



SAN DIEGO COMMUNITY POWER

Operating Budget

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How to Use This Book

The San Diego Community Power (Community Power) Fiscal Year (FY) 2026–2027 operating budget contains agency budgetary and fiscal policy information as well as detailed operating budgets for agency divisions. The 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 Figures

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 budget. The figures detail changes over a two-year period: the FY 2025–2026 Amended Budget and the adopted FY 2026–2027 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 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

This year, San Diego Community Power proudly delivered the most competitive electricity generation rates in our history, helping our neighbors save money while expanding access to cleaner energy.

As a community choice energy provider and not-for-profit public agency, every decision we make is centered on delivering the best long-term value for our customers and supporting the communities we serve to advance a more equitable and sustainable future.

Despite uncertainty in the world around us, we remain focused on maintaining long-term stability. We continue to be disciplined about how we invest our resources and plan carefully for an uncertain future. We stay focused on keeping energy costs as low as possible while we advance toward 100% renewable energy by 2035.

Affordability is at the forefront of all we do. In January 2026, we offered the largest discount — compared with San Diego Gas & Electric's generation rates — in our agency's history. PowerBase, our lowest-cost service plan, now provides a 10% discount over the competition while still meeting California's clean energy standards. Meanwhile, we continue to deliver choice for customers who want 100% renewable energy today through our Power100 service plan, for only a few dollars more per month for the average residential customer.

Our strong financial footing allows us to offer such competitive prices. We achieved a significant agency milestone in March 2026 when we earned our first investment-grade issuer credit rating: an "A" with a stable outlook from S&P Global Ratings. This enhances our ability to secure better energy contract terms, which ultimately helps keep rates steady and competitive for our customers.

We are also strategically using "green bonds" issued by the California Community Choice Financing Authority to prepay long term Power Purchase Agreements (PPAs) at a lower interest rate. These financial tools support a disciplined, long-term approach to managing costs and strengthening financial stability. This fiscal year, we completed two prepay agreements that are expected to save customers a combined \$97.3 million over the next nine years.

As we expand our renewable energy portfolio, we continue to invest in local projects that increase grid reliability and help keep power affordable for customers. During the fiscal year, we welcomed the completion of three battery storage facilities in the San Diego region, the construction of which supported hundreds of local jobs. These investments enhance reliability while supporting local jobs and economic development.

We continue to expand our program portfolio through the San Diego Regional Energy Network (SDREN) and have procured all implementers necessary to open 10 new energy efficiency programs for enrollment by the end of 2026. These programs will expand access to energy-saving solutions across the region.

Solar Battery Savings is one of our most successful programs and has earned national recognition as a model for customer-focused program design. By helping customers work with local contractors to install home batteries, it strengthens grid reliability while supporting workforce development across the San Diego region. This program reflects our broader commitments to build a more resilient grid, strengthen the local workforce and partner with industry leaders to deliver innovative, customer-centered solutions.





As Community Power's impact grows, so too will our reach. Community Power is currently the second-largest organization of its kind in the nation, serving nearly 1 million municipal, business and residential 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. This year, the Coronado City Council voted unanimously to join Community Power and could begin receiving service as soon as 2028. This growth reflects the trust that local communities place in us to deliver reliable, affordable service.

The FY 2026–2027 budget builds on this progress and reflects our continued commitment to delivering value, stability and long-term impact. It ensures we remain financially strong while continuing to invest in what matters most to our communities. Key priorities include:

- **Keeping rates competitive and stable**
- **Expanding access to cleaner, reliable energy**
- **Strengthening long-term financial stability**
- **Investing in local programs and workforce development**
- **Delivering measurable value to our communities**

With continued leadership from our Board of Directors, Community Advisory Committee and dedicated staff, San Diego Community Power is proud to deliver more affordable energy, strengthen our communities and build a cleaner, more resilient future for the San Diego region.

We thank our community for its 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 SDCommunityPower.org.

Our Story

1

FORMATION

With support from local communities, Community Power was established as a Joint Powers Authority by five cities in 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 meeting regularly, and implementation activities began. In 2020, a sixth municipality, National City, and the County of San Diego elected to join Community Power.

2

ENROLLMENT 2021–2023

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.

3

TODAY

Community Power is now the second-largest CCA in the nation, serving nearly 1 million customers with competitively priced clean energy; we are beginning to offer customer programs and rebates as well as continuing to support San Diego County's energy efficiency goals through the San Diego Regional Energy Network (SDREN).



About Community Choice

San Diego Community Power is one of 25 Community Choice Aggregators (CCAs) in California. The first CCA began service in 2010, and today CCAs serve 25 million customers in California.

Communities that participate in a CCA work together to purchase clean energy and create local clean energy projects and programs for residents and businesses by pooling, or aggregating, their electricity loads. CCAs work with the investor-owned utility that serves the community to deliver power and maintain the grid. For Community Power, this means partnering with SDG&E.

How It Works



FIGURE 1. CCAS IN CALIFORNIA



CCAs are making good on their commitments to invest in new renewable energy facilities throughout California.

To date, CCAs have contracted for more than 21,000 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 21 gigawatts (GW) of new solar, wind, energy storage, geothermal and demand response resources
- Projects totaling more than 9,700 MW that are already operational and serving CCA customers
- Over \$48.4 billion committed by CCAs to build and operate clean energy resources
- Support for more than 48,000 construction jobs



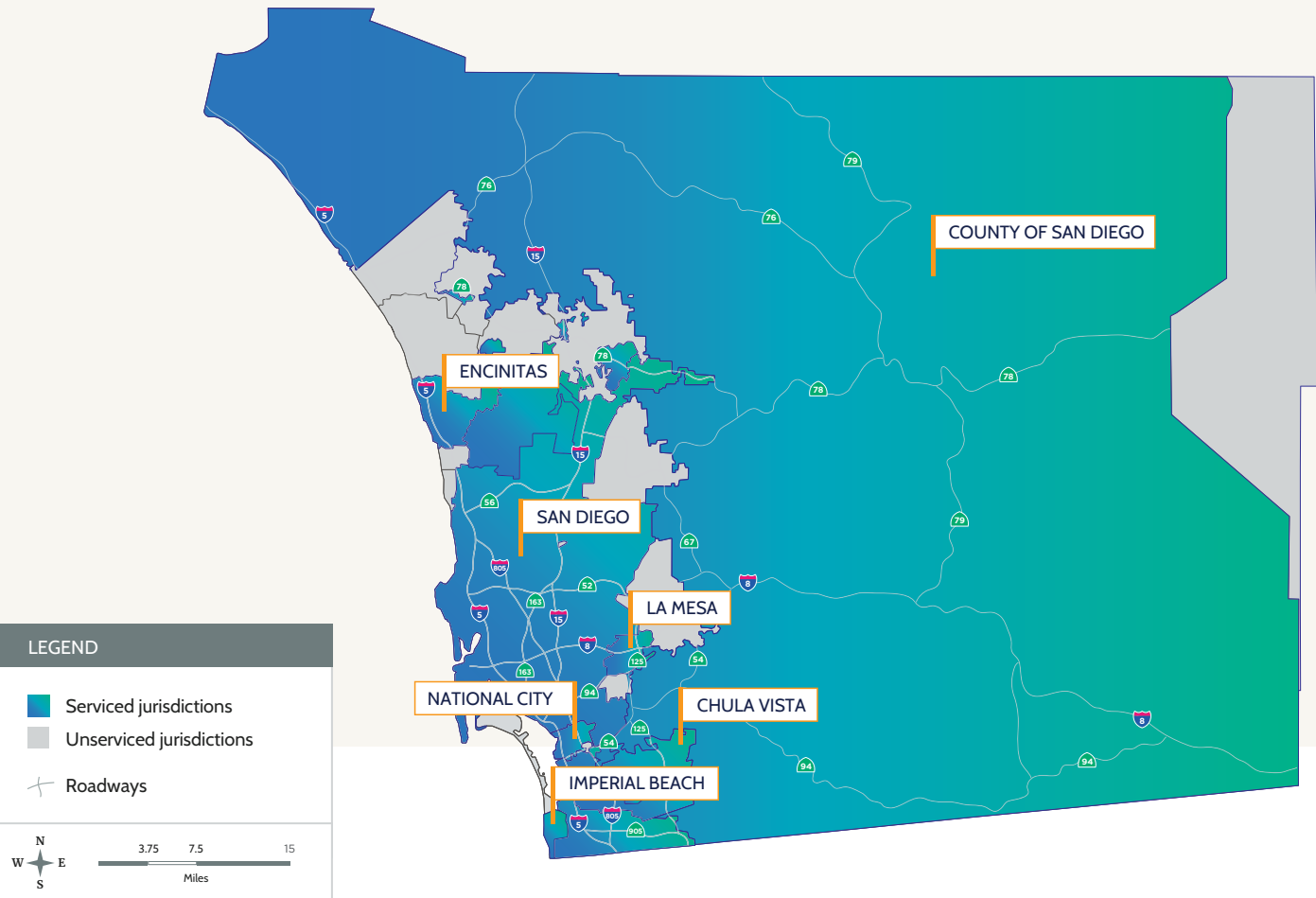
02

Serviced Communities

Serviced Communities

Service Area Map

FIGURE 2. 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, on January 1, 2026, San Diego County’s estimated population was 3.3 million. This figure represents an increase of 0.1% (approximately 5,000 individuals) from the January 1, 2025, estimate. By population, San Diego County ranks as the second-largest county in California 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) are projected to level off and slightly decline by mid-century. The San Diego regional population is expected to reach approximately 3.43 million by 2040, reflecting a substantial 21% increase compared with the year 2000, or a 30% increase compared with the year 2024.

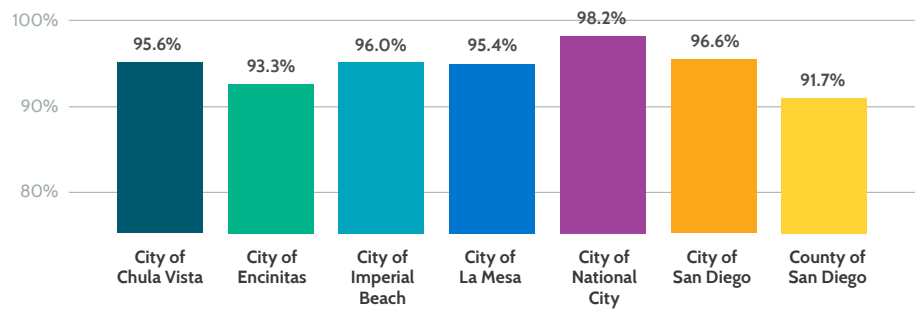
FIGURE 3. SAN DIEGO COUNTY POPULATION

San Diego County Population					
COUNTY/CITY	Jan. 2022	Jan. 2023	Jan. 2024	Jan. 2025	Jan. 2026
Carlsbad	115,033	115,045	114,319	116,022	115,867
Chula Vista	275,427	276,813	278,247	281,850	282,999
Coronado	22,082	22,272	21,589	22,687	23,796
Del Mar	3,909	3,918	3,919	3,937	3,917
El Cajon	105,171	104,804	104,180	105,449	104,932
Encinitas	61,283	61,254	61,028	62,392	62,193
Escondido	150,419	150,571	150,002	151,932	152,196
Imperial Beach	26,163	26,109	26,096	26,362	26,066
La Mesa	60,412	60,753	60,620	61,863	61,707
Lemon Grove	27,109	27,517	27,568	28,445	28,233
National City	58,545	58,374	58,555	58,863	58,701
Oceanside	172,463	172,186	171,483	175,193	174,027
Poway	48,515	48,620	49,273	50,699	50,263
San Diego	1,375,687	1,383,623	1,385,379	1,409,429	1,419,531
San Marcos	93,851	94,823	95,998	97,647	97,554
Santee	58,886	59,574	59,195	60,044	59,812
Solana Beach	12,792	12,831	12,887	13,060	12,941
Vista	99,997	100,113	99,723	101,934	101,365
Balance of County	510,986	511,223	511,040	511,798	508,222
Incorporated	2,767,744	2,779,200	2,780,061	2,827,594	2,836,100
County Total	3,278,730	3,290,423	3,291,101	3,339,392	3,344,322

Source: U.S. Census, 2020 data; California Department of Finance 2026, estimates as of May 1, 2026

Participation by Jurisdiction

FIGURE 4. PARTICIPATION BY JURISDICTION*

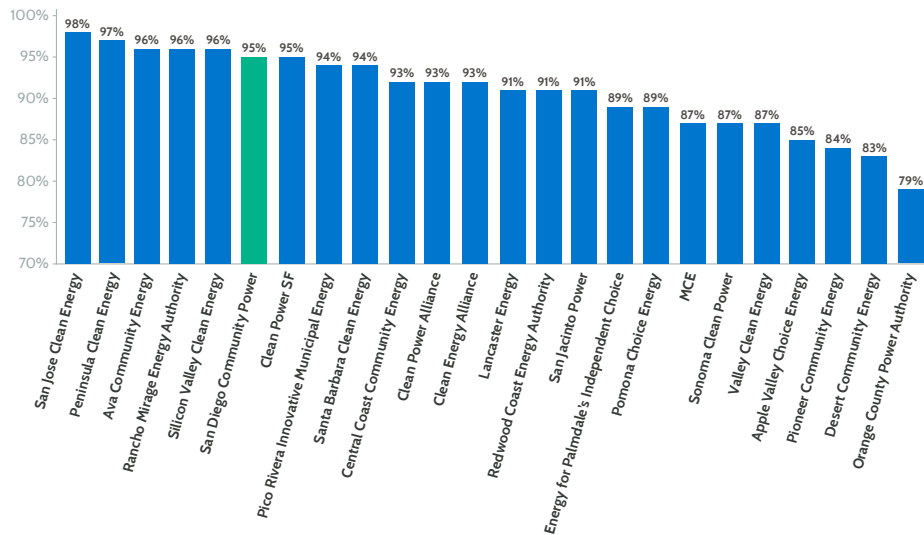


JURISDICTION	SERVICE OPTION DEFAULT	ELIGIBLE ACCOUNTS	ENROLLED ACCOUNTS	PARTICIPATION RATE
City of Chula Vista	PowerOn	100,404	96,029	95.6%
City of Encinitas	Power100	29,071	27,130	93.3%
City of Imperial Beach	PowerOn	10,826	10,395	96.0%
City of La Mesa	PowerOn	29,620	28,245	95.4%
City of National City	PowerOn	19,681	19,334	98.2%
City of San Diego	PowerOn	634,403	613,139	96.6%
County of San Diego	PowerOn	191,436	175,522	91.7%
Total		1,015,441	969,794	95.5%

*As of May 26, 2026

Participation Rates Across CCAs

FIGURE 5. PARTICIPATION RATES ACROSS CCAS



Source: CalCCA, as of December 2025

FIGURE 6. MEMBER AGENCIES



Governance and Structure

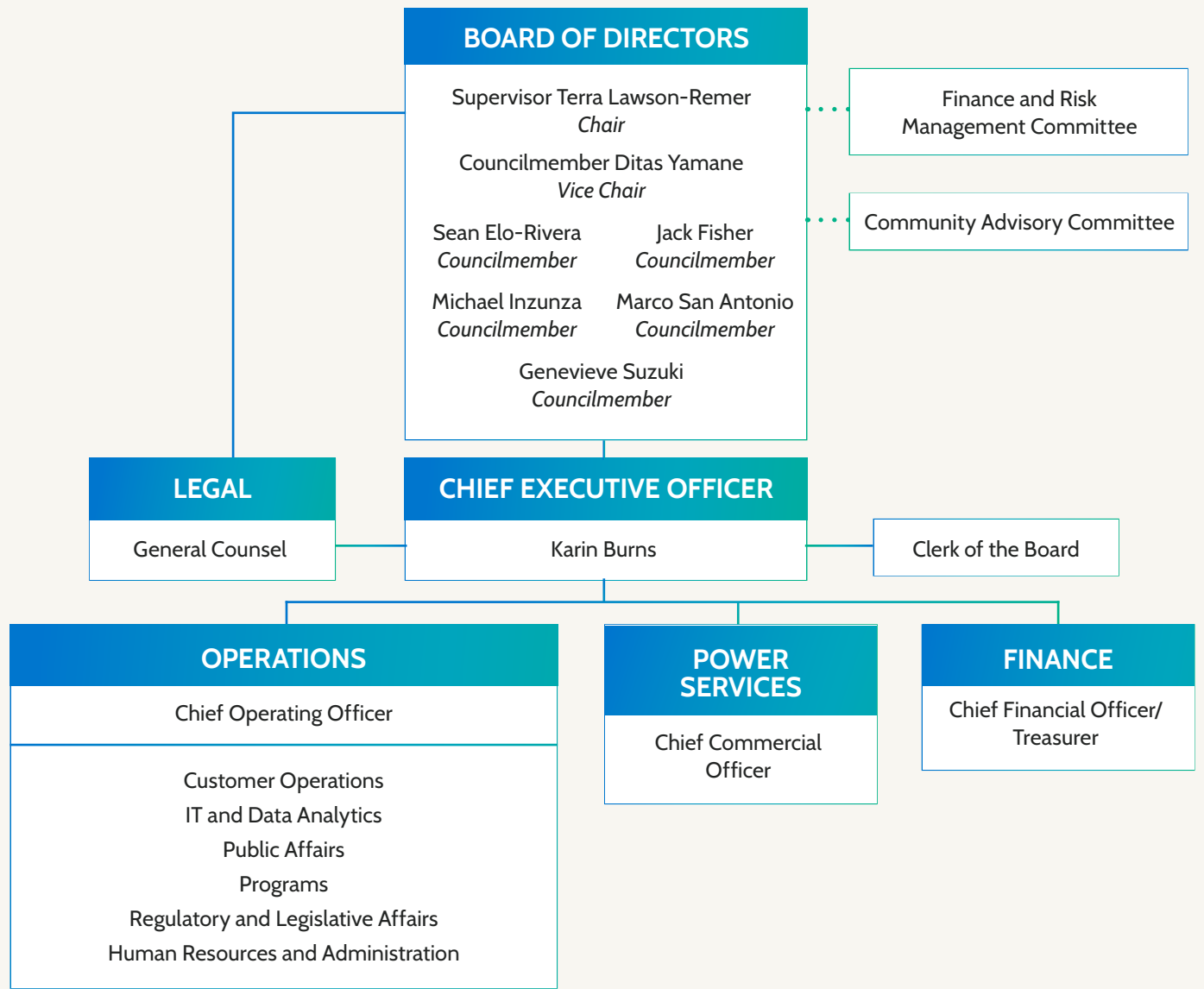
In September 2019, the cities of San Diego, Chula Vista, Encinitas, Imperial Beach and La Mesa adopted an ordinance and resolution to form San Diego Community Power, a California Joint Powers Authority (JPA). National City and the County of San Diego voted to join Community Power in 2020.

Community Power’s Board of Directors is composed of an elected representative from each member jurisdiction, with each member selecting 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.

