MINUTES

MEETING of the Finance Committee of the

Clean Power Alliance of Southern California

Wednesday, February 24, 2021, 11:00 a.m.

The Finance Committee conducted this meeting remotely, in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.

CALL TO ORDER & ROLL CALL

Chair Julian Gold called the meeting to order at 11:03 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 January 27, 2021 Finance Committee Meeting
2. Receive and File January 2021 Risk Management Team Report
3. Receive and File January 2021 CPA Investment Report
4. Receive and File December 2020 Financial Report

Motion: Committee Member O'Connor, Santa Monica
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 year-to-date financial results, and stated that CPA recorded a net income of $9.27 million through the first six months of fiscal year 2020/2021, $11 million below budget, due to above normal temperatures requiring CPA to serve load at high spot market prices and a $6.87 million increase in bad debt.

Mr. McNeil also provided an overview of CPA's income statement from July to December 2020, and a budget to actual analysis. Additionally, Mr. McNeil discussed CPA's financial outlook, emphasizing that there are several factors which have placed upward pressure on CPA's costs including: Resource Adequacy (RA) and energy market prices, bad debt expense, and congestion revenue rights (CRR) market values. RA costs have sharply increased due to more restrictive regulations of import RA from the California Public Utilities Commission (CPUC), exacerbated by tight supply and, declining CRR net revenues, due to lower allocations by the California Independent System Operator (CAISO), leaving increased cost to procure CRRs to hedge congestion. Mr. McNeil noted that 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, which will positively impact FY 21/22, and staff will adjust the allowance for bad debt in this fiscal year as needed.

Chair Gold asked about the percentage of RA already procured. Mr. McNeil explained that CPA is required to meet 90% of its RA obligation by October of the year prior, then go up to 115% of the requirement, therefore procurement is ongoing. In response to a follow up question from Committee Member Kulcsar regarding CPA's $34.5 million RA costs and the consequences for non-compliance, Matt Langer, Chief Operating Officer, explained that the planning reserve margin helps to create a cushion for unexpected impacts to the grid, and if CPA does not comply with RA obligations, it can negatively impact its reputation, and be financial liable to the CAISO if it needs to backstop resources for non-compliance. Chair Gold asked for clarification on the AMP program and Mr. McNeil explained that past due balances are forgiven if customers adhere to a payment plan. Mr. Langer commented that funds were diverted from the public purpose program charge that every customer pays into. In response to Chair Gold and Committee Member Zuckerman's questions regarding unintended negative consequences of the program, Mr. McNeil acknowledged that it may incentivize people to delay payments, but staff is evaluating strategies to incentivize customers to pay their bills on-time. Ted Bardacke, Executive Director, also noted that investments may be made in the marketing of the program that can yield financial relief for customers and CPA. Committee Member Zuckerman asked about the Power Charge Indifference Adjustment (PCIA) Undercollection Balancing Account, and Mr. Langer noted that the balance is recovered by SCE in an increase to the PCIA.

6. <u>Direct Staff to Negotiate a Credit Agreement with River City Bank for Presentation to the Board of Directors at its April 1, 2021 Meeting</u>

Mr. McNeil provided a summary of the item, noting that CPA's two-year, $37 million Credit Agreement with River City Bank (RCB) expires on March 31, 2021. Mr. McNeil explained that RCB proposes favorable renewal terms that would reduce CPA's costs and given current market conditions, the timing of a Request for Proposals (RFP) for an alternative facility is not optimal. RCB was selected from among respondents of a 2018 RFP, and an amended credit agreement was approved in 2019, which increased the credit facility amount from $20 million to $37 million and extended the term. Mr. McNeil explained that the credit agreement is a revolving credit facility that CPA uses to provide letters of credit and to borrow funds to provide working capital. Maintenance of the credit facility demonstrates financial strength, provides added liquidity, and supports an eventual credit rating.

In response to Committee Member Kulcsar's questions regarding RCB's ability to bid in a future RFP and its line of credit, Mr. McNeil clarified that RCB would be able to submit a bid in a future RFP, but it may not be able to offer a line of credit the size of which CPA would need to get a credit rating. Mr. McNeil added that there are costs associated with a larger line of credit and that CPA does not need a larger line of credit at this time. Chair Gold commented that it appears that the timeline for CPA to acquire a credit rating has been paused, and Mr. McNeil noted that a banking services RFP will be released in late 2021, early 2022 to continue to progress towards a credit rating. Chair Gold asked about the bank's financial position throughout the pandemic and inquired as to their ability to extend credit and maintain several Community Choice Aggregators (CCAs) in their financial portfolio. Mr. McNeil explained that RCB has satisfied reporting obligations and because CCAs are performing well and many of them have investment credit ratings, RCB's exposure to CCAs is positive. Mr. Bardacke added that CCAs tend to borrow against their lines of credit only when they are launching, and Chair Gold commented that it may be beneficial to develop another banking relationship with a larger entity.

The Finance Committee expressed consensus and directed staff to negotiate a credit agreement with River City Bank for presentation to the Board at the April 1, 2021 Board Meeting.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Committee Chair Gold adjourned the meeting at 11:53 a.m.