



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

Wednesday, December 11, 2019

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 Christian Cruz, at least two (2) working days before the meeting at ccruz@cleanpoweralliance.org or (213) 269-5870. 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.

PUBLIC COMMENT POLICY: *The General Public Comment 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 Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

Each speaker is customarily limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five (5) minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Clean Power Alliance Policy No. 8 – Public Comments for more information.

In addition, members of the Public are encouraged to submit written comments on any agenda item to PublicComment@cleanpoweralliance.org. To enable an opportunity for review, written comments should be submitted at least 72 hours but no later than 24 hours in advance of the noticed Committee meeting date. Any written materials submitted thereafter will be distributed to the Committee at the Committee meeting. Any written submissions must specify the Agenda Item by number, otherwise they will be considered General Public Comment.

Clean Power Alliance Finance Committee
December 11, 2019

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
Executive Conference Room
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. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve minutes from the October 23, 2019 Finance Committee Meeting
2. Receive and file October 2019 Monthly Financial Dashboard
3. Receive and file November 2019 Risk Management Team Report

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer
5. Risk Management Update
6. Financial Performance Review

V. COMMITTEE MEMBER COMMENTS

VI. ADJOURN

***Public Records:** Public records that relate to any item on the open session agenda for a Committee 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, or a majority of, the members of the Committee. The Board has designated Clean Power Alliance, 555 W. 5th Street, 35th Floor, Los Angeles, CA 90013, as the location where those public records will be available for inspection. The documents are also available online at www.cleanpoweralliance.org.*

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, October 23, 2019, 10:30 a.m.
555 W. 5th Street, 35th Floor, Los Angeles, CA 90013

MINUTES

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

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

I. WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order at 10:34 a.m. and Board Secretary Rigoberto Garcia conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Camarillo	Tony Trembley	Committee Member	Absent
Carson	Reata Kulcsar	Committee Member	Absent
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Pam O'Connor	Committee Member	Present

II. GENERAL PUBLIC COMMENT

There were no public comments.

III. CONSENT AGENDA

1. Approved minutes from September 25, 2019 Finance Committee Meeting
2. Received and filed August Monthly Financial Dashboard
3. Received and filed October 2019 Risk Management Team Report

- Motion:** Committee Member O'Connor, Santa Monica
- Second:** Committee Member Zuckerman, Rolling Hills Estates
- Vote:** Items 1 through 3 were approved by a roll call vote 3-0-2, Committee Members Kulcsar and Trembley were absent.

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, discussed the River City Bank line of credit. Currently, CPA does not have any borrowings outstanding and \$15 million in cash. Staff is drafting an investment policy and plans to bring this draft for review by the Committee in December or January. Mr. McNeil reviewed the August 2019 Financial Dashboard. Mr. McNeil highlighted higher cost of energy than was originally included in the budget. The higher cost is due to cooler than normal weather and low spot market prices.

Committee member Zuckerman asked whether we should change or make a budget amendment. Mr. McNeil thought it could be something to consider, but it might be too early in the fiscal year.

Mr. McNeil stated that CPA will review summer 2019 data once it is fully available in December.

Chair Gold asked if there were any surprises in the opt out rate. Currently, the rate is at 14.2% by load. Ted Bardacke, Executive Director, added that CPA is receiving new customers as people move into the territory and the opt out rates for those customers are at 2%. Staff expects optout rates to fall over time as customers that opted out move out of the service area and customers moving in remain enrolled with CPA.

There were no public comments on this item.

5. Received and filed Fiscal Year 2018-19 Financial Statements and Report from the Independent Auditor

David McNeil, Chief Financial Officer, introduced Bethanie Ryers (Baker Tilley) and Mike Maher (Maher Accountancy). CPA in conjunction with the financial team provided the financials to the auditor team. Mr. McNeil notified the Committee that CPA staff will present budget to actual results at the December Finance Committee meeting.

