



AGENDA

Meeting of the Finance and Risk Management Committee San Diego Community Power (SDCP)

June 8, 2023
3:00 p.m.

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way, San Diego, CA 92123

The meeting will be held in person at the above date, time and location. Finance and Risk Management Committee (FRMC) Members and members of the public may attend in person. Under certain circumstances, FRMC Members may also attend and participate in the meeting virtually pursuant to the Brown Act (Gov. Code § 54953). As a convenience to the public, SDCP provides a call-in option and internet-based option for members of the public to virtually observe and provide public comments at its meetings. Additional details on in-person and virtual public participation are below. Please note that, in the event of a technical issue causing a disruption in the call-in option or internet-based option, the meeting will continue unless otherwise required by law, such as when an FRMC Member is attending the meeting virtually pursuant to certain provisions of the Brown Act.

Note: Any member of the public may provide comments to the Finance and Risk Management Committee on any agenda item. When providing comments to the FRMC, it is requested that you provide your name and city of residence for the record. Commenters are requested to address their comments to the FRMC as a whole through the Chair. Comments may be provided in one of the following manners:

1. Providing Oral Comments During Meeting. Anyone attending in person desiring to address the FRMC is asked to fill out a speaker's slip and present it to the Clerk of the Board or the Secretary. To provide remote comments during the meeting, join the Zoom meeting by computer, mobile phone, or dial-in number. On Zoom video conference by computer or mobile phone, use the "Raise Hand" feature. This will notify the moderator that you wish to speak during a specific item on the agenda or during non-agenda Public Comment. Members of the public will not be shown on video but will be able to speak when called upon. If joining the meeting using the Zoom dial-in number, you can raise your hand by pressing *9. Comments will be limited to three (3) minutes.
2. Written Comments. Written public comments must be submitted prior to the start of the meeting by using this ([Web Comment Form](#)). Please indicate a specific agenda item when submitting your comment. All written comments received prior to the meeting will be provided to the FRMC members in writing. In the discretion of the Chair, the first ten (10) submitted comments shall be stated into the record of the meeting. Comments read at the meeting will be limited to the first 400 words. Comments received after the start of the meeting will be collected, sent to the FRMC members in writing, and be part of the public record.

If you have anything that you wish to be distributed to the FRMC, please provide it via info@sdcommunitypower.org, who will distribute the information to the Members.

The public may participate using the following remote options:

Teleconference Meeting Webinar <https://zoom.us/j/93476863568> Telephone (Audio Only)

(669) 900-6833 or (253) 215-8782 | Webinar ID: 934 7686 3568

Welcome

Call to Order

Roll Call

Pledge of Allegiance

Items to be Added, Withdrawn, or Reordered on the Agenda

Public Comments for Items Not on the Agenda

Opportunity for members of the public to address the Board on any items not on the agenda but within the jurisdiction of the Board. Members of the public may provide a comment in either manner described above.

MEETING AGENDA

1. Approval of May 18, 2023 Meeting Minutes

Recommendation: Approve the April 13, 2023 Meeting Minutes

2. Review of Treasurer's Report for Period Ending 4/30/23

Recommendation: Receive and File Treasurer's Report for Period Ending 4/30/23

3. Approval of the FY 2023-24 Operating Budget

Recommendation: Recommend Board Approval of the FY 2023-24 Operating Budget

4. Approval of Remainder of Collections/Delinquency Policy for Residential Customers

Recommendation: Recommend Board Approval of the Remainder of Collections/Delinquency Policy for Residential Customers

Committee Member Announcements

Committee Members may briefly provide information to other members and the public. There is to be no discussion or action taken on comments made by Directors unless authorized by law.

Adjournment

Copies of the agenda and agenda packet are available at <https://sdcommunitypower.org/resources/meeting-notes/>. Late-arriving documents related to a Board meeting item which are distributed to a majority of the

Members prior to or during the Board meeting are available for public review as required by law. Public records, including agenda-related documents, can be requested electronically at info@sdcommunitypower.org or by mail to SDCP, PO BOX 12716, San Diego, CA 92112. The documents may also be posted at the above website. Such public records are also available for inspection, by appointment, at San Diego Community Power, 2488 Historic Decatur Road, Suite 250, San Diego, CA 92106. Please contact info@sdcommunitypower.org to arrange an appointment.



**Finance and Risk Management Committee
San Diego Community Power (SDCP)**

City of San Diego Metropolitan Operations Complex (MOC II) Auditorium
9192 Topaz Way, San Diego, CA 92123

MINUTES
May 18, 2023

The Committee minutes are prepared and ordered to correspond to the Committee Agenda. Agenda Items can be taken out of order during the meeting.

The Agenda Items were considered in the order presented.

CALL TO ORDER

Chair McCann (Chula Vista) called the Finance and Risk Management Committee meeting to order at 1:03 p.m.

ROLL CALL

PRESENT: Director Aguirre (Imperial Beach), Director Parent (La Mesa), Chair McCann (Chula Vista)

ABSENT: None

Also Present: Chief Financial Officer ("CFO")/Treasurer Washington, General Counsel Baron

PUBLIC COMMENTS

There were no public comments.

ITEMS TO BE ADDED, WITHDRAWN, OR REORDERED ON THE AGENDA

There were no items to be added, withdrawn, or reordered.

MEETING AGENDA

1. Approval of April 13, 2023 Meeting Minutes

ACTION: Motioned by Director Parent (La Mesa) and seconded by Chair McCann (Chula Vista) to approve the April 13, 2023 Meeting Minutes.

Vote: 2-0

Yes: Director Parent (La Mesa), Chair McCann (Chula Vista)

No: None

Abstained: Director Aguirre (Imperial Beach)

Absent: None

2. Review of Treasurer's Report for Period Ending March 31, 2023

CFO/Treasurer Washington presented the Treasurer's Report for Period Ending March 31, 2023.

