

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, November 25, 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	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the October 28, 2020 Finance Committee Meeting
2. Receive and File October 2020 Risk Management Team Report
3. Receive and File October 2020 CPA Investment Report

Motion: Committee Member Calaycay, Claremont

Second: Committee Member Zuckerman, Rolling Hills Estates

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

REGULAR AGENDA

4. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, provided a summary of CPA's borrowing and treasury operations, customer payments, and accounts receivable aging. Mr. McNeil referenced customer payments which have trended downward and described an increase in bad debt that is above the budgeted amount of 1.25%. Mr. McNeil touched on the Arrearage Management Plan approved California Public Utilities Commission (CPUC) that provides relief for CARE/FERA customers whose balances are over \$500 dollars and have

made regular payments. This program will, allow CPA to forgive 1/12th of eligible customers' past due balances and receive reimbursement from the CPUC.

Chair Gold asked if bad debt reduce accounts receivable, if bill credits reduce bad debt, and how that bad debt will be managed in the future. Mr. McNeil explained that the bill credit is a reduction in revenue and assuming customers would have been past due if not for the bill credit may relieve some bad debt. Mr. McNeil added that once disconnections are reinstated, staff will have a better understanding of how much of the bad debt will be paid and consequently, can determine how much of it is uncollectable and will be written off.

5. Receive and File Enhanced Financial Reporting for the Three Months Ending September 30, 2020

Mr. McNeil provided a presentation of enhanced reporting based on input from the Committee and stated that staff will be publishing a quarterly financial report following the close of its first, second, and third fiscal quarters. Additionally, Mr. McNeil noted that CPA recorded lower surpluses than anticipated in September 2020, increasing year to date net income to \$13.2 million; results were \$11 million or 46% below budget. CPA repaid its loan to the County of Los Angeles in September 2020 as agreed and had \$76.8 million in cash and cash equivalents. Mr. McNeil provided an overview of CPA's balance sheet as of September 30, 2020 in detail, CPA's income statement, and financial indicators such as working capital and liquidity, which demonstrate a positive financial trajectory and improving financial strength overall.

Committee Member Kulcsar requested clarification on the definition of days sales outstanding and minimum quarterly credit covenants. Committee Member Zuckerman asked about the likelihood of a budget amendment based on the rate setting process and the PCIA Undercollection Balancing Account. Mr. McNeil clarified that the days sales outstanding is a measure of accounts receivable (AR) and an upward trend suggest a deterioration in AR and states that every quarter's targets are different based on credit covenants. Matt Langer, Chief Operating Officer, also explained that there is no certainty yet as to the PUBA, but staff put forth a proposal to the CPUC that, if approved, can provide insight into the estimated costs for the year which may result in a budget adjustment in March 2021. Additionally, Committee Member Zuckerman requested information on the fiscal impacts from the annual auction of Congestion Revenue Rights (CRRs) and from a potential change in resource adequacy protocols. Staff clarified that there is early discussion about changes in the RA program, but nothing final yet and noted that CPA went through the annual auction process with CRRs that resulted in a net revenue of \$2.6 million.

Responding to Chair Gold's questions regarding the assets as compared to FY 2019, Mr. McNeil and Ted Bardacke, Executive Director, clarified that the first quarters in 2019 and in 2020 are not fully similar in that there was full enrollment and higher opt-outs last year, and this year CPA is serving less load because some large industrial customers opted out. In addition, staff noted that heat waves elevated electricity revenues in the first quarter of the year and although CPA has more customers this year, the composition is different.

Chair Gold thanked staff for the robust and informative reporting.

COMMITTEE MEMBER COMMENTS

Committee Member Zuckerman asked if staff had any knowledge of CPA's recovery relative to the recent economic downturn. Mr. McNeil noted that October's heat wave brought with it a higher-than-expected cost and CPA was recently invoiced by the California Independent System Operator (CAISO) for the month of August, so it is still affecting financials and there is not enough insight yet to draw conclusions.

Committee Member Kulcsar asked for further clarification on why the new PCIA charges affect customers that were not being served by SCE. Mr. Langer explained that customers continue to pay the Power Charge Indifference Adjustment (PCIA) after they leave bundled service and are still responsible for it even if a cap applies which is what has been added to the PCIA this year.

ADJOURN

Committee Chair Gold adjourned the meeting at 11:54 a.m.