



**REGULAR MEETING of the Finance Committee of the
Clean Power Alliance of Southern California**

Wednesday, August 22, 2018

11:00 a.m.

555 W. 5th Street
1st Floor, WeWork Room 1A
Los Angeles, CA 90013

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Jacquelyn Betha, at least two (2) working days before the meeting at jbetha@cleanpoweralliance.org or (213) 269-5870, ext. 1001.

Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

Members of the public may also participate in this meeting remotely at the following addresses:

*Beverly Hills City Hall
4th Floor, Conference Room 4B
455 N. Rexford Drive, Beverly Hills, CA 90210*

*Camarillo City Hall
601 Carmen Drive, Camarillo, CA 93010*

*Carson City Hall
Executive Conference Room
701 E. Carson Street, Carson, CA 90745*

*Manhattan Beach City Hall
2nd Floor Conference Room
1400 Highland Ave., Manhattan Beach, CA 90266*

*Rolling Hills Estates City Hall
4045 Palos Verdes Drive N., Rolling Hills Estates, CA 90274*

I. WELCOME & ROLL CALL

II. PUBLIC COMMENT

This item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip. If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of the staff who will distribute the information to the Committee members and staff. Speakers are customarily limited to two minutes, but an extension can be provided at the discretion of the Committee Chair.

III. REGULAR AGENDA

1. Approve Minutes from July 25, 2018 Finance Committee Meeting
2. Financial Policy #1 – Credit Card Policy and Procedures
3. July 2018 to December 2019 Financial Outlook, including SCE payment trends, energy market price trends, and SCE rate scenarios

IV. COMMITTEE MEMBER COMMENTS

V. ADJOURN

Public records that relate to any item on the open session agenda for a regular Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of, the members of the Committee. The Board of Directors has designated Clean Power Alliance, 555 W. 5th Street, 35th Floor, Los Angeles, CA 90013, for making those public records available for inspection. The documents are also available online at

www.cleanpoweralliance.org.

REGULAR MEETING of the Finance Committee of the
 Clean Power Alliance of Southern California
 Wednesday, July 25, 2018, 11:00 a.m.

555 W. 5th Street, 35th Floor
 Los Angeles, CA 90013

*Beverly Hills City Hall
 4th Floor, Conference Room 4B
 455 N. Rexford Drive
 Beverly Hills, CA 90210*

*Camarillo City Hall
 601 Carmen Drive
 Camarillo, CA 93010*

*Carson City Hall
 Executive Conference Room
 701 E. Carson Street
 Carson, CA 90745*

*Claremont City Hall
 207 Harvard Ave. N
 Claremont, CA 91711*

*Manhattan Beach City Hall
 2nd Floor Conference Room
 1400 Highland Ave.
 Manhattan Beach, CA 90266*

*Rolling Hills Estates City Hall
 4045 Palos Verdes Drive N.
 Rolling Hills Estates, CA 90274*

MINUTES

I. WELCOME & ROLL CALL

Committee Chair Julian Gold called the meeting to order. Board Secretary Jacquelyn Betha, conducted roll call.

Roll Call				
1	Beverly Hills	Julian Gold	Committee Chair	Present
2	Camarillo	Tony Trembley	Committee Member	Present
3	Carson	Reata Kulcsar	Committee Member	Present
4	Claremont			Absent
5	Manhattan Beach	Amy Howorth	Committee Member	Present
6	Rolling Hills Estates	Steve Zuckerman	Committee Member	Present

II. PUBLIC COMMENT

There were no public comments.

III. REGULAR AGENDA

1. Approved Minutes from June 27, 2018 Finance Committee Meeting

Executive Director Ted Bardacke noted a change to the minutes to reflect Committee Member Trembley's request that payments and transactions be made available at CPA's offices for review by Committee Members.

Motion: Beverly Hills, Committee Chair Julian Gold. Second: Camarillo, Committee Member Tony Trembley. Vote: Item 1, as amended, was approved by a roll call vote with one abstention (Manhattan Beach, Committee Member Amy Howorth).

