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Board of Directors Meeting

Thursday, July 18, 2019

2:00 p.m.

I. Welcome & Roll Call

II. General Public Comment

III. Consent Agenda

Item 1

Approve Minutes from June 6, 2019 Board of Directors Meeting

Item 2

Approve Minutes from June 28, 2019 Board of Directors Special Meeting

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Item 3

Approve Policy No. 11 Governing Records Retention and Disposal

Item 4

Approve Second Amended Task Order No. 1 with MRW and Associates for Rate Setting and Cost of Service Analysis

Item 5

Receive and file report from the July 11, 2019 Community Advisory Committee Meeting

Item 6

Receive and File Quarterly Risk Management Team (RMT) Report

IV. Regular Agenda

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Item 7

Discuss and Provide Direction on CPA Expansion Strategy

Expansion Strategy

- Expansion options and considerations discussed at 2019 Retreat
  - Retreat breakout participants discussed that CPA should wait to launch a robust outreach campaign for new members until 2020 (service starts in 2022) to allow for steady state operations
- Criteria for considering new CPA members could include:
  - Increasing geographic diversity
  - Filling service territory gaps and acquiring key load pockets
  - Enhancing financial strength
  - Policy priorities and environmental impact
- Staff Recommendation: Direct staff to prepare for potential expansion of CPA in 2020 by developing criteria for new member agency recruitment based on considerations described above.

Item 8

Approve Amendments to the Energy Risk Management Policy

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Renewable Energy Types and Risk Management Policy Updates

Overview

- In July 2018, the Board adopted CPA's Energy Risk Management Policy (ERMP), including an Energy Risk Hedging Strategy appendix
- The ERMP was expected to evolve over time as circumstances changed and as CPA gained experience working within the policy
- Staff is proposing two changes to the ERMP
  - Modification of CPA's Energy Risk Hedging Strategy to reflect rolling hedge targets and modifications to the minimum and maximum hedge targets by year – needed to "smooth out" energy purchases and further mitigate load uncertainty risk
  - Addition of Portfolio Content Category 3 (PCC3) Renewable Energy Credits (RECs) as an approved transaction type – needed to meet 2019 financial requirements after unprecedented SCE/CPA rate changes in first half of the year.

Hedging Overview

- CPA is required to purchase all the energy used to serve customer load on a daily basis in the CAISO market
- The cost of these purchases can vary widely based on numerous factors including weather, customer demand, generation outages, transmission outages, natural gas prices, and more
- CPA is able to manage market volatility by hedging its energy needs in advance
  - CPA hedges by purchasing energy at a fixed price for a specific period of time (hourly, daily, monthly, annually), thus locking in certainty and limiting the risk of higher prices
  - CPA's ERMP directs a hedging activities that spread out these purchases over several years, rather than trying time "time the market"
  - This is accomplished by setting targets for maximum and minimum hedge percentages during discrete time periods