Following committee questions and comments, no action was taken.

3. Approval of SDCP Investment Policy

CFO/Treasurer Washington and Senior Finance Manager Manglicmot presented the Framework of the SDCP Debt Policy

Committee questions and comments ensued.

ACTION: Motioned by Chair McCann (Chula Vista) and seconded by Director Aguirre (Imperial Beach) to advance the SDCP Investment Policy to the Board of Directors.

Vote: 3-0

Yes: Director Aguirre (Imperial Beach), Director Parent (La Mesa), Chair McCann (Chula Vista)

No: None

Abstained: None

Absent: None

4. Presentation and Discussion of the FY 2023-24 Operating Budget

CFO/Treasurer Washington and Senior Finance Manager Manglicmot presented an overview of the proposed FY 2023-24 Operating Budget.

Committee questions and comments ensued.

ACTION: Motioned by Chair McCann (Chula Vista) and seconded by Director Parent (La Mesa) to advance the FY 2023-24 Operating Budget to the Board of Directors.

Vote: 3-0

Yes: Director Aguirre (Imperial Beach), Director Parent (La Mesa), Chair McCann (Chula Vista)

No: None

Abstained: None

Absent: None

COMMITTEE MEMBER ANNOUNCEMENTS

There were no announcements.

ADJOURNMENT

Chair McCann (Chula Vista) adjourned the meeting at 1:38 p.m.



SAN DIEGO COMMUNITY POWER Staff Report – Item 2

To: Financial and Risk Management Committee

From: Eric W. Washington, Chief Financial Officer

Via: Karin Burns, Chief Executive Officer

Subject: Treasurer's Report –Presentation of Financial Results for Fiscal Year
2023 Period ended 04/30/23

Date: June 8, 2023

RECOMMENDATION

Receive and File Report.

BACKGROUND

San Diego Community Power (SDCP) maintains its accounting records on a full accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental enterprise funds.

SDCP has prepared its year-to-date financial statements for the period ended April 30, 2023, along with budgetary comparisons.

SDCP additionally reports monthly metrics during its Board meetings as part of its Update on Back-Office Operations. As part of the Treasurer's Report, certain key metrics related to risk are to be presented during Financial and Risk Management Committee (FRMC) meetings.

ANALYSIS AND DISCUSSION

Actual financial results for the period ended 04/30/23: \$695.20 million in net operating revenues were reported compared to \$701.99 million budgeted for the period. \$646.50 million in total expenses were reported (including \$624.91 million in energy costs) compared to \$665.79 million budgeted for the period (including \$638.12 million budgeted for energy costs). After expenses, SDCP's change in net position of \$48.69 million was reported for Fiscal Year 2023. The following is a summary of the actual results compared to the Fiscal Year 2023 Budget.

Table 1: Budget Comparison Versus Actual Results

Budget Comparison					
	YTD FY23 as of 04/30/23 (10 mos)	FY23 YTD Budget	Budget Variance (\$)	Budget (%)	
Net Operating Revenues	\$ 695,196,071	\$ 701,992,252	\$ (6,796,181)	99%	
Total Expenses	\$ 646,502,290	\$ 665,787,225	\$ (19,284,935)	97%	
Change in Net Position	\$ 48,693,781	\$ 36,205,027	\$ 12,488,754	34%	

- Net operating revenues finished \$6.80 million (or 1.0 percentage point) under the budget primarily due to remittances coming slightly lower than expected for April.
- Operating expenses finished \$19.28 million (or 3.0 percentage points) under the budget primarily due to savings from all operating expense categories and, in particular, from credits received from the California Independent Systems Operator (CAISO) that were realized in January 2023. SDCP did, however, have significant CAISO fees in March 2023 which reduced overall year-to-date savings.

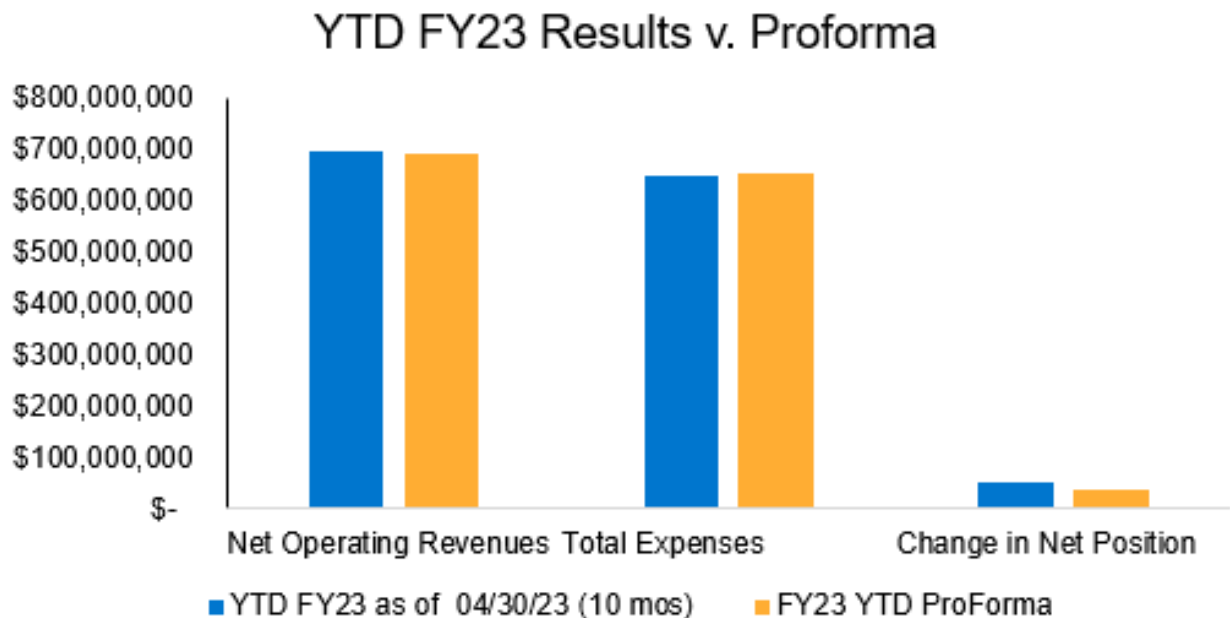
Financial results for the period outperformed the projections presented in the year-to-date proforma. SDCP's change in net position was 28% over the projection primarily due to savings in energy-related costs from CAISO credits as earlier referenced.