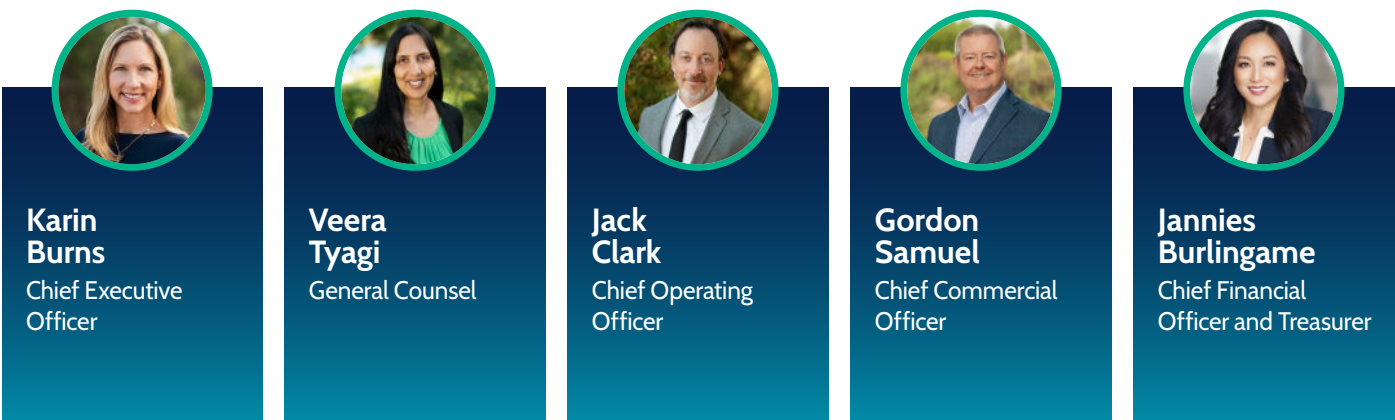
Organizational Structure

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 before 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 Board 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 develop and refine budget proposals 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 budget for the following fiscal year in May or no later than the second month immediately preceding the start of the fiscal year. The budget shall be aligned 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 2026	Finance Department prepares for February launch of the annual budget cycle.
February 2026	Budget process begins. Initial revenue and expense estimates are developed.
March to April 2026	Departments propose unconstrained expense requests for review.
April 2026	Staff set initial budget baseline.
May 21, 2026	The Draft FY 2026–2027 budget is presented to the Finance and Risk Management Committee (FRMC) for feedback.
May 28, 2026	The Draft FY 2026–2027 budget is presented to the Board of Directors for feedback.
June 2026	The Proposed FY 2026–2027 budget is presented to the Community Advisory Committee and the FRMC.
June 25, 2026	The Board of Directors potentially adopts the FY 2026–2027 budget as an action item.
July 1, 2026	The FY 2026–2027 budget is implemented.

Strategic Planning

San Diego Community Power’s budgeting process is directly informed by its Strategic Plan — a document co-created by the Board, Community Advisory Committee, executive leadership and staff — that translates community priorities into actionable goals. The Strategic Plan serves as a critical management tool, aligning resources, guiding operational decisions and driving long-term organizational focus across all departments and initiatives.

Community Power is sharpening its focus on delivering long-term value to the communities it serves through affordability, transparency and disciplined growth. The next chapter of

the agency’s work will be defined by measurable outcomes, including maintaining competitive rates, strengthening financial resilience and advancing a cleaner, more renewable energy portfolio.

Central to this approach is a commitment to aligning fiscal decisions with community priorities. This budget reflects customer expectations, including rate stability, incentives that support grid reliability and continued progress toward sustainable, locally beneficial energy procurement. This is achieved by prioritizing the following items.



Affordability

All decisions are evaluated with a focus on customer impact. Community Power prioritizes competitive rates, minimizes volatility and expands programs that help households and businesses manage energy costs.



Financial Strength and Stability

Maintaining strong reserves, actively managing risk and implementing innovative financial strategies position the agency to navigate market uncertainty while safeguarding long-term affordability and organizational resilience.



Advancement to 100% Renewable Energy

Community Power expands access to clean, renewable energy through a balanced approach that prioritizes reliability and cost stability, supports local project development and ensures the benefits are broadly shared across the communities it serves.



Strategic Infrastructure

As a public agency, Community Power operates with transparency and is guided by public input, ensuring accountability to ratepayers and consistent delivery on commitments.



Local Impact

By reinvesting locally, Community Power strengthens regional economies, supports workforce development and expands access to programs, with a focus on benefiting historically underserved communities.



Core Strategic Goals

1. Fiscal Sustainability

- Maintain 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.
- Achieve 100% renewable energy by 2035 with interim targets 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 in 2026.
- Implement a robust program evaluation framework in 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 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.

Community Outreach Strategy

San Diego Community Power is a not-for-profit public agency that integrates community engagement directly into its decision-making and views outreach as a core function of governance. Through ongoing dialogue with customers, local leaders and regional partners, the agency ensures its budgeting reflects real-world priorities and evolving community needs. This approach reinforces our commitment to affordability while maintaining strong accountability for how public funds are managed. By grounding financial planning in community input, Community Power strengthens organizational stability, supports local economic opportunities and accelerates the transition to cleaner energy while delivering benefits to the communities it serves.

Public Meetings and Oversight

Transparency and public oversight are built into Community Power's operations. Consistent with its [Rate Development Policy](#), rate setting occurs in an open, deliberative process led by staff and approved by the Board of Directors at publicly noticed meetings. This ensures the public has direct visibility into and input on decisions that shape costs, programs and long-term strategy.

Board decisions are informed and shaped by a subset of members on the Finance and Risk Management Committee

(FRMC). The Community Advisory Committee (CAC) also advises the Board and provides a venue for ongoing citizen support and engagement in Community Power. These regular meetings offer meaningful opportunities for community input on agency decisions.

Customer Information and Transparency

Clear, accessible information is essential in building trust with customers and supporting informed decision-making about service options. Community Power publishes an annual Joint Rate Comparison in coordination with SDG&E that allows customers to easily evaluate pricing. The Power Content Label further reinforces transparency by providing a detailed look at the sources used for each service plan. In addition, Community Power's website serves as a central resource for information, rebates, incentives and self-service tools.

Community Engagement

Staff regularly provide updates to member agencies and their elected bodies on Community Power's performance, priorities and initiatives. Community Power also continues to expand its presence through events, partnerships and targeted outreach to reach a broad and diverse audience.

183 community events

16,000 unique interactions

650,000 impressions

In FY 2025–2026, Community Power participated in 183 community events, resulting in 16,000 unique interactions and nearly 650,000 impressions. These in-person efforts are enhanced by strategic partnerships, sponsorships and targeted media outreach, including an ongoing partnership with CBS 8's "Working for Our Communities" campaign, which highlights available services and opportunities for customers to save money. Regular newsletters also provide subscribers with updates on new initiatives and energy-saving tips.

These efforts create a strong, continuous feedback loop between the agency and the public, strengthening transparency, informing budget decisions and ensuring Community Power remains responsive, accountable and focused on delivering affordable, reliable and increasingly renewable energy solutions.





04

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 the Board's approval 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 the 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 it to the Board for approval.

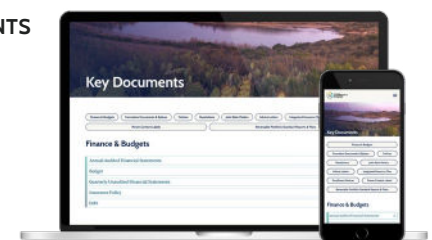
Community Power also maintains several policies posted to its [Key Documents](#) page on its website that provide further fiscal guidance.

- [Budget Policy](#)
- [Financial Reserves Policy](#)
- [Rate Stabilization Reserve Policy](#)
- [Non-Energy 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 and Signature Authority Policy](#)
- [Total Compensation Policy](#)
- [Board and Committee Compensation and Reimbursement Policy](#)
- [Net Energy Metering \(NEM\) Policy](#)
- [Net Billing Tariff Aggregation Policy](#)
- [Sponsorship Policy](#)
- [Renewable Energy Self-Generation Bill Credit Transfer \(RES-BCT\) Tariff](#)
- [Collections and Delinquent Accounts Handling Policy](#)
- [Community Clean Energy Grant Program Policy](#)
- [Net Billing Tariff Policy](#)

FIGURE 11. KEY DOCUMENTS PAGE ON WEBSITE



Budget Structure

Community Power’s basis for budgeting is the accrual method. This 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 12. BUDGET STRUCTURE — DEPARTMENT HIERARCHY

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

Budget Level Hierarchy

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

1. Operating Revenues

Allow for revenues from completed sales of electricity to customers. Assumptions include an overall 5% opt-out rate.

2. Operating Expenses

Fall into five Budget Level 2 categories: cost of energy, personnel costs, professional services and consultants, strategic communications and community outreach, and general and administration.

- I. **Cost of Energy** — Includes all the various services purchased from the power market through our suppliers. This includes purchased energy, capacity (Resource Adequacy), renewables, CAISO fees and other miscellaneous power market expenses.
- II. **Personnel** — Includes salaries, payroll taxes, benefits, and excused absences 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.
- III. **Professional Services and Consultants** — Includes the following:
 - a. **Legal/Regulatory Services** — Community Power retains outside legal counsel to assist with complex legal and regulatory matters. This line item will also allow for the retention of a state lobbyist to support Community Power’s legislative and regulatory efforts.
 - b. **Technical Support** — Community Power engages consultants to assist with policies, load analysis and a scheduling coordinator. After electric power is scheduled for delivery to customers and consumed by these customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing several other market and regulatory requirements. As Community Power grows its internal staff, it will look to continue performing portions of this service in-house.
 - c. **Other Services** — Community Power contracts or plans to contract for audit services (data and financial), accounting services, and other services as needed. Community Power continues to examine whether these services are more cost-effective or efficient to bring in-house. As in-house functions are expanded, Community

Power expects a reduction in the related professional services support areas.

- d. **SDG&E Service Fees** — These fees paid to SDG&E consist of a fixed fee charge per account per month. 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). Numerous small fees are also associated with data requests.
- e. **Data Management** — This broad scope of services 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.

IV. Strategic Communications and Outreach —

Involves promoting Community Power services and engaging with the community through campaigns, public relations, events and educational programs to increase awareness, drive customer enrollment and build positive relationships. It also includes outreach to underserved communities to ensure equitable access to Community Power's clean, renewable energy services.

- V. **General and Administration** — Includes leasing office space, industry fees or memberships (for example, CalCCA dues), equipment and software, as well as other general operational costs, including Board and Committee expenses, Board stipends, staff travel or professional development, team building, etc.

3. Non-Operating Expenses

Represents interest paid on borrowed funds under the bank credit facility maintained by Community Power used to finance a portion of its operations. Expenses also include other bank-related fees (such as letter of credit issuance fees, renewal fees, etc.). Non-operating revenue included in this category represents interest income earned on cash reserves.

4. Capital Investment Plan (CIP)

Community Power's budget also includes non-operating expenses related to the CIP. The CIP for FY 2027–2031 outlines the individual capital projects, major equipment purchases and major programs for the agency that are intended to span multiple years. Contributions are considered one-time in nature and do not reflect future funding commitments. The first year of the FY 2027–2031 CIP is Community Power's capital budget for the upcoming fiscal year.



FIGURE 13. BUDGET STRUCTURE — BUDGET LEVEL HIERARCHY

FUNDS	BUDGET LEVEL 1	BUDGET LEVEL 2	BUDGET LEVEL 3
Operating Fund	Revenue	Gross Ratepayer Revenues	Gross Ratepayer Revenues
Operating Fund	Revenue	(Less 1.5% Uncollectible Customer Accounts)	(Less 1.5% Uncollectible Customer Accounts)
Operating Fund	Operating Expenses	Cost of Energy	Cost of Energy
Operating Fund	Operating Expenses	Personnel Costs	Salaries
Operating Fund	Operating Expenses	Personnel Costs	Benefits (retirement/health)
Operating Fund	Operating Expenses	Personnel Costs	Payroll Taxes
Operating Fund	Operating Expenses	Personnel Costs	Accrued PTO
Operating Fund	Operating Expenses	Professional Services and Consultants	Legal/Regulatory
Operating Fund	Operating Expenses	Professional Services and Consultants	Technical Support
Operating Fund	Operating Expenses	Professional Services and Consultants	Programs Consultant
Operating Fund	Operating Expenses	Professional Services and Consultants	Other Services
Operating Fund	Operating Expenses	Professional Services and Consultants	SDG&E Fees
Operating Fund	Operating Expenses	Professional Services and Consultants	Data Management
Operating Fund	Operating Expenses	Professional Services and Consultants	Contingency
Operating Fund	Operating Expenses	Professional Services and Consultants	Communications Consultants
Operating Fund	Operating Expenses	Professional Services and Consultants	Printing
Operating Fund	Operating Expenses	Professional Service and Consultants	Sponsorships/Local Memberships
Operating Fund	Operating Expenses	Strategic Communications and Outreach	CalCCA Dues
Operating Fund	Operating Expenses	Strategic Communications and Outreach	Insurance
Operating Fund	Non-Operating Expenses	Strategic Communications and Outreach	Rent
Transfer Out	CIP	Strategic Communications and Outreach	Other General and Administration
		General and Administration	Programs
		General and Administration	Interest and Related Expenses
		General and Administration	CIP
		General and Administration	
		General and Administration	
		Programs	
		Debt Service	
		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 Community Power’s primary fund 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 Operating Fund’s primary source of funding is from ratepayers and may also include nonoperating investment income. Community Power strongly believes 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. **PowerBase**, our most affordable service option, with a renewable content that is intended to meet or exceed SDG&E’s whenever possible and provides customers with a 10% discount compared with SDG&E’s rates.
2. **PowerOn**, our standard service offering that provides 53% renewable power and offers a 4% discount compared with SDG&E’s rates.
3. **Power100**, our premium service that provides customers with 100% renewable energy. It is currently priced at an additional \$0.01/kWh more than PowerOn.
4. **Power100 Green+**, is our stand-alone 100% renewable and carbon-free service that is Green-e® Certified, available only to commercial and industrial customers. It is currently priced at \$0.02/kWh more than PowerOn.

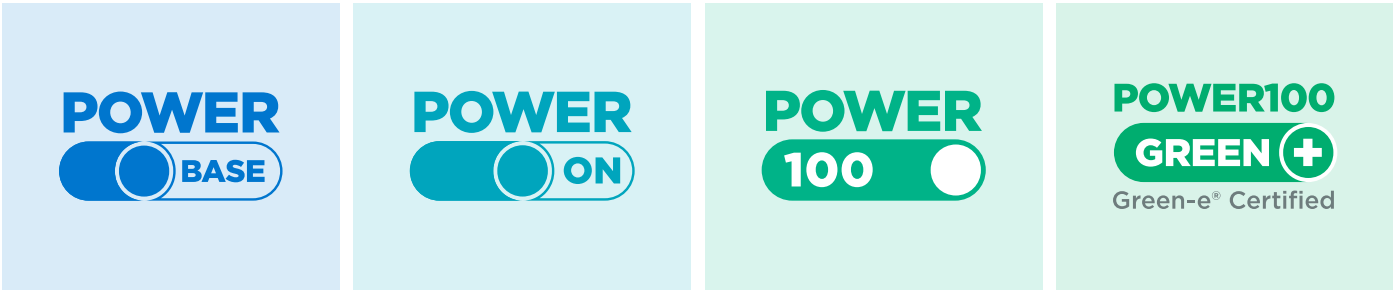
2. **Continuing Fund** – accounts for one-time activities in Community Power’s Capital Investment Plan and is supported by one-time funds. As a continuing fund, all unused funds at the end of the fiscal year continue to the next fiscal year. This fund is used to account for and report financial resources 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 these 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 for use across multiple fiscal years, since 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, approving and authorizing 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 Energy Commission (CEC) Equitable Building Decarbonization** – The Equitable Building Decarbonization (EBD) Direct Install program is a statewide initiative that offers no-cost installation of electric appliances, energy efficiency measures, basic health and safety improvements and electrical panel upgrades to income-qualified customers in identified communities. It is overseen by the CEC and administered by the County of Los Angeles in the Southern California region.



FIGURE 14. COMMUNITY POWER'S RATE PRODUCTS



FY 2026–2027 Budget Principles

FIGURE 15. 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 FY 2026–2027 Operating Budget continues full enrollment from Phases 1, 2, 3 and 4 for all ratepayers, inclusive of net-energy metering customers, from Community Power’s member jurisdictions in the San Diego region, representing 8.3 million MWh of retail load in the fiscal year.

Energy costs represent the largest component of Community Power’s budget. Current projections reflect a year-over-year decline in energy costs driven by lower market price assumptions associated with Market Price Benchmark (MPB) volatility. The FY 2026–2027 Operating Budget, therefore, reflects the lower cost of energy assumptions due to the ability to close open energy positions at reduced prices and lower projected renewable prices under the Voluntary Allocation, Market Offer (VAMO) contract with SDG&E.

At the same time, lower forward market prices are driving a more significant reduction in projected ratepayer revenue. As reflected through the Power Charge Indifference Adjustment (PCIA) and SDG&E bundled rates, MPB volatility remains the most significant financial risk to Community Power. Recent declines in market prices are expected to reduce revenues year over year as higher PCIA charges coincide with lower competing utility rates. As a result, both revenues and energy costs are projected to decline year over year, with energy cost reductions only partially offsetting anticipated revenue pressure.

Because current market price projections are based on data available through April 30, 2026, and remain preliminary, updated MPB from the California Public Utilities Commission (CPUC) later in the year are expected to provide greater clarity on second-half fiscal year impacts and inform future reserve funding recommendations.

The FY 2026–2027 Operating Budget additionally contains prudently managed and modest growth in non-energy operating budget categories. As Community Power has scaled to full enrollment, the agency is thoughtfully managing staffing levels. In FY 2026–2027, Community Power is expected to have a generally comparable operating budget and staffing levels compared with its peer Community Choice Aggregators (CCAs) of similar customer and load size, while supporting a broader portfolio of customer programs and strategic initiatives.



By the end of FY 2026–2027, Community Power’s reserves are expected to grow to its maximum reserve level of 270 days cash on hand, mostly as a function of a lower operating expense base in FY 2026–2027. Based on operating expenses projected in FY 2025–2026, the ending reserve balance would have been 255 days cash on hand. Actual cash reserves are projected to remain at a consistent level with the prior fiscal year, which should allow Community Power to navigate the volatile energy market and maintain its investment-grade credit rating.

Lastly, this budget continues to include the Community Power Capital Investment Plan (CIP) that contains one-time revenue and one-time expenses for programs and projects over multiyear periods, including one-time investments from the operating budget to the CIP. The first year of the FY 2027–2031 CIP comprises the FY 2026–2027 capital budget, which invests \$8 million from the operating budget to support the CIP. This bolsters an overall project portfolio, including external funding sources, of \$71.4 million for the fiscal year.

Operating Budget

The Community Power FY 2026–2027 Budget is presented in further detail in the following pages. The figure below summarizes the revenue and expense budgets for FY 2026–2027 in comparison with the FY 2024–2025 and FY 2025–2026 Amended Budgets.

FIGURE 16. OPERATING BUDGET OVERVIEW*

	FY25 Amended	FY26 Amended	FY27 Adopted
Gross Revenue	1,243.0	1,194.8	932.8
Less Uncollectible Accounts	(21.8)	(19.4)	(14.0)
Net Operating Revenues	1,221.3	1,175.4	918.8
Cost of Energy	1,116.8	969.9	872.3
Non-Energy Costs	50.8	50.0	55.7
Subtotal Operating Expense	1,167.6	1,019.9	928.1
Interest Income	0.0	(18.3)	(23.1)
Debt Service	1.3	1.5	1.9
Capital Investment Program (Transfer Out)	18.2	21.9	8.0
Total Expenses	1,187.1	1,025.0	914.9
Net Position	34.2	150.4	3.9

*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 in 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.

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.

Revenue budgeted for FY 2026–2027 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base and retail sales to our residential customer base. Generally, retail sales are calculated based on customer load (that is to say, customer energy usage) multiplied by the associated rate class of the customer.

Additional assumptions for net operating revenue include:

- Enrollment of customers is complete from member jurisdictions in Phases 1, 2, 3 and 4.
- 95% participation rate across all jurisdictions.
- An uncollectible rate of 1.5%, as compared with 1.75% in the prior fiscal year.
- Rates that were set and approved by the Board on April 23, 2026, for the period from May 1, 2026, to December 31, 2026.

- Power Charge Indifference Adjustment (PCIA) is consistent with SDG&E Partial Supplemental Advice Letter 4791-E-A filed on March 30, 2026, for the period from May 1, 2026, to December 31, 2026.
- Generation rates are projected to decrease 15% to 20% between calendar years 2026 and 2027 and, in the FY 2026–2027 Budget, for the period from January 1, 2027, to June 30, 2027.
- PCIA is expected to increase 25% to 55% between calendar year 2026 and 2027 and, in the FY 2026–2027 Budget, for the period from January 1, 2027, to June 30, 2027.
- Rates and PCIA for the period from January 1, 2027, to June 30, 2027, are forecasted based on Community Power’s latest forecasted energy, resource adequacy and renewable energy prices through April 30, 2026.
 - a. Power100 and Power100Green+ (Green-e® certified) service plans will maintain premiums of \$0.01/kWh and \$0.02/kWh, respectively, compared with PowerOn.
- Any further rate changes, including mid-year changes, are subject to Board discretion and approval.