2. Received Cash Flow Update

Executive Director Ted Bardacke gave a summary of where CPA is expected by the close of July 2018. CPA projected to have \$5.4 million in cash, but CPA's cash flow is about \$1.25 million ahead of that projection, which provides a cushion for some of the current volatility in the energy market. Matthew Langer, CPA Chief Operating Officer, provided an update on the impacts the recent heatwave as well as some natural gas restraints, had on the market. CPA was well prepared for these fluctuations through its hedging strategy and experienced minimal exposure during the sudden escalated pricing.

3. Discussed Treasurer Position for Clean Power Alliance

Executive Director Ted Bardacke reported that CPA has a need to appoint a Treasurer, and introduced Rachele Anema from the County of Los Angeles Auditor/Controller, which is currently filling that role. CPA is in the process of hiring a Manager of Finance & Risk Management, who could serve as the Treasurer, similar to the way the CPA Executive Assistant serves as the Board Secretary. Oversight will continue to be provided by the County of Los Angeles through the transition, but given the volume of transactions at CPA, an in-house person could serve this role for CPA.

The Committee discussed the role of the Manager of Finance, and whether it would be similar to a Chief Financial Officer. The Committee also discussed whether a staff level Treasurer would provide independent advice to the Board on financial matters. The Committee expressed the importance of having a qualified person who can carry out the desired responsibilities for CPA in relation to the Executive Director, Finance Committee, and Board of Directors. Ms. Anema reported that Maher Accountancy does not want to serve the Treasury role due to the conflict with the services its currently providing CPA. It was determined that CPA staff would incorporate changes recommended by Committee Members to the job description related to desired qualifications and years of experience. It was also determined that Chair Gold and Committee Member Tony Trembley would be invited to participate in the interview process for the hiring of the Manager of Finance.

IV. COMMITTEE MEMBER COMMENTS

Chair Gold suggested moving the time back for the Energy Committee Meeting, which begins immediately after this meeting, to provide additional preparation time since the Finance Committee Meeting sometimes runs longer than scheduled.

V. ADJOURN

Chair Gold adjourned the meeting.



Energy Market Trends and Financial Impacts

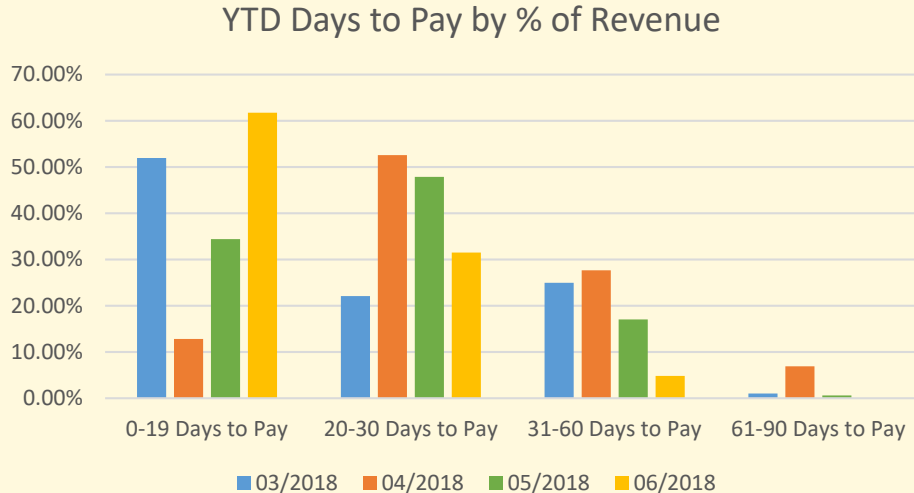
August 22, 2018 – Finance Committee

Background and agenda

- As the Board approaches 2019 rate setting in November, a number of trends are relevant to consider
- These trends impact the two key areas of uncertainty that were discussed at the August Board meeting
 - SCE's 2019 rates
 - CPA's 2019 energy costs
- This presentation covers the following topics:
 - Update on revenue collection from SCE
 - Review recent energy market trends and drivers
 - Sensitivity analysis on changes to energy prices and SCE rates