The following is a summary to actual results compared to the fiscal year-to-date proforma.

Table 2: Proforma Comparison Versus Actual Results

Proforma Comparison					
	YTD FY23 as of 04/30/23 (10 mos)	FY23 YTD ProForma	ProForma Variance (\$)	Proforma (%)	
Net Operating Revenues	\$ 695,196,071	\$ 689,102,498	\$ 6,093,573	1%	
Total Expenses	\$ 646,502,290	\$ 650,941,547	\$ (4,439,257)	-1%	
Change in Net Position	\$ 48,693,781	\$ 38,160,951	\$ 10,532,830	28%	

Figure 1: Proforma versus Actual Results

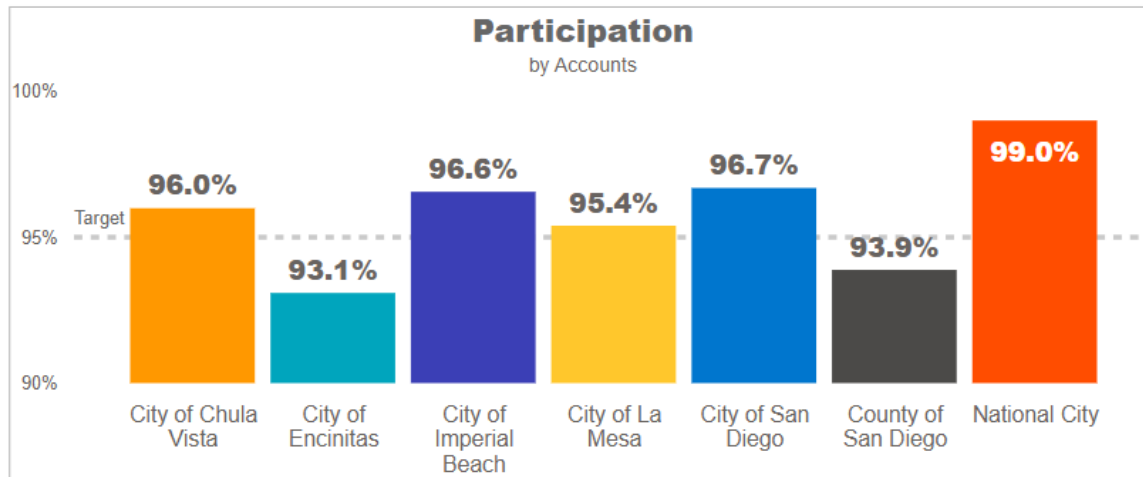


For the period ending 04/30/23, SDCP contributed \$48,693,781 to its reserves but was only expected to gain \$36,205,027 per the FY 2022-23 amended budget. Total SDCP reserves at the end of the period were \$89,205,253 and total available liquidity (including lines of credit) was \$203,475,253. SDCP has a total FY 2022-23 year-end reserve target of \$190,058,650, which is equivalent to 90-days of total operating expenses.

Staff is also presenting certain key metrics (participation rates and usage by jurisdiction) directly related to risk for FRMC consideration and for regular review moving forward. Additional metrics can be added by request.



Participation Rates by Jurisdiction as of June 2, 2023



Jurisdiction	Active	Eligible	Opt Outs	Participation
City of Chula Vista	93,090	96,975	3,885	96.0%
City of Encinitas	26,483	28,449	1,966	93.1%
City of Imperial Beach	10,548	10,924	376	96.6%
City of La Mesa	28,028	29,381	1,353	95.4%
City of San Diego	597,361	617,822	20,461	96.7%
County of San Diego	126,475	145,263	8,890	93.9%
National City	17,892	18,312	183	99.0%
Total	899,877	947,126	37,114	96.1%

FISCAL IMPACT

N/A

ATTACHMENTS

Attachment A: 2023 Year-to-Date Period Ended 04/30/23 Financial Statements



ACCOUNTANTS' COMPILATION REPORT

Management
San Diego Community Power

Management is responsible for the accompanying financial statements of San Diego Community Power (a California Joint Powers Authority) which comprise the statement of net position as of April 30, 2023, and the related statement of revenues, expenses, and changes in net position, and the statement of cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. San Diego Community Power's annual audited financial statements include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
May 31, 2023

SAN DIEGO COMMUNITY POWER
STATEMENT OF NET POSITION
As of April 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 44,650,527
Accounts receivable, net of allowance	81,483,168
Accrued revenue	51,423,886
Prepaid expenses	9,243,318
Other receivables	775,000
Deposits	21,337,324
Total current assets	<u>208,913,223</u>
Noncurrent assets	
Capital assets, net of depreciation	19,480
Lease asset, net of amortization	935,625
Restricted cash	2,146,970
Deposits	555,000
Total noncurrent assets	<u>3,657,075</u>
Total assets	<u>212,570,298</u>

LIABILITIES

Current liabilities	
Accrued cost of electricity	77,991,626
Accounts payable	1,204,398
Other accrued liabilities	3,198,862
State surcharges payable	137,356
Security deposits	1,254,000
Interest payable	379,187
Lease liability	363,591
Total current liabilities	<u>84,529,020</u>
Noncurrent liabilities	
Loan to member government	514,511
Bank note payable	35,730,000
Lease liability	583,395
Total noncurrent liabilities	<u>36,827,906</u>
Total liabilities	<u>121,356,926</u>

