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

Wednesday, October 24, 2018
11:00 a.m.

555 W. 5th Street, 35th Floor
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

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. GENERAL ANNOUNCEMENTS

IV. REGULAR AGENDA

1. Approve Minutes from September 26, 2018 Finance Committee Meeting
2. September 2018 Monthly Financial Dashboard
4. October 2018 Risk Management Team Report
4. 2019 Financial Scenarios

V. COMMITTEE MEMBER COMMENTS

VI. 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, September 26, 2018, 11:00 a.m.

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

MINUTES

I. WELCOME & ROLL CALL
Committee Chair Julian Gold called the meeting to order. Board Secretary Jacquelyn Betha conducted roll call.

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<th>Roll Call</th>
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<tr>
<td>1</td>
<td>Julian Gold</td>
<td>Tony Trembley</td>
<td>Reata Kulcsar</td>
<td>Steve Zuckerman</td>
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<td>Committee Chair</td>
<td>Committee Member</td>
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II. PUBLIC COMMENT
There were no public comments on items not on the agenda.

III. GENERAL ANNOUNCEMENTS
Ted Bardacke, CPA Executive Director, announced that Manhattan Beach Councilwoman Amy Howorth is no longer a member of the Finance Committee as Steve Napolitano is now the Mayor of Manhattan Beach, and is serving as the representative to Clean Power Alliance.
Mr. Bardacke also announced that a decision on the Power Charge Indifference Adjustment (PCIA) has been postponed until October 11, 2018.

Lastly, Mr. Bardacke introduced the incoming Chief Financial Officer for Clean Power Alliance, David McNeil, who will begin on October 29, 2018. Mr. McNeil is joining the organization with a wealth of knowledge and experience, most recently having served as Manager of Finance for Marin Clean Energy (MCE).

IV. REGULAR AGENDA

1. **Approved Minutes from August 22, 2018 Finance Committee Meeting:**
   Motion: Beverly Hills, Committee Chair Gold.  Second: Rolling Hills Estates, Committee Member Steve Zuckerman.  Vote: Item 1 was approved by a unanimous roll call vote.

2. **Received July & August 2018 Monthly Dashboards**
   Mr. Bardacke shared that in July, Clean Power Alliance financials exceeded the predicted forecast for that month, and August was better in terms of the SCE collections. Regarding the accumulated margin chart, the organization is currently accumulating cash flow, but staff anticipates cash flow to go down during the months between October and April, which is to be expected, and we will start to increase again beginning in May 2019. January through May 2019 will yield greater variances due to the acquiring of new power supply contracts, the start of phase three, and the outcome of the PCIA, so there will be some volatility. Staff will update the forecast line in the coming weeks to reduce the variances, but still anticipates volatility in the first quarter of 2019. Chair Gold recommended that once staff updates the forecast that another line be added to the chart to reflect that change.

   Committee Member Zuckerman requested a formatting clarification regarding the revenue figures on future dashboards, and Matt Langer, CPA Chief Operating Officer, indicated that staff would make that change.

   Committee Member Kulcsar asked for clarification regarding the invoice number
and the change between July and August. Monique Edwards, CPA Director of Data Analytics & Technology Integration, responded that there are not new customers coming online between that time, but that we are billing customers a month behind and invoicing is completed based on a scheduled meter read date so there will always be a lesser amount invoiced than total amount of customers.

Mr. Bardacke reported that we are still less than 400 customers who have opted out, which is just over 1% of customers and just below 3% of load, which is very low as compared to our projected opt outs. Clean Power Alliance expects a higher opt out rate among residential customers, and staff is tracking the reasons for customer opt outs. Ms. Edwards also described the process for customers to return to CPA service after they have opted out. Chair Gold suggested that CPA develop a message to customers who opt out indicating that they can return to CPA service, and Mr. Bardacke indicated this was a good idea and that CPA is also developing enrollment and call-center scripts that will also include specific language on this topic.

3. Received August & September 2018 Risk Management Team Reports
Mr. Langer reported that the members of the Risk Management Team (RMT) are currently the Executive Director, Chief Operating Officer, Director of Power Planning & Procurement, and anticipates that the Chief Financial Officer will be appointed to the RMT.

A summary of the August RMT meeting was presented, including discussion on: the counterparty credit limit approval process, how to develop monthly reports to the Energy Committee and quarterly reports to the Board, approval of some transactions and solicitations to procure power pursuant to the Risk Hedging Strategy, and issues of compliance with the Energy Risk Management Policy and the importance of reporting any deviations from the policy.

A summary of the September RMT meeting was presented, including discussion on: review of the hedge performance for August and September, review of the interim counterparty credit limits, approval of a transaction
validation checklist, established a record keeping process to ensure we are in compliance with our compliance limits and policy, and reviewed our position that we still have to fill. Mr. Bardacke added that CPA has four individuals reviewing and signing off on transactions before they reach his desk. Mr. Langer also reported on activity to sell excess capacity, and that the RMT continues to monitor resource adequacy.

Committee Members Trembley and Zuckerman asked for definitions of certain acronyms in future reports, and staff indicated it would make those changes. Chair Gold asked how compliance audits will take place, and if a compliance officer is needed. Mr. Bardacke responded that the risk management policy requires an audit by an outside entity and Mr. Langer added that incoming CFO will also be involved in risk management and compliance.

