

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, 35<sup>th</sup> Floor, Los Angeles, CA 90013

MINUTES

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**

Chair Julian Gold called the meeting to order at 11:01a.m. and Interim Board Secretary Christian Cruz conducted roll call.

| <b>Roll Call</b>             |                 |                  |         |
|------------------------------|-----------------|------------------|---------|
| <b>Beverly Hills</b>         | Julian Gold     | Committee Chair  | Remote  |
| <b>Camarillo</b>             | Tony Trembley   | Committee Member | Remote  |
| <b>Carson</b>                | Reata Kulcsar   | Committee Member | Remote  |
| <b>Rolling Hills Estates</b> | Steve Zuckerman | Committee Member | Remote  |
| <b>Santa Monica</b>          | Pam O'Connor    | Committee Member | Present |

**II. GENERAL PUBLIC COMMENT**

There were no public comments.

**III. CONSENT AGENDA**

1. Approved minutes from the October 23, 2019 Finance Committee Meeting
2. Received and filed October 2019 Monthly Financial Dashboard
3. Received and filed November 2019 Risk Management Team Report

**Motion:** Committee Member Zuckerman, Rolling Hills Estates

**Second:** Committee Member Kulcsar, Carson  
**Vote:** Items 1 through 3 were approved by a roll call vote 3-1-1, Committee Member O'Conner was absent during the consent roll call vote and Committee Member Trembley abstained from the minutes.

#### **IV. REGULAR AGENDA**

##### **4. Report from the Chief Financial Officer**

David McNeil, Chief Financial Officer, discussed banking and treasury operations noting that CPA has no borrowings outstanding and \$14 million in cash. Mr. McNeil discussed upcoming activities involving the committee in the first half of 2020. These activities include a 2019/20 Fiscal Budget adjustment FY 2020/21 budgeting. CPA will present to the committee preliminary budget priorities for Fiscal Year 2020/21 in March and present the FY 2020/21 Budget to the Board for approval in June 2020. CPA will also be updating its load forecast to improve CPA's budget accuracy and forecast. CPA will evaluate rates in early 2020.

Chair Gold asked Staff to clarify the role of SCE's rates and to confirm if there is a point when SCE's rates won't matter to CPA. Mr. Bardacke noted that this is a large policy question under consideration. He noted that CPA will need to consider whether it wants to continue tying rates to SCE or move toward a cost of service approach.

Committee Member Zuckerman suggested that CPA consider potential new members that may want to join CPA when setting rates.

Mr. McNeil reminded the committee that it requested a financial responsibilities flowchart at its October meeting and stated that it will be presented at the January Finance Committee meeting. CPA is also developing an investment policy and a collection policy of customer accounts that are no longer being collected by SCE.

Chair Gold asked Staff to think about the timing of some of these assignments. Mr. Bardacke noted that he would like to raise these issues through the Finance Committee, before being presented to Executive Committee.

There were no public comments on this item.

##### **5. Risk Management Update**

David McNeil, Chief Financial Officer, provided a brief update. Mr. McNeil highlighted that the Risk Management Team (RMT) is in the process of getting the summer historical data for 2019, which will be used to update the load forecast for summer 2020. Also, CPA is developing tools in conjunction with The Energy Authority, as well as scenario analysis tools to model revenue and cost for various scenarios. This will address CPA risks in a systematic fashion. CPA will issue a Request for Proposals for data and systems strategic planning services in

December. The intent will be to map out and prioritize database and system needs and evaluate solutions. Mr. McNeil also noted that CPA plans to insource the accounting function of CPA, and the effort will be led by CPA's Controller. Load forecasting will also be brought inhouse and CPA's new Manager of Load Forecasting and Analysis will begin employment with CPA at the end of January.

Committee Member Kulcsar asked about load forecasting, specifically is Calpine doing load forecasting or The Energy Authority. Mr. McNeil stated that it is just The Energy Authority. Committee Member Kulcsar asked if The Energy Authority will be retained for other services. Mr. McNeil stated that TEA will continue to provide scheduling coordination, energy portfolio management and other services. Committee Member Kulcsar asked about the Data RFP deliverable. Mr. McNeil clarified that it will be a five-year strategic plan that will inform CPA about the database and systems development. Committee Member Kulcsar asked what kind of data bases will be produced once a vendor is selected. Mr. McNeil stated that will be determined in the strategic planning process. Committee Member Zuckerman asked if we could look at other agency forecasting, as well. Mr. McNeil stated that other agency forecasts might be available but wouldn't necessarily provide information on CPA territory that would be useful. CPA load is forecast using specific weather station data relevant to CPA's service area.

There were no public comments on this item.

## 6. Financial Performance Review

Mr. McNeil reviewed the CPA Financial Performance with the Committee. Mr. McNeil reviewed the budget to actual results for Fiscal Year 2018-19. Mr. McNeil noted that revenue was ten percent under budget, and energy costs were nine percent under budget which compressed margins, due to cooler weather in June, as well as low spot market prices. Operating expenditures came in below budget with the exception of technical services and capital outlay, as referenced in the staff report.

Committee Member Zuckerman asked about the historical data issue. Mr. McNeil clarified that SCE supplied CPA with inaccurate load data, which led CPA to purchase more energy in the summer of 2019. It also impacted CPA RA peak energy use filings, which drove our RA requirements higher. Committee Member Kulcsar asked why Calpine has no fault for providing CPA with inaccurate data. Mr. McNeil stated that Calpine received the raw data from SCE and was not aware the data was incorrect

Mr. McNeil reviewed results for the June to October 2019 period. CPA operating revenues were lower than budget. For budgeting purposes CPA valued energy hedges at the then available forward prices, however when CPA sold the energy in the spot market, prices were lower. The forward prices are based on liquid markets from a third party to reflect the actual market value of energy contracts. As far as the operating expenditures, CPA was again below budget. Mr. McNeil

stated that this has to do with the non-utilization of contingencies, and a slower rate of spending than budgeted.

Committee Member Zuckerman asked about operating revenues, and if it includes money from selling in the spot market. Mr. McNeil stated that that this is being booked under the cost of energy line item consistent with Generally Accepted Accounting Principles. Chair Gold about CPA's financial health and overall outlook. Mr. McNeil stated that CPA has accumulated approximately \$28 million in reserves and that CPA is on track to continue accumulating reserves.

There were no public comments on this item.

**V. COMMITTEE MEMBER COMMENTS**

Committee Member Zuckerman commented, that to the degree possible, it would be good to see Chair Gold continue as Committee Member Chair.

**VI. ADJOURN**

Committee Chair Gold adjourned the meeting at 12:01 p.m.