The following table summarizes the revenues for FY 2026–2027 Budget compared with the FY 2024–2025 and FY 2025–2026 Amended Budgets. Note that Gross Revenue and Less Uncollectible Accounts are based on projected numbers from rate setting that was approved by the Board on January 15, 2026.

Figure 17 summarizes the revenues for the FY 2024–2025 Amended Budget, FY 2025–2026 Amended Budget and FY 2026–2027 Adopted Operating Budget.

FIGURE 17. OPERATING REVENUE BY BUDGET LEVEL 2*

	FY25 Amended	FY26 Amended	FY27 Adopted
Gross Ratepayer Revenues	1,243.0	1,194.8	932.8
(Uncollectible Customer Accounts; FY25 and FY26 Less 1.75%, FY27 Less 1.5%)	(21.8)	(19.4)	(14.0)
Net Operating Revenues	1,221.3	1,175.4	918.8

*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, strategic communication and outreach, and general and administration.

Figure 18, below, summarizes the expenses for the FY 2024–2025 Amended Budget, FY 2025–2026 Amended Operating Budget and FY 2026–2027 Operating Budget.

FIGURE 18. OPERATING EXPENSES BY BUDGET LEVEL 2*

	FY25 Amended	FY26 Amended	FY27 Adopted
Cost of Energy	1,116.8	969.9	872.3
Professional Services and Consultants	24.3	23.4	23.8
Personnel Costs	18.6	19.6	23.4
Strategic Communications and Outreach	3.0	2.3	2.4
General and Administration	4.9	4.7	6.1
Programs	0.0	0.0	0.0
Subtotal Operating Expenses	1,167.6	1,019.9	928.1
Interest Income	0.0	(18.3)	(23.1)
Interest and Related Expenses	1.3	1.5	1.9
Capital Investment Program (Transfer Out)	18.2	21.9	8.0
Total Expenses	1,187.1	1,025.0	914.9

*Amounts displayed in millions of dollars

Operating Expenses by Department

Figure 19, below, summarizes the FY 2026–2027 Operating Budget expenses by department. All personnel costs, including fringe benefits, are included in the Operations Department. The Power Services Department includes Cost of Energy in its expenses.

FIGURE 19. OPERATING EXPENSES BY DEPARTMENT*

	FY25 Amended	FY26 Amended	FY27 Adopted
Power Services	1,118.9	972.0	875.2
Operations	20.6	20.9	23.6
Customer Operations	19.3	18.5	17.2
Finance	2.1	2.8	5.0
Public Affairs	1.8	1.7	1.8
IT and Data Analytics	1.4	1.5	2.0
Regulatory and Legislative Affairs	0.7	0.5	0.5
Human Resources and Administration	0.7	0.9	1.0
Legal	1.8	1.0	1.3
Programs	0	0	0
Executive Team	0.2	0.1	0.4
Total Expenses	1,167.6	1,019.9	928.1

*Amounts displayed in millions of dollars



Personnel by Department

Figure 20 below summarizes the projected personnel for the FY 2026–2027 Operating Budget and the full-time equivalent (FTE) personnel in the FY 2024–2025 and FY 2025–2026 Amended Operating Budgets. While personnel may be authorized, the positions may not be filled. Detailed information showing filled positions and FTE transfers by department is included in the following personnel by department section below. The personnel budget is included within Operations.

FIGURE 20. PERSONNEL BY DEPARTMENT

	FY25 Amended	FY26 Amended	FY27 Adopted
Operating Fund			
Power Services	16	15	16
Executive	5	5	5
Public Affairs	12	11	14
Programs	12	16	16
Finance	9	13	13
Customer Operations	8	6	8
Operations	5	6	5
IT and Data Analytics	9	16	13
Regulatory and Legislative Affairs	5	5	5
Human Resources and Administration	4	7	8
Legal	2	3	3
Total FTEs	87	103	106
External Funding (CIP)			
Programs	3.8	5	7
Regulatory Affairs	0.5	0.7	0.7
Finance	1	1	2
Public Affairs	1	1	3
Power Services	-	0.3	0.3
Subtotal External Funding FTEs	6.3	8	13
Net Operating FTEs	80.7	95	93

FIGURE 21. COMMUNITY POWER DEPARTMENTS

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

Capital Budget

The CIP for FYs 2027–2031 outlines the agency’s individual capital projects, major equipment purchases and major programs that are intended to span multiple years. Contributions are considered one-time in nature and do not reflect future funding commitments. The first year of the FY 2027–2031 CIP is Community Power’s capital budget for the upcoming fiscal year.

The FY 2026–2027 Capital Budget totals \$71.4 million, and the FY 2027–2031 CIP totals \$310.7 million over the outlook period. The total CIP includes \$21.3 million in unspent continuing funds, which were appropriated by the Board in prior fiscal years, and is reflected as a carryforward budget. Carryforward amounts are point-in-time estimates during the budget development process and will be updated for the adopted budget. In addition to carryforward funds, the FY 2026–2027 Capital Budget includes \$63.1 million for the

San Diego Regional Energy Network (SDREN), recoverable through the California Public Utilities Commission, that was authorized by the Board in January 2025. Specifically, in January 2025, the Board approved, accepted and appropriated \$124.3 million in funds for SDREN, and \$63.1 million of these previously authorized funds are expected to be expended in FY 2026–2027, as noted in the figure below.

The FY 2026–2027 operating budget transfers \$8.0 million from operations into the CIP. This transfer is funded by a combination of net operating revenue and non-operating investment income, based on the nature of the project or program being funded. In contrast to the operating budget, these contributions are carried forward to subsequent fiscal years within the CIP, where they remain until expended or reappropriated through subsequent action.

FIGURE 22. FY 2026–2027 CAPITAL BUDGET OVERVIEW*

	Carryforward ¹	FY27 Authorized Budget	FY27 Adopted Appropriation
Operating Transfer Out	18.4	-	8.0
Regional Energy Network ²	-	63.1	-
DAC-GT	0.3	0.3	-
Equitable Building Decarbonization	1.4	-	-
Planning and Studies	0.7	-	-
CIP Revenue	20.6	63.4	8.0

*Amounts displayed in millions of dollars

¹ The carryforward amount reflects actual financial data through February 28, 2026. Carryforward amounts will be updated for the adopted budget and will be reconciled until the close of fiscal year 2025–2026.

² 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.

FIGURE 23. FY 2027–2031 CIP PROGRAMS AND PROJECTS*

	Beginning Balance	Expenses	Carryforward ¹	5-Year Budget					
	FY26	FY26	FY26	FY27	FY28	FY29	FY30	FY31	Total
External Funding									
Regional Energy Network ^[2]	15.9	15.9	-	63.1	51.4	42.0	43.7	45.5	245.7
DAC-GT	0.5	0.2	0.3	0.3	-	-	-	-	0.6
Equitable Building Decarbonization	1.4	-	1.4	-	-	-	-	-	1.4
Planning and Studies	0.7	-	0.7	-	-	-	-	-	0.7
Subtotal	18.5	16.1	2.4	63.4	51.4	42.0	43.7	45.5	248.4
Internal Funding									
Solar Battery Savings	21.9	11.1	10.8	3.5	10.4	8.3	8.5	7.6	49.1
Pilot Programs	2.3	0.5	2.0	2.5	-	-	-	-	4.5
Grants	1.5	0.2	1.3	-	-	-	-	-	1.3
Flexible Load	0.6	0.1	0.5	1.5	-	-	-	-	2.0
IT Projects	3.7	0.5	3.2	0.2	-	-	-	-	3.4
Planning and Studies	0.3	-	0.3	0.3	-	-	-	-	0.6
Application Assistance	0.3	-	0.3	-	0.3	-	-	0.3	0.9
Subtotal	30.6	12.4	18.4	8.0	10.7	8.3	8.5	7.9	61.8
CIP Expense Total	49.1	28.5	20.8	71.4	62.1	50.3	52.2	53.4	310.2

*Amounts displayed in millions of dollars

¹ The carryforward amount reflects actual financial data through February 28, 2026.

Carryforward amounts will be updated for the adopted budget and will be reconciled until the close of fiscal year 2025–2026.

² 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.





06

Capital Investment Plan

About the CIP

The Community Power Fiscal Year 2027–2031 Capital Investment Plan (CIP) includes 10 investment categories that will receive funding during the five-year period, totaling \$310.8 million in investments across San Diego County. More detail can be found in the companion FY 2027–2031 Capital Investment Plan book.

The FY 2026–2027 operating budget transfers \$8.0 million from operations into the CIP. This transfer is funded by a combination of net operating revenue and non-operating investment income, based on the nature of the project or program being funded. The operating contribution supports the following investments:



\$3.5 million, Solar Battery Savings — Community Power's residential Solar Battery Savings Program is designed to help single-family homeowners in Community Power's service territory invest in clean energy and support the grid by installing solar and battery storage in their homes or complement an existing solar system with a new battery system. The program provides two financial incentives for participating customers: an upfront incentive to minimize the initial cost of the battery system and a performance incentive for participating in battery discharges during on-peak dispatch windows to maximize benefits for the customer and the grid.



\$2.5 million, Customer Pilot Programs — Pilot programs are small-scale, short-duration projects (6–18 months) that can provide Community Power and stakeholders data on program design, technology acceptance and other information helpful for broader program delivery. Pilot programs support Community Power staff's ability to design and implement programs properly and efficiently. Additionally, pilot programs can cover all customer segments and a variety of technologies or activities, including managed charging for electric vehicles and energy efficiency.



\$1.5 million, Distributed Energy Resources Management Systems Software Platform — Central to Community Power's Flexible Load Strategy is the selection and implementation of a Distributed Energy Resource Management System (DERMS). A DERMS is a software platform that incorporates various data points, such as weather, market/price data and customer preferences, to optimize the operation of distributed energy resources (DERs) in support of various grid services. Once operational, this system will allow Community Power to help customers reduce usage during high-cost on-peak periods, while managing portfolio-wide power procurement and resource adequacy costs and risk.



\$0.3 million, EV Load Growth Study — The Regional EV Load Analysis will forecast how growing EV adoption can impact electricity demand across Community Power's service territory, including hourly load profiles, adoption scenarios and geographic variation. It will evaluate how different charging behaviors — especially unmanaged vs. managed charging — affect load shape, peak demand and system risks, with a focus on strategies (for example, time-of-use rates or managed charging) that can shift or mitigate EV-related peaks. Overall, the study aims to provide insights that support long-term planning, helping Community Power understand both the risks and opportunities of transportation electrification for load forecasting, Resource Adequacy and program design.





\$0.2 million, IT Projects — Focused on Community Power’s commitment to fiscal stewardship and operational scaling, this project funds the optimization and expanded rollout of the agency’s central Enterprise Resource Planning (ERP) platform. While Phase 1 successfully established core budgeting functionalities, Phase 2 is being considered for strategic rescoping to prioritize immediate agency-wide operational controls and financial efficiencies. Once deployed, this phase will streamline cross-departmental workflows, enhance internal financial controls and automate routine processes. This targeted optimization ensures the finance, non-energy procurement team and broader agency possess the scalable infrastructure required to support expanding community programs and minimize administrative overhead.

This CIP 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 gives Community Power the confidence to target a core set of investment types that focus on community needs. It also provides 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 identifies a potential source of funding, but this does not necessarily indicate that the project has been funded. As design requirements, budgets 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 require adjustments in the design and execution process. Projects, programs and funding are also subject to Board approval, consistent with the JPA and the agency’s internal policies and programs.

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 community engagement and alignment with Community Power’s strategic goals.

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

FIGURE 24. CIP DEVELOPMENT PROCESS



Operational Impact of Capital Projects

Projects outlined in Community Power’s CIP and Budget are generally designed to address the needs of existing assets while enabling the organization to scale its operational capabilities. These investments are not expected to significantly increase ongoing operating costs. However, when a project has a significant operational impact, associated costs are incorporated into Community Power’s Five-Year Financial Plan and reflected in the annual budget process. Additionally, staffing, facility operations, equipment maintenance and other related costs are reviewed and approved through the annual budget process and are reflected in the “Budget by Department” section under the sponsoring department.

Capital improvements represent strategic investments to enhance Community Power’s technology, systems and organizational infrastructure. While these improvements continue to support upgrades to physical assets and equipment, they are increasingly focused on strengthening the organization’s internal systems and processes to support long-term operational efficiency. As Community Power continues to mature, capital projects are shifting from building foundational capabilities to integrating and optimizing those systems across the organization for the long term.



Several projects led by the IT and Data Analytics Department, in coordination with Finance, Power Services and Customer Operations, are central to these efforts. These investments support a more connected and data-driven operating environment while also improving efficiency, reducing manual processes and enabling the organization to scale its operations. Key areas of operational impact include the following:

Enterprise Data Integration and Accessibility — Community Power continues to expand its enterprise data platform by integrating data from internal systems and external partners. This includes critical operational and financial data used across forecasting, rate design, customer programs and accounting. By consolidating these data sources into a centralized platform, the organization can improve data accessibility, reduce duplication of effort and support more consistent decision-making across departments.

Advanced Analytics and Insights — Building on its data infrastructure, Community Power is expanding its use of advanced analytics and platforms to enhance operational performance. These capabilities support improved load forecasting, financial planning and program evaluation while enabling staff to identify trends and proactively address operational challenges. By increasing automation and analytical capacity, these investments reduce reliance on manual processes and improve overall efficiency.

Energy Trading and Risk Management Systems — Capital investments in energy trading and risk management systems strengthen the organization's ability to monitor and manage its financial and market positions. These systems support improved project tracking, coordination and visibility into project timelines, helping to strengthen project implementation across the agency. As a result, Community Power can improve risk management practices, reduce operational complexity and support more informed financial decision-making.

Customer Operations and Billing System Enhancements — Investments in customer operations systems focus on improving billing accuracy, customer communication and overall service delivery. These enhancements streamline customer-facing processes, reduce the need for manual corrections and support greater operational efficiency. In addition, improvements in system integration help reduce reliance on external vendors, resulting in ongoing cost savings while enhancing the customer experience.

Project Management and Workflow Optimization — Implementing project management and workflow tools allows for more effective coordination across departments and improves project tracking and execution. These systems provide greater transparency into project timelines, resource allocation and performance, helping to standardize processes and reduce inefficiencies. As the organization continues to grow, these tools enable more consistent execution of strategic initiatives and strengthen overall organizational effectiveness.

Cybersecurity and System Resilience — As Community Power's reliance on digital systems continues to increase, capital investments in cybersecurity and IT infrastructure are essential to maintaining secure and reliable operations. These investments protect critical data and improve the security and reliability of critical systems as the organization continues to expand its digital infrastructure.



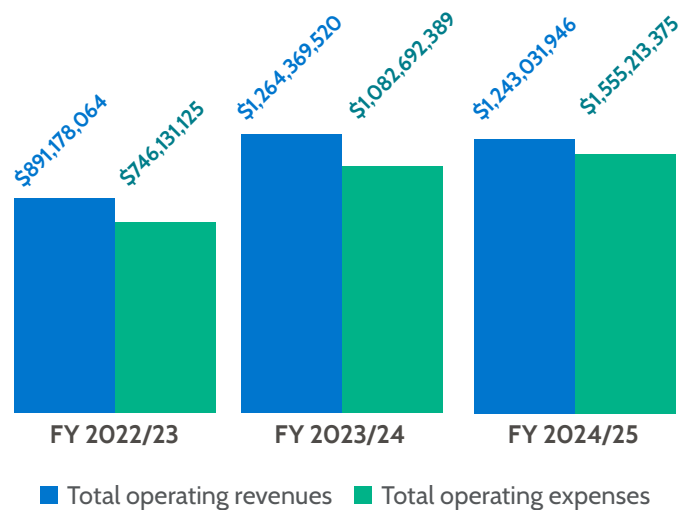
Multiyear Trends

This section presents a multiyear financial trend report for Community Power, reviewing the actuals from FYs 2022–2023, 2023–2024 and 2024–2025 and the FY 2025–2026 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 since the agency's inception in October 2019 through FY 2023–2024. In FY 2021–2022, Community Power's operating revenues were \$386 million, increasing to \$891 million in FY 2022–2023, and further rising to \$1.2 billion in FY 2023–2024. This growth was primarily driven by expanding electricity sales and an increased customer base as Community Power finished enrollment of customers from its member jurisdictions. Concurrently, operating expenses have also escalated, from \$329 million in FY 2021–2022 to \$746 million in FY 2022–2023, and reaching \$1.083 billion in FY 2023–2024, reflecting higher costs associated with electricity procurement and use of contract services, similarly fueled by expanding electricity sales and an increased customer base. Despite these

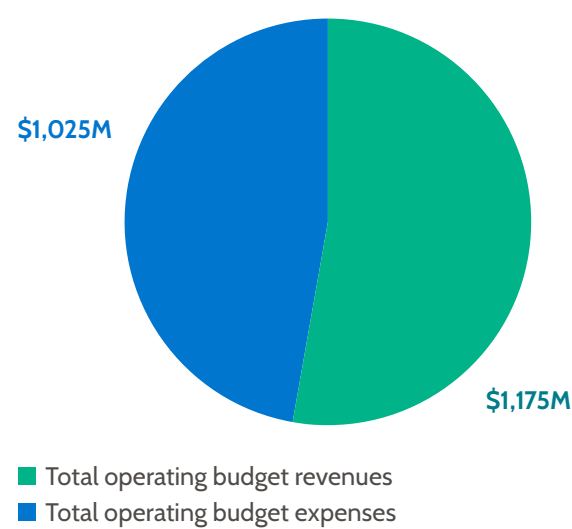
rising costs, Community Power has consistently maintained a positive operating income, indicating effective financial management and strategic planning. The FY 2025–2026 Amended Budget continued growth and stability, ensuring Community Power's ability to meet its operational goals and effectively serve the community. Since FY 2023–2024, Community Power has had stable electricity sales and a stable customer base as enrollment of customers from Community Power's member jurisdictions has been completed. As a result, Community Power's revenues and expenditures have similarly stabilized since FY 2023–2024.

FIGURE 25. OPERATING REVENUES VS. EXPENDITURES



	FY 2022/23	FY 2023/24	FY 2024/25
OPERATING REVENUES			
Electricity sales, net	\$891,178,064	\$1,252,787,768	\$1,239,973,471
Grant revenue	\$0	\$983,500	\$1,780,217
Liquidated damages	\$0	\$0	\$0
Other income	\$0	\$10,598,252	\$1,278,258
Total operating revenues	\$891,178,064	\$1,264,369,520	\$1,243,031,946
OPERATING EXPENSES			
Cost of electricity	\$720,327,704	\$1,047,553,476	\$1,101,545,238
Contract services	\$15,957,376	\$19,750,534	\$19,487,406
Staff compensation	\$6,726,270	\$11,399,388	\$17,159,242
Other operating expense	\$2,866,222	\$3,261,424	\$16,295,134
Depreciation and amortization	\$253,553	\$727,567	\$726,355
Total operating expenses	\$746,131,125	\$1,082,692,389	\$1,155,213,375
NET POSITION	\$145,046,939	\$181,677,131	\$87,818,571

FIGURE 26. OPERATING BUDGET*



Community Power’s FY 2024–2025 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 FY 2021–2022 to FY 2023–2024. Increased costs in FY 2024–2025 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.

	FY25 Amended	FY26 Amended	FY27 Adopted
Gross Revenue	1,243.0	1,194.8	932.8
Less Uncollectible Accounts	(21.8)	(19.4)	(14.0)
Net Operating Revenues	1,221.3	1,175.4	918.8
Cost of Energy	1,116.8	969.9	872.3
Non-Energy Costs	50.8	50.0	55.7
Subtotal Operating Expense	1,167.6	1,019.9	928.1
Interest Income	0.0	(18.3)	(23.1)
Debt Service	1.3	1.5	1.9
Capital Investment Program (Transfer Out)	18.2	21.9	8.0
Total Expenses	1,187.1	1,025.0	914.9
Net Position	34.2	150.4	3.9

*Amounts displayed in millions of dollars

Long-Range Operating Financial Plan

Community Power uses a multiyear financial planning framework to evaluate the sustainability of the annual budget and to support decisions related to rates, reserves, liquidity, and enterprise risk. Because certain forward-looking inputs — such as power market conditions, procurement strategies, contracting positions and customer load assumptions — are commercially sensitive, the budget document presents the agency's financial outlook at a high level rather than as detailed line-item forecasts.

