

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, October 28, 2020, 11:00 a.m.

MINUTES

The Finance Committee conducted this meeting remotely, in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.

WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order at 11:02 a.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Carson	Reata Kulcsar	Committee Member	Remote
Claremont	Corey Calaycay	Committee Member	Remote
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Pam O'Connor	Committee Member	Absent

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the August 26, 2020 Finance Committee Meeting
2. Receive and File August and September 2020 Risk Management Team Report
3. Receive and File August and September 2020 CPA Investment Report

Motion: Committee Member Calaycay, Claremont

Second: Committee Member Kulcsar, Carson

Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

4. Receive Report from the Independent Auditor and Review Fiscal Year 2019-2020 Financial Statements and Fiscal Year 2019-2020 Budget to Actual Report

Bethany Ryers, Independent Auditor from Baker Tilly, reviewed the auditing process, which involved defining the auditor and the Boards' responsibilities and assessing CPA's accounting policies and procedures; and commented that staff was cooperative throughout the audit process. Ms. Ryers reported that the auditor's report contains what is generally regarded as an unqualified or "clean" audit opinion, meaning the auditor observed no material issues with CPA's reporting or internal controls. In response to

Committee Member Zuckerman's question regarding upcoming accounting impacts, Ms. Ryers noted there were no accounting impacts that would significantly change CPA's fiduciary activities. Committee Member Kulcsar asked what the auditor identified as the responsibilities of the Board of Directors. David McNeil, Chief Financial Officer, noted that the CPA Board of Directors exercises its oversight in accordance with CPA's Joint Powers Agreement and its Bylaws, which includes performance review of the Executive Director, review and approval of policies and contracts, establishment of the annual budget, and review of regular financial reporting.

David McNeil, Chief Financial Officer, provided a summary of CPA's financial results, specifically that the agency met its financial objectives in FY 2019-20 and entered the current fiscal year in sound financial health. Mr. McNeil stated that CPA increased its' net position by \$30.6 million or 4.07% of revenues and added \$27 million to the recently created Fiscal Stabilization Fund. Mr. McNeil reviewed in detail CPA's balance sheet as of June 30, 2020 and financial indicators, which demonstrate that CPA reduced its leverage and increased its' liquidity. Mr. McNeil provided a detailed overview of the base budget and the actual budget and noted that energy load, and revenue and energy costs were higher than expected due to lower customer opt-outs.

In response to Committee Member Zuckerman's question, Mr. McNeil responded that allowances for bad debt are netted from accounts receivable and electricity revenues consistent with generally accepted accounting principles.

5. Report from the Chief Financial Officer

Mr. McNeil provided a report on the August 2020 and year to date (YTD) financial results, noting that CPA recorded a loss of \$11.6 million, reducing the YTD net income to \$5 million. Mr. McNeil reviewed the most expensive hours of July and August that demonstrated that the hedging strategy was effective in reducing risk and costs during the recent heat waves, and although they were a setback, on a net basis, CPA's competitive position improved as a result. Lastly, Mr. McNeil discussed borrowing and treasury operations, customer payments, and accounts receivable aging.

Committee Member Calaycay asked if it made sense to adjust the hedging strategy due to climate change, and Mr. McNeil stated that staff did not plan to change the Energy Risk Management Policy targets, but will consider climate change as a factor, and noted that as CPA increases its reserves, it can absorb more risk and focus on contracting for energy storage and other products that increase optionality.

Committee Member Zuckerman requested that power sold in the prior month be included in the financial dashboards.

COMMITTEE MEMBER COMMENTS

Committee Member Kulcsar noted that CPA does not recuperate any losses from the California Public Utilities Commission but rather builds its reserves in order to withstand market shocks.

Chair Gold thanked staff for the information shared with the Committee.

ADJOURN

Committee Chair Gold adjourned the meeting at 12:11 p.m.