Collections from SCE are improving

- Our experience to date with SCE shows slow and inconsistent collections near enrollment periods, but improvement after a couple months
- CPA expects to see the same trend with recent Phase 2 enrollments and similarly with 2019 enrollments



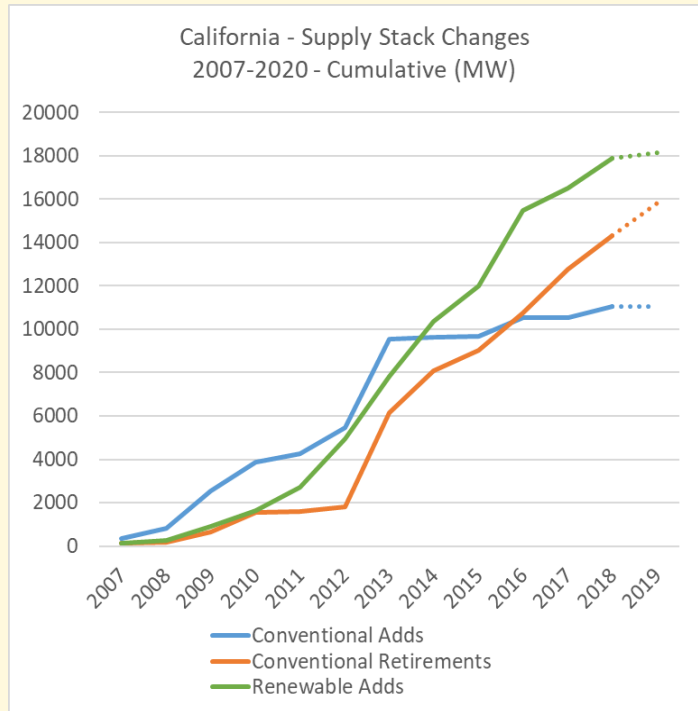
- CPA will incorporate collection trends as it updates its financial forecasts

Market energy prices are up significantly this summer

- Forward markets suggest prices will remain elevated into 2019 and beyond
- Key drivers for increased volatility and higher prices include:
 - Retirement of gas-fired generation
 - Natural gas delivery constraints
 - Unusually hot weather

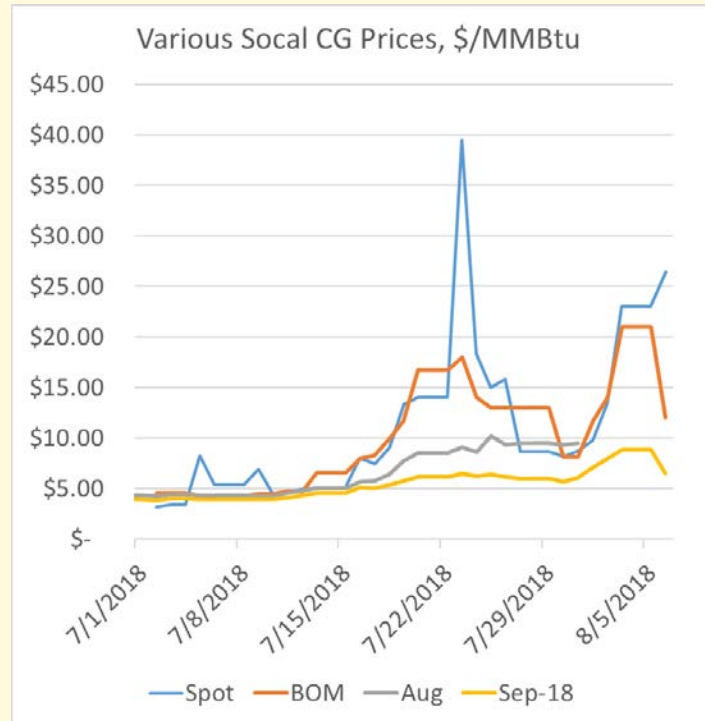
Gas-fired generation retirement impacts

- Gas retirements are far outpacing additions in recent years
- Additional renewable energy capacity is significant, but currently lacks flexibility to meet grid needs in the evening hours



