SAN DIEGO COMMUNITY POWER
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San Diego, CA 92112
sdcommunitypower.org

June 3, 2021

Mr. Charles Marchesano
Chief, Energy and Sustainability Program
County of San Diego
Via Email

Re: Response to San Diego County Request for CCE Information

Dear Mr. Marchesano,

San Diego Community Power (SDCP) is pleased to respond to the County of San Diego's request for information to assist in its consideration of joining either SDCP or Clean Energy Alliance. Below you will find background information on SDCP, key considerations for any city or county seeking membership, and a response to questions submitted by the County in a letter dated April 18, 2021. We look forward to further discussions once an analysis of County customer and energy load data is completed.

SDCP was formed on October 1, 2019 and began serving its first customers in March of this year. The Board is made up of one mayor or city councilmember from the five member cities, with an alternate for each. Once fully launched, SDCP will be serving approximately 770,000 customer accounts and 6,000 gigawatt-hours per year, making it the second largest community choice program in California. Our Board has demonstrated a collaborative approach to every decision through in-depth policy discussions that include our staff, our Community Advisory Committee, and the public.

To-date, SDCP has achieved many significant milestones. We now have 10 full-time employees, including an Interim CEO, Chief Operating Officer, Chief Financial Officer, Director of Power Services, Director of Regulatory and Legislative Affairs, Director and Managers in Data Analytics and Account Services or Programs. With this new talent on board, we've successfully: engaged in proceedings at the Public Utilities Commission that resulted in benefits to all ratepayers; built an energy resources portfolio that manages our near-term financial and reliability risk and ensures delivery of clean, renewable energy; and began key account customer engagement to ensure customers receive support they need; and, identification and implementation of local community energy programs. We anticipate filling in an additional 16 critical staffing roles in FY22 including internship opportunities in the Fall.

Unique among community choice programs, SDCP received private collateral to secure our credit facility with River City bank in April 2020 rather than relying on the general funds of our member cities. We currently have a $35 million credit facility. Our administrative operating costs (e.g., personnel, professional services, marketing and outreach) are only about 4% of our total operating expenses in FY22.

True to our commitments to our communities, we have already approved three new build, long-term renewable energy projects. These three projects achieve 350 megawatts (MW) of solar and 220MW of battery storage in San Diego, Imperial, and Riverside Counties providing enough power for nearly 200,000 homes annually. Our substantial customer demand allows us to contract for a diversity of projects – in location and resources – leading to improved risk management, energy reliability, and other economic benefits such as job creation. Another key element of our portfolio development is programs to incentivize distributed generation within our member cities.

It is important for all members to share a common vision of the goals and objectives of the JPA. When considering joining SDCP, we recommend the County review SDCP's JPA Agreement, including the recitals that provide insight into our organization's goals and priorities. Next is the consideration of how a member agency can support the goals of building local, renewable energy through their own policies and authority. Last, a key benefit of SDCP to our own customers and the region as a whole is ratepayer advocacy in the legislative and regulatory arena, so further support and alignment from member agencies on issues that affect their constituents can often be beneficial.

To conclude, while still a young organization, SDCP has successfully launched initial service to customers and is providing value to its founding members. The value we bring to our members is through the economies of scale achieved, greater influence with local elected officials and regulatory agencies, and a diversity in the communities we serve. We welcome the opportunity to support the County in exploration of community choice as a pathway to achieve its own climate action goals and seek benefits for its ratepayers.

Sincerely,

Bill Carnahan
Interim CEO

Cc:
Cody Hooven, COO, SDCP
SDCP Board of Directors

Below lists each County Guiding Principle followed by references to highlight agreement and consistency with SDCP policy.

1. *County Guiding Principle – Prioritize social equity and environmental stewardship.*

SDCP: JPA Agreement Recitals 6(d) "Develop an aggregate electric supply portfolio with overall lower greenhouse gas (GHG) emissions than the IOU, and one that supports near-term achievement of the Parties' greenhouse gas reduction goals and renewable electricity goals." Recitals 6(m) "Pursue purposeful and focused investment in communities of concern, prioritization of local renewable power, workforce development, and policies and programs centered on economic, environmental, and social equity." See also Recital 6(j), (k), and (l).

SDCP Inclusive and Sustainable Workforce Policy Section 1(b)(iii) on Supply Chain (Goods and Services), "Engage in efforts to reach communities of concern, to ensure an inclusive pool of potential suppliers." Section 3 on Reporting of Diverse Business Enterprises and Inclusive and Sustainable Workforce, "...vendors and project developers shall report on the number of women, minority, disabled veteran employees performing work for SDCP."

2. *County Guiding Principle – Provide cost competitiveness compared to the incumbent utility.*

SDCP: JPA Agreement Recital 6(b) "Provide electric generation rates to all ratepayers that are lower or at least competitive with those offered by the Investor-Owned Utility (IOU), San Diego Gas & Electric (SDG&E)."

