MINUTES

MEETING of the Executive Committee of the

Clean Power Alliance of Southern California

Wednesday, March 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 1:31 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
Camarillo	Susan Santangelo	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	Remote

All items are unanimously approved unless otherwise stated.

GENERAL PUBLIC COMMENT
There were no public comments.

CONSENT AGENDA

1. Approve Minutes from February 17, 2021 Committee Meeting

Motion: Vice Chair Kuehl, Los Angeles County
Second: Committee Member Gold, Beverly 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, discussed in detail CPA's remote work status and recent legislative activities. Mr. Bardacke reported that CPA's virtual lobby day was successful in introducing the organization to a broader set of legislators, raising awareness about SB 612 and understanding Sacramento's focus on summer reliability preparation. CPA is contributing to reliability through the launch of battery resources, peak management pricing program, and customer communication.

In response to Committee Member comments regarding in-person meetings, Mr. Bardacke clarified that protocols would be developed in accordance with public health guidelines and that staff would ensure technology is functioning properly before hosting public meetings in the new Board room.

3. Cost of Service Results & 2021 Rate Scenarios

Matt Langer, Chief Operating Officer, provided a synopsis of Southern California Edison (SCE) increases on delivery charges and the Power Charge Indifference Adjustment (PCIA) fee, in addition to the expected increase in June 2021, which will keep the PCIA flat, will increase generation rate by approximately 1.5% to 3%, and delivery rates around 10%. Delaying a rate change until the start of fiscal year 2021-2022 will save about $44 million and allow for rate comparisons to be aligned with the expected SCE June rate change. Due to several market factors placing upward pressure on CPA's costs, the organization must set rates to cover its current cost forecast. Mr. Langer emphasized that SCE set its rates based on a forecast that took place in the Fall of 2020, which may drive SCE to raise rates in the first quarter of 2022 to make up the difference. Mr. Langer noted that the Executive Committee previously concurred with staff recommended changes to the power content of the Lean Power and Clean Power products and staff identified ways to reduce overhead costs such as modifications to the Calpine contract, distribution of some customer mailers via email, and adjustments to the banking agreement.

In response to questions from Chair Mahmud about energy market costs, Mr. Langer clarified that precipitous increases were due largely in response to last year's rolling blackouts and serious heat events; and the economic outlook may affect pricing as well as CPA's load composition.

Mr. Langer continued to explain that CPA's initial cost of service (COS) analysis compares 2021-2022 FY forecasted costs and revenues by individual rate family and product and establishes specific assumptions as a baseline, which identified an $87 million shortfall to be addressed through rates. Mr. Langer reviewed the COS observations by product and rate group; and introduced three different rate options that recover CPA's revenue target and impact customer class and rate products differently. Committee Member McKeown observed that 100% Green power customers are paying more than their share and asked how that was possible. Mr. Langer noted that the cost of renewables is going down while system energy and capacity prices are going up. In response to Committee Member Gold's questions regarding the basis for SCE's rates, Mr. Langer clarified that SCE has different customer geography and different revenue requirements, and Mr. Bardacke added that SCE rates should eventually become a competitive reference but not the index to which CPA compares itself. Mr. Langer highlighted that in all the presented scenarios, 2017 vintage subset customers' rates are adjusted to cover COS.

In response to Chair Mahmud's questions, Mr. Langer explained that the vintage is comprised of the different classes of customers based on when they joined the subset, but competitiveness was difficult to achieve because CPA is attempting to match SCE's rate design. Additionally, SCE's June rate increase will not take into consideration that the ERRA includes outdated energy and capacity market prices which may cause SCE to raise rates. Mr. Langer summarized the 2017/2018 vintage PCIA subset rates in all three categories; and explained that CARE customers receive the 100% Green Power rate at the same prices as the Clean Power rate because of subsidies that other 100% Green Power customers pay, and a fourth scenario addresses the increase in CARE percentages. Under scenario four, CARE customer rates are held at current levels and an equal increase was given to all non-CARE customers to reach revenue target.

Mr. Langer reviewed scenario one in detail, Average Percentage Change (APC), summarizing the impacts to customer groups, and noting that the increase is spread equally across most products and customer groups, and is the simplest approach to communicate to customers, however, it does not address imbalances in the COS. Scenario two involves a COS-informed approach in which each product covers its cost of service overall, and although it addresses imbalance between products, the rate increase is uneven and creates a small price differential between the Clean and 100% Green rates. Scenario three takes a policy-based approach that maintains domestic customers well below the COS and all other classes above the COS and could result in significant opt outs as it increases premiums for all non-residential customers.

Committee Member Gold asked about the fiscal impact if subset customers were to opt-out. Mr. Langer emphasized that CPA aims to keep as many customers as possible, but mass departures of subset customers can represent financial loss because of the procurement done on their behalf; however, which customers represent a financial loss varies, depending on which scenario is chosen. Lastly, Mr. Langer reviewed next steps, noting that staff continues to refine its analysis and scenarios based on Executive Committee feedback, and will follow with discussions and decision-making at the Board level in May and June.

Vice Chair Parks asked if there is a direct relationship between rates and the loss of customers; Chair Mahmud asked about the difference between decision-making at the Board level on product content changes and cost reduction, and adoption of a rate setting approach in May. Mr. Langer explained that overall, opt-outs and default rates are not 100% correlated and Mr. Bardacke noted that residential customers are less price-sensitive, and the highest opt-out and opt-down rates have been commercial customers in 100% Green territories. Mr. Bardacke clarified that staff will seek product content changes at the April meeting to be able to realize anticipated savings from those changes along with one other cost reduction item.

