
ABC Energy	Lockbox	$45	72,000	**($1,080,000)**
XY&Z Power	Non-Lockbox	$55	144,000	**($3,600,000)**

What this means:

Both contracts are above market — negative MtM. This is **market risk** for SDCP (overpaying). XY&Z at $55 is deeper in the money for the counterparty.

The **counterparties** have credit risk — they have valuable contracts and need assurance SDCP will keep paying.

ABC Energy: Protected by lockbox waterfall — gets paid first from SDCP revenue.
XY&Z Power: MtM of $3.6M is below $5M threshold — no collateral call yet, but approaching.

MtM Example: Prices Rise — SDCP Has Credit Risk

SCENARIO: SP15 forward rises to $65/MWh (market rises above both contract prices)

Counterparty	Type	Contract $/MWh	Volume (MWh/yr)	MtM (Annual)
ABC Energy	Lockbox	$45	72,000	**+$1,440,000**
XY&Z Power	Non-Lockbox	$55	144,000	**+$1,440,000**

What this means:

Both contracts are below market — positive MtM. This is favorable, but creates **credit risk** for SDCP.

Note: Despite different contract prices and volumes, both show +$1.44M annual MtM — ABC's larger price gap ($20/MWh) is offset by its smaller volume.

ABC Energy: Lockbox provides structural protection; SDCP can also make 2-way collateral calls.
XY&Z Power: MtM of $1.44M is below $5M threshold — no collateral call yet. SDCP monitors closely.

What Is Credit Exposure?

Credit Exposure = total potential loss on counterparty default = Current MtM + Potential Future Increase (PFE)

TOTAL CREDIT EXPOSURE (MtM + PFE) — What you could lose

COLLATERALIZED — Covered by cash / LOC

LOCKBOX — Revenue priority protection

GAP — **UNSECURED EXPOSURE —** this is what the ROC should focus on

Collateral: How It Works

Collateral is liquid security (cash or Letters of Credit) posted by one party to the other when credit exposure exceeds an agreed threshold.

Collateral Threshold

The amount of unsecured exposure tolerated before collateral posting is required.

Example: $5M threshold means no collateral is needed until MtM exceeds $5M.

May be bilateral (same both ways) or asymmetric.

How Posting Works

When |MtM| exceeds threshold:

Collateral Call = |MtM| – Threshold

The "out of the money" party posts collateral to the other. Returned as MtM moves back within threshold.

Bilateral = Both Directions

Collateral flows BOTH ways:

Prices rise → counterparty posts to SDCP
Prices fall → SDCP posts to counterparty

Lockbox contracts also allow 2-way collateral calls.

Collateral Example — Both Directions

Consider the non-lockbox counterparty XY&Z Power. SDCP has executed a deal with them for 144,000 MWh at $55/MWh. They have a collateral threshold of $5,000,000

PRICES RISE TO $90/MWh

MtM = ($90 – $55) × 144,000

= +$5,040,000 for SDCP

Exceeds $5M threshold by $40,000

XY&Z must post $40,000
to SDCP as collateral

At $100/MWh: MtM = $6.48M → collateral call = $1.48M

PRICES FALL TO $10/MWh

MtM = ($10 – $55) × 144,000

= ($6,480,000) for SDCP

Exceeds $5M threshold by $1,480,000

SDCP must post $1,480,000
to XY&Z as collateral

Ties up SDCP cash — impacts liquidity

The threshold absorbs normal market volatility. Collateral only kicks in under larger moves.

Why Collateral Matters for CCA Liquidity

Collateral posting ties up cash or credit facility capacity. For a CCA like SDCP — with rates set at or below SDG&E parity — cash is precious.

Cash drag	Posted collateral can't be used for operations, procurement, or reserves
LOC capacity	Letters of Credit consume bank credit facility lines — limited and costly
Stress amplification	When markets move sharply (exactly when cash is most needed), collateral calls increase
Opportunity cost	Capital locked in collateral can't earn returns or fund growth

This is why SDCP created the lockbox mechanism — to provide counterparty protection through revenue structure rather than cash collateral. With SDCP's new credit rating, counterparties may accept higher unsecured thresholds on newer contracts.

Public Comment on Item No. 3

Item No. 3

Committee Members Comments or Questions

Quarterly Risk Oversight Committee Report

Recommendation:

Receive and File Quarterly Risk Oversight Committee Report

Item No. 4

Recommend Board Approval for a Contract with Neighborhood National Bank for Qualified Public Depository Services for the Period September 24, 2026, through August 30, 2031, and Authorize the Acting Chief Executive Officer to Execute the Contract

Presenter:
Jeb Spengler, Associate Director of Strategic Finance & Procurement

Recommendation:

Recommend Board approval for a contract with Neighborhood National Bank for Qualified Public Depository Services ("Agreement") for the period September 24, 2026, through August 30, 2031, and authorize the Acting Chief Executive Officer to execute the Agreement

Community Banking Solicitation: Background

- RFP No. 26-012, Community Banking & Qualified Depository Services, was issued to establish a qualified public depository relationship with a community-based financial institution
- Objective: safely hold public funds while directing deposits to institutions serving communities within Community Power's service territory
- Scope was intentionally limited to deposit placement and related depository banking services
  - Excluded investment management, investment advisory services, and discretionary authority over Community Power funds
- Publicly advertised May 19 through June 19, 2026, resulting in seven proposals from qualified financial institutions
- Proposals evaluated by a cross-functional panel against the criteria established in the RFP

Community Banking Selection: Neighborhood National Bank

$15M
Max deposits authorized

5 yrs
Agreement term

$0
Anticipated banking fees

Neighborhood National Bank

Selection Criteria & Recommendation

- Neighborhood National Bank (a Community Development Financial Institution, or “CDFI”) ranked highest after interviews
- Selection criteria included: Background & Experience, capacity, technical services and deposit service capabilities, community banking approach, implementation plan, fees, and local employment/community footprint.
- Five-year community banking and qualified public depository services agreement
- Authorize Acting CEO to execute; deposits not to exceed $15 million

Community Impact

- Advances local community banking objectives and prudent stewardship (100% FDIC insurance coverage and collateralization requirements; competitive interest rates)
- Deposits stay local, funding small business, affordable housing and nonprofit lending in San Diego communities
- CDFI mission focus directs capital to low- and moderate-income and historically underbanked neighborhoods
- Local depository relationship reinforces our equity commitments and deepens community trust in public funds

Public Comment on Item No. 4

Item No. 4

Committee Members Comments or Questions

Recommend Board Approval for a Contract with Neighborhood National Bank for Qualified Public Depository Services for the Period September 24, 2026, through August 30, 2031, and Authorize the Acting Chief Executive Officer to Execute the Contract

Recommendation:

Recommend Board approval for a contract with Neighborhood National Bank for Qualified Public Depository Services ("Agreement") for the period September 24, 2026, through August 30, 2031, and authorize the Acting Chief Executive Officer to execute the Agreement

Committee Member Announcements

Adjournment

SAN DIEGO COMMUNITY POWER

Next Regular Finance and Risk Management Committee Meeting October 15, 2026

CustomerService@SDCommunityPower.org