As part of the annual budget process, management reviews updated revenue, expenditure, load, regulatory and market assumptions; evaluates multiple planning scenarios; and performs financial stress testing to assess financial resilience under changing conditions. This analysis informs budget development, reserve adequacy and risk management decisions and helps support alignment with Board-adopted financial policies and strategic objectives.

Key Assumptions and Financial Framework

The financial framework is based on a defined and regularly updated set of assumptions, including:

- Wholesale energy, capacity and renewable market conditions
- Customer load forecasts, including large-load growth
- Power supply portfolio composition and procurement strategy
- Retail rate competitiveness relative to incumbent utilities
- Regulatory frameworks, including Power Charge Indifference Adjustment (PCIA) and CPUC market benchmarks
- Board-adopted reserve and risk management policies

Community Power's financial framework is anchored by its Financial Reserves Policy (Resolution No. 2025-23), which establishes:

- A minimum reserve threshold of 180 days cash on hand
- A target reserve level of 225 days cash on hand
- A maximum reserve level of 270 days cash on hand

In addition, the Board established a Rate Stabilization Reserve (RSR) (Resolution No. 2026-07) to manage rate volatility. The RSR represents up to 45 days cash on hand above the target reserve level and provides a dedicated mechanism to mitigate near-term financial and rate impacts.

Community Power evaluates long-range financial performance under multiple scenarios, including base-case conditions and Potential Future Exposure (PFE) stress-test scenarios, which assess reasonably foreseeable risks such as:

- Lower-than-forecast load
- Customer participation
- Volatility in wholesale energy markets and benchmark pricing

Across these scenarios, the financial framework is designed to maintain cost recovery, protect existing customers from cost shifting, and ensure compliance with reserve targets.

Relationship to Strategic Goals, Risk Management and the Budget Process

The multiyear financial planning framework is a central component of Community Power's budget development, rate-setting and risk management processes. It ensures that near-term decisions are consistent with long-term financial sustainability and strategic objectives, including:

- Maintaining rate competitiveness relative to SDG&E bundled service
- Ensuring customer indifference and full cost recovery
- Preserving financial resilience through policy-compliant reserves and liquidity
- Supporting a disciplined and diversified power procurement strategy

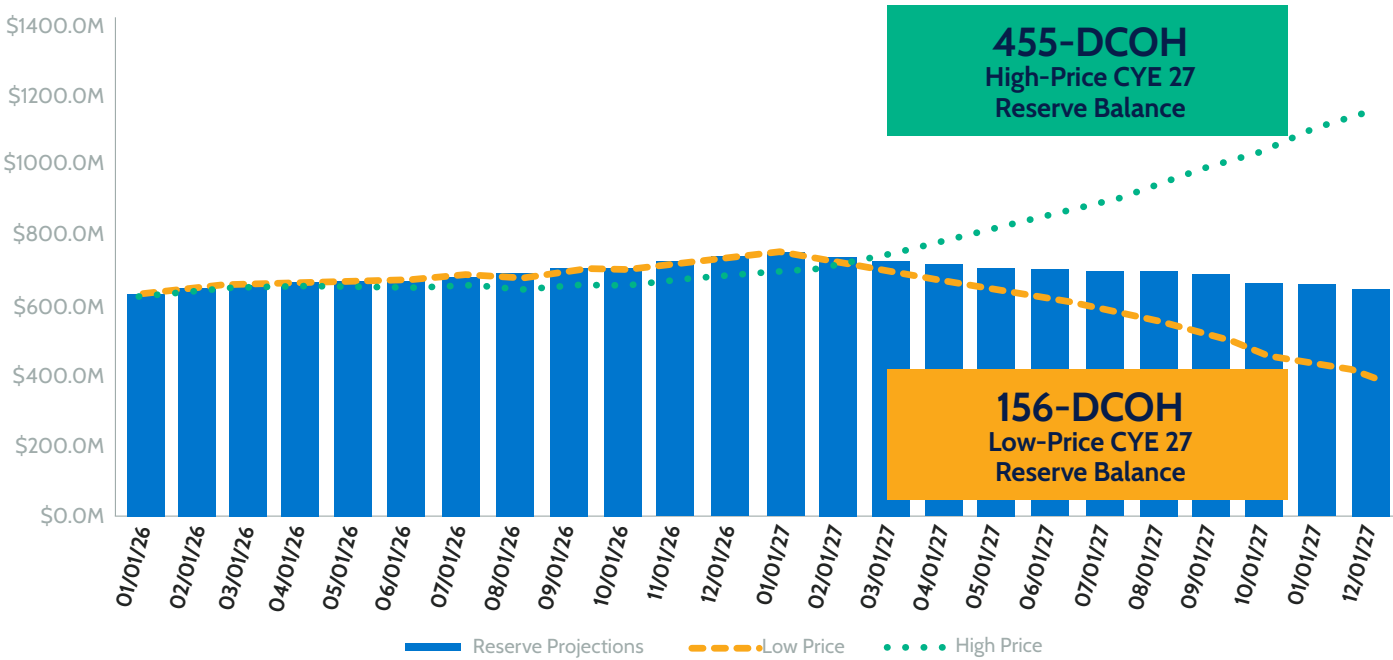
As identified in the Community Power's Quarterly Risk Oversight Committee (ROC) reports to the Finance and Risk Management Committee and as stated in the Board meeting in December 2025, the most significant financial risk to Community Power is volatility in Market Price Benchmarks (MPBs) and its direct impact on the PCIA. Changes in MPBs can materially affect both:

- PCIA charges applied to customers, and
- Competitive benchmark rates of the incumbent utility

Declining market price benchmarks can increase PCIA obligations while simultaneously lowering utility generation rates, creating downward pressure on net revenues and rate competitiveness. Community Power's long-range financial plan explicitly incorporates this risk by modeling PFE stress-test scenarios that reflect benchmark volatility and its potential lagged impacts through PCIA true-ups.



FIGURE 27. RESERVE PROJECTIONS*



*Calendar Year End (CYE) 2027 Days Cash On Hand (DCOH)

To mitigate this exposure, Community Power integrates:

- Portfolio management strategies (including energy position optimization)
- Contract structures that provide cost stability
- Reserve policies, including use of the RSR to smooth rate impacts

This forward-looking approach allows Community Power to proactively manage financial risk while maintaining flexibility in a dynamic wholesale energy market.



07

Budget by Department

Budget by Department

Executive

Department Description: Mission and Services

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

The Executive team represents Community Power in public forums, strengthens partnerships with member agencies, stakeholders and industry leaders, and guides internal systems that support effective operations. Through ongoing engagement with the Board of Directors, Community Advisory Committee and regional coalitions, the team builds trust and positions Community Power as a leading voice in California’s clean energy transition.

The Executive budget includes funding for special projects to work with organizations on research, strategic planning and affordability efforts. These initiatives support policy development, advance organizational priorities and ensure Community Power remains responsive to emerging issues and opportunities.

FY 2025–2026 Department Highlights

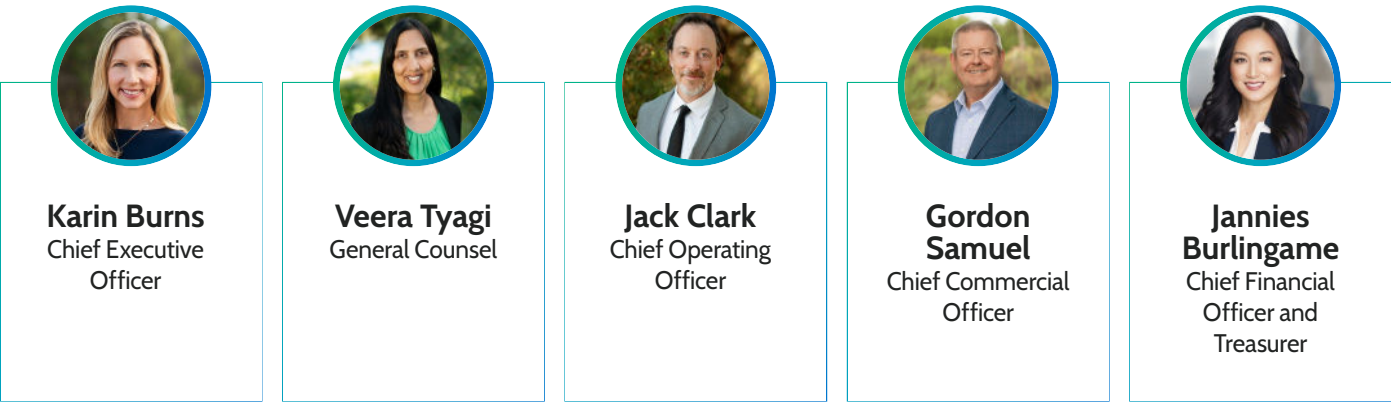
- Advanced implementation of the Strategic Plan by aligning organizational and departmental priorities, resources and performance expectations
- Strengthened Community Power’s leadership position through continued engagement with CalCCA, industry boards and state policy forums
- Supported development of internal systems, training and culture initiatives to reinforce accountability, collaboration and performance
- Increased Community Power’s visibility and thought leadership through external engagement with member agencies, policymakers and regional stakeholders

Key Performance Indicators (KPIs)

- Strategic goals aligned across departments (target: seven)
- Annual rate setting via public process (target: effective February 1)
- Reserve balance and days cash on hand (target: 180 days by FY 2028)
- Number of external events attended by executive staff (target: 60)

Department Organizational Structure

FIGURE 28. EXECUTIVE ORGANIZATIONAL STRUCTURE



Operations

Improving internal operations and alignment to support strategic execution

Department Description: Mission and Services

Operations is composed of several departments and divisions that ensure Community Power functions effectively and efficiently while advancing the agency’s strategic priorities. Led by the chief operating officer and supported by senior directors and project management staff, Operations drives internal coordination, strengthens alignment and operationalizes the strategic plan.

The group includes essential governance and organizational functions, including the Office of the Clerk of the Board, which manages Board and committee administration, agenda development, public meetings and records in accordance with applicable laws and transparency requirements. It also provides leadership for Human Resources and Administration, aligning workforce planning, organizational policies and day-to-day operations.

Operations includes the Office of Strategic Initiatives that advances cross-functional priorities tied to growth and long-term objectives. This work includes advancing local development, potential expansion into new member cities, coordination with local governments and oversight of the project management office.

Through these efforts, the group strengthens internal infrastructure, processes and governance to support efficient scaling, improve accountability and ensure alignment between agency priorities, departmental workplans and available resources.

FY 2025–2026 Operations Highlights

- Advanced the Project Management Office (PMO) by implementing standardized project charters, templates and governance processes, improving consistency, coordination and accountability across the organization
- Expanded agency-wide project tracking and utilization tools to improve transparency and understanding of staff capacity, timelines and cross-functional priorities, supporting more effective resource planning and execution
- Established the Office of Strategic Initiatives function in December to lead cross-functional efforts, which include shaping a local development strategy

FY 2026–2027 Priorities

- Continue to fully develop the PMO by strengthening project intake, prioritization, reporting and governance to improve execution and accountability across departments
- Advance strategic initiatives in support of local development efforts, potential expansion into new member communities and coordination with local governments
- Strengthen organizational alignment and efficiency by coordinating across departments, aligning workplans and resources with agency priorities and enhancing systems and processes to reduce manual work and support data-driven decisions
- Enhance governance and transparency through continued improvements in Board and committee processes, documentation and public engagement

Key Performance Indicators (KPIs)

- Compliance with governance and public meeting requirements (target: 100% compliance)
- Centralized, cross-functional project schedule and tracking systems (target: update quarterly)
- Project reviews with the Executive team to ensure strategic alignment (target: quarterly reviews)
- Utilization and capacity planning framework to support resource allocation and workload management (target: continuous improvement with annual assessment)

FIGURE 29. OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Operations	5.0	5.0

Department Organizational Structure

FIGURE 30. 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).



FY 2025–2026 Department Highlights

- Implemented Energy Trading Risk Management (ETRM) system and portfolio analytics partners to maximize the value of data and portfolio optimization
- Maintained energy hedging strategy to mitigate cost volatility and market exposure in FY 2026–2027 and beyond
- Remained nimble and engaged in a dynamic environment to maximize the value and viability of developing resources and to continue procurement of additional resources to ensure portfolio breadth and depth
- Marked the onboarding of several local projects, including Arrowleaf Solar and Storage project in Imperial County, the Border Hybrid Energy Center, Chula Vista Energy Center 2 and North Johnson Energy Center projects across San Diego County as well as the nation's largest clean energy infrastructure project, the Sunzia wind project in New Mexico
- Continued contracting for and managing the development of long-term clean energy resources to meet Community Power's 100% renewable energy goals
- Developed new workforce standards for new renewable energy and battery storage procurement agreements
- Supported two prepayment transactions to save customers a combined \$97.3 million over the next nine years



FY 2026–2027 Priorities

- Advance toward a 100% renewable energy portfolio by 2035 through the submission of the Integrated Resource Plan (IRP) filing, the Mid-Term Reliability (MTR) update and issuance of the 2026 All-Source Request for Offers (RFO) with a clear focus on Clean-Firm resources, and completion of long-term procurement scenario modeling to inform a phased and evolving strategy
- Bring online eight PPA/ESSAs for a total of 840 MW of generation and 668 MW of battery energy storage systems (BESS)
- Optimize portfolio to manage risk, cost and reliability objectives through risk management tools, sufficient staffing and staff training
- Clear focus and progress toward Power Service's 150MW DER goal
- Gain deeper knowledge of SDG&E interconnection/deliverability viability and proactively engage in DER policy advocacy
- 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 2026
- Submit IRP, RPS and Mid-Term Reliability updates
- Successfully on-board and implement new vendor tools: YES — ST load forecast; Ascend — asset optimization; Aspen — LT load forecast
- Launch the behind-the-meter (BTM) procurement initiative by December 31, 2026, in support of 150MW DER goal

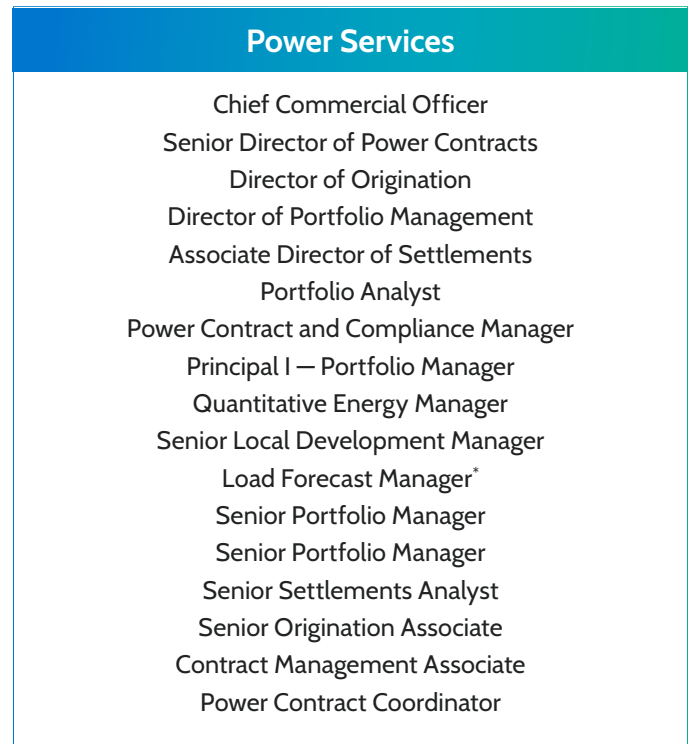
FIGURE 31. POWER SERVICES POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Power Services	15.0	16.0



Department Organizational Structure

FIGURE 32. POWER SERVICES ORGANIZATIONAL STRUCTURE



*Positions authorized in FY 2026-2027



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 and 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.



FY 2025–2026 Department Highlights

- Achieved an "A" rating from S&P in March 2026, placing Community Power among the top-rated Community Choice Aggregators in California
- Executed two prepayment bonds in FY 2025–2026
- Met the 180-day cash-on-hand goal in October 2025
- Built out risk management in FY 2025–2026 to actively develop and manage risk mitigation functions and processes
- Developed effective vendor management processes and brought consistency and visibility to solicitations through a centralized platform, PlanetBids, in May 2026
- Contributed \$80M toward Community Power’s reserve goal by end of FY 2025–2026



FY 2026–2027 Priorities

- Obtain authorization and execute (if feasible) three additional prepayment bond transactions to continue generating power cost savings
- Fund the Rate Stabilization Reserve for strategic use in maintaining cost competitiveness through market volatility
- Formalize and implement financial controls, policies and procedures across the organization
- Continue risk management enhancements with load forecasting capabilities and enterprise risk management framework
- Advance SDREN and Capital Improvement Program investments to support infrastructure growth
- Support fiscal stability through disciplined financial management during organizational expansion into new communities
- Complete Enterprise Resource Planning (ERP) system rollout, implementation milestones and performance dashboard deployment
- Strengthen cost controls across budgeting, cost management and procurement
- Establish procurement goals for local investment and vendor outreach to deliver local benefits to the San Diego region



Key Performance Indicators (KPIs)

- Achieve reserve balance and days cash-on-hand goal (target: 225 days by FY 2026–2027)
- Achieve rate stabilization reserve balance and days cash-on-hand goal (target: 45 days by FY 2026–2027)
- Number of clean energy prepay transactions executed and savings achieved
- Identify financial efficiencies by reviewing budget-to-actuals to maintain investment-grade credit rating

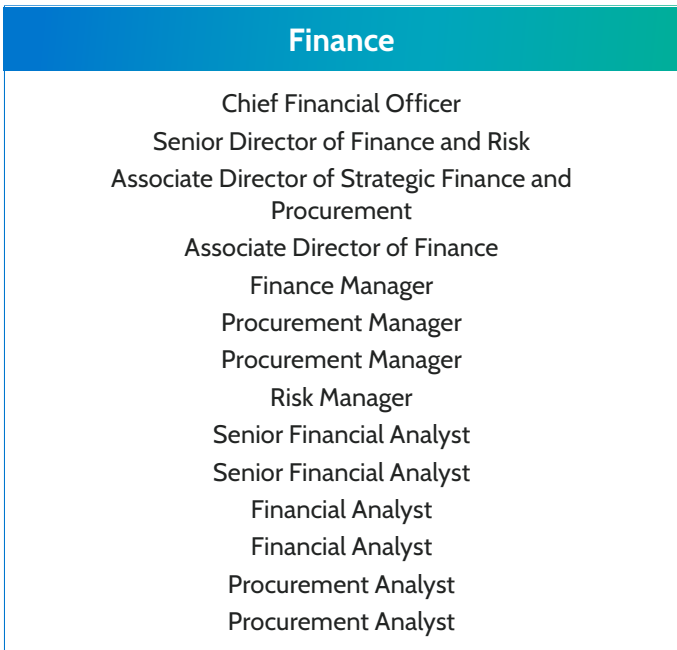
FIGURE 33. FINANCE POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Finance	13.0	13.0



Department Organizational Structure

FIGURE 34. FINANCE ORGANIZATIONAL STRUCTURE



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 services. 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 revenue recognition, rate strategy, load forecasting, arrearage management 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 leads ongoing efforts to evolve rate strategy to ensure competitiveness, affordability and long-term fiscal sustainability while developing targeted customer strategies to increase retention and engagement.

The department also supports interagency coordination with SDG&E and Calpine to resolve billing issues that cause customer confusion and complaints, mitigate errors and improve the overall customer experience. In parallel, the team is evaluating opportunities to develop best-in-class customer service capabilities, including exploration of a potential energy advisor center, while maintaining the tools and insights that drive high customer retention, satisfaction and service engagement.



