

MEETING of the Finance Committee of the  
Clean Power Alliance of Southern California  
Wednesday, January 27, 2021, 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 11:04 a.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

<b>Roll Call</b>			
<b>Beverly Hills</b>	Julian Gold	Committee Chair	Remote
<b>Carson</b>	Reata Kulcsar	Committee Member	Remote
<b>Claremont</b>	Corey Calaycay	Committee Member	Remote
<b>Rolling Hills Estates</b>	Steve Zuckerman	Committee Member	Remote
<b>Santa Monica</b>	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 November 25, 2020 Finance Committee Meeting
2. Receive and File November and December 2020 Risk Management Team Reports
3. Receive and File November and December 2020 CPA Investment Reports
4. Receive and File October and November 2020 Financial Dashboards

**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**

5. 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; retail rates; and financial performance. Mr. McNeil stated that CPA recorded a net income of \$2.5 million through the first five months of fiscal year 2020/2021, \$16.68 million below budget, due to above normal temperatures requiring CPA to serve load at high spot market prices and a

\$6.3 million increase in bad debt arising from slowing customer payments and the current recession; and were supported by a transfer from the Fiscal Stabilization Fund to operating revenue totaling \$6.4 million. Mr. McNeil explained that CPA is debt-free and is compliant with its bank and other credit covenants. Overall, Mr. McNeil stated CPA is in sound financial health following extreme weather events that occurred in August through October 2020.

Mr. McNeil also provided an overview of CPA's balance sheet, income statement from July to November 2020, and a budget to actual comparison. Additionally, Mr. McNeil discussed CPA's load and hedge position, which indicate that CPA was well-positioned going into August assuming normal weather, albeit constrained by the limitations of industry-standard energy hedging products. Mr. McNeil provided an overview of the ten most expensive hours in August, September, and October, noting major considerations: August results were negatively impacted by higher load and extreme prices in a few number of hours; spot market prices were lower in September, however, elevated prices, heat and load occurred on a Sunday, when load and prices are normally low; and while October weather, load and prices were similar to a normal summer month, CPA revenues reflect the introduction of lower "winter" rates. The combined effect resulted in a loss in October that was \$4 million below budget. Mr. McNeil concluded with a review of select financial indicators that overall demonstrate the value of hedging pursuant to the Energy Risk Management Policy.

Committee Member Kulcsar asked for clarification on CPA's risk mitigation efforts. Mr. McNeil explained that CPA has brought load forecasting in-house; plans to bring more battery storage projects online; and will pursue demand response programs. In response to Committee Member Calaycay's question regarding the change from summer to winter rate, Mr. McNeil explained that CPA has demand charges based on the customers' peak usage and that demand charges decline with winter rates. Committee Member Zuckerman asked about Southern California Edison's (SCE) hedging strategy and staff noted that Community Choice Aggregators (CCAs) like CPA, tend to be less exposed to market prices than Investor Owned Utilities (IOUs) but that they also have their entire distribution system to borrow against and can therefore wait a year to cover their costs through rate changes.

6. Review and Recommend Approval to the Board of Directors of Proposed Amendments to the Reserve Policy

Mr. McNeil provided a summary of CPA's Reserve Policy, which represents an organization's commitment to ensuring the financial strength of CPA. The reserve policy informs but does not determine the outcome of the annual budget and rate-setting process, 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 rating agencies share this view. Mr. McNeil clarified that the proposed 120-day target liquidity goal is associated with organizations that have investment-grade credit ratings; and concluded with an overview of reserve targets and a status of the 120-day liquidity goal.

The Finance Committee expressed consensus in support of the staff recommendation that the Board of Directors approve the proposed amendments to the reserve policy.

7. Receive Update on Net Energy Metering Program and Recommend Approval to the Board of Directors of Proposed Amendment to Net Energy Metering Policy

Tyler Aguirre, Customer Programs Manager, provided an overview of the item and explained that the NEM Tariff governs operation of CPA's NEM Program and includes the method by which credits are calculated and applied to customer bills for excess electricity generation from customer-sited, behind-the-meter, and primarily roof top solar facilities. Ms. Aguirre reviewed the annual true up, provided a summary of CPA gathered data, and summarized proposed amendments that address expired checks, and provide administrative revisions to the policy.

In response to Committee Kulcsar's question, Ms. Aguirre clarified that customers must have at least twelve months of participation in the NEM program before their first annual true up and staff does not plan to change the \$100 threshold for check issuance. Committee Member Zuckerman asked if customers will receive updated communication regarding changes to the policy and Ms. Aguirre confirmed this will occur.

The Finance Committee expressed consensus in support of the staff recommendation that the Board of Directors approve the proposed amendments to the NEM policy.

**COMMITTEE MEMBER COMMENTS**

None.

**ADJOURN**

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