MINUTES

REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, April 1, 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 2:00 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 John Bingham	Director Alternate	Remote
6	**Camarillo**	Susan Santangelo	Director	Remote
7	**Carson**	Jawane Hilton	Director	Remote
8	**Claremont**	Corey Calaycay	Director	Remote
9	**Culver City**	Daniel Lee Joe Susca	Director Alternate	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	Director	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**	James Carlson	Alternate	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**	Phillippe Eskandar	Alternate	Remote
32	**Whittier**	Vicki Smith	Alternate	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

No public comments were received.

CONSENT AGENDA

1. Approve Minutes from March 4, 2021 Board of Directors Meeting
3. Adopt Resolution No. 21-04-013 Authorizing and Approving Entry into An Amended and Restated Revolving Credit Agreement and Specified Related Agreements (“Amended Agreements”) with River City Bank, and Delegating Authority to CPA Authorized Representatives to Execute and Deliver the Amended Agreements
5. Receive and File Community Advisory Committee Report

Items 2 and 4 were removed from the consent agenda for separate consideration, as requested by Vice Chair Parks and Director Hilton, respectively.

Motion: Director McKeown, Santa Monica
Second: Director Calaycay, Claremont
Vote: Items 1, 3, and 5 were approved by roll call vote.

2. Approve Support Position for Senate Bill 45 (Portantino) in the 2021/2022 Legislative Session

Vice Chair Parks announced that Ventura County has not taken a position on the bill and as such will abstain from the vote.

Motion: Director Ashton, Downey

Second: Vice Chair Kuehl, Los Angeles County
Vote: Item 2 was approved by a roll call vote, with abstentions from Vice Chair Parks and Director Eskandar.

4. Approve Amended and Restated Billing and Data Manager Agreement with Calpine Energy Solutions, LLC ("Calpine Agreement") and Amended and Restated Distributed Energy Resources (DER) Service Agreement Attached as Exhibit D to Calpine Agreement

Ted Bardacke, Executive Director, provided a summary of the item. Calpine Energy Solutions has served as CPA's billing, data, and customer management services provider, including services relating to meter information and call center management; and is currently the dominant provider in the billing and data manager market. The recommended staff action amends the scope and extends the contract with Calpine effective April 1, 2021, for three additional years to 2025, with an optional fourth year. The amendment includes a commitment from CPA to release a Request for Proposals (RFP) at the end of the contract and yields approximately $1.3 million in near-term cost savings.

Director Hilton noted some concern for the process and the lack of an RFP to award a contract. Additionally, Director Hilton hoped to see a deadline for the building of data management capabilities for CPA and the future use of an RFP to award these services. In response to Director Hilton's comments, Mr. Bardacke stated that about 40 call center employees are from the International Brotherhood of Electrical Workers (IBEW); explained that staff's review of the RFP process at other Community Choice Aggregations (CCA's) indicated that the RFP process has not necessarily resulted in better contract terms. Staff believes that market maturation is essential to resulting in favorable RFPs and building in-house data management capabilities is a multi-year process. Mr. Bardacke indicated that the contract provides a hard deadline for Calpine's assistance in building CPA's data management warehouse and committed to competitively solicit at the end of the contract term.

Vice Chair Kuehl added that the contract terms are favorable to CPA and allows for the much-needed market maturation to occur. Director Ashton commented that a policy establishing adequate guidelines for awarding contracts without the use of an RFP might be prudent. Director Luevanos agreed that a policy establishing the use of RFPs would be useful; and asked about the anticipated timeline for market maturation. Mr. Bardacke clarified that call center services are a function that is generally cost-effective for an organization to outsource. Billing is a specialized function and California's market may mature if more providers from Texas, which has a mature retail energy market, decide to complete in California; data management is a good candidate for in-sourcing particularly if coordination of data transfers from Southern California Edison (SCE) directly to CPA can be improved.

Motion: Director Hilton, Carson moved to approve with condition that staff solicit at the end of the contract term
Second: Director Luevanos, Simi Valley
Vote: Items 4 was approved by a roll call vote.

