

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, January 23, 2019, 11:00 a.m.

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

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

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

Camarillo City Hall
601 Carmen Drive, Camarillo, CA 93010

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	Remote
2	Camarillo	Tony Trembley	Committee Member	Remote
3	Carson	Reata Kulcsar	Committee Member	Remote
4	Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
5.	Santa Monica	Pam O'Connor	Committee Member	Present

II. PUBLIC COMMENT

The following member of the public provided public comments on Items 2 and 4:
Harvey Eder (Public Solar Power Coalition).

III. REGULAR AGENDA

1. Approved Minutes from December 5, 2018 Finance Committee Meeting:

Motion: Camarillo, Committee Member Tony Trembley. Second: Carson, Committee Member Reata Kulcsar.

Vote: Item 1 was approved by unanimous roll call vote.

2. Staff Report on Fiscal Year 2017 – 2018 Audit

David McNeil, Chief Financial Officer, provided a report on the conclusion of CPA's fiscal year (FY) 2017-2018. During the fall, the County of Los Angeles issued an audit by an independent audit firm that rendered a clean audit opinion, which means there were no concerns of any accounts presented within the financial statements. The financial statements reflect the start-up nature of CPA and reflect when CPA began serving load, which was February 2018. CPA reported a loss of \$2.7 million that is consistent with a start-up company when there is little revenue. Mr. McNeil encouraged the Finance Committee members to review the notes listed on the statement, as they provide detailed information.

Committee Member Reata Kulcsar asked for clarification regarding the user tax/energy surcharges. Mr. McNeil explained that the taxes collected from customers are passed through to the municipal members. They are not CPA revenues or expenses, but we are responsible for collecting and remitting Utility User Tax.

Ms. Kulcsar inquired about CPA Cash Deposits. Mr. McNeil explained that greater detail will be provided regarding the Cash Deposits during the discussion of CPA investments and policy. However, some detail regarding the agreement CPA has with River City Bank was provided.

Committee Member Steve Zuckerman inquired as to whether CPA is required to maintain a deposit per our loan agreement? CPA is not required to maintain a deposit per our loan agreement with the County of Los Angeles. CPA is

required to maintain a \$2 million deposit per its loan agreement with River City Bank. Mr. Zuckerman also requested clarification regarding the numbers from the audit results. Mr. McNeil provided a breakdown of the various phases of enrollment and how the financial figures were concluded.

Committee Chair Gold suggested that we may have a need for more frequent financial reporting. Committee members also requested a more detailed breakdown of fees associated with Professional Services, which staff indicated it would provide.

Committee member O'Connor relayed several questions she has heard during community outreach efforts, including how much profit will CPA generate from operations, what will the revenue be used for and can CPA guarantee that rates won't increased in the future. Staff indicated that they would follow up with answers to those questions and that some would be also addressed during the conversation on the reserve policy.

3. Staff Report on November & December 2018 Monthly Financial Dashboards

David McNeil, Chief Financial Officer indicated that the December 2018 Financial Dashboard was still being prepared and not yet ready to present during this meeting, and would be shown at a future meeting. As of November 2018, CPA's financial results are in line with CPA's expectations. Revenue forecasts are on track and margins are performing a little better than anticipated. CPA is receiving higher generation credits from the CAISO as a result of higher prices. Overall, CPA is in a good position for the year-to-date through November 2018.

4. Staff Report on December 2018 and January 2019 Risk Management Team

Matthew Langer, Chief Operating Officer, provided an update on Risk Management Team (RMT) activities for the past two months. One of the key actions for the December 2018 RMT was to establish a voting protocol within the RMT. Mr. Langer also reviewed the year-end compliance with hedge targets by product and reported the deviations. The RMT reviewed the open positions and approved the purchase of energy hedges covering May - November 2019.

The key actions for the January 2019 RMT including discussion on market fundamentals noting that energy prices have fallen over the last month due to mild weather. The forecast predicted high prices at the end of the year, but again, due to the rather warm winter, that did not come to fruition. The RMT also reviewed monthly and annual hedging targets for energy for 2019-2022 and approved targets within the parameters specified in the ERMP. There were no new policy compliance issues to report.

5. Discussed and provided input on Financial Reserve Policy

David McNeil, Chief Financial Officer, presented preliminary discussion on CPA's Financial Reserve Policy. For background, at CPA's Board retreat in June 2018, Board members discussed a future Reserve Policy and received research regarding how other CCAs designed their reserve policies. The draft Reserve Policy incorporates an assessment of CPA's financial needs, expectations of stakeholders and energy market participants, best practices incorporated in reserve policies of other CCAs, as well as input from the Board at the June 2018 retreat.

If it were to be approved, the Draft Reserve Policy would have an indirect fiscal impact by providing a policy framework for adding to and maintaining Reserves as part of CPA's annual budget and rate setting process.

The purpose of a reserve policy is to show the intent of the organization to ensure the financial strength of the organization. It provides counterparties with assurance of our commitment, thus being able to meet our contractual obligations to the various parties. This intent also improves our credit worthiness translates to lower prices for energy and greater availability for the organization. The target is the function of our cost, a minimum target being 30% of our operating cost (overhead and cost of energy), a maximum target being 50% and the larger number that CPA intends to not exceed. The 30% equates to 3-4 months of reserves for operating cost. Sometimes reserves can have a target date, but CPA does not need this at this time because we are a

startup company in addition to the uncertainty with SCE and their rate schedule. Mr. McNeil collected feedback from the Committee and indicated this would be brought back for future discussion at this Committee and the Board.

Committee Member Zuckerman suggested that after about a year or so, rather than have a target date, perhaps we should have an estimated target date where we achieve at least the minimum.

Committee Member Trembley asked if a credit lender would look at what an estimated target reserve date is for establishing credit purposes and if there are model CCA policies to review in terms of building up reserves. Mr. McNeil indicated that some CCA's have taken different approaches to build up reserves due to how they're operating, and our approach is in line with what credit lenders would want to see.

Committee Member Kulcsar asked about our target amounts and how long will it take to reach our goal? Mr. McNeil indicated that CPA will have a much better answer once we know the outcome of the SCE rate making process. However, we would like to think we can reach the target within 5-6 years.

Committee Chair Gold suggested that the full-board have a discussion regarding what other things we want to provide, i.e. develop programs for the rate payer, which could potentially diminish our ability to build reserves. We may need to look at revenue instead of using reserves.

IV. COMMITTEE MEMBER COMMENTS

There were no additional member comments.

V. ADJOURNED

Committee Chair Gold adjourned the meeting.