V. COMMITTEE MEMBER COMMENTS
Committee Member Zuckerman asked what positions are currently open at the organization, and Mr. Bardacke reported that CPA is looking for a Power Supply and Compliance Senior Analyst, a Community Outreach Manager, and a Senior Manager of Marketing & Customer Engagement, and CPA will also be bringing on a Regional Affairs Manager based in Ventura County. Later this year CPA will look to hire a Large Accounts Manager and a Legislative and Regulatory Director.

VI. ADJOURN
Chair Gold adjourned the meeting.
September 2018

September Revenue of $13.4M accounted for 145 GWh in net retail consumption. This comes in 1 GWh behind of Budget with the cumulative usage just 3GWh or 1% behind.

Margins for September were considerably higher than plan at $5.8M compared to $3.8; primarily due to favorable market positions.

The chart to the right shows volume comparison to budgeted volume.

The charts below display cumulative revenue and margin $ vs budget.

YTD Revenue $1.9M (5%) below budget of $39.2M. YTD Margin Dollars exceeding budget by $2.7M.

Data Definitions:
CUSTOMERS: Invoiced: Unique Account Numbers billed during Calendar Month. Total and Opt-out from Calpine Exec Summary, includes unoccupied.
REVENUE: Total Company Total Revenue net of bad debt, excluding interest income.
SALES VOLUME: Total Electricity Usage from estimated meter reads, net of meter adjustments to prior periods invoiced in the current month.
ELECTRICITY SALES: Electricity Sales, excludes Interest and Other Income.
COST OF ELECTRICITY: Direct Energy Expenses, excludes Scheduling Coordinator.
MARGIN $: Electricity Sales less Cost of Electricity.

ACTUAL: see sales volume above
T55/T12: Best available estimate of Meter usage data, as submitted to CAISO.
Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Finance Committee

From: Matthew Langer, Chief Operating Officer

Approved by: Ted Bardacke, Executive Director

Subject: October 2018 Risk Management Team Report

Date: October 24, 2018

KEY ACTIONS

• Reviewed Actual Settlement Quality Meter data from the California Independent System Operator (CAISO) for June compared to initial estimates. Given that June was a new customer enrollment month, the Risk Management Team (RMT) discussed lessons learned that can be applied to forecasts for Phases 3 and 4. Specifically, The Energy Authority (TEA) will work to more accurately forecast which customers will be enrolled each day, so that the ramp up in load is more accurately reflected.

• Discussed the Power Charge Indifference Adjustment (PCIA) true-up mechanism and its impact on CPA’s procurement strategy.

• Discussed options for new transaction structures to meet CPA’s needs for brown power and renewable energy.

• Reviewed open positions and approved the following:
  o Requests for Offers (RFOs) to buy block energy quantities for 2019 in accordance with the Risk Hedging Strategy
  o RFO to buy Resource Adequacy (RA) for 2019

POLICY COMPLIANCE

• No compliance issues were identified this month.
PCIA and Rates Sensitivity Analysis

October 24, 2018
Background

- In conjunction with the October 11\textsuperscript{th} CPUC PCIA Decision, SCE made available an updated PCIA rate calculator on October 22\textsuperscript{nd}
  - As part of the update, SCE identified a material error in its previously filed PCIA rate calculator, resulting in more unfavorable PCIA rates for CPA

- Given SCE’s significant rate under-collection for 2018, CPA anticipates a rate increase in 2019 in the range of 10-15%
  - SCE predicts ~$750 million in under-collection for 2018
  - This results in a ~75% increase to the PCIA for 2019 assuming SCE is successful in its retroactive true-up proposal (the “trigger”)
CPA Base Case

- CPA base financial case assumes the following rate targets for 2019:
  - Lean Rate: ~1.5% bill discount to SCE base rate
  - Clean Rate: Bill parity to SCE base rate
  - 100% Green Rate: ~8.5% bill increase to SCE base rate
- These rate targets and bill impact projections assume that the “trigger” proposal is accepted by the CPUC
- The “trigger” issue is unlikely to be resolved before CPA sets residential rates on November 15
CPA Annual Financial Projections

The following sensitivities consider the impact of the increases to SCE’s rates and the PCIA on CPA’s 2019 net/ending cash position.

Change in Net Position ($M)

- 10.0% SCE Rate Increase in 2019: $20
- 12.5% SCE Rate Increase in 2019: $40
- 15.0% SCE Rate Increase in 2019: $60

Ending Cash Position ($M)

- 10.0% SCE Rate Increase in 2019: $20
- 12.5% SCE Rate Increase in 2019: $40
- 15.0% SCE Rate Increase in 2019: $60
Although year-end positions are positive in all cases, the 10% case leaves CPA with a low reserve position going into 2020.
Takeaways

- If the 2019 SCE rate increase is in the high-range (15%), CPA will have the opportunity to achieve sufficient reserves, which will be important in the context of future rate uncertainty in 2020.

- If 2019 SCE rate increase is closer to 10%, CPA may consider a range of measures, including moving towards the high end of rate ranges and/or procurement-related strategies.

- In addition to rate uncertainty, SCE may make additional changes to the PCIA calculator in the November 7th ERRA filing.

- Should the “trigger” be resolved in CPA’s favor by end 2018, CPA will have opportunity to adjust rate/PCIA levels in Jan 2019; that adjustment won’t impact overall customer bills.