FY 2025–2026 Department Highlights

- Proactively developed 2026 rates to mitigate risk, offering Community Power customers the largest discount compared with SDG&E’s generation rates
- Collaborated with SDG&E to improve bill presentment and safeguard against split billing through My Energy Center updates
- Partnered with SDG&E and Calpine to improve billing accuracy and address customer concerns
- Oversaw more than \$20 million in vendor service contracts, including Calpine and SDG&E in 2025
- Continued enhancements to internal data tools to track opt actions, revenues and customer engagement
- Maintained a customer participation rate of more than 95% over the past three years



FY 2026–2027 Priorities

- Evolve rate strategy to ensure competitiveness, affordability and fiscal sustainability, including the exploration of demand flexibility rate design and an internal rates database
- Maintain high levels of customer satisfaction and education through Key Accounts and Customer Service Center
- Launch the Commercial Energy Assistance Program (CEAP) through Key Accounts
- Resolve outstanding billing and communication issues with SDG&E and continue to advocate against split billing as a threat to customer satisfaction
- Develop a large load and data center framework and tariff
- 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%+)
- Billing accuracy and timeliness (target: 99.99%)
- Customer satisfaction score via surveys (target: score 9/10)
- Successful roll-out of the Commercial Energy Assistance Program (CEAP) (target: \$5M+ in possible customer savings)
- Number of service enhancements implemented or piloted (target: 2–3 new initiatives in FY 2026–2027)

FIGURE 35. CUSTOMER OPERATIONS POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Customer Operations	7.0	8.0



Department Organizational Structure

FIGURE 36. CUSTOMER OPERATIONS ORGANIZATIONAL STRUCTURE



*Positions authorized in FY 2026–2027



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. Led by the associate director of IT and Data Analytics, the department manages enterprise systems, data, analytics and cybersecurity.

The department ensures system reliability and operational continuity through secure, resilient and well-governed technology environments. It standardizes enterprise platforms and workflows to reduce fragmentation, improve efficiency and mitigate operational risk.

IT and Data Analytics develops centralized, cloud-based tools and governed data environments that enable real-time, data-informed decision-making across rate development, customer programs, communications and operations. These capabilities support performance tracking, planning and execution at all levels of the organization.

Through strong governance and accountability, the department establishes policies and controls for data, AI, cybersecurity and technology use. These efforts balance innovation with compliance and public trust while positioning the organization to scale effectively as programs expand and complexity increases.

FY 2025–2026 Department Highlights

- Strengthened system reliability, cybersecurity and vendor oversight through improved monitoring, incident response and standardized controls
- Standardized enterprise platforms and workflows, reducing duplicative tools and manual processes across departments
- Expanded enterprise analytics and reporting by advancing data platform integration and delivering consistent dashboards aligned to organizational KPIs
- Established data and AI governance frameworks, including data classification, defined ownership and accountability and policy guardrails

FY 2026–2027 Priorities

- Expand analytics capabilities to support strategic decision-making, including self-service analytics, predictive insights and executive reporting
- Strengthen cybersecurity and enterprise risk management through measurable, repeatable programs, training and compliance validation
- Modernize and integrate core systems to improve interoperability, reduce manual processes and support organizational scale
- Advance data governance and technology standards to ensure consistent, secure and compliant use of data, AI and enterprise tools
- Position IT and Data Analytics as a strategic enabler by supporting long-range planning, operational scalability and organizational readiness



Key Performance Indicators (KPIs)

- Percentage of critical enterprise systems meeting uptime and availability targets (target: $\geq 99.9\%$)
- Percentage of IT incidents resolved within service level agreement (SLA) (target: $\geq 98\%$)
- Percentage of critical vulnerabilities remediated within target timeframe (target: $\geq 95\%$)
- Percentage of critical retail operations data systems integrated into the enterprise data platform (target: $\geq 98\%$)
- Percentage of enterprise reports and dashboards sourced from governed data sets (target: $\geq 90\%$)
- Number of departments supported with internal analytics and reporting solutions (target: ≥ 4)
- Monthly active usage of priority dashboards and self-service analytics tools (target: year-over-year growth)
- Percentage reduction in duplicative tools and manual workflows in targeted business processes (target: annual improvement)
- Percentage of critical systems, data domains, and technology policies with assigned ownership and approved governance controls (target: $\geq 90\%$)

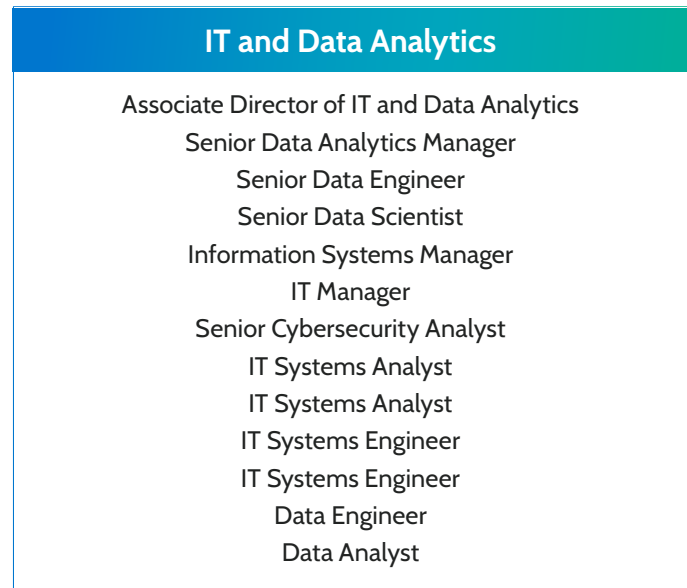
FIGURE 37. IT AND DATA ANALYTICS POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
IT and Data Analytics	13.0	13.0



Department Organizational Structure

FIGURE 38. 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 and engagement, the team builds awareness of Community Power's mission, programs and benefits while supporting transparency and trust in all public-facing materials.

Led by the senior director of public affairs and reporting to the chief operating officer, the department's community engagement and strategic communications and marketing teams work together to inform, educate and engage customers, stakeholders and community partners across the region.

Community engagement focuses on building relationships with residents, community-based organizations and local partners through direct outreach, events and programs. Strategic communications and marketing advances the agency's brand, messaging and public presence through marketing, media relations, partnerships and sponsorships, ensuring communication is clear, consistent and accessible.

The department also supports customer education, promotes participation in programs that help customers save energy and reduce costs, and provides communications support across the organization. It also manages the Community Advisory Committee (CAC) to ensure community perspectives and local priorities inform agency decisions.



FY 2025–2026 Department Highlights

- Completed a community-informed rebuild of the Community Power website, improving clarity for customers reviewing bills and service plans or seeking resources and programs
- Implemented a comprehensive brand refresh guided by community feedback, strengthening consistency and making Community Power more accessible and relatable for customers
- Developed the San Diego Regional Energy Network (SDREN) brand and website, establishing a unified identity and leading portfolio-wide marketing and communications for regional energy efficiency programs
- Expanded the Power Network of local nonprofits to support program outreach, strengthen community relationships and reinvest in the community
- Maintained strategic relationships with local governments, JPAs, trade associations, the energy industry ecosystem and key businesses through sponsorships, presence and collaborative projects
- Enhanced collaborative ties with the CAC and encouraged active participation through monthly meetings, tabling at events and networking activities
- Participated in 183 community outreach events in FY 2025–2026, resulting in approximately 16,000 unique interactions and nearly 650,000 impressions



FY 2026–2027 Priorities

- Develop and execute a targeted PowerBase campaign and general time-of-use rates education to increase customer awareness of service plans and opportunities to reduce energy costs
- Advance customer education efforts to improve understanding of electricity usage, rate structures and the availability of rebates, incentives and offers
- Expand community engagement initiatives, including the Power Network and the Community Clean Energy Grants, to deepen relationships with community-based organizations and local stakeholders
- Ensure consistency and alignment across all communications by continuing to transition materials to the updated brand and content standards
- Support agency-wide priorities by providing strategic communications, marketing and outreach support for programs, initiatives and policy efforts, including all SDREN programs
- Strengthen media relations and earned media opportunities to increase awareness of Community Power's impact, programs and progress





Key Performance Indicators (KPIs)

- Number of public events attended, hosted or sponsored (target: 200 annually)
- Information on PowerBase and Time-of-Use provided to CARE/FERA customers (target: 100% by the end of calendar year 2026)
- Enroll eligible customers in energy-reducing Flex Load programs (target: 75% by 2028)
- Number of press releases or earned media opportunities and placements (target: 12 annually)
- External-facing materials in alignment with updated brand and content standards (target: full alignment across public materials)

FIGURE 39. PUBLIC AFFAIRS POSITIONS*

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Public Affairs	12.0	14.0

*3.0 positions will be externally funded in FY 2026–2027



Department Organizational Structure

FIGURE 40. PUBLIC AFFAIRS ORGANIZATIONAL STRUCTURE



*Positions authorized in FY 2026–2027



Programs

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



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, 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, multiyear effort to deliver energy-efficiency and demand-side management programs across San Diego County.



FY 2025–2026 Department Highlights

- Oversaw full program launch for Solar Battery Savings residential program
- Secured implementors for all 10 SDREN programs and Equitable Building Decarbonization community partners
- Administered pilot projects to reduce peak load consumption via aggregated management of enrolled behind-the-meter customer devices, including smart thermostats and managed EV charging
- Released Request for Offers for Solar Advantage and continued work toward a Power Purchase Agreement
- Built the Distributed Energy Resources Management System (DERMS) platform and supported program infrastructure to scale the Virtual Power Plant (VPP) through Virtual Peaker



FY 2026–2027 Priorities

- Enhance and expand the Solar Battery Savings program
- Develop and launch the nonresidential Solar Battery Savings pilot program for commercial and other nonresidential customers
- Begin enrolling Solar Advantage customers and apply California Public Utility Commission-funded 20% bill discounts
- Continue demonstrating leadership and expertise in customer programs in and beyond Community Power's territory
- Develop a framework to evaluate the success of all programs and pilots
- Ensure customer access to SDREN programs and continue supporting program implementation





Key Performance Indicators (KPIs)

- Add additional capacity toward the 150 MW goal (target: 15 MW in 2026)
- Create a process to enroll at least 75% of eligible incentivized measures (target: enrollment by 2028)
- Achieve annual KPIs for the 10 SDREN programs (target: 2026)
- Direct funding to Communities of Concern (target: 50%)

FIGURE 41. PROGRAMS POSITIONS*

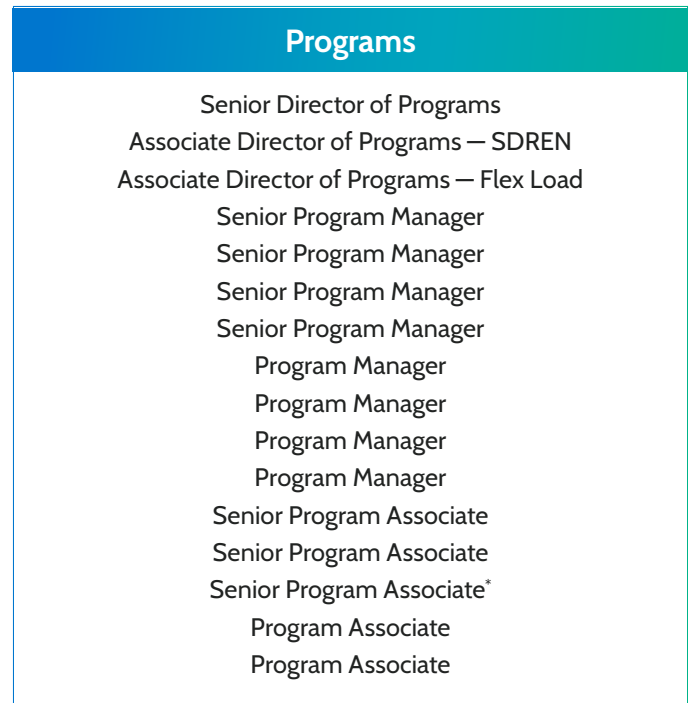
DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Programs	15.0	16.0

*7.0 positions will be externally funded in FY 2026–2027



Department Organizational Structure

FIGURE 42. PROGRAMS ORGANIZATIONAL STRUCTURE



*Positions authorized in FY 2026–2027



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 and engages in regulatory proceedings 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 needed, the department also supports engagement with relevant federal agencies, including but not limited to the U.S. Department of Energy and Federal Energy Regulatory Commission (FERC).

The department also supports compliance requirements across multiple state agencies, assists with agency-wide understanding of policy impacts and informs strategies for securing external funding and favorable regulatory outcomes. Community Power participates in trade associations such as the California Community Choice Association (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, energy equity, grid reliability and customer affordability.

The department's work is guided by Community Power's Board-approved 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, which can be viewed here](#), 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.



FY 2025–2026 Department Highlights

- Actively supported legislation at the state level that will reduce wholesale power costs, increase reliability, reduce transmission costs and help keep down costs for distributed solar
- Supported efforts to obtain or sustain external funding for customer programs, including \$700,000 to support the Charging Harmonization and Analysis for Resilient, Grid-Efficient Utilization and Planning (CHARGE UP) pilot and Public Purpose Program funding for the San Diego Regional Energy Network
- Provided analysis for three legislative proposals that affect all Community Choice Aggregators, issued 11 letters of support on legislation, as well as two letters of opposition to bills that would have had negative consequences for operations and customers. [All legislative letters issued by Community Power can be viewed here](#).
- Coordinated with other CCAs to educate key members of Congress about renewable energy cost impacts in their districts from H.R. 1 and assisted the Community Choice Energy Alliance, a new national trade association of CCAs, in forming its first Federal Affairs Committee; developed its initial policy platform to help nationwide CCAs increase our federal policy presence
- Co-led a coalition of 39 organizations to educate state lawmakers and their staff about the importance of energy efficiency program funding and to successfully oppose legislation that would have undermined the funding
- Advanced SDREN's regulatory position by leading and coordinating joint REN filings in the CPUC's energy efficiency oversight proceeding, successfully elevating equity, non-energy benefits, and funding continuity considerations in the Commission's policy framework
- Intervened in Energy Resource Recovery Account (ERRA) proceedings to reduce cost pressure on Power Charge Indifference Adjustment (PCIA) rates that impact Community Power customers





FY 2026–2027 Priorities

- Advance policy solutions that focus on affordability, including the advancement of legislation and regulations that protect customers, reduce PCIA volatility, create market efficiencies in the CPUC’s resource adequacy framework and re-establish customer tax credits
- Support state and federal legislation that reduces barriers to reliable renewable and clean energy deployment, including equitable deployment of local clean energy that enables an affordable path to 100% renewable energy
- Advance regulatory and legislative outcomes that uphold procurement and rate-making authority for Community Power
- Identify applicable grant and funding opportunities that benefit customers and member agencies
- Actively participate in trade associations and multiagency coalitions to shape the policy landscape
- Track and manage participation in regulatory proceedings to ensure timely and accurate engagement



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+)

FIGURE 43. REGULATORY AND LEGISLATIVE AFFAIRS POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Regulatory and Legislative Affairs	5.0	5.0



Department Organizational Structure

FIGURE 44. REGULATORY AND LEGISLATIVE AFFAIRS ORGANIZATIONAL STRUCTURE

Regulatory and Legislative Affairs
Senior Director of Regulatory and Legislative Affairs Associate Director of Legislative Affairs Senior Policy Manager Senior Strategic Policy Manager Regulatory Manager



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 for leadership and staff, building the internal systems needed to support a high-performing, mission-aligned organization. The department integrates human resources and administrative operations into a unified function that enables employee success and ensures consistency and efficiency across the agency.

Human Resources leads compensation, recruitment, onboarding, benefits administration, compliance, professional development and performance management, aligning workforce strategies with Community Power’s mission, values and organizational priorities.

The administrative team supports agency-wide operations through coordination of internal processes, executive support, facilities and scheduling. Together, these functions ensure organizational effectiveness, reinforce accountability and support the agency’s ability to scale and operate efficiently.

FY 2025–2026 Department Highlights

- Trained all employees in workplace violence prevention and emergency preparedness and held additional safety meetings
- Hired top talent in accordance with plan and budget
- Evolved into a learning organization, emphasizing professional development for staff and people leaders
- Measured and ensured high employee engagement through consistent improvement, onboarding survey metrics and annual baseline surveys with Nash Consulting
- Designed and launched a summer intern program for local college students interested in the clean energy industry
- Integrated Administration into the larger People Operations team and developed a cadence for internal and external team events and activities

FY 2026–2027 Priorities

- Align workforce planning, hiring, onboarding and succession planning with agency priorities
- Strengthen employee engagement, development and leadership capacity
- Institutionalize HR programs and administrative processes to support performance, compliance and consistency
- Continue implementation of employee safety and emergency preparedness programs
- Standardize administrative systems and processes to improve efficiency
- Strengthen internal communication to support alignment and coordination

Key Performance Indicators (KPIs)

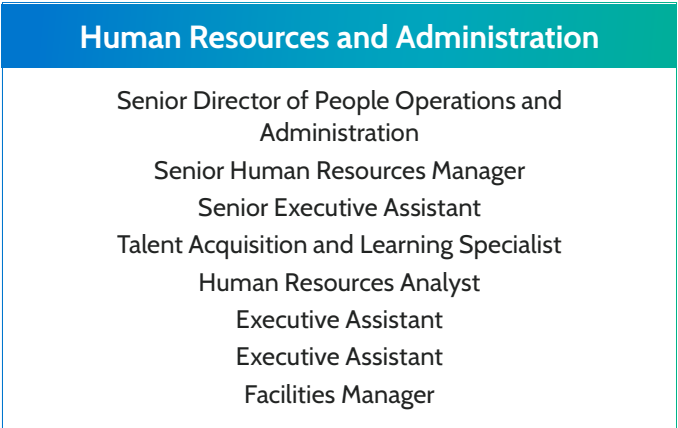
- Headcount: 95
- Hired: 19 FTE FY 2025–2026 and an additional 4 Interns for a total of 23
- Departed: 3 FY 2025–2026
- Turnover Rate (target 3.16%)
- Time-to-fill for key positions (target: 60 days)

FIGURE 45. HUMAN RESOURCES AND ADMINISTRATION POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Human Resources and Administration	8.0	8.0

Department Organizational Structure

FIGURE 46. 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.

FY 2025–2026 Department Highlights

- Supported the execution of two bond prepayment agreements, which generated continued power cost savings
- Provided legal guidance on long-term Power Purchase Agreements (PPAs) and related procurement efforts
- Provided legal support for the launch of major customer programs, including Solar Battery Savings and the San Diego Regional Energy Network (SDREN)
- Reviewed and updated nine Board and two internal policies

FY 2026–2027 Priorities

- Continue to support the execution of three to five clean energy prepay transactions and associated legal review
- Continue to provide legal guidance on long-term PPAs and related procurement efforts
- Continue to develop new and revised Community Power policies and provide legal support for procedures
- Update and improve on Community Power contract forms, including provisions for insurance, cybersecurity and intellectual property
- Provide legal support for Community Power Initiatives, including tribal projects, Community Power-owned assets and data centers
- Develop and provide a regular cadence of training to committees and agency staff on public agency governance (including the Brown Act and Public Records Act)

FIGURE 47. LEGAL POSITIONS

DEPARTMENT POSITIONS	FY26 Amended	FY27 Adopted
Legal	3.0	3.0

Department Organizational Structure

FIGURE 48. LEGAL ORGANIZATIONAL STRUCTURE

Legal
General Counsel
Assistant General Counsel
Senior Counsel
Paralegal



08

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 2026–2027 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 1.5% 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:

- **PowerBase**, our most affordable service option, with a renewable content that is intended to meet or exceed SDG&E's whenever possible and provides customers with a 10% discount compared with SDG&E's rates.
- **PowerOn**, our standard service offering that provides 53% renewable power and offers a 4% discount compared with SDG&E's rates.
- **Power100**, our premium service that provides customers with 100% renewable energy. It is currently priced at an additional \$0.01/kWh more than PowerOn.
- **Power100 Green+** is our stand-alone 100% renewable and carbon-free service that is Green-e® Certified, available only to commercial and industrial customers. It is currently priced at \$0.02/kWh more than PowerOn.

Additional assumptions for net operating revenue include:

- Enrollment of customers is complete for all member jurisdictions
- A 95% participation rate across all jurisdictions
- A 1.5% uncollectible rate that is a decrease from the 1.75% 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 May 1, 2026. Any rate changes are subject to Board approval

FIGURE 49. OPERATING REVENUE BY BUDGET LEVEL 2 AND LEVEL 3*

	FY25 Amended	FY26 Amended	FY27 Adopted
Gross Ratepayer Revenues	1,243.0	1,194.8	932.8
Uncollectible Customer Accounts; FY25 and FY26 Less 1.75%, FY27 Less 1.5%	(21.8)	(19.4)	(14.0)
Net Operating Revenues	1,221.2	1,175.4	918.8

*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, various factors can influence the cost of this energy for Community Power, impacting the overall cost of energy for the agency. The following factors 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 air conditioning use. 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 the impact of market fluctuations.