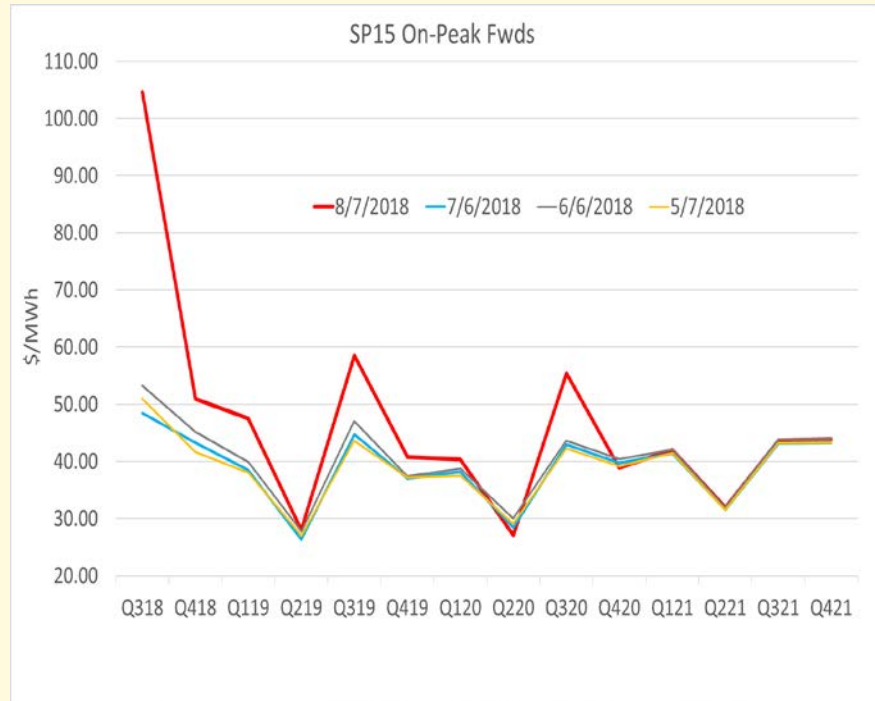
Natural gas constraints are causing price volatility

- Aliso Canyon limitations and pipeline restrictions have driven extreme volatility and generally higher gas prices
- Natural gas prices and power prices are linked
- High heat events have also been a factor



The markets are showing increasing prices through 2020

- Forward energy prices have risen significantly since May, particularly for summer pricing
- This indicates that market participants believe many of the factors driving higher prices in 2018 will persist



Implications of market volatility

- CPA is well insulated from market volatility for remainder of the year
 - Per the Risk Management Policy, CPA hedges most of its load in advance (greater than 90%), so we face very little exposure to the daily markets
- SCE faces greater risk in the current environment
 - SCE has of practice of maintaining some market exposure in their portfolio (currently around 40%), so their bundled customers bear the full cost of higher market prices
 - They also benefit when prices are lower than expected

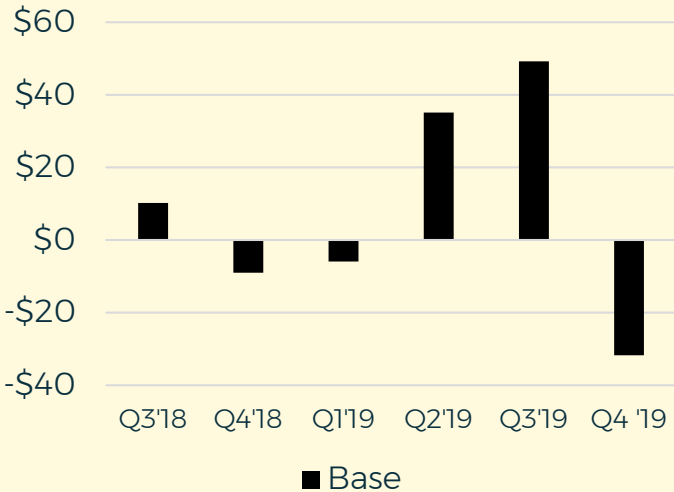
Sensitivity analysis

- Increased prices and market volatility make SCE rate decreases less likely in 2019 and could lead to rate increases
- At the same time, higher energy prices will impact CPA's financials
- The sensitivity analysis considers a range of impacts for these variables

