MINUTES

REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, February 4, 2021 2:00 p.m.

The Board of Directors conducted this meeting in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.

CALL TO ORDER & ROLL CALL

Chair Diana Mahmud called the meeting to order at 2:02 p.m. and Clerk of the Board Gabriela Monzon conducted roll call.

Roll Call				
1	**Agoura Hills**	Deborah Klein Lopez	Director	Remote
2	**Alhambra**	Jeff Maloney	Director	Remote
3	**Arcadia**	Sho Tay	Director	Remote
4	**Beverly Hills**	Julian Gold	Director	Remote
5	**Calabasas**	Mary Sue Maurer	Director	Remote
6	**Camarillo**			Absent
7	**Carson**	Reata Kulcsar	Alternate	Remote
8	**Claremont**	Corey Calaycay	Director	Remote
9	**Culver City**	Daniel Lee	Director	Remote
10	**Downey**	Sean Ashton	Director	Remote
11	**Hawaiian Gardens**	Ramie Torres	Alternate	Remote
12	**Hawthorne**	Alex Monteiro	Director	Remote
13	**Los Angeles County**	Sheila Kuehl	**Vice Chair**	Remote
14	**Malibu**	Mikke Pierson	Director	Remote
15	**Manhattan Beach**	Hildy Stern	Alternate	Remote
16	**Moorpark**	Janice Parvin	Director	Remote
17	**Ojai**	Betsy Stix	Director	Remote
18	**Oxnard**			Absent
19	**Paramount**	Vilma Cuellar Stallings	Director	Remote
20	**Redondo Beach**	Christian Horvath	Director	Remote
21	**Rolling Hills Estates**	Steve Zuckerman	Director	Remote

22	**Santa Monica**	Kevin McKeown	Director	Remote
23	**Sierra Madre**	Robert Parkhurst	Director	Remote
24	**Simi Valley**	Ruth Luevanos	Director	Remote
25	**South Pasadena**	Diana Mahmud	**Chair**	Remote
26	**Temple City**	Fernando Vizcarra	Director	Remote
27	**Thousand Oaks**	Bob Engler	Director	Remote
28	**Ventura City**	Joe Yahner	Alternate	Remote
29	**Ventura County**	Linda Parks	**Vice Chair**	Remote
30	**West Hollywood**	Lindsey Horvath	Director	Remote
31	**Westlake Village**	Kelly Honig	Director	Remote
32	**Whittier**	Vicki Smith	Alternate	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from December 3, 2020 Board of Directors Meeting
2. Approve New Appointment to Fill a Vacancy on the Community Advisory Committee
3. Receive and File Community Advisory Committee Monthly Report

Motion: Director McKeown, Santa Monica
Second: Director Monteiro, Hawthorne
Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

4. Approve Proposed Amendments to the Reserve Policy No. 2019-09

David McNeil, Chief Financial Officer, provided a summary of CPA's Reserve Policy, which enables the organization to establish credit worthiness to acquire energy at competitive prices. A credit rating is essential for offering competitive rates to customers and to weather the volatility in energy markets. Mr. McNeil explained that CPA's path towards achieving an investment-grade credit rating involves establishing sufficient operating history, building adequate reserves and liquidity, and managing a competitive environment.

The reserve policy informs but does not determine the outcome of the annual budget and rate-setting processes, and currently, it defines reserves as the Net Position and establishes a minimum and maximum reserve target range. The proposed amendments to the policy expand the definition of reserves to include balances in the Fiscal Stabilization Fund and add a goal of achieving 120 days liquidity on hand. Mr. McNeil explained that stabilization fund balances are not a liability, unless and until fund balances are recorded as revenue and the S&P credit rating agency shares this view. Mr. McNeil noted that the liquidity goal is an established metric used by industry participants and rating agencies to assess CPA's creditworthiness and clarified that liquidity refers to unrestricted cash, marketable investments, and unused bank lines of credit. Mr. McNeil concluded with an overview of reserve targets and a status of the 120-day liquidity goal.

Director McKeown noted that the 120 days liquidity is a third of CPA's budget and asked how the reserves and liquidity funds interact. Mr. McNeil explained that liquidity and reserves are calculated differently, and while they are currently at similar levels, the liquidity target could be achieved more quickly if CPA secured a larger line of credit. Director Parkhurst asked for a timeline for achieving a credit rating. Mr. McNeil explained that the timeline for achieving a credit rating is from 2022-2024 and is dependent upon many factors including rate competitiveness and the ability to generate reserves.