NET POSITION

Net investment in capital assets	8,119
Restricted for collateral	2,000,000
Unrestricted	89,205,253
Total net position	<u><u>\$ 91,213,372</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Ten Months Ended April 30, 2023

OPERATING REVENUES

Electricity sales, net	\$ 695,196,071
Total operating revenues	<u>695,196,071</u>

OPERATING EXPENSES

Cost of energy	624,908,450
Contract services	12,823,799
Staff compensation	5,331,572
Other operating expenses	2,208,066
Depreciation and amortization	<u>187,681</u>
Total operating expenses	<u>645,459,568</u>
Operating income (loss)	<u>49,736,503</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	353,672
Interest and financing expense	<u>(1,407,755)</u>
Nonoperating revenues (expenses)	<u>(1,054,083)</u>

CHANGE IN NET POSITION

	48,682,420
Net position at beginning of period	<u>42,530,952</u>
Net position at end of period	<u><u>\$ 91,213,372</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS
Ten Months Ended April 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 661,319,630
Receipts of security deposits	57,461,728
Other operating receipts	10,332,595
Payments to suppliers for electricity	(619,573,763)
Payments for goods and services	(12,794,118)
Payments to employees for services	(4,998,421)
Payments for deposits and collateral	(111,032,995)
Payments of state surcharges	(1,899,237)
Net cash provided (used) by operating activities	<u>(21,184,581)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Proceeds from bank note payable	55,910,000
Principal payments - bank note payable	(56,520,082)
Interest and related expense payments	(1,118,809)
Net cash provided (used) by non-capital financing activities	<u>(1,728,891)</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Payments of lease liability	(199,384)
Payments to acquire capital assets	(20,037)
Net cash provided (used) by capital and related financing activities	<u>(219,421)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income received	<u>353,672</u>
Net change in cash and cash equivalents	(22,779,221)
Cash and cash equivalents at beginning of period	69,576,718
Cash and cash equivalents at end of period	<u><u>\$ 46,797,497</u></u>

Reconciliation to the Statement of Net Position

Cash and cash equivalents (unrestricted)	\$ 44,650,527
Restricted cash	2,146,970
Cash and cash equivalents	<u><u>\$ 46,797,497</u></u>

SAN DIEGO COMMUNITY POWER
STATEMENT OF CASH FLOWS (continued)
Ten Months Ended April 30, 2023

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income	\$ 49,736,503
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	187,681
Provision for uncollectible accounts	7,022,183
(Increase) decrease in:	
Accounts receivable	(38,118,361)
Accrued revenue	(4,484,271)
Other receivables	(775,000)
Prepaid expenses	(4,782,010)
Deposits	(12,201,267)
Increase (decrease) in:	
Accrued cost of electricity	20,760,121
Accounts payable	579,444
Other accrued liabilities	2,455,626
State surcharges payable	(195,230)
Supplier security deposits	(41,370,000)
Net cash provided (used) by operating activities	<u><u>\$ (21,184,581)</u></u>



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Diego Community Power

Management is responsible for the accompanying special purpose budgetary comparison schedule of San Diego Community Power (SDCP), a California Joint Powers Authority, for the period ended April 30, 2023, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of SDCP.

Management has elected to omit substantially all of the note disclosures required by accounting principles generally accepted in the United States of America in these interim financial statements. SDCP's annual audited financial statements will include the note disclosures omitted from these interim statements. If the omitted disclosures were included in these financial statements, they might influence the user's conclusions about the Authority's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to SDCP because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, CA
May 31, 2023

SAN DIEGO COMMUNITY POWER
BUDGETARY COMPARISON SCHEDULE
Ten Months Ended April 30, 2023

	2022/23 YTD Amended Budget	2022/23 YTD Actual	2022/23 YTD Amended Budget Variance (Under) Over	2022/23 YTD Actual/ Amended Budget %	2022/23 Annual Amended Budget	2022/23 Amended Budget Remaining
REVENUES AND OTHER SOURCES						
Gross Ratepayer Revenues	709,083,083	\$ 702,218,254	(6,864,829)	99%	\$ 939,183,767	\$ 236,965,513
Less Uncollectible Customer Accounts	(7,090,831)	(7,022,183)	68,648	99%	(9,391,838)	(2,369,655)
Total Revenues and Other Sources	<u>701,992,252</u>	<u>695,196,071</u>	<u>(6,796,181)</u>		<u>929,791,929</u>	<u>234,595,858</u>
OPERATING EXPENSES						
Cost of Energy	638,122,350	624,908,450	(13,213,900)	98%	738,800,294	113,891,844
Professional Services and Consultants	14,161,833	12,355,478	(1,806,355)	87%	17,271,121	4,915,643
Personnel Costs	5,951,059	5,331,572	(619,487)	90%	7,362,227	2,030,655
Marketing and Outreach	3,761,752	1,696,754	(2,064,998)	45%	4,194,489	2,497,735
General and Administrative	1,642,211	1,179,574	(462,637)	72%	1,890,283	710,709
Programs	1,072,500	-	(1,072,500)	0%	1,275,000	1,275,000
Total Operating Expenses	<u>664,711,705</u>	<u>645,471,828</u>	<u>(19,239,877)</u>		<u>770,793,414</u>	<u>125,321,586</u>
Operating Income (Loss)	<u>37,280,547</u>	<u>49,724,243</u>	<u>12,443,696</u>		<u>158,998,515</u>	<u>109,274,272</u>
NON-OPERATING REVENUES (EXPENSES)						
Investment income	-	353,672	353,672		-	(353,672)
Debt Service and Bank Fees	(1,075,520)	(1,384,134)	(308,614)	129%	(1,285,295)	98,839
Total Non-Operating Revenues (Expenses)	<u>(1,075,520)</u>	<u>(1,030,462)</u>	<u>45,058</u>		<u>(1,285,295)</u>	<u>(254,833)</u>
NET INCREASE (DECREASE)	<u>\$ 36,205,027</u>	<u>\$ 48,693,781</u>	<u>\$ 12,488,754</u>		<u>\$ 157,713,220</u>	<u>\$ 109,019,439</u>

See accountants' compilation report.