REGULAR AGENDA

6. Adopt Energy Portfolio Content Changes for CPA's Three Rate Products in Calendar Years 2021 and 2022

   Ted Bardacke and Natasha Keefer, Director of Power Planning & Procurement, provided an overview of the item. Mr. Bardacke discussed fiscal year (FY) 2020/2021 revenue requirements, noting that there are several market dynamics placing upward pressure on revenue, compounded by an unfavorable competitive position with regard to SCE rates. Effective February 1, SCE delivery charges and the Power Charge Indifference Adjustment (PCIA) fee increased sharply, while SCE generation rates remained flat; with another rate change expected in summer 2021 that will maintain the PCIA flat but will increase generation by approximately 1.5% to 3%, and delivery rates likely more than 10%. The Board took immediate actions to reduce operating expenses, including modification to the Calpine contract, renewal of CPA's bank loan agreement, and changing the distribution method of some customer mailers. Overall market dynamics are not favorable to CPA, due to residual concerns from the Texas energy crisis and 2020's summer heat events, in addition to upward pressure due to increases in resource adequacy (RA), bad debt expense, and congestion revenue rights (CRR) markets. Ms. Keefer explained that RA costs have sharply increased by 72% in 2021, due to tight supply exacerbated by more restrictive regulations which will present challenges through 2026, as new resources are not expected to outpace retiring facilities. The Energy Risk Management Policy (ERMP) has reduced CPA's exposure to extreme price volatility; however, CPA is not perfectly hedged due to load and resource variability, resulting in some exposure to spot market prices during peak hours. Elevated Q3 prices do not currently persist beyond 2021 however. Ms. Keefer discussed cost reduction opportunities to CPA's power content, that would yield a cost savings of $16.7 million in FY 2021/22, lowering the overall FY 21/22 revenue requirement shortfall to approximately $87 million. For the Lean Power product, currently targeting 40% renewables and made up primarily of PCC2 resources, staff recommended to change the target to 40% carbon-free energy which would result in savings of about $7.7 million in FY 2021/2022. Additionally, Ms. Keefer reviewed the staff recommendation to shift the Clean Power product content from 50% renewables target to 50% clean energy target, with 40% renewables and 10% carbon-free, which would result in FY 21/22 savings of about $9.0 million. Staff did not recommend changes to the 100% Green Power product because it adheres to a "gold standard" 100% PCC1 renewable portfolio and changing to PCC2 will result in minimal cost savings. Lastly, the proposed changes to the 2021 and 2022 product content maintain CPA's overall portfolio above the California renewable portfolio standards (RPS) mandate but remain below the 2020 Integrated Resources Plan (IRP) targets. CPA will address longer-term product content strategy in Fall 2021 and will need to revise its product content beginning in 2023 to remain on track to meet 2030 emissions targets. Ms. Keefer reviewed the long-term outlook on costs, highlighting that although CPA has an exposure to high RA prices and volatile market prices, executing long-term fixed-priced contracts will stabilize an increasing portion of its procurement costs over time. Lastly, Ms. Keefer reviewed next steps, noting staff will begin procurement activity to implement power content changes and strategize on customer communications and marketing.

In response to Committee Member Zuckerman's questions, Ms. Keefer clarified that in a low rainfall year, reliance on hydropower can be disadvantageous, however, CPA does have guaranteed minimum deliveries from suppliers and are able to impose penalties if suppliers are unable to deliver. Director Maloney asked how the passage of Senate Bill (SB) 612 will affect the long-term outlook and how long-term contracts affect CPA's flexibility in negotiating contracts to address market dynamics in the future. Vice Chair Parks asked how the establishment of financial reserves can help address volatility. Mr. Bardacke explained that SB 612 would give CPA access to a portion of SCE's RA portfolio that can eventually reduce RA costs, but if passed, will not impact procurement until 2023. Ms. Keefer clarified that long-term contracts could help CPA maintain stable rates for customers, but CPA will never meet 100% of its load with long-term contracts to maintain some flexibility. Lastly, Mr. Bardacke explained that having healthy reserves can help deal with market fluctuations; and building reserves help lower cots in general because counterparties may charge CPA less if it has achieved an investment grade credit rating.

Motion: Vice Chair Parks, Ventura County
Second: Director Horvath, Redondo Beach
Vote: Item 6 was approved by a roll call vote.

