CPA CLEAN POWER ALLIANCE

Locally powered energy innovation.

Board of Directors Meeting

Thursday, February 6, 2020

2:00 p.m.

I. Welcome & Roll Call

II. General Public Comment

III. Consent Agenda

CPA CLEAN POWER ALLIANCE
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Item 1

Approve Minutes from January 9, 2020 Board of Directors Meeting

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Item 2

Approve 2020 Legislative & Regulatory Policy Platform

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Item 3

Ratify the Office Lease Agreement between CPA and 801 South Grand Avenue (LA), LLC executed by the Executive Director

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Item 4

Authorize the Executive Director to Execute a First Amendment to the Legal Services Agreement between CPA and Clean Energy Counsel

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Item 5

Authorize the Executive Director to Execute a First Amendment to the Legal Services Agreement between CPA and Keyes and Fox, LLP

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Item 6

Receive and file the Quarterly Risk Management Team (RMT) Report

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Item 7

Receive and file an update from the January 16, 2020 Community Advisory Committee meeting

IV. Regular Agenda

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Item 8

Approve Policy No. 13 for Changes to Default Renewable Energy Product

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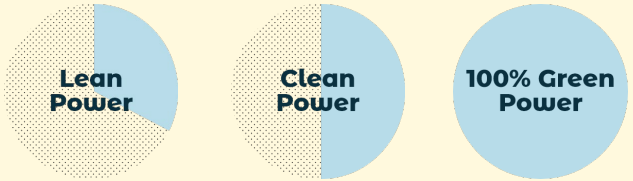
Policy for Changes to Default Energy Rate Products

February 6, 2020

Background Context

- Prior to service launch, each member jurisdiction selected a default rate product



- Customers automatically enrolled in the city/county default – unless they opt to a different rate product or opt out
- Default choices as of 2018: 8 at Lean Power; 13 at Clean Power; 10 at 100% Green Power
- In October 2019, the City of Malibu became the first city to decide to change its default (from Clean to 100% Green)
    - Other jurisdictions are considering a default change
    - CPA's JPA allows for this but is silent on process

Proposed Policy

- The proposed Policy contains the following components:
  - Advance Notice by a Member Agency to CPA
  - Designation of Implementation Month (October)
  - Customer Communications
  - Frequency of Default Changes
  - Applicability of Default Change

Advance Notice & Implementation Schedule

- To provide CPA and its partners enough lead time for energy procurement, financial and operational planning, the Policy requires advance notice of a default change decision
- The default change will take place in **October** to coincide with the change from summer (higher) to winter (lower) rates
- For 2020, jurisdictions must notify CPA by **April 1** of a default change that would go into effect in October 2020
- For future years, jurisdictions must notify CPA by **January 1** of default changes that would go into effect in October of that year

Customer Noticing and Communications

- The Policy requires CPA to notify customers at least twice about a default change, including information on customers' options
  - Customers may decline to have their rate product changed
- CPA will lead development and pay for the two required customer notifications for a jurisdiction's first default change
- Jurisdictions are encouraged to use city/county branding in customer communications.

Default Change Application

- Jurisdictions may change their default at most once every two years (i.e. cannot change a default two years in a row).
- The Policy outlines additional items to guide implementation of default changes, including:
  - Keeping customers who have already changed their rate product (e.g. opted up or down) at their selected rate.
  - Gives CPA authority to exclude certain customers from parameters of a default change
  - Provides ability for CPA to alter the default change implementation schedule

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Item 9

Discuss CPA Greenhouse Gas Free Procurement Goals and Resource Allocation

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Procurement Approach for Greenhouse Gas (GHG) Free Energy

February 6, 2020

Introduction

New issues are impacting the GHG content of CPA's energy portfolio

- Large hydro is getting more expensive and difficult to procure
- PCC2 GHG accounting rules are changing unfavorably from a cost perspective
- CPA has an opportunity to accept a free allocation of GHG Free large hydro and/or nuclear energy from SCE

Given higher costs in the market and under new accounting rules, current levels of non-renewable GHG Free procurement are unsustainable

The recommended response to this new dynamic takes into account key constraints for CPA, specifically:

- Follow Board Approved Reserve Policy (est. at $30 million per year)
- Offer Competitive Rates (consistent with JPA)
- Develop an energy supply portfolio with lower GHG emissions intensity than SCE (consistent with JPA)

Non-renewable GHG Free Procurement

Current GHG procurement approach

- GHG free energy is energy from resources that do not qualify as renewable but are carbon free (large hydro and nuclear)
- CPA has focused its overall clean energy procurement strategy on new build renewables that result in incremental GHG reductions
- However, CPA buys large hydro energy from existing facilities to match SCE's GHG Free procurement percentage
- SCE uses nuclear and large hydro energy; CPA has only used hydro
- Large hydro prices have risen as much as 800% in the last 3 years, largely due to increased demand
- Future pricing and availability of large hydro is uncertain