SAN DIEGO COMMUNITY POWER Staff Report – Item 3

To: Financial and Risk Management Committee

From: Eric Washington, Chief Financial Officer

Via: Karin Burns, Interim Chief Executive Officer

Subject: Approval of the FY 2023-24 Operating Budget

Date: June 8, 2023

RECOMMENDATION

Recommend Board Approval of the FY 2023-24 Operating Budget

BACKGROUND

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

Section 7.3.1 of the JPA specifies that that 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.

On July 28, 2022, the Board adopted a budget development schedule as part of the SDCP Budget Policy. This development schedule includes an annual budget review in May by the Financial and Risk Management Committee (FRMC), which occurs prior to the SDCP Board of Directors (Board) previewing the budget in May and prior to the Board potentially adopting the budget in June.

Table 1. Current Budget Development Schedule

February	March-April	May	June	
Develop Operating Revenue Estimate Develop Operating Expense Estimate Develop financial plan for credit rating in 3-years	Strategic planning sessions with SDCP Board Staff develop operating budgets Baseline budget is developed	Financial and Risk Management Committee Review SDCP Board Preview (Information Item)	 SDCP Board Approval	 July 1 st Budget Implemented Mid-year budget review (February) Budget amendments as necessary

Given the timeline in the Board adopted budget development schedule, staff presented the fiscal year 2023-24 operating budget at the FRMC for review and discussion on May 18, 2023. Staff are further presenting the draft, proposed fiscal year 2023-24 operating budget to the FRMC for recommendation for approval by the SDCP Board.

Table 2 illustrates the draft FY 2023-24 budget in comparison to SDCP's budgets from prior years.

Table 2. SDCP Budget History

SDCP Budget	Board Adoption Date	Total Expense	Net Position
Fiscal Year 2020-21 Operating Budget	6/25/20 (amended) 5/27/21	\$34,135,000	(\$7,848,092)
Fiscal Year 2021-22 Operating Budget	6/24/21 (amended) 2/24/22	\$341,934,335	\$36,119,151
Fiscal Year 2022-23 Operating Budget	6/23/22 (amended) 2/23/23	\$772,078,710	\$157,713,219
Fiscal Year 2023-24 Operating Budget (proposed)	(proposed) 6/22/23	\$1,025,419,799	\$267,387,731

ANALYSIS AND DISCUSSION

The draft FY 2023-24 budget includes net operating revenue of \$1,292,472,530 and total expenses of \$1,025,419,992, resulting in net income of \$267,387,731.

The FY 2023-24 budget includes the key assumptions outlined below. A more detailed breakdown and explanation of revenues and expenses are presented in Attachment A.

Staff also expect a significant budget update from its June 2023 ProForma which we plan to present at the June 8, 2023, FRMC meeting but was not ready at the time of this report. This update will include updated cost of energy assumptions based on latest forward-market prices and signed contracts and may include updated revenue assumptions.

Operating Revenue

SDCP's net operating revenue consists primarily of revenues from sales of electricity. Assumptions for net operating revenue include:

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

Cost of Energy includes all the various services purchased from the power market through our counterparties to supply energy to SDCP's customers.

Operating Expenses

SDCP's operating expenses fall into five categories: "personnel costs", "professional services and consultants", "marketing and outreach", "general and administration", and "Programs". Expense assumptions include the following:

- **Personnel** include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. The recruitment strategy includes the addition of approximately 23 new staff members during the FY 2023-24 budget cycle growing the agency to 59 total staff.
- **Professional Services and Consultants** include SDG&E fees, data management fees from Calpine, technical support (for rate setting, load analysis, energy scheduling, etc.), legal/regulatory services and other general contracts related to IT services, audits and accounting services.
- **Marketing and Outreach** includes expenses for mandatory notices, communication consultants, mailers, printing, sponsorships, and partnerships to inform the community of SDCP.
- **General and Administration** budget covers the cost of office space, equipment, membership dues, and other general operational costs.
- **Programs** includes funding for general and administrative support for all program areas. Moving forward, individual program costs will be moved to SDCP's Capital Investment Program (CIP).

Non-Operating Expenses

SDCP's budget also includes non-operating expenses related to interest and related expenses used to finance its operations. These costs are comprised of repayment of loan principle, associated interest costs as well as potential renewal fees on debt or letters of credit.

Capital Investment Program (CIP)

New for FY 2023-24, SDCP is developing its first Capital Investment Program (CIP) which will contain all the individual capital projects, equipment purchases, and major programs for the agency that are intended to span multiple years. The FY 2023-24 budget proposes a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year.



Net Income

The proposed FY 2023-24 budget results in a net position of \$267,387,731.

The following table illustrates SDCP's proposed FY 2023-24 operating budget compared to its amended budget for FY 2022-23.

Table 3. FY 2023-24 Proposed Budget compared to FY 2022-23 Amended Budget

Item	FY 23 Amended Budget, \$M	FY 24 Proposed Budget, \$M	Difference
Gross Revenue	939.2	1,346.3	407.1
Less Uncollectible Accounts	-9.4	-53.9	-44.5
Net Revenue	929.8	1,292.5	362.7
Cost of Energy	738.8	971.6	232.8
Non-Energy Costs	32	46.9	14.9
Subtotal Operating Expense	770.8	1,018.5	247.7
Debt Service	1.3	2.4	1.1
Capital Investment Program	0	4.2	4.2
Total Expense	772.1	1,025.1	253.0
Net Position	157.7	267.4	
Cumulative Net Position	200.2	467.6	
Days Cash on Hand	94.8	166.4	

Community Choice Aggregator (CCA) Comparison

By the end of FY 2023-24, SDCP is expected to have similar operating budgets and staffing levels compared to its peer CCAs of similar customer and load size.