7. <u>Cost of Service Analysis and 2021 Rate Setting Approach Options</u>

Ted Bardacke provided a summary of the item, highlighting that changing CPA's product content reduced the $104 million shortfall to $87 million, that will need to be addressed through rates. Mr. Bardacke added that SCE set its rates based on a forecast that took place in the Fall of 2020, which may drive SCE to raise rates in the first quarter of 2022 to make up the difference; CPA must set rates to cover its current cost forecast. Mr. Bardacke discussed a graphic representation of the rate setting timing affected by market fluctuations; continued to explain that CPA's initial cost of service (COS) analysis compares 2021-2022 FY forecasted costs and revenues by individual rate family and product and establishes specific assumptions as a baseline, including a $30 million contribution to reserves, no contingency in the budget and no use of the fiscal stabilization fund. Mr. Bardacke reviewed the COS observations by product and rate group; discussed expected comparisons of rates as of summer 2021; and introduced three different rate options that recover CPA's revenue target and impact customer class and rate products differently. In all the presented scenarios, the 2017 vintage subset customers' rates are adjusted to cover COS. Mr. Bardacke reviewed scenario one in detail, Average Percentage Change (APC), noting that the increase is spread equally across most products and customer groups, and is the simplest approach to communicate to customers. Scenario one may be the lowest opt-out risk but puts pressure on the 100% Green rate premium. Scenario one also includes a CARE subsidy - scenario 1a - where all CARE customer rates are held at current levels. Scenario two involves a COS-informed approach in which each product covers its cost of service overall. Although it addresses imbalance between products, the rate increase is uneven, raising Lean and Clean rates more. Scenario three takes a residential subsidy approach where non-residential customers subsidize residential rates. Domestic rates are held at current levels and all other rates are increased by the same percentage to reach revenue requirement. The residential subsidy approach limits impact to CPA's residential and CARE customers; but could result in significant opt outs as it increases premiums for all non-residential customers. Mr. Bardacke discussed customer communications strategy, noting that CPA wants to be transparent throughout the process by providing advanced notice of rate changes. Lastly, Mr. Bardacke indicated that Board feedback will guide staff in refining the analysis and scenarios; staff will continue the development and implementation of customer communications strategy; and ultimately aim to adopt final rates and the FY 2021/22 budget in June.

Director Gold commented that the significant increase in transmission should be embedded into the scenarios and modeling forecasts to better understand what the rate payers' bills will look like; and expressed preference for an eventual transition into a COS rate setting approach but said that the APC approach may work temporarily. Director Horvath, Redondo Beach, echoed preference for a COS approach, added that transparency will be key in communicating rate changes to customers, and expressed gratitude to staff for not advocating for the scenario in which small businesses may be disproportionately affected. Vice Chair Parks noted support for minimal impact to CARE customers, but also cautioned to avoid negatively impacting communities at the 100% Green default rate and balancing increases for businesses and residential customers alike. Director Zuckerman agreed that an arbitrary APC approach is not a good approach; a more informed approached reflecting COS is appropriate; and the Clean power rate should be much closer to the cost-of-services. In response to Director Santangelo's question regarding opt-downs, Mr. Bardacke explained that staff is working on modeling opt-out and opt-down scenarios, but those models may not necessarily show a significant difference between rate products. Director Santangelo expressed preference for the COS-informed approach and added that customer communication needs to be robust and ensure customers understand all benefits that CPA provides to them. Director Monteiro noted some preference for the APC approach but hoped that it would be temporary, to not disproportionately affect one set of customers over another. Vice Chair Kuehl echoed support for an APC approach, which would be simpler than explaining a COS approach to customers; and asked if there was an anticipated risk to opt-outs in the scenario. Mr. Bardacke clarified that opt-out risk is more prevalent in scenario three. Director McKeown embraced the concept of protecting CARE customers but did not favor the scenario three's concept of burdening small businesses; in the long-term, the COS approach better aligns to CPA's mission to increase delivery of renewable electricity, however, it may need adjustment to find a middle-ground approach. Director Lee commented that financial modeling for opt-outs and opt-downs can provide insight into customer messaging, with strong follow-up and targeted messaging to small business customers. Mr. Bardacke explained that behavioral trends indicate that once customers decide to opt-out or opt-down, they stick to their decisions; and talking points will include messaging to address opt-outs and opt-downs.

Director Lopez expressed concern with the APC approach in that it will place every rate product out of range and could discourage cities from defaulting to the 100% Green rate product; supported a combination of the APC and the COS scenarios that considers 100% Green customers concerns; and opposed a scenario that places burden on struggling businesses. Director Carlson commented that Sierra Madre does not support the residential subsidy approach (scenario three) and supports the COS approach. Director Parvin expressed support for scenario 1a APC that subsidizes CARE customers and cautioned that other approaches may bring high opt-out rates in Moorpark. Director Maurer expressed concern for the significant deviation from the previously presented rates, noting that in Calabasas, which recently defaulted to 100% Green, the situation will place tremendous pressure on city staff to distribute accurate information to customers; requested that staff consider maintaining the 100% Green rate within the previously stated 7-9% range. Director Stern, Manhattan Beach, echoed concern for the increase of 100% Green and suggested that staff consider a scenario with a one percent increase to 100% Green; and noted some support for the COS approach but emphasized that communication regarding the temporary rate increase is important to highlight for customers. Mr. Bardacke said SCE's ERRA rate change in the first quarter of 2022 will cause comparisons to look different again in nine months and CPA may need to adjust then.