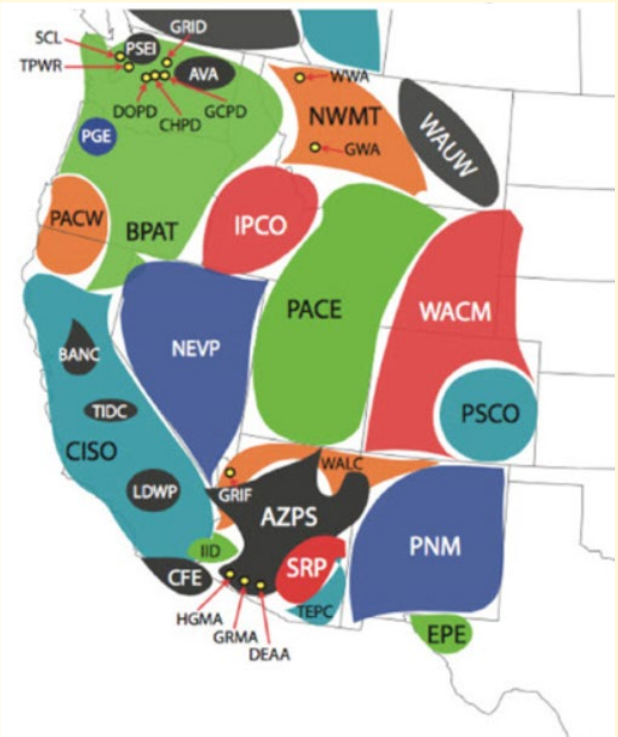
Changes to Energy Risk Hedging Strategy

- Changes to annual hedge target reflect increased conservatism reflective of market volatility experienced over the last year and expected to persist into the future
  - Overall hedge targets are increased in order to leave less of the portfolio exposed to market price fluctuations
  - Maximum hedge percentages in prompt 4 quarters raised to 110% to allow CPA to hedge for unusual weather that might cause load to increase compared to base forecast
  - Rolling hedge targets seek to avoid large drop-offs in hedge position between the end of one calendar year and the beginning of the following calendar year

Time Period	Minimum Hedge %	Maximum Hedge %
~~Prompt Month~~	~~90~~	~~100~~
Prompt ~~Calendar Year~~1-4 Quarters	~~70~~85	~~90~~110
~~CY +1~~Balance of prompt year not covered by Prompt 4 Quarters	~~50~~65	~~70~~90
~~CY + 2~~Current Calendar Year (CY) + 2	~~30~~40	~~50~~70
CY + 3	0	~~40~~50
CY + 4	0	~~40~~30
CY + 5	0	15

Context for Renewable Energy Transaction Types

Western Electricity Coordinating Council (WECC) Balancing Authorities



- Integrating renewables across various WECC balancing authorities requires rules to ensure delivery of clean energy to California.
- **“Renewable Energy Credit (REC)”** is the mechanism used by WECC to track and account for the environmental benefits for renewable energy production and delivery.
- **“Firmed and Shaped”** means deliveries from an intermittent renewable resource are supplemented with additional energy to provide the purchaser (e.g. CPA) with a predictable delivery quantity and schedule. Over the course of a year, the total deliveries from the renewable facility will match the Firmed and Shaped energy, but not necessarily in real time.
- **“Substitute Energy”** is the additional energy used in a Firmed and Shaped transaction to supplement the intermittent renewable energy.

Renewable Portfolio Standard (RPS) Overview: Portfolio Content Category 1 (PCC1)

RPS Portfolio Content Category	Definition	Examples
Category 1 procurement is: Procurement of Energy and RECs delivered to a California balancing authority (CBA) without substituting electricity from another source Minimum of 75% of State RPS compliance obligation met with PCC1	• Energy and RECs from an RPS-eligible facility that is directly interconnected to the distribution or transmission grid within a California balancing authority area (CBA); or • Energy and RECs from an RPS-eligible facility, that is not directly interconnected to a CBA, but is delivered to a CBA without substituting electricity from another source • "Bundled REC"	1. Wind or solar facility directly interconnected to CAISO delivers Energy and RECs such as CPA's existing long-term PPAs 2. Wind facility in Washington state delivers Energy and RECs according to an hourly schedule

RPS Portfolio Content Category 2 (PCC2)

RPS Portfolio Content Category	Definition	Examples
Category 2 procurement is: Procurement of Energy and RECs that cannot be delivered to a California balancing authority (CBA) without substituting electricity from another source Maximum of 15% of State RPS compliance obligation can be met with PCC2	• Buyer simultaneously purchases Energy and RECs from an RPS-eligible facility, where the energy must not be already committed to another party; • Renewable generation is firmed and shaped with substitute electricity that is scheduled into a CBA within the same calendar year as the RPS generation; and • Substitute electricity provides incremental electricity to the buyer.	1. Buyer procures Energy and RECs from Wind facility in Oregon; renewable Energy is firmed and shaped by 3rd party; substitute electricity is delivered to buyer; RPS credit equals the volume of RECs generated by wind facility

RPS Portfolio Content Category 3 (PCC3)