SDCP's base product, PowerOn, is currently 1% less expensive than SDG&E while providing a superior product. PowerOn is 50% renewable and additional 5% greenhouse gas free while SDG&E's portfolio is 31% renewable.

3. *County Guiding Principle 3) Achieve 100% renewable electricity by 2030; encourage within-County buildout of renewable energy, battery storage, and energy efficiency programs; and prioritize Category 1 renewable energy.*

SDCP: JPA Agreement Recital 6(c) "[achieve and sustain] 100 percent renewable energy availability and usage, at competitive rates, within the territory by no later than 2035, and then beyond." Recital 3: "[foster] local economic benefits such as job creation, local energy programs and local power development." Recital 6(e) "Prioritize the use and development of local, cost-effective renewable and distributed energy resources in ways that encourage and support local power development and storage." Section 6.4 "[SDCP] shall provide its customers energy primarily from Category 1 eligible renewable resources…[and] avoid the procurement of energy from Category 2 or 3 to the extent feasible."

As of this month, SDCP will have approved three power purchase agreements for new-build renewable energy projects in Southern California, with one in San Diego County. All three are Category 1 power.

4. *County Guiding Principle – Support requirements for prevailing wages, as defined in California Labor Code section 1770 et seq., and skilled and trained workforce, as defined in California Public Contract Code section 2601, for CCE-owned generation, feed-in-tariff, and energy efficiency projects.*

SDCP: JPA Agreement Recitals 6(h) “Demonstrate quantifiable economic benefits to the region including prevailing wage jobs, local workforce development, economic development programs, new energy programs, and increased local energy investments.”

SDCP Inclusive and Sustainable Workforce Policy Section 2(c) on Feed-In Tariff “SDCP will require contractors and subcontractors performing work on any SDCP Feed-In Tariff project to pay at least the prevailing rate of wages.”

5. *County Guiding Principle – Encourage the development of an equitable jobs pipeline for individuals from communities of concern; the use of a bid evaluation policy prioritizing the selection of new local renewable energy and storage projects; and the workforce development criteria prioritizing the use of State-certified apprenticeship and proper assignment of work to crafts that traditionally perform the work, as permitted by applicable law.*

SDCP: JPA Agreement Recital 6(i) “To the extent authorized by law, support a stable, skilled, and trained workforce through a variety of mechanisms, including neutrality agreements, that are designed to ensure quality workmanship at fair and competitive rates and which benefit local residents by delivering cost-effective clean energy programs and projects.” Recital 6(j) “Promote supplier and workforce diversity, including returning veterans and those from regional disadvantaged and under-represented communities of concern, to reflect the diversity of the region.”

SDCP Inclusive and Sustainable Workforce Policy Section 2(a)(iii) on PPAs states “Support the use of State of California approved apprenticeship programs.” Section 2(c) on FIT, “SDCP will encourage construction contractors or subcontractors to its Feed-In Tariff program to utilize local businesses, local apprenticeship programs, fair compensation practices including proper assignment of work to crafts that traditionally perform the work, and the use of a skilled and trained workforce.”

6. *County Guiding Principle – Limit General Fund Liability.*

SDCP: JPA Agreement Section 3.5, “The debts, liabilities, and obligations of the Authority shall not be the debts, liabilities, and obligations of any of the Parties unless a Party agrees in writing to assume any of the debts, liabilities and obligations of the Authority with the approval of its Governing Body, in its sole discretion.”

SDCP received private investor collateral rather than general fund of its member cities in order to secure a $35 million credit facility from River City Bank in May 2020.

Additional County questions

1. What are your anticipated rate discounts versus SDGE?

SDCP: Our generation rates are currently 1% below SDG&E as of June 2021, inclusive of PCIA, for electricity that is significantly higher in renewable content.

2. What is the anticipated "membership fee", if any, that would be required? Are there any other payment requirements to join?

SDCP: Currently this is an open item that will need to be determined by our Board. A pro forma analysis of the County's electricity profile is underway and will determine further costs that could be incurred by SDCP customers resulting in the addition of the County and benefits that may offset those costs. This analysis has an estimated not-to-exceed cost of $30,000 for the analysis and summary report. This will be funded by SDCP and reimbursed by a potential member should they choose not to pursue membership after they request initiation of the analysis.

3. Aside from any payments required in connection with joining the JPA, are there any current or anticipated payment obligations of JPA Members?

SDCP: No.

4. What liabilities would the County be expected to incur by joining the JPA?

SDCP: Aside from an initial financial assessment as described in #2, SDCP's JPA Agreement states: any debts, liabilities and obligations of the Authority shall not be the debts, liabilities, and obligations of any of the Parities unless a Party agrees in writing to assume any of the debts…: See further provisions of the JPA Agreement for additional information (Section 7.3.4 and Section 8).