Additionally, and similarly, by the end of FY 2023-24, SDCP's reserves and total liquidity are expected to be comparable to its CCA counterparts who have investment-grade credit ratings.

Investor-Owned Utilities (IOUs) Comparison

For calendar year 2023, San Diego Gas & Electric (SDG&E) non-energy (generation-related) operating expenses were 24% of electric revenue. Southern California Edison non-energy (generation-related) operating expenses were 10% of electric revenue and Pacific Gas & Electric non-energy (generation-related) operating expenses were 12% of electric revenue. SDCP's non-energy operating expenses, by comparison, are only 5% of electric revenue in the proposed FY 2023-24 budget.

It is important to note Operating Expenses reported from SDG&E and other IOUs are general costs of the entire organization and are not solely from their electric energy procurement portion of their business.

FISCAL IMPACT

The proposed FY 2023-24 budget is expected to result in a net position of \$267,387,731. By the end of FY 2023-24, SDCP is projected to have total cash reserves of \$467,587,731 or 166.4 days cash on hand.

ATTACHMENTS

Attachment A: FY2023-24 Proposed Operating Budget





FISCAL YEAR 2023-24 BUDGET

for the period

July 1, 2023 through June 30, 2024



**San Diego Community Power Draft Budget for
FY 2023-24 (Proposed)
Supplemental Details**

	FY 2023-24 Draft Budget	% of Net Revenues
OPERATING REVENUES		
Gross Ratepayer Revenues	\$ 1,346,325,552	
(Less 1% Uncollectible Customer Accounts)	\$ (53,853,022)	
Net Operating Revenues	<u>\$ 1,292,472,530</u>	<u>100.0%</u>
COST OF ENERGY		
Cost of Energy	\$ 971,608,498	
Total Cost of Energy	<u>\$ 971,608,498</u>	<u>75.2%</u>
Gross Net Position	<u>\$ 320,864,032</u>	<u>24.8%</u>
OPERATING EXPENSES		
Professional Services and Consultants		
Data Management	\$ 13,458,692	
SDG&E Fees	\$ 4,035,591	
Technical Support	\$ 1,440,000	
Legal/Regulatory	\$ 2,176,000	
Other Services	\$ 1,819,343	
Total Prof. Svcs. Costs	<u>\$ 22,929,626</u>	<u>1.8%</u>
Personnel Costs		
Salaries	\$ 10,278,911	
Benefits (retirement/health)	\$ 2,008,683	
Payroll Taxes	\$ 729,850	
Accrued PTO	\$ 127,373	
Total Personnel Costs	<u>\$ 13,144,817</u>	<u>1.0%</u>
Marketing and Outreach		
Printing	\$ 1,369,829	
Partnerships/Sponsorships/Memberships	\$ 964,000	
Marketing and Communications	\$ 640,000	
Total Mktg and Outreach Costs	<u>\$ 2,973,829</u>	<u>0.2%</u>
General and Administration		
Other G & A	\$ 6,641,205	
Education and Training	\$ 60,000	
Cal CCA Dues	\$ 405,000	
Rent	\$ 398,768	
Insurance	\$ 32,000	
Total G & A Costs	<u>\$ 7,536,973</u>	<u>0.6%</u>
Programs		
Programs	\$ 278,250	
Total Programs Costs	<u>\$ 278,250</u>	<u>0.0%</u>
Net Operating Expenses	<u>\$ 46,863,494</u>	<u>3.6%</u>
Total Operating Expenses	<u>\$ 1,018,471,992</u>	<u>78.8%</u>
Operating Income (Loss)	<u>\$ 274,000,538</u>	<u>21.2%</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest and Related Expenses	\$ 2,437,574	
Total Non-Operating Revenues (Expenses)	<u>\$ 2,437,574</u>	<u>0.2%</u>
CAPITAL INVESTMENT PROGRAM (CIP)		
Transfer to Capital Investment Program	\$ 4,175,232	
Interfund Transfer Out (Expenses)	<u>\$ 4,175,232</u>	<u>0.3%</u>
CHANGE IN NET POSITION	<u>\$ 267,387,731</u>	<u>20.7%</u>

I. OPERATING REVENUES

SDCP's sole source of revenue currently is from the retail sale of electricity to its customers. Revenue budgeted for FY 2023-24 reflects a full fiscal cycle of retail sales to our commercial and industrial customer base as well as for the majority of the residential customer base.

Additional assumptions for net operating revenue include:

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

II. OPERATING EXPENSES

- a) **Cost of Energy** – Cost of Energy includes all the various services purchased from the power market through our suppliers. This includes purchased energy, capacity, CAISO fees and other miscellaneous power market expenses.
- b) **Personnel** – Personnel costs include salaries, payroll taxes, benefits, and excused absence and paid time off for staff. In addition, costs include assumptions from the Board adopted compensation policy including potential merit and cost-of-living increase.

The recruitment strategy includes the addition of approximately 23 new staff members during the FY 2023-24 budget cycle growing the agency to 59 total staff.