Bethanie Ryers provided a presentation to the Committee on the completed audit. Ms. Ryers briefly reviewed the contents of the report that was provided to the Committee. The Auditor noted that CPA does not have non-energy procurement policy in place, and recommended one be adopted by the agency. Staff noted that a policy is under development and was discussed at the Executive Committee meeting in September 2019. Ms. Ryers highlighted that the audit went well and the process was smooth considering CPA is a new agency.

Committee member Zuckerman asked how the difference was determined between accounts receivable and accrued revenue. Mr. Maher clarified that accounts receivable reflect amounts invoiced by SCE to CPA customers. Accrued revenue includes amounts that are invoiced as well energy consumed by customers but not yet invoiced.

Chair Gold asked if there were any vulnerabilities that were identified and not in the report. Ms. Ryers clarified there were vulnerabilities and in fact they are required to report them if there are any. Chair Gold asked what kind of testing Baker Tilly did. Ms. Ryers stated the firm used the concept of materiality, whereby they look at total revenue, and assets to determine where the threshold should be to conduct an audit. Additionally, for revenues for high value or riskier items, Baker Tilly does high level analytics. The firm also tested controls of 25 disbursements and reviewed that there was proper approval and ensured the expenses were legitimate, which they were. Chair Gold also asked if the audit also looked at whether or not all the revenue/money that needed to be collected has been collected. Mr. Maher clarified that his firm views that as an operational test each month apart from the audit, so this is done as a monthly process.

Chair Gold suggested that a flow chart be developed for what is expected from Calpine, Baker Tilly, and Maher so it is clear who is responsible for what, which would help the Committee understand the financial responsibilities for each firm/consultant.

Chair Gold asked if CPA has a plan to actively go after new big load customers. Mr. Bardacke did say when there is a new account there is a way to identify them at that time but CPA does not have a system in place to identify them in advance. Additionally, Chair Gold asked how CPA determines when funds owed to CPA are deemed uncollectable. Mr. McNeil indicated that staff is working on a collection policy with SCE and staff plans to present that policy to the Finance Committee when a draft is ready.

Chair Gold at this time, dismissed staff and moved to a Q&A with just the Finance Committee, Baker Tilly and Mr. Maher. Upon reconvening the meeting with the staff Chair Gold reported that the Q&A was positive and met the Committees satisfaction. He also reported that the only two issues remaining 1) the development of the procurement policy, which is currently underway, and 2) that credit card usage policy is addressed.

There were no public comments on this item.

V. COMMITTEE MEMBER COMMENTS

Committee member Zuckerman commented that he thought this process went well.

VI. ADJOURN

Committee Chair Gold adjourned the meeting at 11:44 p.m.



Financial Dashboard

Summary of Financial Results

YTD
October
2019

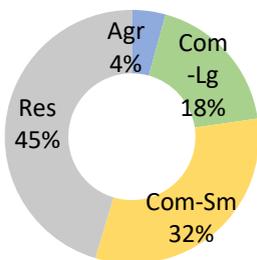
Active Accounts

1,040,000

Opt-Out %

4.9%

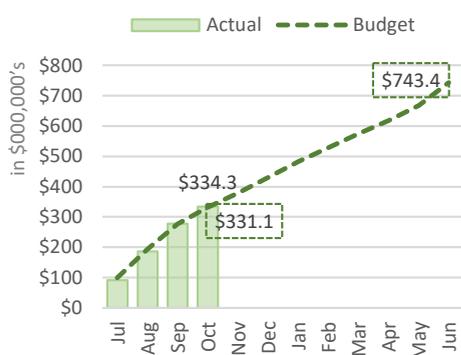
YTD Sales Volume
4,301 GWh



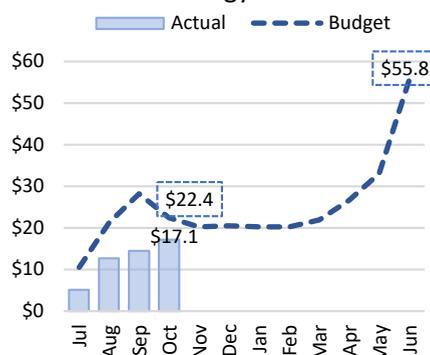
in \$000,000's	October				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$56.2	\$54.0	\$2.2	4%	334.3	331.1	3.2	1%
Cost of Energy	\$53.5	\$59.8	-\$6.2	-10%	317.2	308.6	8.6	3%
Net Energy Revenue	\$2.7	-\$5.8	\$8.4	-146%	17.1	22.4	-5.3	-24%
Operating Expenditures	\$1.9	\$2.2	-\$0.3	-13%	7.1	8.5	-1.4	-16%
Net Income	\$0.7	-\$8.0	\$8.7	-109%	10.0	13.9	-3.9	-28%