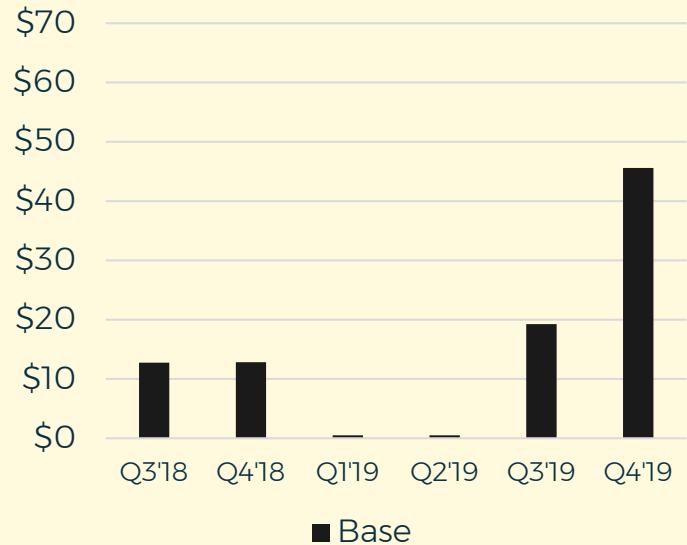
CPA Current Financial Projections

Based on third-party validated financial model, dated July 2018

Quarterly Change in Net Position (\$M)



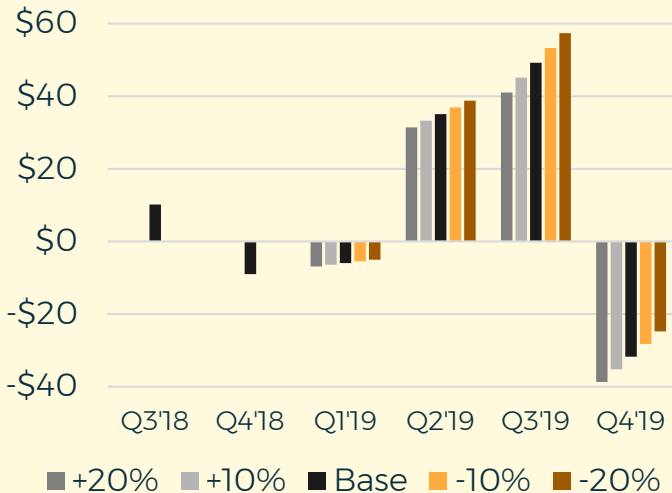
Ending Cash Position (\$M)



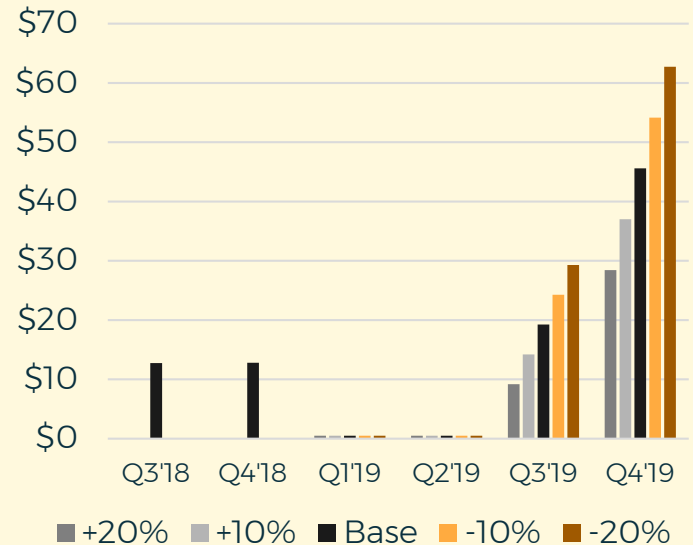
Energy price sensitivities

The following sensitivities consider the impact of **changing energy prices** on CPA's 2019 cash flow and net position