RPS Portfolio Content Category	Definition	Examples
Category 3 procurement is: Procurement of unbundled RECs only, or RECs that do not meet the conditions for Category 1 and 2 Maximum of 10% of State RPS compliance obligation can be met with PCC3	• Unbundled RECs originally associated with generation from an RPS-eligible facility (i.e., no Energy procured); • Unbundled RECs that do not qualify under the criteria of Category 1 and 2.	1. Buyer procures unbundled RECs from RPS-eligible facility; energy delivered by that facility is sold to another buyer without the buyer claiming the environmental attributes 2. Primary source of renewables for third-party green energy providers

Non-RPS Eligible "Carbon Free" Energy

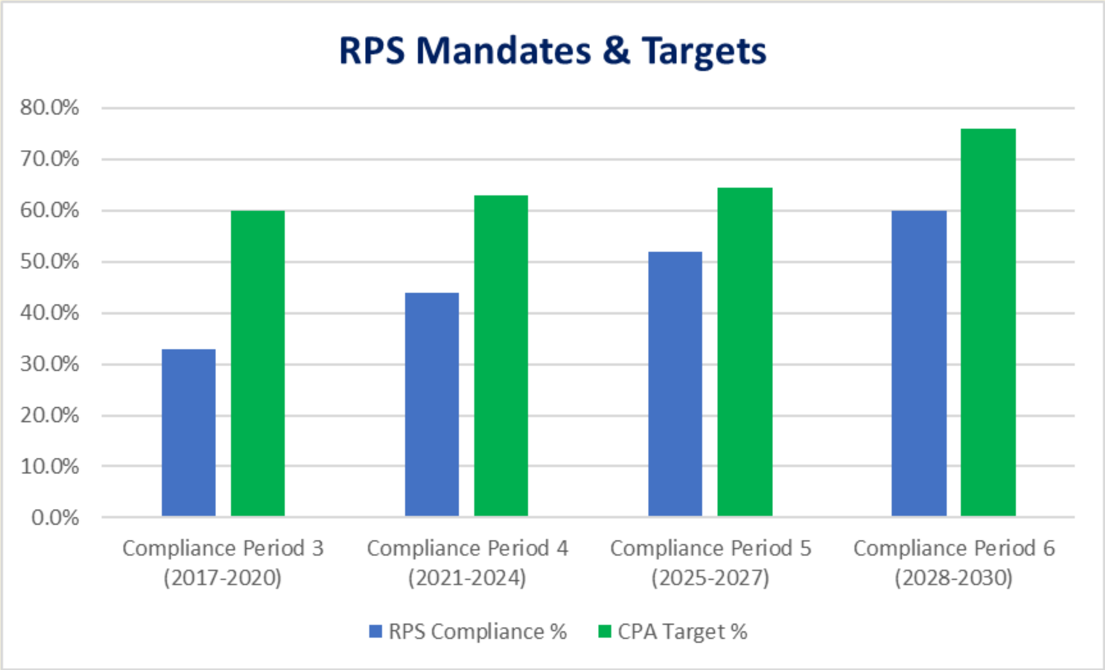
RPS Portfolio Content Category	Definition	Examples
Not Renewable Portfolio Standard Eligible Uses informal "Green Tags" for accounting but no centralized accounting system No compliance obligation until after 2030 Factors into GHG intensity and changes may be incorporated into state reporting for 2019 or 2020 energy purchases	• Energy with no carbon emissions • New resources of this type are generally not being developed due to other significant environmental impacts	1. Buyer procures energy from an existing large hydroelectric dam somewhere in WECC 2. Buyer procures nuclear energy (PG&E and SCE both reduce carbon intensity from nuclear; CPA does not).

- Carbon Free purchases generally do not result in incremental GHG emission reductions
- For carbon accounting and competitiveness with SCE it is important to maintain some level of carbon free purchases

Renewable/Carbon Free Energy Pricing Trends

Product Type	2018 REC Pricing ($/MWh)	2019-2020 Trends
PCC1	$14 - $21	Stable
PCC2	$5 - $10	Upwards/ Limited Supply
PCC3	$1 - $2	Stable
Carbon Free	$1 - $4	Upwards/ Limited Supply ($5 - $12)

Renewable Energy – State Mandates and CPA Targets



- CPA's RPS targets are driven by customer/community rate tier choice
- CPA is on track to meet the 2030 goal 10 years ahead of schedule