- **Increased Load** — Community Power’s customer base is projected to remain steady; however, the overall electricity demand (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.

FIGURE 50. COST OF ENERGY BY BUDGET LEVEL 2 AND LEVEL 3*

	FY25 Amended	FY26 Amended	FY27 Adopted
Cost of Energy	1,116.8	969.9	872.3

*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.

- **Legal/Regulatory Services** – Community Power retains outside legal counsel to assist with complex legal and regulatory matters. This line item will also allow for the retention of both a state and federal lobbyist to support Community Power’s legislative and regulatory efforts.
- **Technical Support** – Community Power engages consultants to assist with rate setting, policies, joint-rate comparisons with SDG&E, load analysis and a scheduling coordinator. After electric power is scheduled for delivery to customers and consumed by those customers, the actual electric consumption must be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing several other market and regulatory requirements. As Community Power grows its internal staff, it will look to continue performing portions of this service in-house.
- **Other Services** – Community Power contracts or plans to contract for audit services (data and financial), accounting services and other services as needed. Community Power continues to examine whether these services are more cost-effective or efficient to bring in-house. As Community Power expands its in-house functions, it expects a reduction in the related professional services support areas.
- **SDG&E Service Fees** – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The fees cover SDG&E’s costs associated with meter reading, additional data processing and bill coordination as mandated and regulated by the CPUC. Numerous small fees are also 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.

FIGURE 51. PROFESSIONAL SERVICES AND CONSULTANTS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY25 Amended	FY26 Amended	FY27 Adopted
Data Management	14.6	13.8	12.9
SDG&E Fees	3.4	3.8	3.5
Legal/Regulatory	2.1	1.2	1.5
Other Services	2.1	2.3	2.9
Technical Support	2.1	2.3	3.0
Professional Services and Consultants	24.3	23.4	23.8

*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 adding approximately five new staff members during the FY 2026–2027 budget cycle, growing the agency to 106 FTE.

FIGURE 52. PERSONNEL COSTS BY BUDGET LEVEL 2 AND LEVEL 3*

	FY25 Amended	FY26 Amended	FY27 Adopted
Salaries	14.1	14.4	17.2
Benefits (retirement/health)	2.6	3.8	4.1
Payroll Taxes	1.0	0.5	0.6
Accrued PTO	0.9	0.9	1.5
Personnel Costs Total	18.6	19.6	23.4

*Amounts displayed in millions of dollars

Strategic Communications and Outreach

Strategic Communications and Outreach includes expenses for mandatory rate mailers, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of Community Power. Strategic communication 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.
- **Strategic Communications and Outreach** — An important focus of Community Power is ensuring the community is informed about Community Power, that we build professional-level name recognition and trust and provide education. This also covers the design of all required

notifications sent to customers, including opt-out procedures and rate comparisons, as well as other notices or educational or marketing information.

- **Partnerships/Sponsorships/Local Memberships** — This legacy category has been folded into the Strategic Communications and Outreach section to better reflect the interconnected work of the department. In addition to required noticing, Community Power engages with local stakeholder groups to educate the community on 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.
- **Memberships** — These local, regional and statewide memberships support community Power's objectives related to legislative and regulatory engagement, workforce development, sector leadership, and external visibility.

FIGURE 53. STRATEGIC COMMUNICATION AND OUTREACH BY BUDGET LEVEL 2 AND LEVEL 3*

	FY25 Amended	FY26 Amended	FY27 Adopted
Printing	1.1	0.7	0.6
Partnerships/Sponsorships/Local Memberships	1.2	1.0	0.0
Marketing and Communications	0.7	0.6	0.0
Strategic Communications and Outreach	0.0	0.0	1.6
Memberships	0.0	0.0	0.2
Strategic Communications and Outreach Total	3.0	2.3	2.4

*Amounts displayed in millions of dollars



General and Administration

General and Administration includes costs needed to conduct daily business. These expenses are divided into four categories:

- 1. CalCCA membership dues
- 2. Rent for leased office space
- 3. Agency insurance
- 4. Other, which reflects the cost of daily business operations. This includes office supplies, banking fees, IT equipment, human resources infrastructure, subscriptions to technical platforms and payroll services. The category also encompasses regulatory fees and the cost of governance-related activities, such as Board and committee expenses and Board stipends.

FIGURE 54. GENERAL AND ADMINISTRATION BY BUDGET LEVEL 2 AND LEVEL 3*

	FY25 Amended	FY26 Amended	FY27 Adopted
Other General and Administration	3.6	2.8	4.3
CalCCA Dues	0.5	0.6	0.6
Rent	0.7	0.9	0.9
Insurance	0.1	0.3	0.4
General and Administration Total	4.9	4.6	6.1

*Amounts displayed in millions of dollars



09

Debt Financing

Debt Financing

Credit Facility

On January 23, 2023, the Community Power Board approved a new credit agreement to establish a \$150 million line of credit under a JPMorgan 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 JPMorgan provides for a \$250 million multiuse revolving line of credit. This credit facility includes a term of up to five years 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.

Community Power does not anticipate needing to use its credit facility to finance operations in FY 2026–2027 but may periodically 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.

FIGURE 55. 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 achieve an investment-grade credit rating that includes among many items:

- Developing and updating a Reserve Policy in December 2025 to increase liquidity by establishing a minimum reserve requirement of 180 days cash on hand, a reserve target of 225 days' cash on hand, and a maximum reserve of 270 days cash on hand.
- Establishing a Rate Stabilization Reserve (RSR) that includes a Target RSR Balance that may be an amount up to or equivalent to 45 days cash on hand
- Approving rates effective April 1, 2026, that allowed Community Power to achieve its 225 days cash on hand reserve target in calendar year 2026

Ultimately, on March 9, 2026, Community Power earned its first public credit rating from S&P Global Ratings, receiving an investment-grade “A” issuer credit rating with a stable outlook; a milestone that positions the agency to negotiate more favorable energy contracts and credit terms that can reduce costs for customers.

With this investment-grade credit rating, Community Power has 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 costs.

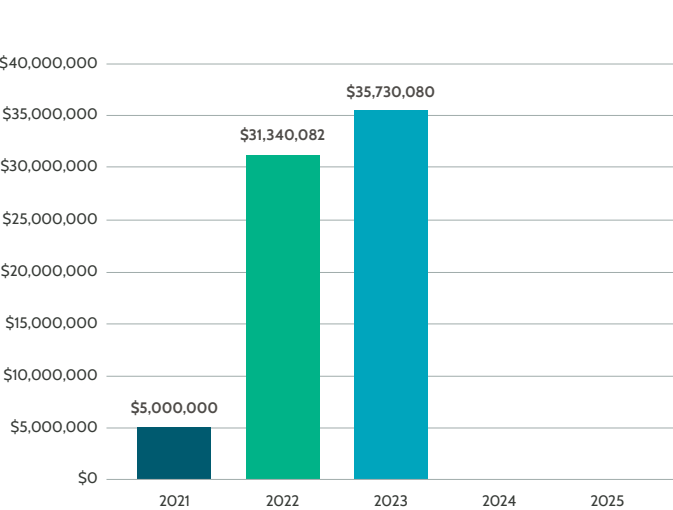
Community Power’s ability to issue tax-exempt debt to finance an ownership interest in a generating or storage facility is a distinct advantage over investor-owned utilities and direct access providers. No specific asset purchases are currently under consideration by staff.

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

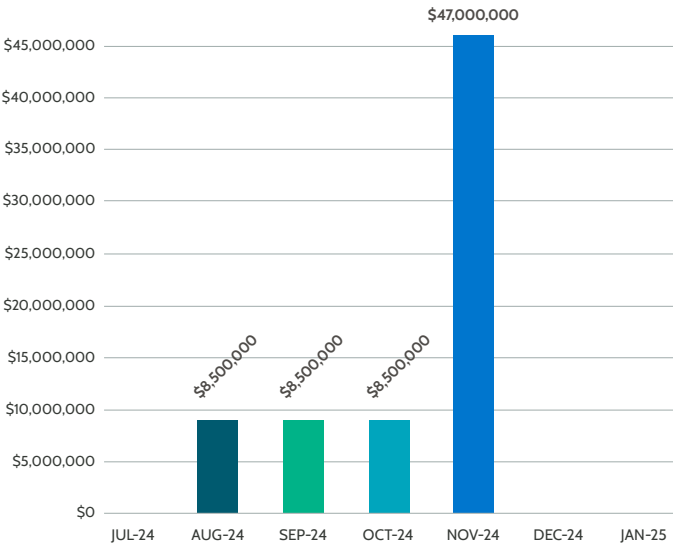
FIGURE 56. DEBT FY 2021–2025



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 57. 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 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.



10

Financial Policies

Financial Policies

San Diego Community Power's financial policies establish the long-term framework for prudent fiscal management, financial stability and accountability. These policies are intended to protect the agency's financial position and ratepayer interests by guiding key budgetary and financial decisions, including reserves, rate stabilization, investments, debt and overall financial oversight. A balanced budget is defined as one in which ongoing revenues and other available resources are sufficient to fund planned expenditures. The FY 2026-2027 Budget has been developed in accordance with these policies and reflects the agency's commitment to disciplined, transparent and sustainable financial management. These policies are summarized below and the full Board-approved policies can be found in Financial Policies – Attachment 1.

Budget Policy

The Budget Policy establishes a transparent and structured framework for the development, approval and management of the agency's annual budget, ensuring alignment with the Joint Powers Agreement and Board governance requirements. It requires the preparation of a comprehensive annual budget that reflects all anticipated revenues, expenditures and program activities, and mandates that the Board of Directors review and adopt the budget in a public meeting prior to the start of each fiscal year. It additionally requires a balanced budget whereby the total projected revenues are greater than or equal to total projected expenditures.

The policy outlines a defined annual budget development process led by the chief financial officer, including preparing financial forecasts, coordinating with staff and leadership to develop budget proposals and refining the budget through internal review and Board committee input to ensure alignment with organizational goals and financial planning. It further establishes that all expenditures must be made in accordance with the adopted budget and authorized approvals, reinforcing strong fiscal controls and accountability.

The policy provides controlled flexibility, allowing the Board to revise the budget as needed to address contingencies, and authorizes limited administrative adjustments within defined thresholds to support operational efficiency. This approach maintains a transparent, Board-approved budgeting process, ensuring all financial activities are governed by adopted budget parameters and upholding responsible stewardship of public funds.

Financial Reserves Policy

Community Power's Financial Reserves Policy defines an approach for accumulating and managing reserves to support long-term financial stability, maintain liquidity and ensure the agency can meet its financial obligations. The policy is designed to support strategic objectives, maintain creditworthiness, satisfy contractual requirements, provide working capital and respond to unanticipated expenses while supporting rate stability.

The policy establishes a target reserve level based on days cash on hand, with contributions determined through the annual budget and rate-setting processes. Reserve levels are reviewed regularly through the budget cycle and annual audit to ensure alignment with financial conditions, operational needs and organizational priorities.

The policy also defines how reserves may be used and managed, including clear conditions for use and Board oversight. When reserves exceed target levels, funds may be strategically allocated for capital investments, program funding, debt reduction or rate stabilization, and may be designated for specific purposes such as stabilization or programmatic reserves to address cost variability and unforeseen needs.

This approach ensures reserve levels are maintained, integrated into financial processes and managed in a transparent and disciplined manner.

Rate Stabilization Reserve Policy

This policy governs the use of reserves to mitigate the impact on rates and the budget caused by short-term market and operational variability. It reflects the agency's exposure to wholesale energy market volatility, including fluctuations in power and capacity prices, weather-driven demand and regulatory changes, and is designed to support stable and predictable customer rates over time.

The policy defines the purpose and structure of a Rate Stabilization Reserve, providing a Board-adopted mechanism to maintain adequate liquidity and support financial commitments while smoothing the financial effects of changing market conditions. It establishes guidelines for how reserves are funded and incorporated into the agency's rate-setting process, ensuring alignment with broader financial planning and reserve policies.

The policy also outlines parameters for the use and governance of the reserve, including Board oversight, approval requirements and reporting expectations. These provisions ensure that the use of stabilization reserves is transparent, controlled and aligned with the agency's financial objectives while preserving long-term fiscal stability.

Non-Energy Procurement Policy

The Non-Energy Procurement Policy outlines procedures for procuring goods and services and establishes competitive requirements based on contract value. Allowable exceptions are defined, including noncompetitive procurement, emergency procurements and sole-source awards, each with clear criteria and approval requirements.

The policy authorizes cooperative and piggyback procurement methods to improve efficiency and reduce costs. It also establishes evaluation criteria for solicitations, including qualifications, cost competitiveness and alignment with workforce and supplier diversity policies.

The policy further defines requirements for contract amendments, written agreements and delegated authority as well as ethical standards, protest procedures and nondiscrimination provisions. These ensure procurement activities are conducted with integrity and in accordance with regulatory and reporting requirements.

Debt Policy

The Debt Policy guides the issuance and management of debt to support capital investments and strategic objectives. It defines the circumstances in which debt may be issued, the types of debt permitted and how debt aligns with the agency's capital investment program and long-term financial strategy.

The policy is designed to ensure prudent financial management by maintaining cost-effective access to capital markets, managing financial risk and preserving future financial flexibility. It emphasizes the use of debt to finance capital projects, acquisitions and improvements in a timely and efficient manner while supporting the agency's broader financial planning goals.

The policy also establishes guiding principles for debt management, including maintaining strong credit ratings, fostering positive investor relations and adhering to all applicable legal, disclosure and reporting requirements. It reinforces the agency's commitment to full and timely repayment of obligations and responsible stewardship of borrowed funds.

The policy incorporates governance and oversight provisions for debt issuance and administration, including Board approval

requirements and integration with the agency's budget and rate-setting processes to ensure sufficient revenues are available to meet operating costs and debt service obligations.

Investment Policy

Investment activities, including cash reserves, deposits and investments, are guided by objectives and priorities for managing the agency's funds as outlined in the Investment Policy to ensure assets are protected while producing a reasonable rate of return.

The policy defines the objectives and priorities for investment activities, consistent with California Government Code requirements, and establishes the types of permitted and prohibited investments along with the controls needed to safeguard funds.

The policy is guided by core investment objectives, including preservation of principal, maintenance of sufficient liquidity to meet operational needs and attainment of an appropriate return on invested funds. Safety of principal is the foremost priority, followed by liquidity, return on investment, and standard of care, with all investments managed under a prudent standard of care.

The policy also establishes oversight and governance for investment activities, including Board authority and coordination with financial and risk management functions, to ensure funds are managed in accordance with established controls and regulatory requirements.

Rate Development Policy

The Rate Development Policy governs the design, development and implementation of customer rates, ensuring the process remains transparent, fiscally responsible and centered on customer value. Rates must recover all costs associated with power procurement, operations and debt service while supporting the development of prudent reserves and maintaining long-term financial sustainability.

Rate-setting decisions are based on requirements for cost recovery, reserve development, competitiveness, stability and equitable treatment of customers. The policy emphasizes the need for simple, understandable rate structures and allows for the development of pilot rates to support evolving programs and customer needs.

Customer value considerations are also incorporated, which include providing competitive alternatives to the incumbent utility and supporting higher renewable energy offerings. The policy recognizes the role of reserves and stabilization mechanisms in mitigating rate volatility over time.

Transparency is maintained through Board review and approval of rates in publicly noticed meetings, ensuring accountability and consistent engagement with customers and stakeholders.





11

Glossary of Terms

Glossary of Terms

AB – Assembly Bill: An Assembly Bill is a piece of legislation that is introduced in the Assembly. In other words, the Assembly (rather than the Senate) is the 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 CEC is 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: CEE is 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: CLECA is 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: The CPUC is 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: C&I customers are business customers who 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: A Compliance Period is the time period to become Renewables Portfolio Standard (RPS) compliant, set by the California Public Utilities Commission (CPUC).

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

DA Cap: The DA Cap is 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: DACC is 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: The DA Lottery is a random drawing by which DA waitlist customers become eligible to enroll in DA service under the currently applicable Direct Access Cap.

DA Waitlist: The DA Waitlist consists of 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: DASR is a request submitted by C&I customers to become direct access eligible.

Demand: Demand refers to 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 DER is 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: Distribution refers to 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: DR is 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: Distributed Resource Plans 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: ECR is an IOU (Investor-Owned Utility) 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: Energy Efficiency refers to 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: ELCC is 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: Energy Storage is 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: An ESA refers to a battery services contract, a capacity contract, demand response contract or similar agreement.

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

EV – Electric Vehicle: An EV is 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) are gases that cause the atmosphere to trap heat radiating from the earth. The most common GHG is carbon dioxide.



GRC – General Rate Case: General Rate Cases are 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: This is 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: This is 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: IEPA is 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: An IOU is 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: An Integrated Resource Plan outlines an electric utility's resource needs in order to meet expected electricity demand long-term.

kW – Kilowatt: This is 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: LCE is the CCA that serves the City of Lancaster, California.

LCFS – Low Carbon Fuel Standard: This is 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: This is 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: This is a cost-benefit analysis of distributed resources that incorporates location-specific net benefits to the electric grid.



Load: Load refers to 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: Load-serving Entities 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: MCE was the first CCA in California and began serving customers in 2010. It serves customers in Contra Costa, Marin, Napa and Solano counties in Northern California.

MEO – Marketing Education and Outreach: This is 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: This is a measure of energy.

NAESCO – National Association of Energy Service Companies: NAESCO is 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: Non-Bypassable Charges are 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: An NDA is 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: NEM is a program in which solar customers receive credit for excess electricity generated by solar panels.

NRDC – Natural Resources Defense Council: NRDC is 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: An OIR is 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: OSC is an order requiring an individual or entity to explain, justify or prove something.

ORA – Office of Ratepayer Advocates: The ORA is an independent consumer advocate within the CPUC, now called the Public Advocates Office.

PA – Program Administrator (for EE Business Plans): IOUs and local government agencies can be authorized to implement CPUC-directed energy efficiency programs.

PCE – Peninsula Clean Energy Authority: PCE is the 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: RPS Portfolio Content Category 1 includes 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: RPS Portfolio Content Category 2 includes 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: RPS Portfolio Content Category 3 includes Unbundled Renewable Energy Certificate (REC).

PCIA or “exit fee” – Power Charge Indifference Adjustment: 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: The PCL is 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 PD is 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: PG&E is the IOU that serves 16 million people over a 70,000-square-mile service area in Northern California.

PHC – Prehearing Conference: A PHC is 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 PPA is a contract used to purchase the energy, capacity and attributes from a renewable resource project.

PRP – Priority Review Project: These are 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: The PUC is 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: The PURPA is 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: This is 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: Renewable energy is 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: This is 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: RPS is 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 Senate Bill is 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.



SBP – Solar Billing Plan: The Solar Billing Plan, also known as the Net Billing Tariff or NEM 3.0, is the new method of compensating customer-sited renewable energy self-generation, intended to promote grid reliability and incentivize solar and battery storage.

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

SCP – Sonoma Clean Power: SCP is the CCA serving Sonoma County and surrounding areas in Northern California.

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

SGIP – Self-Generation Incentive Program: SGIP is 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: This is an electric surcharge intended to penalize consumers for excessive energy use.

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

TCR EPS Protocol – The Climate Registry Electric Power Sector Protocol: This refers to 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: TOU Rates refers to 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: This is 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: TURN is a ratepayer advocacy group charged with ensuring that California IOUs implement just and reasonable rates.

Unbundled RECs: Unbundled RECs are 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 Virtual Power Plant is 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: VAMO is the process for SDG&E to allocate a proportional share of its renewable portfolio to Community Power and other LSEs in the service territory.





12

Budget Resolution

Budget Resolution

RESOLUTION NO. 2026-10

A RESOLUTION OF THE BOARD OF DIRECTORS OF SAN DIEGO COMMUNITY POWER, ADOPTING THE FISCAL YEAR 2026-2027 OPERATING BUDGET, THE FISCAL YEAR 2026-2027 CAPITAL BUDGET, AND THE FISCAL YEAR 2027-2031 CAPITAL INVESTMENT PLAN.

