MINUTES

MEETING of the Executive Committee of the

Clean Power Alliance of Southern California

Wednesday, January 20, 2021 1:30 p.m.

The Executive Committee 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 1:32 p.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

Roll Call			
Agoura Hills	Deborah Klein Lopez	Committee Member	Remote
Beverly Hills	Julian Gold	Committee Member	Remote
Los Angeles County	Sheila Kuehl	Vice Chair	Remote
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Kevin McKeown	Committee Member	Remote
South Pasadena	Diana Mahmud	Chair	Remote
Ventura County	Linda Parks	Vice Chair	Remote
West Hollywood	Lindsey Horvath	Committee Member	Absent

All items are unanimously approved unless otherwise stated.

GENERAL PUBLIC COMMENT

There were no public comments.

CONSENT AGENDA

1. Approve Minutes from December 16, 2020 Executive Committee Meeting

Motion: Committee Member McKeown, Santa Monica
Second: Committee Member Lopez, Agoura Hills
Vote: Item 1 was approved by a roll call vote.

REGULAR AGENDA

2. Oral Update from the Executive Director on CPA Operations

Ted Bardacke, Executive Director, announced that CPA will welcome nine new board members in the coming weeks and discussed the upcoming election to fill a vacancy on the Executive Committee for a Ventura County at-large representative.

In response to Committee Members' suggestions and questions regarding new Board member onboarding and education, Mr. Bardacke explained that new Board members participate in one-on-one orientations that review CPA's business, customer programs, and rates, and staff will continue to provide resources, such as video tutorials, to ensure Board Members are well prepared for their role. Chair Mahmud added that additional education in the areas of legal structure, the role of CAISO and the CPUC, basics of how electricity works, and the relationship between SCE and CPA could also be beneficial to new Board members.

Mr. Bardacke provided an update on Southern California Edison (SCE) rates, noting that SCE will implement new PCIA and ERRA rates on February 1, 2021. The PCIA will increase by almost 0.6 cents/kWh and includes partial amortization of 2020 PCIA Undercollection. Mr. Bardacke explained that with the SCE generation rate remaining flat and the PCIA increasing, CPA revenue would be reduced by approximately 8% or $64 million on an annualized basis if CPA mitigated the PCIA increase with an automatic reduction in its own generation rates. Mr. Bardacke added that staff will develop scenarios in the next 30 days to close some of the assumed gap, with heavy consideration on load forecasting, cost projections, procurement targets, the use of both the fiscal stabilization fund and financial reserves, and credit covenants. Lastly, Mr. Bardacke emphasized that SCE does plan another rate adjustment in the spring of 2021, the General Rate Case, which is expected to keep the PCIA flat but increase generation rates, thus alleviating some of the downward pressure on revenue. Mr. Bardacke also noted that T&D rates were likely to go up then as well and that CPA can wait until the second SCE rate adjustment before acting. Mr. Bardacke emphasized the need to further consider moving to a cost-of-service ratemaking approach, where SCE's rates were a competitive reference point not an automatic driver of CPA's rates.

Chair Mahmud asked when the CPA Board would have considered a rate adjustment after SCE's February rate revision. Mr. Bardacke responded that the Board would have considered rates in March or April 2021 but then would have to bring a second rate adjustment in June or July 2021, pending approval by the CPUC in the spring. Committee Member Gold asked if SCE's procurement costs have not gone up and how high rates would be if CPA had to offset a loss, noted some concern over using existing reserves to offset the loss and hoped additional scenarios could be explored. Matt

Langer, Chief Operating Officer, explained that there are several factors considered in setting SCE generation rates, specifically the forecasted cost of procurement for the coming year, and other balancing accounts that add or subtract balances from the current year's accounts. Although there was upward pressure on generation rates in 2021, there were some overcollections in 2020 that offset what would otherwise be an increase in cost for procurement. Mr. Langer noted that overcollection balances would be worked out in 2021 rates and by 2022, the underlying driver will be visible, which is that rates should be higher.