Renewable Energy GHG Accounting Issues

Renewable Energy Portfolio Content Categories (PCC)

- PCC1: Generated within CA or imported to CA without substitute energy
- PCC2: Imported to CA and firmed with substitute energy
- PCC3: Unbundled RECs

AB 1110

- Under new AB 1110 rules, PCC1 remains 100% GHG free but PCC2 renewable energy is assigned the GHG content of the associated substitute energy
- If the substitute energy is not GHG Free, the energy is still categorized as renewable, but is not treated as GHG Free
- PCC2 with GHG Free substitute energy is more expensive and less available than standard PCC2, with pricing approaching parity to PCC1

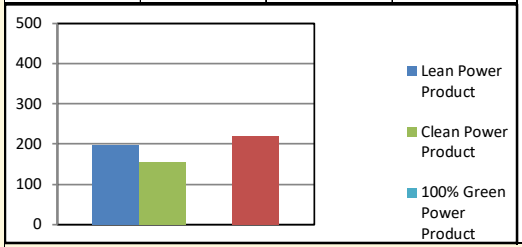
SCE GHG Free Energy Allocation

- CPA is likely to have an opportunity to accept a free allocation of GHG Free energy from SCE's large hydro and/or nuclear resources
- CPA customers pay for the cost of these facilities through the PCIA
- CPA can choose to accept the hydro portion, nuclear portion, or both
- Accepting the large hydro allocation is an obvious choice as it is consistent with current procurement approach
- Accepting the nuclear allocation would change current CPA practice of not having nuclear energy in its energy portfolio
- Accepting or rejecting all or part of the GHG free allocation does not impact actual GHG emissions; instead it impacts which entity counts the resources and emissions intensity on its Power Content Label

2021 Power Content Label: Maintaining Status Quo

Estimated 2021 POWER CONTENT LABEL

Greenhouse Gas Emissions Intensity (in kg CO_2e/MWh)			
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average
196	**154**	**0**	**220**



Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix
Eligible Renewables	**40.0%**	**50.0%**	**100.0%**	**37.0%**
Biomass & biowaste	3.7%	4.6%	9.3%	2.3%
Geothermal	3.0%	3.8%	7.6%	4.5%
Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%
Solar	22.3%	27.9%	55.6%	14.8%
Wind	9.9%	12.3%	24.7%	14.4%
Coal	**0.0%**	**0.0%**	**0.0%**	**1.5%**
Large Hydroelectric	**14.0%**	**14.0%**	**0.0%**	**10.0%**
Natural Gas	**0.0%**	**0.0%**	**0.0%**	**33.1%**
Nuclear	**0.0%**	**0.0%**	**0.0%**	**9.1%**
Other	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Unspecified Electricity	**46.0%**	**36.0%**	**0.0%**	**9.3%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unbundled RECs retired as a percentage of these electric service products' retail sales:	**0%**	**0%**	**0%**	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO_2e/MWh)

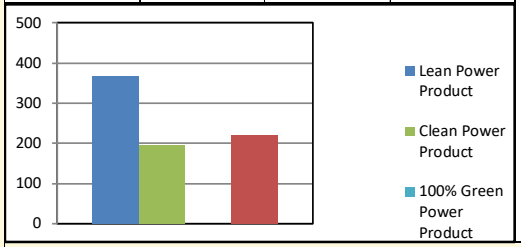
	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	122

Status Quo: 2021 Cost Impact	
	2021
Increase Lean RPS content to 40%	$1,000,000
Maintain Lean GHG Free content at 54%	6,000,000
Maintain Clean GHG Free content at 64%	3,600,000
Accept Large Hydro Allocation	(3,000,000)
Net Cost Increase	**7,600,000**

2021 Power Content Label: After AB 1110

Estimated 2021 POWER CONTENT LABEL

Greenhouse Gas Emissions Intensity (in kg CO_2e/MWh)			
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average
368	**197**	**0**	**220**



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Coal	**0.0%**	**0.0%**	**0.0%**	**1.5%**
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SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO_2e/MWh)

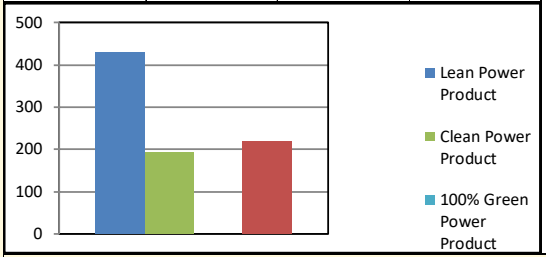
	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	**40%**	**61%**
GHG Emissions	**200**	**181**

- Current baseline
- AB 1110 increases the carbon intensity of Lean and Clean Power
- SCE's renewable energy content will increase from ~36% to ~40% by 2021

Recommended Approach: beat SCE GHG content in Clean; no GHG Free purchases in Lean; no nuclear