Renewables Summary

2019 Portfolio Mix

- RPS targets are driven by customer/community rate choice
- CPA's 100% Green product utilizes only PCC1 resources
- CPA procures enough PCC1 resources to meet its entire RPS compliance requirement
- For 2019, a mix of PCC1, PCC2 and, if approved, PCC3 will be used for CPA's for Lean and Clean rate tiers and voluntary (above compliance) RPS purchases

Beyond 2019

- CPA is on track to meet the 2030 RPS requirement 10 years ahead of schedule
- Focus on renewable targets because they lead to long-term grid decarbonization
- CPA's overall renewable procurement will increasingly be met with PCC1 long-term PPAs
- 2020 Integrated Resources Plan (IRP) will further define long-term portfolio mix
- Final portfolio mix each year is refined as part of rate/budget decisions and market trends

V. Management Update

SCE Delayed Billing Issues

- May – CPA received increasing customer complaints regarding bill issues and identified lower than expected cash deposits from bill payments
- Late May – SCE identified issues with billing IT system that are causing CPA, and other CCA, customers to receive delayed and/or partial bills
- Approx. 100,000 customers impacted, falling into two general categories:
  - Account Did Not Bill – customers were not issued a bill for one or more billing periods
  - Accounts Billed with Partial Charges – customers were issued one ore more bills with SCE delivery charges, but no CPA generation charges
- Customers in all CCAs across SCE service territory are experiencing these issues
- July – SCE advised CPA that the issues are fixed moving forward

Customer Billing Process

Step 1

Customer's meter sends usage from home or business to SCE

Step 2

SCE sends usage to CPA's data manager (Calpine)

Step 3

Calpine applies CPA rates to usage and sends amount to be billed back to SCE within 4 days

Step 4

SCE's automated billing system applies CPA's charges and other charges (delivery, fees) onto customer bills

Step 5

Customers receive bill from SCE, with charges for delivery and generation

Next Steps & Customer Communications

- CPA and SCE are working daily to address this issue, from both an operational and customer service approach
- Operationally, CPA is working with SCE to clear backlog of delayed charges
    - Customers will receive bills with current charges and missed charges from previous billing periods
    - SCE will not charge late penalties and is offering payment plans
- CPA is coordinating with SCE on numerous customer communications:
    - On-bill messaging
    - Customer Service Center talking points and training
    - Website announcements
    - Additional direct customer notifications

VI. Legislative & Regulatory Update

Bill Updates

- SB 355 (Portantino): Assembly Floor
- AB 56 (E. Garcia): Bill failed 5:3:5
- SB 155 (Bradford): Assembly Appropriations Committee
- SB 638 (Allen): Assembly Appropriations Committee
- SB 774 (Stern): Bill held
- AB 1144 (Friedman): Senate Appropriations Committee
- Wildfire Legislation (AB 1054)

Regulatory Update (Supplemental)

COST OF CAPITAL PROCEEDING

- On July 12, CPA along with other CCAs, municipalities, and intervenors filed a motion to require the electric IOUs to update their testimony to address the impact of AB 1054 and to include AB 1054 as a part of the proceeding record.
- On July 15, the Administrative Law Judge (ALJ) ordered the electric IOUs to supplement their testimony to show
  - How this new law transforms their financial risks; and
  - How this new law impacts all other issues scoped in this proceeding
- IOUs supplemental testimony is due on August 1.

Regulatory Update (Supplemental)

New Rulemaking to Consider Non-Bypassable Charge to Support Wildfire Fund

- CPUC issued a new Rulemaking in response to AB 1054 that will be considered on July 26
- The Rulemaking is currently intended to consider AB 1054 implementation issues
- The schedule is expedited because the new statute requires the CPUC to adopt a Decision within 90 days
    - A Final Decision is expected by October 2018

VII. Committee Chair Updates

Legislative & Regulatory Committee Chair

Finance Committee Chair

Energy Planning & Resources Committee Chair

VIII. Board Member Comments

IX. Report from the Chair

X. Adjourn

Next Meeting – September 5, 2019
Board is DARK in August

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