Vice Chair Parks stated a preference for staff to look at other options than using reserve funds and perhaps adjusting program funding as a percentage of CPA's budget. Committee Member Zuckerman commented that CPA's operating, staff, and program costs are a small percentage of the budget and therefore rates have a significant impact on contribution to reserves. Chair Mahmud expressed concern for presenting two rate adjustments to the Board and noted that there is some optimism in that the two rate adjustments are an anomaly in part because of CPA's underpayment of what was owed to SCE and the Board's approval of several Power Purchase Agreements (PPAs), that will be completed in the next two years and will provide more cost stability.

Committee Member Gold added that the rate adjustment approach should be sensitive in messaging. Vice Chair Kuehl agreed that staff needs more time to frame an appropriate approach to the rate adjustments and cautioned that this approach should inspire confidence in the capabilities of the Board to fulfill CPA's goals rather than be critical of CPA. Committee Member McKeown echoed support for a deliberate approach and asked if some of the rate tiers are more profitable than others. Staff explained that a cost-of-service analysis is forthcoming which will help to answer that question about costs of the different rate products. In response to Chair Mahmud's question about the PCIA Undercollection making SCE's rates lower than CPA's, Mr. Bardacke clarified that CPA rates would be 2-3% more expensive, or about $4 more, until CPA takes action and that a delay until June can help CPA stave off some of the revenue reduction.

Chair Mahmud noted that there were several months in the last year in which CPA's rates were lower than SCE's and Committee Member Gold asked if call center statistics can inform the Board's decision towards an approach. Mr. Bardacke explained that statistics will become available after the February 1 implementation of new SCE rates, but staff will have to differentiate between complaints about overall bill increase or T&D increases. Chair Mahmud stated that SCE was close to its preferred T&D increase at 11% and must update a lot of infrastructure in its service territory, which can bring about more increases in the next several years. Mr. Langer added that SCE's General Rate Case has not yet been approved, but it is likely to include a large increase to T&D charges. Committee Member Zuckerman commented that Board Members can share positive budget information with their respective jurisdictions and asked if staff is comfortable with the transparency of SCE's costs related to power procurement. Mr. Langer explained that SCE uses a formula that allocates overhead costs between delivery and generation. Committee Member McKeown added that the Board should be apprised of the intention to change rates and the Committee as whole agreed that the Board should fully understand the impact of both proposed changes before the Board's actual consideration of a rate change.

Lastly, Mr. Bardacke discussed CPA's transition to the use of participation rates rather than opt-out rates to reflect the change in customer composition. Specifically, Mr. Bardacke explained that this transition allows for the tracking of move-ins and move-outs of customers within the service territory. Committee Member McKeown asked if over time trends would indicate an increase in participation rate as customers move in and out of the service area and if it is possible to track that in an aggregate number. Mr. Bardacke clarified that staff will track the total number of customers at each rate and then an overall participation rate, but staff expects participation rates in all member jurisdictions to go up over time because the opt-out rate among new customers is lower. In response to Committee Member Zuckerman's questions about SCE's dividend payout, Mr. Langer explained that the Cost of Capital proceeding includes an applicable rate of return (ROR), but the General Rate Case includes a profit that is determined separately.

3. Review Draft Agenda for February 4, 2021 Board of Directors Meeting

Mr. Bardacke discussed items for Board consideration at the February 4 Board meeting and noted that the CALeVIP item may be delayed if the counterparties do not provide draft agreements. Mr. Bardacke also stated that the 2020 Clean Energy RFO Shortlist Recommendation would be for information only and provide an overall review of procurement of long-term resources. Committee Member McKeown stated that CPA received attractive offers that the Energy Committee looks forward to presenting to the CPA Board.

COMMITTEE MEMBER COMMENTS

Committee Member McKeown announced that Santa Monica planned a press release to celebrate President Biden's decision to rejoin the Paris Climate Agreement, an international treaty on climate change, noting that the press release would highlight Santa Monica's participation in CPA as an indicator of its continuing commitment to the treaty's principles.

ADJOURN

Chair Mahmud adjourned the meeting at 3:03 p.m.