MINUTES

MEETING of the Executive Committee of the

Clean Power Alliance of Southern California

Wednesday, February 17, 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 AND ROLL CALL

Chair Diana Mahmud called the meeting to order at 1:33 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. <u>Approve Minutes from January 20, 2021 Committee Meeting</u>

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Gold, Beverly Hills
Vote: Item 1 was approved by a roll call vote with a minor edit made to the Committee Member comments.

REGULAR AGENDA

2. Oral Update from the Executive Director on CPA Operations

Ted Bardacke, Executive Director, discussed some of CPA's milestone dates, provided an update on the February 19, 2021 Board Reception and an update on new Board member orientations.

3. 2021 Rates Update & Potential Energy Portfolio Cost Reduction Actions

Matt Langer, Chief Operating Officer, explained that effective February 1, 2021, Southern California Edison (SCE) delivery charges increased about 14% for all customers, the Power Charge Indifference Adjustment (PCIA) fee increased by 27% for CPA customers, and SCE generation rates remained flat. Another rate change is expected in June 2021, which will keep the PCIA flat but will increase generation by approximately 1.5% to 3%, and delivery rates likely more than 10%. Some factors which have placed upward pressure on CPA's costs include Resource Adequacy (RA) and energy market prices, bad debt expense, and congestion revenue rights (CRR) market values. RA costs have sharply increased in 2021 due to tight supply exacerbated by more restrictive regulations by the California Public Utilities Commission (CPUC) and CRR net revenues are expected to decline due to lower allocations by the California Independent System Operator (CAISO), leaving increased cost to procure CRRs to hedge congestion. Mr. Langer explained that energy prices are forecast to increase due to concerns of tight supply during the evening ramp and the risk of summer heat events; bad debt expense has increased sharply due to COVID-related economic impacts and the suspension of disconnections. CPA will encourage customers to participate in the CPUC-directed Arrearage Management Plan (AMP) administered by SCE. Mr. Langer discussed cost reduction opportunities for the Lean Power product, currently targeting 40% renewables and made up primarily of PCC 2 resources, and summarized staff recommendation of changing the target to 40% carbon-free energy which would result in savings of about $7.2 million in fiscal year (FY) 2021/2022. Additionally, Mr. Langer reviewed the staff recommendation to shift the Clean Power product content from 50% renewables target to 50% clean energy target, with 40% RPS and 10% carbon-free, which would result in FY 21/22 savings of about $9.3 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. Mr. Langer summarized the impacts of the individual product content options from staff recommendations on CPA's overall energy portfolio; discussed opportunities to reduce costs in the operating budget, including data management, mandatory mailers, and banking and insurance agreements. Lastly, Mr. Langer reviewed next steps, noting that refinement of costs and revenue forecasts is ongoing, and staff will return to the Executive Committee with a detailed cost of service analysis, a financial model, and options for further mitigating costs and revenue impacts.

Committee Member Zuckerman asked for the amount paid for RA in the last year and how big of a factor it is in the equation, to which Mr. Langer noted that RA plays a very significant role, even more so than CRRs and bad debt expense. Vice Chair Kuehl opined that substituting renewables with large scale hydroelectric (hydro) power in the Lean Power product makes the most sense, even though hydro is misconceived to not be renewable, and in the Clean Power product, replacing the 50% renewables target to 50% clean energy target maintains consistent messaging that CPA continues to surpass SCE renewables.

Committee Member Gold agreed with staff recommendations of reducing GHG emissions and maintaining the organization's financial viability to continue providing service to customers. Vice Chair Parks likewise agreed with staff recommendations and noted that hydropower is commonly mistaken to be renewable. Chair Mahmud asked for clarification as to the impact of long-term power purchase agreements on RA; inclusion of assistance to utilities in the federal COVID relief bill; and asked for further information on plans for the reduction of loan and insurance costs. Mr. Langer indicated that CPA does receive credit for RA in long-term contracts, especially those with storage, that will enhance CPA's ability to hedge long-term; however, it will not have a significant effect for much of 2021, in which CPA will have to meet its compliance position in another manner. Mr. Bardacke clarified that the federal COVID relief bill does not include relief directly related to utilities, but staff can verify; and explained that a loan amendment with River City Bank is forthcoming which reduces interest cost and loan fees. Committee Member Zuckerman asked if changing the timeline for presentation to the Board could mean dealing with cost reductions and pricing at the same time. Mr. Bardacke clarified that presenting cost reduction options in April will present a more holistic approach to dealing with revenue, while also providing more time to refine cost and revenue forecasts.

The Executive Committee reached a consensus on the proposed changes to the Lean and Clean product content and directed staff to present cost reductions and a comprehensive approach to revenue impacts as deemed appropriate for the next Board meeting in April rather than in March.