Chair Mahmud opined that scenarios one and two should be presented to the Board and shared concern regarding scenario three; Committee Member

Zuckerman agreed that scenarios with the least number of opt-out risks should be presented. Vice Chair Kuehl inquired as to the strategy for explaining the increase in costs to other Board members, despite existing hedging strategies; suggested that scenario one (APC) was a preferable approach to minimize opt-outs and that a policy-based approach might be counterintuitive; appreciated scenario four's consideration of CARE customers; and suggested that scenario three might help Board members understand why the other scenarios make more sense. Mr. Bardacke clarified that Executive Committee guidance was necessary for what rate scenarios to present and how to shape that message. Committee Member Horvath commented that many member cities may also want to highlight the equitable treatment of all customers. Committee Member Gold noted that modeling should reflect multiple years to better understand the financial impacts to CPA and stressed to staff to consider any other cost reduction options to help CPA weather cost increases. Committee Member Santangelo also asked about other modifications to product content that can be made to reduce financial risks. Mr. Langer addressed comments, explaining that the biggest driver is the cost of energy, which would be higher if not for the hedging strategy, and the increase of cost is largely due to market prices and the portion of the portfolio that cannot be bought in advance. Mr. Langer also noted that leaving reserves and other funds untouched will ultimately result in CPA's ability to be competitive and make long-term investments in the grid that will help CPA maintain its capacity position in energy storage and during peak hours.

Chair Mahmud asked that the presentation to the Board include some explanation of CPA's assumption that SCE has underestimated its cost of energy and reassure newer Board members that CPA will eventually reach more rate stability as its ability to enter into long-term energy contracts grows. Chair Mahmud expressed a preference for sharing up to two scenarios to the Board and asked if a scenario may be presented that would also enable CPA to use reserve funds to maintain CARE customers at a lower rate. Mr. Langer responded that the cost to do that would be approximately $12 million, but staff recommends against using reserves for that purpose because there are no contingencies in the budget and CPA may tap into reserves to make up for higher-than-expected prices later on. Chair Mahmud noted that some Board members may be concerned when seeing lighting increases and Mr. Langer explained that in scenarios one and two there is a slight decrease and scenario four displays a 3% increase, but scenarios can still be adjusted to reflect the desires of the Committee to preserve rates for a certain customer class, and; noted that customer programs such as the Arrearage Management Program (AMP) may help the financial road bumps, but won't significantly address the $87 million shortfall. Committee Member McKeown expressed a preference for two options to be shared with the Board and agreed that a multi-year perspective is beneficial in the rate setting process and that the process should avoid negative impact on loyal customers who have opted for 100% Green power. Based on these comments, Mr. Langer suggested that scenario two be dropped in favor of adding four and keeping scenario three, and Committee Member McKeown expressed support for options that fulfill the overall mission and maintain a large broad customer base with some renewable energy across all customer classes. Committee Member Zuckerman suggested changing CPA's messaging to focus on the environmental benefits of being a customer rather than discounted rates. Committee Member Lopez noted a preference for keeping only viable scenarios in the presentation to the Board and avoiding negative impacts on 100% Green power customers. Committee Member Horvath added that customer messaging will be important, especially if the rate setting process adversely affects communities of color and asked how the budget would be affected by SCE undercollections this year. Staff responded that SCE undercollections will not impact CPA financially the way it did in its' launch year, and a longer-term forecast on costs is possible, but long-term rate comparisons are difficult to accomplish.

Chair Mahmud expressed strong support for the inclusion of scenario two and Committee Member McKeown posed the idea of eliminating the Lean Power rate and inquired as to the financial impact and viability of that option. Mr. Langer explained that the financial impact may be hard to define at this point, but as the renewable portfolio standards increase, there will be a natural convergence of the Lean and Clean power products. Mr. Bardacke added that staff is evaluating this possible convergence. Committee Member Zuckerman expressed a strong preference for scenario two.

Mr. Bardacke thanked the Executive Committee for their feedback and highlighted that staff will present more succinct options to the Board in the coming months.

4. Proposed Billing and Data Manager Contract Amendment and Extension

Committee Member McKeown noted that there were concerns previously about Calpine's political aims relating to energy and asked if those differences have been resolved. Mr. Bardacke explained that staff does not have any concerns with moving forward with a contract amendment and extension nor services provided by Calpine and welcomes their growing role in assisting CPA's distributed resources programs.

In response to Vice Chair Kuehl's suggestion that it be made clear that the services will be re-bid at the end of the extension period, Nancy Whang, General Counsel, noted that CPA intends to bid these services following this amendment, Calpine is aware of that fact, and that staff will evaluate other ways to specify rebidding requirements for instance in the contract recitals to ensure both parties understanding of this requirement.

5. Review Draft Agenda for April 1, 2021 Board of Directors Meeting

The Executive Committee reviewed the agenda, and no discussion took place.

CLOSED SESSION

6. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: Executive Director
Government Code Section 54957

Ms. Whang reported that no action was taken but direction was provided to staff.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Chair Mahmud adjourned the meeting at 4:13 p.m.