- c) **Professional services and consultants**
 - i) Legal/Regulatory Services – SDCP retains legal counsel to assist with the complex aspects of the regulatory, compliance, power supply contract negotiations as well as its general legal needs. This line item will also allow for the retention of both a state and federal lobbyist to support SDCP's legislative and regulatory efforts.
 - ii) Technical Support – SDCP engages consultants to assist with rate setting, policies, joint rate comparisons with the IOU, load analysis, and a scheduling coordinator. After electric power is scheduled for delivery to customers and ultimately consumed by those customers, the actual electric consumption must



- be trued up against the forecasted and scheduled energy. This true-up occurs through the settlement process. Settlements also entail addressing a number of other market and regulatory requirements. As SDCP grows its internal staff, it will look to in-house portions of this service.
- iii) Other Services – SDCP contracts or plans to contract for IT Services, Audit services (data and financial), Accounting services, and other services as needs. SDCP continues to examine if these services are more cost effective or efficient to bring in-house and, in particular, SDCP is growing its IT function in house and expecting a reduction in its IT Services professional services agreement.
 - iv) SDG&E Service Fees – Service fees paid to SDG&E consist of a charge of a fixed fee per account per month. The rollout of all enrollment phases add significant costs compared to FY 2023-24. The fees cover SDG&E's costs associated with meter reading additional data processing and bill coordination as mandated and regulated by the California Public Utilities Commission (CPUC). There are also numerous small fees associated with data requests.
 - v) Data Management – Broad scope of services that includes all “back office” billing data validation, bill coordination with SDG&E, call center services and billing technical support, customer enrollment database management, move-in/move-out services, customer research for enrollment support, and many support functions related to data reporting. With full enrollment from all phases, the cost for Data Management will be higher compared to prior fiscal years.
- d) ***Marketing and Outreach***
- i) Communications Consultants – An important focus of SDCP is ensuring the community is informed about SDCP and that we build professional-level name recognition, trust, and education. This also covers the design of all required notifications sent out to customers, opt-out procedures, rate comparisons, as well as other notices or educational or marketing information.
 - ii) Notices, Mailers, Printing and Sponsorship – In addition to required noticing, SDCP performs outreach to educate the community of the benefits of community choice and to encourage awareness of our mission. This will come in the form of media advertising, sponsorships of community events and organizations, mailers, as well as targeted customer communications.
- e) ***General and Administration*** – General and Administration costs include leasing office space, industry fees or memberships (e.g., CalCCA dues), equipment and software, as well as other general operational costs including Board and Committee expenses, Board stipends, staff travel or professional development, team building, etc.

- f) **Programs** – Programs includes funding for general and administrative support for all program areas including services such as geographic information systems (GIS) mapping grant-writing support, etc. Moving forward, individual program costs will be moved to SDCP's Capital Investment Program (CIP).

III. **NON-OPERATING REVENUES (EXPENSES)**

Non-operating revenue represents interest income earned on cash reserves. Non-operating expenses represents interest paid on borrowed funds under the bank credit facility maintained by SDCP used to finance a portion of its operations. Expenses also include other bank related fees (i.e. letter of credit issuance fees, renewal fees, etc.).

IV. **CAPITAL INVESTMENT PROGRAM (CIP)**

New for FY 2023-24, SDCP is developing its first Capital Investment Program (CIP) which will contain all the individual capital projects, equipment purchases, and major programs for the agency that are intended to span multiple years.

The FY 2023-24 budget proposes a one-time portion of net operating revenues be transferred to the CIP as a continuing fund in which any unspent funds are kept within that fund and carried forward to the subsequent fiscal year.

The CIP includes funding for local development feasibility studies, customer program pilot projects, member agency grants, community grants, a customer education platform, and other areas as outlined in the short- and medium-term program areas.



SAN DIEGO COMMUNITY POWER Staff Report – Item 4

To: Financial and Risk Management Committee

From: Lucas Utouh, Director of Data Analytics and Account Services

Via: Karin Burns, Chief Executive Officer

Subject: Approval of Remainder of Collections/Delinquency Policy for Residential Customers

Date: June 8, 2023

RECOMMENDATION

Recommend Board Approval of the Remainder of Collections/Delinquency Policy for Residential Customers

BACKGROUND

As a best practice for ensuring the long-term ability to predict risk, reduce bad-debts and provide a better experience for customers, it is imperative that load serving entities including CCAs and Utilities reshape their collections and delinquent accounts handling policies to better position themselves well especially in the post COVID-19 environment. According to McKinsey & Company (a consulting firm tracking credit and collection processes in the energy sector globally), the reshaping of the collections and delinquent accounts handling is critical in allowing such entities to see other benefits for their customers including improving customer experience, loyalty and brand recognition. In a tight economic and regulatory framework, load serving entities need to work smarter to minimize and mitigate bad debts for their overall long term financial viability, resiliency and competitiveness. The development of the subject policy was based on Staff's review of collections and delinquent accounts' handling policies across community choice aggregation (CCA) programs in California.

Following Staff's recommendation during the October 2021 Board meeting to adopt a Collections and Delinquent Accounts Handling Policy, Directors Monica Montgomery-Steppe and Bill Baber proposed amendments to the policy presented. Staff then incorporated the recommended amendments accordingly and tracked all the changes made to the original policy for the Board of Directors' review, consideration and approval during the December 2021 Board meeting. The Board approved the Collections and Delinquent Accounts Handling Policy specific to just the Non-Residential customers during the December 2021 Board meeting and instructed Staff to collect additional data specific to the Residential customers throughout 2022 following the conclusion of the

largest residential customers' enrollment Phase 3 across City of San Diego, City of Chula Vista, City of Imperial Beach, City of La Mesa and City of Encinitas. Staff has collected the delinquency and arrearage data as instructed by the Board in 2021 and is proposing the approval of the remainder of the collections and delinquency policy for residential customers in addition to the existing Board approved policy that covers Non-residential customers.

ANALYSIS AND DISCUSSION

Adopting a robust Collections and Delinquent Accounts Handling Policy will allow SDCP to better serve our customers and set clear expectations on the handling of past due customer charges. In alignment with SDG&E's past due date clause articulated in their Rule 9 and Rule 11, bills for residential electric service are due and payable upon presentation whereby such bills are the first notice to the customer that the amount shown is due and payable. Residential bills will become past due if not paid within 19 days of the date mailed; Non-residential bills will become past due if not paid within 15 days from the date mailed. Staff is proposing that the Board approves a Collections and Delinquent Accounts Handling Policy that is more customer-centric whereby any SDCP customer who has overdue SDCP charges that exceed \$250 shown on their SDG&E bill to receive a late payment notification letter from SDCP after being 60 days past due and a second letter at 90 days past due, informing them of their overdue status and the avenues available to pay the overdue SDCP charges.