Estimated 2021 POWER CONTENT LABEL

Greenhouse Gas Emissions Intensity (in kg CO_2e/MWh)			
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average
428	**193**	**0**	**220**



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Coal	**0.0%**	**0.0%**	**0.0%**	**1.5%**
Large Hydroelectric	**0.0%**	**5.0%**	**0.0%**	**10.0%**
Natural Gas	**0.0%**	**0.0%**	**0.0%**	**33.1%**
Nuclear	**0.0%**	**0.0%**	**0.0%**	**9.1%**
Other	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Unspecified Electricity	**60.0%**	**45.0%**	**0.0%**	**9.3%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unbundled RECs retired as a percentage of these electric service products' retail sales:	**0%**	**0%**	**0%**	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO_2e/MWh)

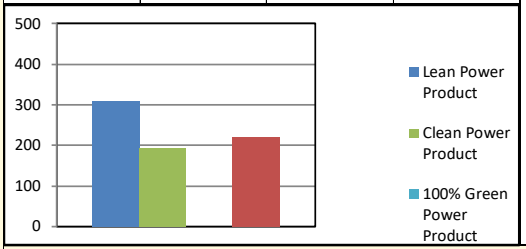
	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	182

- Match SCE RPS percentage in Lean ($1 million cost)
- Beat SCE GHG Free content in Clean ($0 net cost)
- No large hydro in Lean ($2.1 million savings)
- Accept hydro allocation ($3 million savings)
- **NET: $4.1 million savings**

Alternate Approach: beat SCE GHG content in Clean; no GHG Free purchases in Lean; use nuclear to reduce GHG content of Lean

Estimated 2021 POWER CONTENT LABEL

Greenhouse Gas Emissions Intensity (in kg CO_2e/MWh)			
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average
308	**193**	**0**	**220**



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Coal	**0.0%**	**0.0%**	**0.0%**	**1.5%**
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Natural Gas	**0.0%**	**0.0%**	**0.0%**	**33.1%**
Nuclear	**28.0%**	**0.0%**	**0.0%**	**9.1%**
Other	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Unspecified Electricity	**32.0%**	**45.0%**	**0.0%**	**9.3%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unbundled RECs retired as a percentage of these electric service products' retail sales:	**0%**	**0%**	**0%**	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO_2e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	**40%**	**61%**
GHG Emissions	**200**	**166**

- Match SCE RPS percentage in Lean ($1 million cost)
- Beat SCE GHG Free content in Clean ($0 net cost)
- No large hydro in Lean ($2.1 million savings)
- Accept hydro allocation ($3 million savings)
- Use free nuclear allocation to reduce Lean GHG content ($0)
- **NET: $4.1 million savings**

Summary

- CPA can use the current market and regulatory dynamics as an opportunity to hone the agency's energy procurement focus on investing in new renewable energy facilities that result in actual GHG reductions
- Reducing non-renewable GHG purchases enhances financial stability, takes risk off the table, and makes funding for local procurement and programs more viable
- CPA maintains a lower overall GHG portfolio content than SCE while maintaining a no nuclear energy policy
- Customers on Lean Power rate continue to have the option of a product with higher level of renewables and a lower GHG content than SCE at no additional cost compared to SCE

Appendix: Palo Verde Background

- Palo Verde Nuclear Generating Station (PVNGS) is a nuclear power plant located near Tonopah, Arizona
- The three units at PVNGS collectively produce 3,937 MWs and the first units began commercial operation in 1986
    - Unit 1 – 1311 MWs – Commercial Operation Date: 1/28/1986
    - Unit 2 – 1314 MWs – Commercial Operation Date: 9/19/1986
    - Unit 3 – 1312 MWs – Commercial Operation Date: 1/8/1988
- Southern California Edison currently has a 15.8% ownership of the plant
    - 3,937 MWs * 15.8% Ownership Share = 622 MWs
- License Expiration Dates:
    - Unit 1 – 6/1/2045
    - Unit 2 – 4/24/2046
    - Unit 3 – 11/25/2047

V. Election of Board Officers

Election of Board Officers

1. Elect Diana Mahmud, City of South Pasadena, as Board Chair for a term of April 1, 2020 to June 30, 2022
2. Elect Sheila Kuehl, County of Los Angeles, District 3, as Board Vice-Chair representing the Los Angeles County members for a term of April 1, 2020 to June 30, 2022
3. Elect Linda Parks, County of Ventura, District 2, as Board Vice-Chair representing the Ventura County members for a term of April 1, 2020 to June 30, 2022

VI. CLOSED SESSION

CPA CLEAN POWER ALLIANCE
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Closed Session Item 1

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Potential initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code Section 54956.9: (1)

VII. Management Update

VIII. Committee Chair Updates

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Legislative & Regulatory Committee Chair

Finance Committee Chair

Energy Planning & Resources Committee Chair

IX. Board Member Comments

X. Report from the Chair

XI. Adjourn

Next Meeting – March 5, 2020


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