Director Maloney suggested that the long-term goal for CPA is to make the 100% Green rate the most attractive product for member agencies, however, this increase can jeopardize Alhambra's path towards that and increase opt-outs; expressed support for a COS approach that will be easiest to communicate to customers; and noted a middle-ground approach where the biggest customer base is not negatively impacted, but also considers 100% Green customers' concerns would be ideal. Mr. Bardacke elaborated on scenario 1a, which accommodates protection of CARE customers but also for 100% Green customers. Director Engler noted that Thousand Oaks has a high percentage of customers who have opted-down or opted-out from the default 100% Green rate and the increasing pressure would discourage more customers from staying at the default; and stated preference for a long-term goal of achieving COS in rate tiers and supports a middle-ground approach that can eventually lead all cities to 100% Green energy. Director Gold inquired as to the possibility of implementing a temporary surcharge instead of rate increases. Mr. Bardacke noted that staff discussed a reliability surcharge, however, in terms of customer communication, that would present a challenge. Mr. Bardacke stated that cost-of-service in conjunction with an equal increase across the board would require heavy customer communication. Director Zuckerman asked is SCE is transitioning customers to time-of-use (TOU) rates and how that obviates the need for the rate structure; asked about CPA's plans to transition to TOU as well; and suggested that scenario two, the COS approach, can be modified to allow for each rate class to contribute to the CARE subsidy so it is equal across all customers. Mr. Bardacke stated that CPA residential customers will be defaulted into TOU rates in February 2022 and it remains to be seen how customers will respond. Director Gold provided clarification as to the surcharge concept, noting that the surcharge in the short-term can be communicated as a single-time event that can be removed as the market stabilizes.

Alternate Director Ellison, City of Ojai, offered support for the COS approach allowing CPA to bring greater parity among the three rate products to address the bill premium that 100% Green power customers pay, who are closer to meeting their cost of service; and noted that after approval of the power content changes, 100% Green customers are relied upon more heavily for CPA to meet the state's RPS requirements.

Chair Mahmud commented that since the Board's approval of rate targets, renewable energy costs have gone down, which impacted how much of an increase customers will see on their bills. Chair Mahmud thanked the Board for their comments and said scenarios 1 and 1a had potential but also there should be an eventual transition to the COS approach, which aligns to CPA's mission to provide renewable energy to residents and businesses at an affordable rate to the maximum extent possible. Chair Mahmud cautioned against double digit differences between SCE's and CPA's base rates; and acknowledge that cities which have recently transitioned to the 100% Green rate will understandably share significant concern for the rate increase.

Mr. Bardacke thanked the Board for their feedback and noted that there is a strong preference for CARE customer protection and staff has a better understanding of what each of the cities' concerns are and how to address them in the next round of scenario development. .

MANAGEMENT REPORT

Mr. Bardacke thanked member agencies that submitted support letters for SB 612; reminded Board members that April 1 marks the transition of SCE's new billing system platform and that CPA staff is continuing the rollout of customer programs.

COMMITTEE CHAIR UPDATES

Director McKeown reported progress on the 2020 Clean Energy RFO and announced that the number of communities that are part of a CCA program has exceeded 200, with most of the recent additions in Northern California; but as the largest CCA, CPA can persevere through difficult times.

Director Horvath shared that the Legislative and Regulatory Committee had a productive discussion on CPA's virtual lobby day results and its continued work on important legislation that will impact CPA's work.

BOARD MEMBER COMMENTS

None.

REPORT FROM THE CHAIR

Board Chair Mahmud thanked Board members that participated in CPA's virtual lobby day; noted that several Senate and Assembly members representing CPA jurisdictions are specifically listed as co-authors of SB 612; and invited Board members to visit the California Independent System Operator (CAISO) website for background information on energy prices and provides insight into the complexity of staff's work in forecasting.

ADJOURN

Chair Mahmud adjourned the meeting at 5:01 p.m.