A. 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 and restated on December 16, 2021 ("JPA Agreement"); and

B. WHEREAS, 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; and

C. WHEREAS, 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; and

D. WHEREAS, Community Power Board proposes to adopt the FY 2026-2027 Operating Budget and the FY 2026-2027 Capital Budget, attached hereto as Exhibit A; and

E. WHEREAS, Community Power Board further proposes to adopt the FY 2027-2031 Capital Investment Plan that provides a comprehensive five-year plan for Community Power's capital investment expenditures, attached hereto as Exhibit B; and

F. WHEREAS, the FY 2026-2027 Operating Budget, FY 2026-2027 Capital Budget, and the FY 2027-2031 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 2026-2027 Operating Budget.

Section 2. The Board of Directors hereby adopts the FY 2026-2027 Capital Budget.

Section 3. The Board of Directors hereby adopts the FY 2027-2031 Capital Investment Plan.

Section 4. The Board of Directors finds that the FY 2026-2027 Operating Budget, FY 2026-2027 Capital Budget, and the FY 2027-2031 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 25, 2026.

AYES:	VICE CHAIR YAMANE, DIRECTORS ELO-RIVERA, FISHER, SAN ANTONIO, SUZUKI AND ALTERNATE DIRECTOR PRECIADO
NOES:	NONE
ABSTAINED:	NONE
ABSENT:	CHAIR LAWSON-REMER



Terra Lawson-Remer, Chair
Board of Directors
San Diego Community Power

ATTEST:



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

APPROVED AS TO FORM:



Veera Tyagi, General Counsel
San Diego Community Power



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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

Supervisor Terra Lawson-Remer, Chair
Councilmember Ditas Yamane, Vice Chair
Councilmember Sean Elo-Rivera, Director
Councilmember Jack Fisher, Director
Councilmember Michael Inzunza, Director
Councilmember Marco San Antonio, Director
Councilmember Genevieve Suzuki, 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
- Alonso Gonzalez

COUNTY OF SAN DIEGO

- Peter Andersen
- Ross Pike

ENCINITAS

- Tara Hammond
- Molly Hintlian

IMPERIAL BEACH

- Vacant
- Kenneth Hoyt

LA MESA

- David Harris
- Shaun Sumner

NATIONAL CITY

- Sorayda Santos
- Larry Emerson

SAN DIEGO

- Luis Montero-Adams
- Matthew Vasilakis

Community Power Executive Team

Karin Burns, Chief Executive Officer
Veera Tyagi, General Counsel
Jack Clark, Chief Operating Officer
Gordon Samuel, Chief Commercial Officer
Jannies Burlingame, Chief Financial Officer and Treasurer

Finance Department

Jannies Burlingame, Chief Financial Officer and Treasurer
Tim Manglicmot, Senior Director of Finance and Risk
Jeb Spengler, Associate Director of Finance and Procurement
William Weisman, Associate Director of Finance
Christopher Stephens, Procurement Manager
Krystal Carranza, Procurement Manager
Diana Gonzalez, Risk Manager
Mark Alfaro, Finance Manager
Christopher Do, Senior Financial Analyst
Michelle Phillips, Senior Financial Analyst
Julissa Mercedes, Financial Analyst
Kevin Bateman, Financial Analyst
Paige Spounias-Flynn, Procurement Analyst
Angad Kapoor, Procurement Analyst





14

Financial Policies Attachment 1

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 Committee. The CFO shall then prepare and submit to the CEO (who further submits 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.

CEO and CFO Authority

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 3 categories, provided that the total Professional Services and Consultants budget level 2 category remains the same.



FIGURE 58. EXAMPLE: EXPENSE TRANSFERS WITHIN BUDGET LEVEL 2 CATEGORIES

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

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.

FIGURE 59. 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	\$ -
Professional Services and Consultants	\$16,881,036	\$16,731,036	\$(150,000)
Programs	\$1,395,000	\$1,395,000	\$ -
Debt Service	\$1,314,922	\$1,314,922	\$ -
Total Budget Level 2	\$695,936,815	\$695,936,815	\$ -

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 the 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 it to the Board for approval.

Financial Reserves Policy

Purpose and Scope

San Diego Community Power ("Community Power" or "agency") will maintain Financial Reserves (Reserves) as described in this policy.

Definitions

- **Days cash on hand:** Unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes x 365 / (budgeted operating expenses for the current fiscal year)
- **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.
- **Reserve Event:** An occurrence that necessitates the use of Reserves to preserve Community Power's financial stability or to address risk factors. Reserve Events may include, but are not limited to:
 - Volatility in energy costs, market price benchmarks, and energy sales (load)
 - An increase in uncollectable customer accounts due to an unforeseen event
 - Need to stabilize customer rates
 - Ensuring sufficient working capital, including funding for strategic capital projects
 - Covering unanticipated expenditures
- **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.

Policy

A. Reserves Balance Thresholds

Community Power's Reserves policy establishes three key thresholds:

Minimum Reserve Balance: Community Power will strive to ensure a minimum reserve balance sufficient to cover at least 180 days cash on hand. This minimum level provides the agency with the ability to meet essential obligations and maintain financial stability.

Target Reserve Balance: Community Power will strive to maintain a target reserve balance sufficient to cover at least 225 days cash on hand. The Target Reserve Balance provides sufficient reserves

for typical fluctuations in market volatility. This target level ensures the agency's ability to absorb unexpected cost increases or revenue shortfalls without immediate negative impacts on operations, credit rating, or customer rates.

Maximum Reserve Balance: Community Power will strive to build reserves sufficient to cover no more than 270 days cash on hand, unless specifically authorized by the Board. The Maximum Reserve Balance provides sufficient reserves for significant fluctuations in market volatility or unforeseen circumstances.

B. Purpose and Intent of Reserves Balance Thresholds:

The Board shall determine the contribution to Reserves at least annually, with the goal of maintaining balances between the Target Reserve Balance and Maximum Reserve Balance. However, to the extent fiscal year end reserves fall between the Minimum and Maximum Reserve Balances, no immediate Board action is required.

If Reserves are below the Minimum Reserve Balance: The Board should ensure that Reserves do not drop below the Minimum Reserve Balance unless determined by the Board to be necessary to address a Reserve Event. The Minimum Reserves Balance is essential to maintain operational requirements and credit worthiness by providing reserves sufficient to meet basic threats of risk.

Should Community Power's Reserves fall below the Minimum Reserve Balance, a plan to restore Reserves to the Minimum Reserve Balance shall be included in subsequent budget and rate discussions to return to the Minimum Reserve Balance as soon as practicable.

If Reserves are above the Maximum Reserve Balance: If Fiscal Year End Reserves are above the Maximum Reserve Balance, the Board may evaluate opportunities for strategic investments, programmatic reserves, or other purposes as authorized by the Board.

C. Permissible Use of Reserves:

- The Board may authorize the use of Reserves for any Reserve Event.
- The Board may authorize the use of Reserves between the Target Reserve Balance and Maximum Reserve Balance to be designated as Rate Stabilization Reserves. Rate Stabilization Reserves allows Community Power to defer revenues in years of strong financial results for use in future years when



financial results are weaker or stressed. This strategy would enable Community Power to address spikes in energy costs or other variable costs through the use of the Rate Stabilization Reserves and mitigating or avoiding substantial rate increases for customers.

D. Permissible 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 Chief Financial Officer.
- The Chief Executive Officer (“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 use of the reserves under the CEO’s authority shall be reported to the Board at the next regularly scheduled meeting.
- Any further use of reserves as necessary or desirable, must be recommended by the CEO to the Board for approval of such use.

D. Reserve Review and Reporting

Reserves and annual contributions will be reviewed

on an annual basis as part of Community Power’s budget process. Reserves will also be reviewed at the completion of Community Power’s annual audit to reconcile the Reserve balance. The results will be reported to the Board as part of the year-end financial report presentation.

E. Excess Reserve Distribution

If Fiscal Year End reserves exceed the Maximum Reserve Balance, the Board may authorize excess reserve distributions at their discretion, including for the following purposes:

- **Strategic Uses:** Use excess funds for capital projects, financing programs, paying down existing debt, rate reductions, or other strategic purposes.
- **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.

F. Policy Review

Community Power staff will complete a periodic review of this Financial Reserve Policy.



Rate Stabilization Reserve Policy

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

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.

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.

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.

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.

Policy Review

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

Miscellaneous

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



Non-Energy Procurement Policy

Purpose

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

This Non-Energy Procurement Policy ("Policy") shall not apply to energy procurement or transactions governed by the Energy Risk Management Policy as enacted, adopted or revised from time to time by Community Power's Board of Directors ("Board").

Policy

1. Procurement of Professional Services

Community Power may contract for professional services, which are services that require expertise and knowledge, including but not limited to consultant, legal, or design services, in its sole discretion. Community Power shall procure professional services in compliance with this Policy. Community Power shall endeavor to secure the highest quality professional services available and is not required to award a contract for services to the lowest-cost proposer.

2. Procurement of General Services

Community Power may contract for general services, which are services that are not professional services, including but not limited to cleaning or maintenance services, in its sole discretion. Community Power shall procure general services in compliance with this Policy. Although Community Power shall not be required to award a contract to the lowest-cost proposer, Community Power shall seek to procure general services at the lowest costs.

3. Procurement of Goods

Community Power shall procure goods, including but not limited to supplies, materials, furnishings, software or equipment, in compliance with this Policy. Although Community Power shall not be required to award a contract to the lowest-cost proposer, Community Power shall seek to procure goods at the lowest costs. Community Power is encouraged to jointly procure goods with other governmental agencies to obtain the lowest cost when possible.

4. Procurement of Public Works Projects

Community Power shall comply with California Public Contract Code Section 20160 et seq. and other applicable laws and regulations when procuring public projects in excess of \$5,000. For purposes of this section, a "public project" shall

have the same meaning as defined in Public Contract Code Section 20160, and includes, among other things, projects for the erection, improvement, painting, or repair of public buildings and works.

5. Competitive Procurement Requirements

- a. **Contracts Exceeding \$150,000.** One of the following methods shall be used for anticipated goods and/or services with an aggregate contract value exceeding \$150,000 over the entire duration of the contract:
 - i. **Request for Proposals ("RFP"):** An RFP is typically used to procure technical, complex and unique services, and/or when the requirements are qualitative rather than quantitative. A RFP tends to be used when creative or innovative approaches are needed or when Community Power is looking for a customized solution to a problem. An RFP will include, at a minimum, a requirements statement or statement of work; experience, expertise, or qualification criteria; and an evaluation criteria for which a proposal will be evaluated. Proposals will be required to include a detailed explanation of Proposer's approach, detailed work plans, solutions, or methods, and price/budget, as applicable. All RFPs shall, at a minimum, be posted on Community Power's website.
 - i. **Request for Qualifications ("RFQ"):** An RFQ is typically used to procure goods and/or services when Community Power needs to establish a pool of pre-qualified providers ("PQPs"). The RFQ process is typically used to determine a proposer's capability to perform specified services and meet stipulated requirements. The RFQ will specify the areas of expertise, experience, or knowledge that Community Power seeks, and, if applicable, the process for a proposer to become a pre-qualified provider in those specified areas. PQPs are then eligible to propose and compete in subsequent task order solicitations when defined scopes of work are identified by Community Power. Subsequent task order solicitations will include scope of work, experience, expertise or qualifications, and evaluation criteria for which proposals will be evaluated against.
 - i. Additionally, the RFQ method can be used to award contracts for services that include scopes of work to be authorized on an as-needed basis. All RFQs shall, at a minimum, be posted on Community Power's website.



- b. Contracts between \$10,000 and \$150,000. For anticipated goods and/or services with an aggregate contract value between \$10,000 and \$150,000 over the entire duration of the contract. Community Power shall obtain written quotes or bids from at least three providers, if feasible. Each quote or bid shall include the provider's name, address, phone number, professional license number (if applicable), a description of the work to be performed, and the proposed cost. Public advertising is not required for these solicitations.

6. Non-Competitive Procurement

- a. Contracts Less than \$10,000. For anticipated goods and/or services with an aggregate contract value of less than \$10,000 over the entire duration of the contract, no competitive procurement is required, but staff is directed to seek the lowest cost goods and the highest quality services available. This process shall not be used when it is reasonably foreseeable that additional goods and/or services are anticipated from the same vendor would exceed the \$10,000 threshold in the aggregate, in which case competitive procurement shall be used.
- b. Legal Services. No competitive procurement is required for legal services.
- c. Rent or Lease of Office Space. No competitive procurement is required to rent or lease office space.
- d. Contracting with a Government Agency. No competitive procurement is required for goods and/or services provided by another governmental agency, provided that such agency's procurement is in compliance with California law.
- e. Emergencies. In the event of an emergency, the Chief Executive Officer ("CEO") may suspend the normal purchasing and procurement requirements for goods and/or services related to abatement of the impacts or effects of the emergency. "Emergency" for purposes of this Policy means a situation creating an imminent danger to life or property or other material financial loss that calls for immediate action with inadequate time for a competitive procurement.

7. Sole-Source

The Board or the CEO, as applicable, after consultation with the General Counsel, may waive the competitive procurement requirements in this Policy and procure goods and/or services from a sole source, based upon written documentation justifying a sole-source award as described below, and as allowed by applicable law.

- a. Written justification for a sole-source award must demonstrate that:

- i. The desired goods and/or services are available from only the sole source based upon one or more of the following reasons: (a) The unique experience and capabilities of the sole source; (b) The project involves the use of proprietary technology from sole source; or (c) The sole source has ownership of key assets required for project performance; or
 - i. Other circumstances exist which in the determination of the Board or the CEO, as applicable, require such waiver in the best interests of Community Power. Such circumstances may include, but are not limited to: (a) Projects involving cost sharing by multiple sponsors; (b) Time extension of an existing sole source agreement; or (c) Projects requiring compatibility with existing specialized equipment.
- b. The following are not permissible justification for sole source:
- i. Personal preference for product or vendor;
 - ii. Cost, vendor performance or local service (the latter may be considered an award factor in competitive procurements);
 - iii. Features that exceed the minimum requirements for the goods and/or services; or
 - iv. The length of time needed to conduct a competitive procurement is inconvenient.

8. Additional Authorized Procurement Methods

- a. **Cooperative Procurement.** Cooperative Procurement refers to the combining of requirements of two or more government agencies to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, the reduction of administrative time and expenses, or some combination thereof. Community Power may use Cooperative Procurement when the use of it enhances operational efficiencies and demonstrates potential cost savings for Community Power, including transaction costs.
- b. **Piggyback Procurement.** Piggyback Procurement is a type of Cooperative Procurement, and it refers to a government agency's use of an existing competitively awarded contract from another government agency to form its own contract directly with that vendor to purchase goods and/or services on the same or similar terms. Community Power may use Piggyback Procurement when such a procurement enhances operational efficiencies and demonstrates potential cost savings for Community Power, including transaction costs.



9. RFP/RFQ Proposal Evaluation

a. Responses received through an RFP or RFQ shall be subject to a set of criteria and a scoring system, reviewed and evaluated by relevant Community Power staff and an evaluation committee selected by the CEO or, at the discretion of the Board, members of a designated Board committee. Responses received shall be evaluated based on competency to perform the scope of work, best fit, price competitiveness, and other additional criteria pursuant to Community Power's Inclusive and Sustainable Workforce Policy. The preferences below may not apply to procurements conducted jointly with other public agencies, and shall not apply when prohibited by state or federal statutes or regulations that require award to the lowest responsible bidder. Proposers may only pursue two of the four preferences.

- i. Businesses with office(s) located in San Diego County and include at least 25% San Diego County residents under their employment shall receive a bonus of up to 5 points or 5% out of a 100-point scoring system in competitive solicitations. To receive the preference, a proposer must submit written information relating to the location of its office(s) in San Diego County and the percentage of San Diego County residents under its employment.
- ii. Businesses certified as disabled veteran business enterprises by the Supplier Clearinghouse (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 Community Power.
- i. 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 Community Power.
- i. 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 Community Power.

b. Community Power is committed to the highest standards of responsible behavior and integrity in all of its business relationships. Community Power will consider an organization's business practices, environmental record, and commitment to fair employment practices and compensation in its procurement decisions.

10. Amendments.

- a. For non-Board-approved contracts with an original value less than \$10,000, amendments may be authorized to increase the aggregate contract value up to \$10,000.
- b. For non-Board-approved contracts with an original value between \$10,000 and \$150,000 that were procured in accordance with Section 5 of this Policy, amendments may be authorized to increase the aggregate contract value up to \$150,000.
- c. For Board-approved contracts, amendments may be authorized to increase the aggregate contract value by up to an additional \$150,000 or 10% of the original contract value, whichever is greater, without Board approval. Amendments exceeding these values shall require Board approval. The contract amendments shall be reported at the next regular Board meeting.

11. General Provisions.

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

- a. All awards resulting from solicitations conducted in accordance with this Policy shall be documented in a written agreement. Execution of such agreements shall be effectuated in accordance with Community Power's Delegated Authority Policy.
- b. The Board may, consistent with applicable law, waive one or more purchasing procedures in this Policy in its sole discretion.
- c. The Board designates the CEO as Community Power's purchasing agent. As the purchasing agent for Community Power, the CEO is hereby authorized on behalf of Community Power to (i) purchase Goods; (ii) rent furnishings and equipment; (iii) contract for Services, Professional Services, or Legal Services, or (iv) procure Public Works projects, as provided herein. The CEO may further delegate this authority in the CEO's discretion.
- d. The CEO, at their discretion, may direct Community Power to use competitive procurement for anticipated



goods and/or services with an aggregate contract value of \$150,000 or less for a contract term.

- e. When procuring goods and/or services utilizing state or federal funds (e.g., grant or loan funds), Community Power shall comply with all state and federal project requirements in securing any goods or services necessary. If there is a conflict between the foregoing, the more restrictive requirements shall apply.
- f. Community Power shall not be required to award a contract to purchase goods or services from the lowest responsible bidder, unless required by California law.
- g. A contract shall not split purchases into more than one purchase in order to avoid the Competitive Procurement Requirements in this Policy. If it is reasonably foreseeable that similar goods and/or services are anticipated from a vendor that would have an aggregate value of \$10,000 or more, the competitive procurement requirements of this Policy shall apply.
- h. No Community Power officer or employee shall accept, directly or indirectly, any gift, rebate, money or anything 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 Community Power.

12. Protests

- a. Protest Regarding Solicitation – an interested party that is an actual or prospective proposer with a direct economic interest in the procurement may submit a protest in writing relating to the form or content of a solicitation to Community Power's Procurement Manager at least five (5) business days before the deadline to submit proposals.
- b. Protest Regarding Award of Contract – a proposer may submit a protest in writing regarding the award of a contract to Community Power's Procurement Manager no later than five (5) business days after proposer receives notification of non-award.
- c. Protest Contents – For the protest to be valid, it must: clearly identify the procurement action being protested; specify, in detail, the factual and legal grounds for the protest, including identifying the specific provisions of the solicitation, rules, regulations or laws upon which the protest is based; include all relevant, supporting documentation with the protest at the time of filing; identify the specific relief requested; and include the name, mailing, address, telephone number and email address of the person representing the protester. Any matters not set forth in the protest shall be deemed waived.

- d. Community Power Review – upon receipt of a valid and timely protest, Community Power will investigate the protest and will provide a written response to the protester within a reasonable time. If necessary, the CEO at their sole discretion may extend the deadline to submit proposals to allow for a reasonable time to review the protest. The CEO at their sole discretion may elect to withhold contract execution until the protest is resolved or denied, or proceed with contract execution while the review is pending. If the protest is upheld, the CEO will consider all circumstances surrounding the procurement in their decision for a fair and reasonable remedy, including the degree of prejudice to the protester or to the integrity of the competitive procurement process, the urgency of the procurement, the extent of performance if the contract has already been executed, the cost to Community Power, and the impact of the proposed remedy. The remedy may include, but is not limited to, reissuance of the solicitation, revised evaluation of the proposals, or termination of the contract.
- e. Exclusive Remedy – The procedure set forth in this Policy is mandatory. Failure by a protester to comply with the procedure for protests will constitute a waiver of any right to pursue the protest, including the filing of a claim under the relevant Government Code section or initiating legal proceedings. In no event will a protest be considered if all proposals are rejected or no contract is awarded. If Community Power determines that the protest is frivolous, the protester may be deemed ineligible for future contract awards.