5. Will you offer the same rate for all members or is there going to be a "newcomers"? rate?

SDCP: It is not anticipated that generation rates would differ among members. However, there is fee that is outside SDCP's control, the Power Charge Indifference Adjustment or PCIA, that is determined based on the year the load departs bundled service with SDG&E. Therefore, that fee would be different for any new customers that are served each year.

6. Please explain the process and any deadlines for the County to join in 2021?

SDCP: Below is a proposed timeline.

- County
    - By June 30
        - <u>COMPLETE</u> - Provide most recent 3 years of data

        - Commitment to pay fee for analysis if needed
    - By August 30
        - Preliminary decision needed
    - By October 31
        - Adopt JPA Agreement
        - COMPLETE - Adopt CCA ordinance as required by law
        - Name a Director and Alternate
- SDCP
    - By May 27
        - Board approval/direction on new members and County
    - By June 30
        - Provide further response/analysis to the County
        - Policy – Set fee for evaluation and criteria or determine if fee needed
    - By August 15
        - IN PROCESS – Complete pro forma analysis
    - By September 30
        - Present findings and seek Board resolution for new member
        - Determine financial impact to SDCP of new member and mitigations, if needed
    - By November 30
        - Amendment and Board approval of Implementation Plan for submission to CPUC (file no later than Jan. 2, 2022)
    - January 1, 2023 or later
        - Start service for the County, enrollment schedule TBD

7. If the County were to join in 2021, how do you anticipate the rollout going in 2023? All at once or in phases?

SDCP: This will be determined based on the pro forma analysis, operational needs, and market impacts, in consultation with the County staff. The Board has discretion in this decision; staff recommend enrollment as soon as is financially and operationally reasonable.

8. What functions would County staff be expected to perform after joining the JPA?

SDCP: Beyond Board responsibilities, there are no function requirements after joining SDCP for member agency staff. SDCP staff meet regularly with our member agency staff to maintain communication between the organizations. This is a higher priority at launch while there is a need for coordination on account enrollment, rate questions, etc. We would invite staff from the County to join those meetings should they join SDCP.

9. Please provide your most recent proforma budget.

SDCP: See below.

Current SDCP Pro Forma

Year Type	Fiscal

Annual Pro Forma Projections
San Diego Community Power
12-May-21

Year Ending:	2021	2022	2023	2024	2025
I. Revenue					
Base Retail Revenue	26,427,830	316,478,007	464,498,372	465,392,704	467,719,667
Power100 Premium	124,602	1,842,853	2,834,530	2,841,319	2,855,526
Subtotal Operating Revenue	26,552,433	318,320,860	467,332,902	468,234,023	470,575,193
II. Operating Expenses					
Power Supply	29,561,844	284,304,178	398,178,895	385,755,930	375,487,097
Staff	1,500,000	4,500,000	4,635,000	4,774,050	4,917,272
Professional/Technical services	630,120	831,306	909,753	932,574	956,493
Legal	240,000	300,000	309,000	318,270	327,818
Communications, Mktg, Enrollment	687,998	3,315,021	1,660,276	1,677,597	1,698,317
Other General and Administrative	365,000	420,000	432,600	445,578	458,945
Regulatory and CalCCA Fees	410,000	895,000	921,850	949,506	977,991
Data Management	-	1,621,251	8,190,524	8,771,773	8,902,686
Utility Service Fees	23,664	768,508	3,046,375	3,145,725	3,256,294
Uncollectibles/Other	84,286	1,484,776	2,091,421	2,033,855	1,984,915
Subtotal Operating Expenses	33,502,911	298,440,040	420,375,694	408,804,858	398,967,827
Operating Margin	(6,950,479)	19,880,820	46,957,208	59,429,165	71,607,366
III. Financing					
Interest	375,000	857,820	715,471	545,067	370,354
Principal	-	2,752,650	6,724,411	6,894,461	7,068,812
Subtotal Financing	375,000	3,610,470	7,439,883	7,439,528	7,439,165
Operating Margin Less Financing	(7,325,479)	16,270,350	39,517,325	51,989,636	64,168,201
IV. Cash From Financing	35,000,000	-	-	-	-
V. Other Uses					
CPUC and CAISO Deposits	1,275,000	-	-	-	-
Collateral Deposits	5,000,000	-	-	-	-
Subtotal Other Uses	6,275,000	-	-	-	-
VI. Net Surplus/(Deficit)	21,399,521	16,270,350	39,517,325	51,989,636	64,168,201
VII. Cumulative Net Surplus	20,697,021	36,967,371	76,484,696	128,474,332	192,642,533