Motion: Director Gold, Beverly Hills
Second: Director McKeown, Santa Monica
Vote: Item 4 was approved by a roll call vote.

5. <u>2020 Clean Energy RFO Shortlist Presentation</u>

Erik Nielsen, Senior Manager of Structured Contracts, provided a background on the item, noting that CPA enters long-term contracts to ensure affordable, reliable, clean power that supports competitive and stable rates, drive greenhouse gas emissions (GHG) reductions and decarbonization, building storage resources, and meets regulatory compliance obligations. Mr. Nielsen noted that a total of 23 community choice aggregations (CCAs) including CPA, have signed long-term power purchase agreements (PPAs) for more than 6,000 MW, with CPA procuring about 2,000 of that, fueling renewable energy development, green jobs, and economic growth throughout California. Mr. Nielsen reviewed CPA's current online portfolio, SB 350 compliance position, and local procurement opportunities through the CPA Local Programs Strategic Plan, noting that most of the generation is from solar indicating a need for portfolio diversity. Mr. Nielsen reviewed the RFO process, summarized the evaluation criteria, and restated the RFO goals and eligibility which demonstrates a preference for near-term online date projects and secures diverse resources for load-resource balance. Mr. Nielsen reviewed the offers received by technology and location; noted how the offers ranked based on their Net Present Value (NPV) per MWh and stated that the first two quartiles are highly competitive. Mr. Nielsen explained that creating load-resource balance is critical but challenging in that non-solar projects are higher-priced or located out-of-state; long-duration storage offers ranked low and were less competitive; and storage paired with solar is more competitive than standalone storage because of the Investment Tax Credit (ITC). Mr. Nielsen provided a detailed analysis of the shortlist recommendation, which also includes a waitlist and noted that the 13 shortlist projects had a high NPV, high qualitative scores, 2021 to mid-2023 online dates, and provided diversity in technology. Mr. Nielsen concluded with a review of the RFO schedule and of metrics which demonstrated workforce development was high across the offers, there were a significant number of projects in disadvantaged communities (DACs); and noted that the wind project offer is an opportunity to contract with in-state wind and was the highest value non-solar offer.

Chair Mahmud asked for clarification as to what is considered long-duration storage, to which Mr. Nielsen explained that the market currently defines any storage asset that can deliver for 8-hours or longer as long-duration, however, 4-hour storage is a standard because that is what satisfied resource adequacy requirements for CPA. Director Zuckerman asked if Net Energy Metering (NEM) was included in the local procurement goal for energy/storage resources. Staff explained that NEM is not included in local procurement because from a utility perspective it is considered a reduction in load. Chair Mahmud asked for details on the ITC sunset date, and timing of CPA's RFO compared to other CCAs; and the availability of other renewable technology to balance the dominance of solar photovoltaic (PV). Director Engler asked if there were penalties for not meeting SB 350 compliance. Staff clarified that other CCAs are running concurrent RFOs, which is why a waitlist was also created, and there are no established penalties yet, but CPA is expected to meet compliance mandates after this RFO cycle. Natasha Keefer explained that the Investment Tax Credit for solar had been extended.

In response to Director Lee's question regarding CCA joint procurement, Natasha Keefer, Director of Power Planning & Procurement, noted that there are CCAs that do collaborate on short- and long- term joint procurement, but CPA has not engaged in these efforts as it has a large demand and may bring administrative and procurement challenges due to the different needs of CPA customers, however, procurement teams from different CCAs do maintain open communication and CPA will continue to evaluate joint procurement opportunities.

Harvey Eder provided public comment on the item.

Chair Mahmud thanked Director McKeown, Santa Monica, and Alternate Director Helen Cox, Thousand Oaks, for their participation in the RFO review team. Director McKeown noted that this RFO cycle contained more offers for high scores on workforce development and other benefits that are indicative of CPA's role as an industry catalyst.

6. Open Nomination Period for One (1) Ventura County At-Large Position on the Executive Committee

Chair Mahmud opened the nomination period for one at-large position on the Executive Committee.

Vice Chair Parks, Ventura County, nominated Director Susan Santangelo, City of Camarillo.