13. Nondiscrimination Contract Clause

Each Community Power 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."

14. Information on Supplier Diversity

Public Utilities Code Section 366.2(m) requires certain community choice aggregators, including Community Power, to annually submit to the California Public Utilities Commission (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 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). To assist Community Power 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), Community Power shall not use any demographic information received from potential vendors in any way as part of its decision-making or selection process. Rather, Community Power will use such information solely for compliance with its reporting obligations to the CPUC and

evaluation of Community Power's outreach and other activities consistent with applicable law. Pursuant to Article I, Section 31 of the California Constitution, Community Power 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.

15. Signing Authority

Community Power's CEO and designated staff are authorized to execute contracts and related documents in accordance with Community Power's Delegated Contract and Signature Authority Policy, as enacted, adopted or revised from time to time by the Board.

16. Review and Approval as to Form by General Counsel

All Community Power 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

Purpose

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

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

Background

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

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

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

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

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

Further, this Policy is intended to comply with the regulatory

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

Scope and Authority

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

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

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

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

Notwithstanding anything in this Policy to the contrary, the failure of SDCP to comply with any provisions of this Policy



shall not affect the authorization, validity, or enforceability of any debt or other forms of indebtedness that are otherwise issued in accordance with law.

Use of Debt

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

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

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

Types of Debt

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

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

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

- **Tax-Exempt:** Interest received by bondholders of SDCP's bonds issued on a federally tax- exempt basis is exempt from federal income tax, and so typically may be issued at lower interest rates, reducing SDCP's cost of borrowing. Additional interest rate advantages may be available for bank qualified bonds (where SDCP will issue less than \$10 million of tax- exempt bonds in a year). However, SDCP is limited by federal tax law in the uses of tax- exempt bond proceeds and must comply with additional federal tax law requirements during the

full term of any bond issue. Uses of proceeds typically require a governmental purpose and must be spent on capital improvements rather than operating expenses. Tax implications include having reasonable expectations for spending proceeds at the time of issuance, limiting private use of financed projects, and complying with arbitrage restrictions on the bond proceeds.

- **Taxable:** Taxable debt's interest is not exempt from federal income tax, and so is typically issued at higher interest rates than tax-exempt debt. However, the IRS restrictions described above do not apply, and so SDCP may wish to use taxable debt in situations where the project or purpose of borrowing may not meet federal tax law requirements. SDCP may also consider taxable tax credit or direct subsidy bonds, such as Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, etc., that offer lower costs of borrowing to SDCP through the issuance of taxable debt that is supported by federal subsidy payments on the interest expense to SDCP.

Method of Sale

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

Structure and Term

The repayment schedule of a bond issue can vary greatly from one sale to another. The same is true for other debt instruments. SDCP will consider which structures meet SDCP's strategic goals, are cost effective, minimize the new debt's impact on SDCP's overall debt service schedule, future debt capacity, and other factors when deciding how to structure new debt. In addition to debt amortization terms, structuring options may include the addition and procurement of credit enhancement, the establishment of reserves, the use of capitalized interest, and call or redemption options. In structuring debt service, SDCP shall consider (1) current and forecasted revenues and any anticipated changes to rates, charges and operating expenses, (2) future borrowing plans, (3) meeting the Credit Considerations described in the next section, and (4) feedback from the Municipal Advisor and rating agencies on a structure's potential impacts to SDCP's credit worthiness. Generally, but not a requirement under



this Policy, SDCP prefers level debt service over time. SDCP, consistent with tax law, will not structure debt with a maturity date that materially exceeds the average useful life of the assets or improvements being financed.

Green Bonds

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

Credit Considerations

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

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

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

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



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

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

- **Reserves:** SDCP may maintain reserves including those in compliance with GASB 62 such as the adopted Operating Reserve Fund to act as a rate stabilization fund that can help mitigate the impacts of revenue variability. Depending on whether or not SDCP incorporates a rate stabilization fund reserve into its indentures, this reserve may be used to help meet Debt Service Coverage Ratio requirements during times of revenue shortfalls. This fund can be a valuable tool to manage and mitigate the risk related to any Debt Service Coverage Ratio requirements included in future indentures and to address revenue and rate volatility. There are other reserves that the Board may consider adopting in the future that, for example, may be utilized for paying debt service, for funding specific capital projects, or for emergency purposes etc.
- **Additional Ratio Targets:** In the future the Board will continue to monitor this Policy and will establish enhancements to further strengthen the financial ratios and targets of SDCP. For example, while not a ratio included in Indenture covenants, another ratio that can help measure SDCP's financial health and is the ratio of debt-funded capital to overall capital spending (i.e., debt to pay-go spending). Prudent use of debt financing rather than pay-go funding of capital projects can facilitate better allocation of resources over time and ensure payment equity across generations for the use of long-term assets.

Financing Team and Professional Services

SDCP will assemble a financing team that will provide advice and support for the development and implementation of debt issuance as well as ongoing analysis and support. The financing team will include both SDCP staff and outside professional consultants. When required by SDCP's procurement policy, SDCP will use a competitive process through a Request for Proposal ("RFP") in the retention of professional consultants. Otherwise, SDCP will adhere to its best practices in contracting

to procure such vendors. The professional consultants selected by SDCP could be engaged to help develop a credit strategy, issue debt and/or assist SDCP with its compliance with applicable federal and state statutes, and Internal Revenue Code at the time of issuance as well as on a continuing basis. Please see the Appendix for a detailed description of the outside professional consultants SDCP may include on its financing team.

Debt Administration

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

Internal Control Procedures

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

Post-Issuance Administration

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

Training

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

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

Policy Review

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

APPENDIX

Permitted Types of Debt

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

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

- **Long-Term Debt:** Long-term debt generally includes debt issued to finance capital expenditures with the objective of structuring repayment within the expected life of the financed asset. Debt may be used as a tool for rate stabilization as repayment of the debt is spread over the useful life of the financed project. Long-term bonds may bear interest at fixed or variable rates or structured with level debt service payments or otherwise with term maturities. Long-term revenue bonds are a type of debt that may be entered into by SDCP and which may be secured by a lien on the revenues of SDCP. SDCP may also enter into long-term loans with state or federal agencies. These loans typically have fixed interest rates. Government loan programs may offer favorable interest rates and terms, and should be considered as alternatives to market rate debt when available. The use of long-term debt will be evaluated with pay-as-you-go capital investment and would not be expected (absent extraordinary circumstances) to fund non-capital operational expenditures or operating deficits.
- **Short-Term Debt:** Short-term debt generally has a maturity of less than 7 years and may take several forms, including notes, commercial paper, direct bank loans and other short-term products with either fixed or variable rates. Short-term debt products are flexible cash management tools that are primarily used to meet interim funding (pending the issuance of long-term debt). When approving short-term debt products, the Board may limit SDCP's percentage of short-term debt when compared to its long-term debt portfolio taking into account future market access, term-out provisions and retail rate stability.

- **Variable-Rate Debt:** In addition to interim financing, which includes commercial paper and similar short-term borrowing programs, it may be appropriate to issue long-term variable rate debt that bears an interest rate that is reset periodically at predetermined intervals, including entering into revolving credit facilities, to diversify the debt portfolio, to reduce interest costs, and to improve the match of variable rate assets (such as short-term investments and reserves) to liabilities. The amount of variable rate debt will generally not exceed a net 20% after consideration of investments and cash equivalents of the outstanding debt portfolio of SDCP.
- **Refunding Debt:** Refunding bonds may be issued to refinance existing bonds to achieve debt service savings, restructure the type of debt outstanding, modify SDCP's covenants to bondholders, restructure future debt service payments, take advantage of market opportunities, or to reduce exposure to certain counterparties. SDCP will work with its Municipal Advisor (MA) to assess potential savings and determine whether refunding bond issuance is warranted. If refunding bonds are being contemplated solely for debt service savings, the refunding should generally result in a reduction in average annual debt service or provide an overall savings target (net of all costs) set by the Board at the time it approves the financing. This savings target may be adjusted depending on the remaining term of the debt or under circumstances where the number of refunding options is then limited by federal tax law.

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

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

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



Method of Sale

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

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

Financing Team and Professional Services

SDCP will assemble a financing team that will provide advice and support for the best execution of each debt transaction. The financing team may consist of multiple parties with

distinct responsibilities and is generally comprised of both SDCP staff and outside professional consultants. These outside professional consultants may include:

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



Internal Control Procedures

All debt transactions must be approved by the Board of Directors. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made consistent with the following guidelines: (1) compliance with federal tax arbitrage requirements, as applicable; (2) safety of principal; (3) liquidity; (4) diversity; and (5) return on investment or yield, and may be held as cash. SDCP's Investment Policy guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Treasurer will oversee the investment of bond proceeds consistent with the foregoing guidelines.

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

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

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

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

Post-Issuance Administration

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

- **Post-Issuance Compliance Policy:** SDCP will adopt a Post-Issuance Compliance Policy ("PICP") to provide for ongoing monitoring and reporting with respect to compliance with SEC requirements for publicly offered indebtedness and with tax regulations applicable to tax-exempt debt. The PICP will provide for the federal disclosure requirements, responsibility for reporting, training, and describe procedures for compliance with continuing disclosure agreements entered into for each such series of bonds from the date they are issued until the bonds are no longer outstanding. The PICP may be administratively adopted and amended without approval of the Board.
- **Financial Disclosure:** SDCP will comply with applicable deliverable obligations and financial disclosure requirements, as specified in any and all bond and debt-related documents. Staff has developed and will maintain an updated schedule of the requirements in compliance with SDCP's internal record-keeping processes. SDCP will post required documents to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") website as required on a timely basis. SDCP, at its discretion, may also post documents voluntarily to EMMA. SDCP will provide financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, financial information using the appropriate channels/policies/procedures. The Chief Financial Officer is responsible for monitoring the compliance by SDCP of applicable disclosure requirements. SDCP also may contract with an outside service provider to monitor disclosure postings.
- **Tax Compliance:** SDCP will comply with applicable federal arbitrage and rebate regulations related to its bonds and other debt instruments. These responsibilities include monitoring the investment and expenditure of bond proceeds, maintaining a system of record-keeping and reporting and contracting for the services of outside arbitrage consultants as necessary. SDCP will establish and implement post-issuance procedures to guide its compliance with these requirements. The Chief Financial Officer is responsible for monitoring the compliance by



SDCP of applicable tax requirements for debt issued on a tax- exempt basis.

- **Record Keeping:** A copy of all debt-related records shall be retained at SDCP's offices or otherwise electronically. At a minimum, these records shall include all official statements, bid documents, bond documents/ transcripts, indentures, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). The following documents shall be maintained for the term of each issue of bonds (including refunding bonds) plus at least three years:
 - A copy of the bond closing transcript(s) and other relevant documentation delivered to SDCP at or in connection with closing of the issue of bonds;
 - A copy of material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for bond proceeds and evidence as to the amount and date for each draw down of bond proceeds, as well as documents relating to costs paid or reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds;
 - A copy of all contracts and arrangements involving the use of bond-financed or refinanced assets; and
 - A copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.



Investment Policy

Purpose and Scope

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

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

This Policy is adopted pursuant to California Government Code Section (“Section”) 53600-53608 and must be adopted or amended by resolution. The Community Power 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 Community Power 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 Board may at its discretion adopt rules, regulations, policies, bylaws and procedures governing the operation of Community Power.

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 states that 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 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, selection and designation of financial institutions for deposit of Community Power funds, and credit/depository matters.

Investment Objectives

To the extent possible, investments will align with Community Power’s mission, vision, value, and goals. When managing Funds, Community Power’s primary objectives shall be to (1) safeguard the principal of the Funds, (2) meet the liquidity needs of Community Power, (3) achieve a return on Funds invested, and

(4) exercise a high standard of care on Funds within Community Power’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 Community Power 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

Community Power’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 (1) and Investment Objectives, Section (2), above.

4. Standard of Care

Community Power will manage the Funds in accordance with the “Prudent Investor Standard” pursuant to California Government Code Section 53600.31¹ 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.”

¹ 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 Community Power's funds to the Treasurer. The Treasurer has authority to appoint Deputy Treasurer(s) as the Treasurer deems necessary to carry out the duties in accordance with the Policy.

Community Power 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 Community Power's investment portfolio in a manner consistent with Community Power'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 Policy applies to all funds and investment under the direct authority of Community Power. 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 the Board.

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

- 1. Deposits at Bank(s):** Funds may be invested in non-interest-bearing depository accounts to meet Community Power'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 Community Power deposits that exceed FDIC insurance limits to ensure the safety of Community Power deposits. There are no limits on the dollar amount or percentage that Community Power may invest in collateralized bank 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 Community Power's policy do not exclude the investment in LAIF itself from Community Power's list of allowable investments, provided LAIF's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.
- 3. US Treasury Obligations:** Funds may be invested in United States Treasury obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq.
- 4. Federal Agency Securities:** Funds may be invested in Federal Agency Securities or Government-Sponsored Enterprise (GSE) obligations with a term to maturity not exceeding five (5) years and subject to the limitations set forth in Sections 53601 et seq. and 53635 et seq. No more than 20% of the total portfolio may be invested in callable agency securities and no more than 30% of the total portfolio may be invested in any single Agency/ GSE issuer.
- 5. Bankers' Acceptances:** Funds may be invested in Banker's Acceptances provided that they are issued by institutions which have short-term debt obligations rated "A-1" or its equivalent 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). No more than 30% of the total portfolio may be invested in a combination of qualifying placement service deposits. 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. Under



a provision sunseting on January 1, 2031, no more than 50% of the portfolio may be invested in deposits through a placement service. The maximum maturity shall not exceed five (5) years.

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: Funds may be invested in commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by an NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B below:

- a. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by an NRSRO.
- b. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by an NRSRO.
 - No more than 10% of the outstanding commercial paper of any single issuer.
 - No more than 25% of Community Power’s investment assets under management may be invested in Commercial Paper. Under a provision sunseting on January 1, 2026, no more than 40% of the total portfolio may be invested in Commercial Paper if Community Power’s investment assets under management are greater than \$100,000,000.
 - No more than 5% of the total portfolio may be invested in any single issuer. The maximum maturity does not exceed 270 days.

10. Medium Term Notes (MTN): The issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States (Section 53601 et seq). The securities are rated in a rating category of “A” or its equivalent or better by at least one NRSRO.

No more than 30% of the total portfolio may be invested in MTNs, no more than 5% of the total portfolio may be invested in any single issuer and the maximum maturity does not exceed five (5) years.

11. Pass Thru Securities: Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations (Section 53601 et seq) from issuers not defined in sections 3 and 4 of the Acceptable Investment Types section of this Policy, provided that, the securities are rated in a rating category of “AA” or its equivalent or better by an 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: These include obligations of Community Power, 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 NRSRO, no more than 5% of the total portfolio may be invested in any single issuer, no more than 30% of the total portfolio may be in Municipal Securities and the maximum maturity does not exceed five (5) years.

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

14. Supranationals: Issues are US dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. (Section 53601). The securities are rated in a rating category of “AA” or its equivalent or better by an 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.



15. Local Government Investment Pools (LGIPs): Shares of beneficial interest issued by a Joint Powers Authority (JPA) organized pursuant to California Government Code Section 6509.7 that invest in the securities and obligations authorized in subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the JPA. To be eligible under this section, the JPA issuing the shares will have retained an investment adviser who is registered with the SEC (or exempt from registration), has assets under management in excess of five hundred million dollars (\$500,000,000), and has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive.

Prohibited Investment Types

Pursuant to Section 53601.6, Community Power 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. Community Power is prohibited from investing in any company or organization whose business do not align with Community Power'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). Community Power 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. A bank or financial institution may pledge securities or other deposits for the purpose of securing repayment of deposited funds. Community Power shall require any bank or financial institution to comply with the collateralization criteria defined in California Government Code, Section 53651.

Risk Management and Diversification

Community Power'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 this Policy and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm Community Power'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 Community Power based on Community Power's investment objectives, constraints and risk tolerances.

- c. **Credit Rating:** This 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:

1. 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 NRSRO.
2. 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, Community Power'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, Community Power'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 with institutions eligible to transact investment business with Community Power, in accordance with Section 53601.5, including:

- 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 Board, or any candidate who may join the 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 Community Power 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 Community Power 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 Community Power investments are subject to public review and evaluation. Community Power 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.

Community Power 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 Community Power.



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

Any external investment adviser contracted by Community Power 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 Community Power's portfolio shall be held in safekeeping in Community Power's name by a third-party custodian, acting as agent for Community Power under the terms of a custody agreement executed by the bank and Community Power. All investment transactions will require a safekeeping receipt or acknowledgment generated from the trade. A monthly report will be received by Community Power 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. Community Power will consider entering into a Wire Transfer Agreement with the Lead Bank or Third-Party.
- g. **Audits:** Community Power's Funds shall be subject to a process of independent review by its external auditors. Community Power's external auditors shall review the investment portfolio in connection with Community Power'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, and 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 Community Power'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.

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 Community Power staff participating in the investment process; Community Power Treasurer; Community Power Deputy Treasurer(s); and Community Power Board of Directors.

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

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

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

LOCAL AGENCY INVESTMENT FUND (LAIF).

A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL.

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

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

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

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

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

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

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

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

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

MORTGAGE-DERIVED INTEREST-ONLY STRIPS.

A financial product created by separating the interest and principal payments of a mortgage-backed security.

MORTGAGE PASS-THROUGH SECURITIES.

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

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

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

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).

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

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



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

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

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

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

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

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

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

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

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

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

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

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



Rate Development Policy

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

General Criteria

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

1. **Cost Recovery:** rates must be sufficient to recover all expenses, debt service and other expenditure requirements.
2. **Reserves:** rates must be sufficient to build prudent reserves in line with SDCP's Reserve Policy, which will provide funds to cover unanticipated expenditures, secure favorable terms with vendors, secure a standalone investment-grade credit rating and meet strategic objectives.
3. **Rate Competitiveness and Customer Value:** rates must allow SDCP to successfully compete to retain and attract customers while offering superior electricity service offerings with higher renewable content compared to the incumbent investor-owned utility.
4. **Rate Stability:** rate changes should be minimized to reduce customer bill impacts with a preference for annual rate adjustments. Additionally, a Rate Stabilization Fund may be established and over time sufficiently funded to help mitigate significant swings in rates.

5. **Equity among customers:** rate difference among customers should be justified by differences in usage characteristics and/or cost of service. Additionally, to the extent possible, rates shall be equalized from a value proposition perspective among customers enrolled during different Power Charge Adjustment Indifference (PCIA) Vintage Years.
6. **Rate Structures:** as new rates are developed, emphasis shall be put on rate-design simplicity and comparability as well as overall customer experience. SDCP reserves the right to design pilot rates as reviewed and approved by the Board.
7. **Transparency:** SDCP's Board will review and approve rates at an open and public meeting held in accordance with the Ralph M. Brown Act. SDCP shall post a copy of the adopted rates in both English and Spanish on its website within 14 calendar days of approval or by the rates' effective date, whichever is sooner. SDCP shall also make any rate design documents promptly available upon request under the California Public Records Act.
8. **Cost Shifting:** SDCP shall avoid, to the best of its ability, cost shifting between customer classes.
9. **Cost of Service:** SDCP may explore a cost-of-service model for rate design. Cost-of-service studies are used to determine the total costs incurred by a utility in providing service to its customers and the allocation of those costs through rates back to customer classes. Revenue collected from each customer class then may be compared with that class's cost responsibility to determine the extent to which each class is reimbursing the utility for the costs it incurred in providing service.



SDCP's Rate Setting Timeline

SDG&E's Energy Resource Recovery Account (ERRA) application is usually approved by the CPUC in December, which provides the trajectory of bundled service commodity rates including the above market costs and other fees¹ 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 for residential rates or SDCommunityPower.org/billing-rates/commercial-rates for commercial rates.

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

The Franchise Fee is a surcharge applied to electricity transported over SDG&E systems that are constructed in public streets and highways. SDG&E collects the surcharge from customers and remits them to the appropriate municipality. The surcharge is charged equally to customers regardless of who provides their electric generation.

The PCIA and the SDG&E commodity portion of the Franchise Fee are included within the generation rate of SDG&E's standard bundled service. In other words, they are paid by all customers, regardless of who provides their electricity generation.