FISCAL IMPACT

Adopting a Collections and Delinquent Accounts Handling Policy will contribute to SDCP achieving its strategic long-term objectives.

ATTACHMENTS

Attachment A: Collections and Delinquent Accounts Handling Policy approved by the Board during the December 2021 Board meeting along with the proposed changes recommended by Staff after analyzing the Residential customers from 2022 through current period.





San Diego Community Power

Collections and Delinquent Accounts Handling Policy

Effective Date: June 22, 2023

PURPOSE

This policy establishes a delinquent accounts, late payment notification, collections and write off policy that provides the framework for San Diego Community Power (SDCP) Staff and Back Office Service provider to better serve our customers and set clear expectations on the handling of past due customer charges for both Residential and Non-Residential customers

GENERAL CRITERIA

1. All customers must pay all outstanding SDCP charges for the period in which they received service from SDCP.

DELINQUENCY HANDLING: LATE PAYMENT NOTIFICATION

2. Any active SDCP customer who has overdue SDCP charges that exceed \$250 for residential and \$500 for non-residential class shown on their SDG&E bill will receive a late payment notification letter from SDCP at the customer's last known mailing address on file or, if customer consented to receive electronic notices or electronic bills, at customer's last known email address on file. The first letter and/or email will be sent after the account balance being 60 days past due, with a second letter and/or email sent after being 90 days past due, informing the customer of their overdue status, the avenues available to pay the overdue SDCP charges, and means to apply for a payment plan arrangement with SDG&E. The customer will be provided 30 days after the second and final late payment notification is sent to either pay in full or make arrangements to cure the past due balance through payment plans offered by SDG&E on behalf of SDCP. If payment in full is not received within the prescribed 30 days, or the terms of an activated payment arrangement are not fulfilled, the delinquent SDCP customer account will be dropped from SDCP generation service and returned to SDG&E bundled generation service on the next account meter read date. SDG&E has discretion to assess the customer an opt out fee and enforce their other terms and conditions, including the return to full-bundled SDG&E service on SDG&E's Transitional Bundled Service (TBS) rate, in accordance with SDG&E's Schedule CCA ("Transportation of Electric Power for Community Choice Aggregation Customers"). Transfer back to SDG&E service does not relieve the customer of paying SDCP charges and/or other charges due and owing including SDG&E charges, nor does it halt any SDG&E shut-off procedures.

Please see the following exclusions:

- Customers already on any SDG&E payment arrangement plans who are meeting the payment plan requirements will be excluded from receiving late payment notifications and/or being subjected to SDCP's delinquent accounts handling protocols.
- SDCP customers enrolled in the California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) shall receive an additional 2 late payment letters after being 120 days past due and 150 days past due respectively after the initial 2 letters referenced in #2 above and will be provided 30 days, after the 4th and final late payment notification letter is sent, to either pay in full or make arrangements to cure the past due balance in installments through payment plans offered through SDG&E on behalf of SDCP. If payment in full is not received within the prescribed 30 days, or the terms of an activated payment arrangement are not fulfilled, the delinquent SDCP customer account will be closed and returned to SDG&E bundled generation service on the next account meter read date. SDG&E has discretion to assess the customer an opt out fee in

accordance with SDG&E's Schedule CCA ("Transportation of Electric Power for Community Choice Aggregation Customers")

- SDCP customers enrolled in the California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) at the time SDG&E returns the uncollectable receivable to SDCP are not subject to the collections protocols articulated in this policy if the balance is \$500 or less.

COLLECTIONS:

3. SDCP selected Financial Credit Network (FCN), a proven collections agency through a formal solicitation process to enforce this policy *for Non-Residential customers in 2022 in accordance with the 2021 Board approved Collections and Delinquent Accounts Handling policy.*
4. Any overdue SDCP charges (120 days or more past due) totaling \$50.00 or more which have not been paid by a customer who is no longer active and being collected by SDG&E may be referred to a collections agency for settlement.
5. Any overdue SDCP charges (120 days or more past due) totaling \$49.99 or less which have not been paid by a customer who is no longer active and being collected by SDG&E may be considered bad debt and written off.
6. No accrued interest will be charged on any customer account.
7. If a customer has not paid within 180 days following the initiation of the collections process, the collection agency may file credit reporting information on the customer with all applicable agencies.
8. Under review and the guidance of SDCP Staff, the collections agency may be authorized to pursue legal action on any customer with an outstanding balance of \$750 or more.
9. The collection agency is prohibited from selling information provided by SDCP for the purposes of collection of the past due balance.
10. The collection agency retained by SDCP shall comply with all laws or regulations relating to consumer protection, credit reporting or monitoring, debt collections, customer confidentiality, or other similar laws and regulations.
11. After a customer has paid all overdue amounts, all collections activity will terminate for that customer.

MISCELLANEOUS:

12. Staff is returning to the Board with an adjusted policy recommendation that will cover Residential customers as well as the Non-Residential customers after collecting more data in 2022 and 2023 specific to Residential customers.
13. On no less than an annual basis, SDCP Staff shall review the delinquency handling protocols, late payment notification, collections and write off practices articulated in this policy and propose adjustments to the Board as needed.
14. The Chief Executive Officer (CEO) of SDCP or their designee may, in their discretion, cancel, recall an account from the collection agency or otherwise deviate from the process specified in this policy for reasons including but not limited to cases of unforeseeable events, inconsistent receivable data from SDG&E, exigent circumstances, SDG&E bill presentment limitations or customer hardship.