- CPA recorded results for October 2019 that were significantly better than budgeted results. Results for the month included reversal of charges from the California Independent Systems Operator relating to July and August 2019. Results were also favorably impacted by warmer weather and higher revenue in October. Expenditures remain within authorized budget limits.
- For year-to-date:
 - Revenues of \$334.3 million were \$3.2 million or 1% above budgeted revenues.
 - Cost of energy of \$317.2 million were 3% above budgeted energy costs.
 - Operating expenditures of \$7.1 million were 16% lower than budgeted primarily due to lower than budgeted staffing, legal services, and Data & SCE service fees.
 - Net income of \$10.0M was \$3.9 million below budgeted net income of \$13.9M.
 - Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

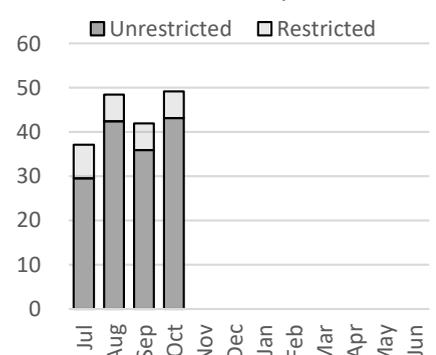
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



Definitions:

Accounts: Active Accounts represent customer accounts of active customers served by CPA

Opt-out %: Customer accounts opted out divided by eligible CPA accounts

YTD Sales Volume: Year to date sales volume represents the amount of energy (in gigawatt hours) sold to retail customers

Revenues: Retail energy sales less allowance for doubtful accounts

Cost of energy: Cost of energy includes direct costs incurred to serve CPA's load

Operating expenditures: Operating expenditures include general, administrative, consulting, payroll and other costs required to fund operations

Net income: Net income represents the difference between revenues and expenditures before depreciation and capital expenditures

Cash and Cash Equivalents: Includes cash held as bank deposits.

Year to date (YTD): Represents the fiscal period beginning July 1, 2018, 7



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: November 2019 Risk Management Team Report
Date: December 11, 2019

KEY ACTIONS

- Discussed recent market trends and outlook for winter 2019/2020, including hydro and gas market conditions.
- Reviewed short-term energy position for November and December 2019 and decided no additional transactions were needed for the November balance of month or December.
- Reviewed long-term energy position and approved energy hedge solicitations for 2020 – 2022.

POLICY COMPLIANCE

No new policy compliance issues to report for November.



Staff Report – Agenda Item 4

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Approved by: Ted Bardacke, Executive Director
Subject: Report from the Chief Financial Officer
Date: December 11, 2019

The Chief Financial Officer will provide an oral report updating the Finance Committee on the following items:

- Borrowing and treasury operations
- October Financial Performance
- Calendar First and Second Quarter 2020 Activities
 - Load Forecast Update
 - Rate Setting
 - FY 2018/19 Budget Adjustment
 - FY 2020/21 Budgeting Process
- Financial responsibilities flow chart (staff and external consultants)
- Collections Policy
- Investment Policy



Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Approved by: Ted Bardacke, Executive Director
Subject: Risk Management Update
Date: December 11, 2019

The Chief Financial Officer will provide an oral report updating the Finance Committee on the following risk management related items:

- 2020 financial risk management priorities
- Accounting transition update
- Load forecasting insourcing update
- RFP for data and systems strategic planning services
- Risk modelling and analytics



Staff Report – Agenda Item 6

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Approved by: Ted Bardacke, Executive Director
Subject: FY 2018-19 and June 2019 to October 2019 Financial Performance
Date: December 11, 2019

The Chief Financial Officer will provide an oral report updating the Finance Committee on the CPA's fiscal year (FY) 2018-19 and year to date FY 2019-20 financial performance.