MANAGEMENT UPDATE

Ted Bardacke, Executive Director, announced that Southern California Edison (SCE) implemented new rates on February 1, 2021. SCE's delivery charges went up by 14% for all customers, the Power Charge Indifference Adjustment (PCIA) went up 27% for CPA customers, and SCE generation rates remained flat. Mr. Bardacke noted that SCE plans another rate adjustment in June 2021, which is expected to keep the PCIA flat but increase SCE's generation rates. Mr. Bardacke clarified that some drivers for rate changes are transmission costs, infrastructure upgrades, and an increase in CARE or low-income customers all of which can be recovered through delivery rates. The large increase to the PCIA is due to annual true-ups, partial amortization of the 2020 balance, and SCE generation rates, including credit for the 2020 PCIA cap. Mr. Bardacke discussed the impact of these SCE rate increases on CPA, with the combination of PCIA increase and flat SCE generation resulting in a revenue reduction for CPA to make up for the PCIA increase. Mr. Bardacke explained that reducing rates would significantly reduce CPA revenue by 8% or $65 million. Waiting until after SCE's rate adjustment in June can result in $44 million in savings and give staff adequate time to develop options for cost reduction and revenue enhancements for Board consideration. This, however, would mean CPA rates will be outside the bill comparison targets by 1% to 3% for a few months. Additionally, Mr. Bardacke reviewed other mitigation actions including reform legislation that would bring equity to the PCIA; building CPA's fiscal strength; and preparation for a ratemaking overhaul in 2021.

Director Horvath commented that CPA has demonstrated its commitment to residents and not acting on every SCE rate change will benefit the organization in developing responsible solutions. Director Kulcsar expressed concern about the PCIA increase, particularly how to maintain cost parity at the Clean rate, how this will be communicated to customers and that many people in cities like Carson are price conscious. Mr. Bardacke stated that there are forthcoming programs and communication to assist in bill relief for customers. Matt Langer, Chief Operations Officer, added that the California Public Utilities Commission (CPUC) agreed to allow SCE to raise rates above the PCIA cap of half a cent to address an undercollection balance. Chair Mahmud commented that SCE's bundled customers are also paying the PCIA but their customers are getting the benefit of the resources associated with those costs, while CPA customers are not, and that's why CPA is pushing for the success of Senator Portantino's PCIA reform legislation, which would reduce cost. In response to a follow-up question from Director Zuckerman about the bill, Mr. Langer clarified that SCE counts the value of renewable energy and resource adequacy (RA) in the PCIA and CPA gets a credit for it but pays above-market costs without access to the same value, however, the bill would bring a more equitable arrangement. Vice Chair Kuehl agreed that the option to wait until June to make a rate adjustment was more prudent.

Chair Mahmud pointed out that in 2019, SCE made several rate adjustments but in 2020, the Board decided not to follow suit after every SCE rate adjustment, but rather act independently to make rate adjustments and as a result CPA sometimes had lower rate comparisons when SCE made an adjustment and CPA did not follow suit. In response to a question from Chair Mahmud, Mr. Bardacke noted that CPA is participating at the CPUC on SCE's delivery proceedings in a limited capacity to address any charges deemed proper. Chair Mahmud noted that given CPA's load representation if it would make the organization eligible for more robust participation and consider utilizing intervenor compensation. In response to Director Zuckerman's question relating to RA, Mr. Langer noted that regulatory changes to the RA program may bring a tightening of requirements that may be challenging in the short-term.

Mr. Bardacke continued with the management report, noting that the Cities of Calabasas and Camarillo voted to change their default levels; announced the sunsetting of the COVID-19 bill relief program that will be followed by a transition to a new state-funded Arrearage Management Program (AMP) that will help customers who can maintain current payments but have past delinquencies. Lastly, Mr. Bardacke explained that CPA has shifted to reporting Participation Rates instead of opt-out rates as the primary way to track customer retention and communicate the popularity of CPA service.

COMMITTEE CHAIR UPDATES

Director Horvath, Chair of the Legislative & Regulatory Committee, announced that CPA has a significant role in the success of Senator Portantino's bill to address PCIA equity, noting that CPA's territory touches 20 assembly districts and 12 senate districts and its greatest asset are its constituents.

Director Gold, Chair of Finance Committee, thanked Board members for their approval of the reserve policy amendments which encapsulate the committee's work.

Director McKeown, Chair of Energy Committee, noted the important work of the committee on the Clean Energy RFO results in the Board's approval of power purchase agreements.

The Committee Chairs invited all interested Board members to join committees. Membership is open to all Board members.

BOARD MEMBER COMMENTS

Vice Chair Kuehl informed the Board that new Los Angeles County Supervisor Holly Mitchell has been appointed as an alternate for the County.

REPORT FROM THE CHAIR

Board Chair Mahmud welcomed new Board members and invited Board members to attend the 2021 Kickoff Reception on February 19th from 1-3 p.m.; and announced the launch of CPA video tutorials as educational tools for Board members.

ADJOURN

Chair Mahmud adjourned the meeting at 4:38 p.m.