Quarterly Change in Net Position (\$M)



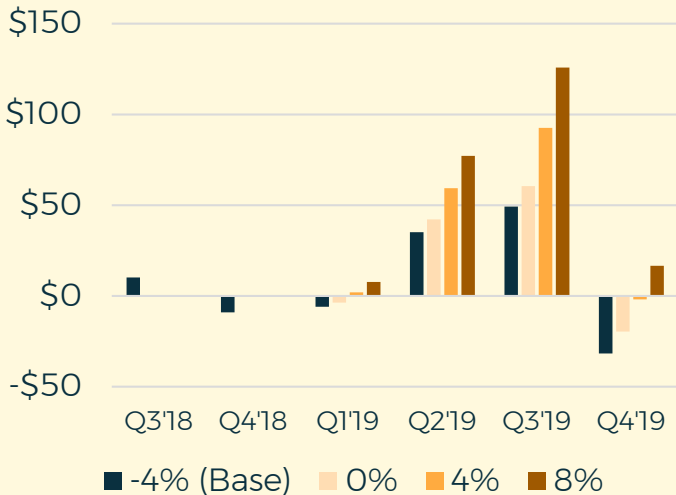
Ending Cash (\$M)



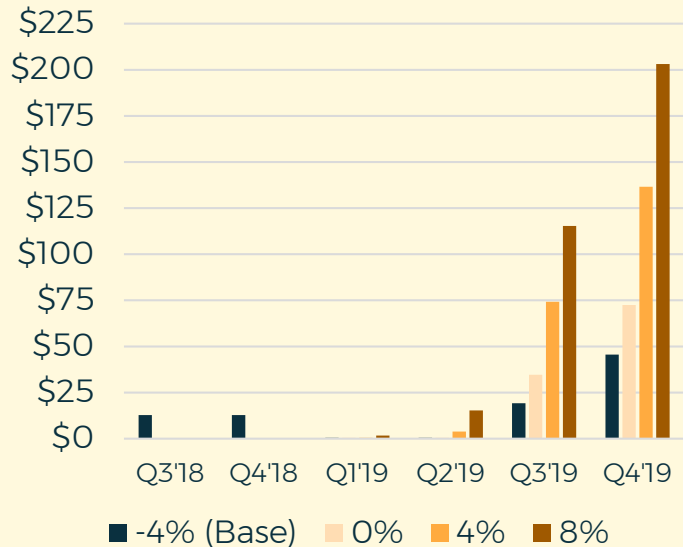
SCE rate sensitivities

CPA plans to set its 2019 relative to SCE rates; the following sensitivities consider the impact of **potential SCE rate changes in 2019**

Quarterly Change in Net Position (\$M)



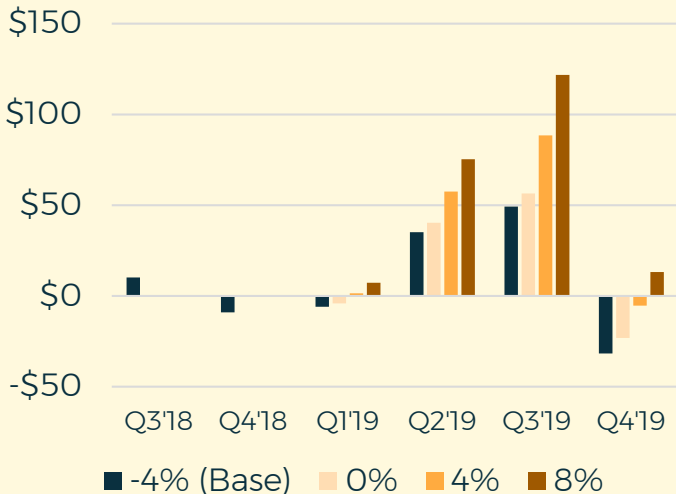
Ending Cash (\$M)



Rate and price sensitivities

Since energy prices will impact costs and revenues, these sensitivities illustrate the combined impact of increased energy prices (10%) and various SCE rate levels

Quarterly Change in Net Position (\$M)



Ending Cash (\$M)