4. <u>Salary Survey Results and Creation of Pay Ranges</u>

Monique Edwards-Greer, Director of Technology, Data, and People explained that CPA has conducted a salary and benefits benchmark study in collaboration with three other Community Choice Aggregators (CCAs), intending to establish Board-approved, data-driven salary ranges broad enough to allow CPA to attract and retain talent and accommodate career advancement for existing staff. Dr. Edwards-Greer noted that it was vital that the study be transparent in all aspects, be adaptable to a growing organization, and recognize highly specialized positions at CPA. Additionally, Dr. Edwards-Greer stated that CPA, the other CCAs, and the consultant established 27 benchmark jobs with the goal of a representative cross-section by junction and job level; reviewed the methodology for gathering compensation data, including that the consultant, Mercer, used compensation data from the four participating CCAs; industry data from surveys, and energy utility and public sector data. Dr. Edwards-Greer clarified that the compensation study includes market data for base salary and total cash compensation (TCC); the benefits study reviewed retirements, health, paid leave, and life insurance/disability. The study found that CPA's pay is approximately 6% below the CCA perspective median, with base salary within 10% of market median against three perspectives: general industry, utilities/energy, and public sector. The TCC is less competitive against the market, and the benefits package is competitive, except when compared to public sector organizations that offer rich benefits to make up for a lack of incentive pay. In aggregate, Dr. Edwards-Greer stated that CPA has a strong foundation to build on and there are opportunities to align with the market and enhance the competitiveness of the overall package. Dr. Edwards-Greer reviewed the gap analysis, provided examples of survey results, and provided an analysis of the benefits valuations, emphasizing that CPA ranked 4% above the market median with most benefits ranking competitively, except for short-term disability. Dr. Edwards-Greer concluded with a request that the Executive Committee provide input on methodology to establish salary ranges, including the establishment of ranges between the 50th and 75th percentile of benchmarks; inclusion of TCC benchmarks into the salary ranges; and use of different industry categories for different job areas when creating ranges.

Vice Chair Kuehl commented that CPA should err on the higher side of salary ranges to attract and/or retain employees who have more choices about where to live; noted that the better practice is to incorporate TCC benchmarks into the creation of salary ranges but remain open to discussing short-term incentives; stated that there was some uncertainty as to which benchmark industries to use for which classifications and to be mindful of that. Committee Member McKeown noted that the current structure has been favorable to younger, lower-level employees and cash compensation for staff at the highest level will have to be modified and emphasized that the personnel budget for CPA is a small percentage of the entire budget, which should make it easier to adjust to new ranges. Vice Chair Parks agreed that CPA should look at the TCC when compared with other agencies and hoped that increases can remain in the single digits, perhaps offered over a period of time. In response to a question from Committee Member Lopez regarding specific reasons for employee turnover, Mr. Bardacke explained that career advancement and development, as well as TCC, may be significant in retaining staff and addressing employee turnover. Committee Member Zuckerman asked if changing the disability package would impact the short-term disability benefits gap and if there are other incentives like employee contributions. Dr. Edwards-Greer explained that adjusting short-term disability did not affect TCC significantly, but it is an area of improvement and that CPA has a board-approved match contribution to the 403(b) that offers to vest 4% over three years. Committee Member Gold asked if the study addressed signing bonuses and other relocation/housing incentives. Mr. Bardacke noted that the employee handbook gives the Executive Director the ability to award such incentives on a case-by-case basis and it is exercised when necessary at the range of $10-$20 thousand, granted on certain terms, and was not included as part of the study.

In response to Vice Chair Kuehl's question about the short-term disability package, Dr. Edwards-Greer clarified that CPA employees participate in the California State Disability Insurance (SDI) program and Vice Chair Kuehl noted that participation in SDI also includes participation in the federal Family and Medical Leave Act. Chair Mahmud added that the administration of the CA SDI program at the organization is less complicated and automatic; incentives should be added to the TCC instead at the 50th to 75th percentile. Chair Mahmud also emphasized that although there are efforts for cost reduction concerning rates, salary raises are relatively small compared to the total budget overall and employee retention is an important investment in the organization to prevent disruption caused by turnover. In response to Chair Mahmud's question about the Power job category counterpart in the public sector such as municipal utilities, Mr. Bardacke noted that Mercer included municipal utilities as part of the energy/utilities perspective, not the public sector perspective. Committee Member McKeown cautioned that with regard to job architecture, CPA should avoid salary triggers for management to avoid a need for salary increases at all levels if some employees at lower levels were due for or merited increases.

5. Review Draft Agenda for March 4, 2021 Board of Directors Meeting

Mr. Bardacke briefly discussed the March 4th regular agenda, which will include the salary ranges as an action item, a presentation on AMP, and the election of a Ventura County at-large position on the Executive Committee. Additionally, Mr. Bardacke explained that the Management Update will include an update on the 2021 rates discussion.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Chair Mahmud adjourned the meeting at 3:28 p.m.