FY 2018-19 FINANCIAL PERFORMANCE

CPA published audited FY 2018-19 results in October 2019. A comparison of FY 2018-19 actual vs. budgeted results appears in Attachment 1. CPA's results were within authorized spending limits for the fiscal year except for technical services (\$44,246 or 2.6% over budget) and capital outlay (\$6,699 or 30% over budget). Technical services expenditures relate to time and materials contracts for energy procurement and portfolio management services, and rate setting and revenue modelling services. The technical services budget line item was exceeded pursuant to direction from CPA staff to complete necessary work related to June 2019 rate setting and energy related procurement activities. Capital outlay relates to the need to purchase new computer equipment for staff. Total operating and capital expenditures were 22% under budget.

FY 2018-19 contribution to the net position was \$18.6 million, which was \$1.56 million or 8% below the budgeted contribution to the net position. Financial results were negatively impacted by the following factors;

- Cooler than normal weather in June 2019 which reduced energy consumption and revenue;
- Low spot market prices decreased the revenue CPA received for energy scheduled in the California Independent Systems Operator (CAISO), and
- Inaccurate historical load data, which CPA used to budget FY 2018-19 revenue and energy costs.

JUNE 2019 – OCTOBER 2019 FINANCIAL PERFORMANCE

Attachment 2 contains a comparison of budget to actual results for the period June 1, 2019 to October 31, 2019 (“review period”). The review period, which overlaps fiscal years, represents the five-month period following the completion of the Phase 1-4 enrollments. This period also corresponds with the peak energy usage in CPA’s service territory and the most volatile period of the year in California energy markets.

Financial performance over the review period was below expectations. Financial results were impacted by lower than normal temperatures, which resulted in lower electricity usage and revenue, low energy prices in California Independent Systems Operator (CAISO) spot markets throughout the summer and early fall, and CPA’s long energy position (i.e. a high proportion of the energy needed to serve CPA customer load was purchased in advance through fixed price contracts).

During the normal course of business, CPA schedules and sells energy purchased from suppliers under fixed price contracts into the CAISO market and receives the spot market price for this energy. These contracts and the resulting CAISO revenue serve to hedge the cost of providing electricity to CPA’s customers and protect CPA from wholesale market price volatility.

CPA had a long energy position in the summer of 2019 in order to protect the agency against weather conditions and CAISO spot market prices similar to those that occurred in the hot summers of 2017 and 2018. During these summers, spot market prices and

energy usage were far above normal. These conditions led Southern California Edison (SCE) to under-collect approximately \$800 million of revenue from its customers in 2018, a loss which CPA customers are still paying for.

CPA's service area experienced cooler than normal weather during summer 2019. Reduced mid-summer temperatures caused the maximum peak load on the California electricity system this summer to be at its lowest point since 2003. Cooler weather reduced CPA customers' energy use and related CPA revenue and depressed wholesale spot market energy prices. In addition to lower temperatures, spot market prices were significantly reduced by unexpected regulatory changes in the natural gas market, which lessened the supply constraints previously caused by storage limitations at the Aliso Canyon gas storage facility. As an example, from July to October 2019 wholesale spot market prices were 37% lower than the available forward prices that CPA used to prepare the FY19/20 Budget in May 2019. Reduced spot market energy prices reduced the revenue CPA received from its fixed price energy contracts.

Operating expenses were 16% below budgeted expenses over the review period. Lower than budgeted expenses reflect the non-utilization of contingencies and conservative approach to budgeting, e.g. the staffing and related expenses were budgeted assuming new hires began work at the start of each quarter. Actual hiring was spread out more evenly over the period. Communications and marketing expenses were lower than budgeted as, at the time staff prepared the budget, the timing of expenditures was unclear for spending on local program marketing and Westlake Village enrollment) and staff elected to average the expenditures over the year for monthly budgeting purposes.

Attachments: 1) FY 2018-19 Budgetary Comparison Schedule
 2) June 2019 to October 2019 Comparison Schedule

Attachment 1

**CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
BUDGETARY COMPARISON SCHEDULE
July 1, 2018 through June 30, 2019**

	2018/19 YTD Amended Budget	2018/19 YTD Actual	2018/19 YTD Amended Budget Variance (Under Over)	2018/19 Remaining Amended Budget %
Operating Revenues				
Revenue - electricity, net	\$ 281,801,000	\$ 253,913,018	\$ (27,887,982)	10%
Other revenues	10,000	6,000	(4,000)	40%
Total Operating Revenues	281,811,000	253,919,018	(27,891,982)	10%
Energy Costs				
Energy procurement	246,053,000	223,125,906	(22,927,094)	9%
Operating Revenues less Energy Costs	35,758,000	30,793,112	(4,964,888)	14%
Operating Expenditures				
Staffing	2,467,000	2,133,751	(333,249)	14%
Technical services	1,705,000	1,749,246	44,246	-2.6%
Legal services	713,000	475,022	(237,978)	33%
Other services	410,000	356,809	(53,191)	13%
Communications and marketing	433,000	390,332	(42,668)	10%
Customer notices and mailing	2,577,000	626,498	(1,950,502)	76%
Data management services	5,020,000	4,758,734	(261,266)	5%
Service fees- SCE	1,226,000	792,347	(433,653)	35%
General and administration	609,000	578,364	(30,636)	5%
Occupancy	156,000	134,326	(21,674)	14%
Total Operating Expenditures	15,316,000	11,995,429	(3,320,571)	22%
Operating Income	20,442,000	18,797,683	(1,644,317)	8%
Non-Operating and Other Revenues (Expenditures)				
Investment Income	69,000	121,962	52,962	-77%
Interest expense and bank fees	(279,000)	(246,304)	32,696	12%
Depreciation	(6,000)	(7,522)	(1,522)	-25%
Total Non-Operating Revenues (Expenditures)	(216,000)	(131,864)	84,136	39%
Change in Net Position	20,226,000	18,665,819	(1,560,181)	8%
Other Uses				
Capital outlay	22,500	29,199	6,699	-30%
Depreciation	(6,000)	(7,522)	(1,522)	-25%
Total Other Uses	16,500	21,677	5,177	
Change in Fund Balance	\$ 20,209,500	\$ 18,644,142	\$ (1,565,358)	

Attachment 2

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA
COMPARISON SCHEDULE
June 1, 2019 to October 31, 2019

	Budget	Actual	Variance (\$)	Variance (%)
Operating Revenues				
Revenue - electricity, net	\$ 445,606,000	416,780,000	(28,826,000)	-6%
Energy Costs				
Energy procurement	400,189,000	381,982,000	(18,207,000)	-5%
Operating Revenues less Energy Costs	45,417,000	34,798,000	(10,619,000)	-23%
Operating Expenditures				
Staffing	1,564,000	1,227,000	(337,000)	-22%
Technical services	920,000	363,000	(557,000)	-61%
Legal services	368,000	233,000	(135,000)	-37%
Other services	502,000	399,000	(103,000)	-21%
Communications and marketing	234,000	50,000	(184,000)	-79%
Customer notices and mailing	385,000	385,000	-	0%
Data management services	4,862,000	4,828,000	(34,000)	-1%
Service fees- SCE	892,000	738,000	(154,000)	-17%
General and administration	436,000	356,000	(80,000)	-18%
Occupancy	114,000	72,000	(42,000)	-37%
Total Operating Expenditures	10,276,000	8,651,000	(1,625,000)	-16%
Operating Income	35,141,000	26,147,000	(8,994,000)	-26%
Non-Operating and Other Revenues (Expenditures)				
Investment Income	235,000	49,000	(186,000)	-79%
Interest expense and bank fees	296,000	244,000	(52,000)	-18%
Depreciation	10,000	6,000	(4,000)	-40%
Total Non-Operating Revenues (Expenditures)	541,000	299,000	(242,000)	-45%
Change in Net Position	35,682,000	26,446,000	(9,236,000)	-26%