MINUTES

MEETING of the Executive Committee of the

Clean Power Alliance of Southern California

Wednesday, April 21, 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 March 17, 2021 Committee Meeting

Motion: Committee Member McKeown, Santa Monica
Second: Committee Member Zuckerman, Rolling Hills Estates
Vote: Item 1 was approved by a roll call vote, with clerical corrections.

REGULAR AGENDA

2. Oral Update from the Executive Director on CPA Operations

Ted Bardacke, Executive Director, discussed SB 612 advocacy efforts: its' first hearing will take place at the Senate Energy, Utilities, and Communications Committee where Mr. Bardacke will be CalCCA's witness testifying in support of the bill; and reported that half of CPA's member agencies have already submitted letters of support. CPA was awarded the Policy Leadership Award by the U.S. Green Building Council for ongoing work in supporting equity in the delivery of clean energy, particularly in offering one hundred percent clean energy at no additional cost to CARE customers who are defaulted in at the 100% Green product.

Vice Chair Parks thanked Mr. Bardacke and Committee Member Lopez for the legislative advocacy and staff confirmed that a press release announcing the award will be issued.

3. 2021 Rate Setting Approach Options

Mr. Bardacke provided a review of the rate-setting approach process. At the May Board meeting, staff will request formal adoption of a rate-setting approach that meets CPA's FY 2021/22 revenue requirement. Mr. Bardacke reviewed the four initial scenarios introduced to the Board and reviewed the feedback received, including strong support for CARE customer protection; significant opposition to weighting increases toward commercial customers; concern for 100% Green double-digit premium; and requests for compromise scenarios, but no consensus on the Average Percentage Change (APC) vs. Cost-of-Service (COS). Mr. Bardacke summarized the scenario development process in response to the Board feedback, noting that the load forecast and cost projections were updated; the residential subsidy scenario was eliminated; a new COS-informed scenario was developed that incorporated CARE customer protection with moderate increases on Lean/Clean customers and a hybrid scenario was also developed. Rate premiums in all scenarios are based on estimates of future SCE rate changes and CPA could change rates later in the year in response.

Committee Member Zuckerman asked about the Reserve Fund contributions and the customer response to recent SCE increases. Mr. Bardacke noted that $24 million is the adjusted contribution for FY 2020/21 based on an amended budget; staff expects CPA to contribute $30 million in the next FY; there has not been any significant change in customer behavior since the recent SCE rate increases.

Mr. Bardacke discussed expected comparisons of rates as of summer 2021. In response to Vice Chair Parks questions regarding the comparisons, Mr. Bardacke clarified that SCE's CARE customer figure could be slightly higher because they serve inland regions; and, especially in the COS scenario, there is a notable compression between Clean and 100% Green rate products.

Mr. Bardacke reviewed scenario one in detail, APC with CARE subsidy. In this scenario, CARE customer rates are held at current levels and the increase is spread equally across most products and customer groups. It is also the simplest approach to communicate to customers; however, it does not address imbalances in the COS. Vice Chair Parks asked several questions regarding the CARE subsidy, specifically how 100% Green customers shouldered the subsidy in relation to the two other product customers. In response, Mr. Bardacke confirmed that the 100% Green product has the least number of CARE customers and those communities at that default are generally of higher income, with some exceptions; clarified that for the CARE subsidy all three rates are shouldering the cost equally. Chair Mahmud added that 100% Green product customers may be shouldering a greater percentage because they are also covering the delta between what would otherwise be Lean or Clean and the 100% renewable. Matt Langer, Chief Operating Officer, clarified that in ratemaking, staff treats subsidies separately; there is one subsidy to provide the 100% Green CARE customers with green energy at the Clean product rate which is already built-in; and a second subsidy to maintain all CARE customers at their current levels which applied an equal rate increase to all customers in all products.

Vice Chair Kuehl asked for further context of the rate comparisons as of summer 2021. Mr. Bardacke responded that the percentages presented were indicative of how much more a customer would be paying in percentage terms than if they were on SCE's base rate; namely, the figures do not indicate the increase, but rather the bill comparison in percentages.

Scenario two involves a COS-approach with a CARE and a 100% Green Target, where CARE customer rates are held at current levels and all other rates go up between 0.4% and 1.4% compared to the previous COS without a CARE subsidy. 100% Green residential still had room to move up to approximately 9% of the target; staff adjusted those rates up to help moderate Lean/Clean increases. The impact of keeping CARE customers at their current rates help Lean and Clean in particular, with 34% of customers in those communities not receiving a rate increase (via CARE).

Scenario three takes a hybrid approach where CPA would adopt APC for the summer months and transition to COS-informed in October. In summer months when cost pressures are most acute across all rates, the APC approaches those pressures equally; and in October, the COS approach will decrease 100% Green to within the 9% target. This transition would make it a gradual process that would allow for cities' default changes to proceed on schedule and allow for tweaks to rates if needed based on SCE rates and summer financial results. Customer communication could be challenging with the hybrid scenario, but manageable. Mr. Bardacke stated that regardless of the adopted rate-setting approach, CPA will face a challenging rate competitiveness environment in the second half of 2021; the hybrid option may be desirable if there is no consensus on the APC or the COS; and staff requests a recommendation to the Board.

In response to Committee Member Lopez's questions, Mr. Bardacke clarified that this will mark the first time that the rate setting approach to Lean and Clean customers are out of the targets, but there is a more knowable risk of increasing opt-outs in the 100% Green cities. Mr. Langer contextualized further, noting that CPA has taken every reasonable cost reduction and will still need to raise rates to address the approximately $90 million shortfall in revenues requirement for the year. The rate-setting approach determines how the increase is spread out. Vice Chair Kuehl commented that residential customers may not be aware of SCE's base rates and even expect rate increases as the seasons change; expressed inclination to support for the hybrid scenario that allows for a two-step rate increase process that also protects 100% Green cities. Additionally, Vice Chair Kuehl inquired as to the reasons for the diminution of the 100% Green rate in the hybrid scenario as it does not incentivize customers to opt-up to 100% Green. Mr. Bardacke clarified that the decrease below the 9% target aligns with its COS. Committee Member McKeown noted that though SCE is paying more for power this coming summer, as is CPA, SCE is capitalized enough to be able to delay passing the increase onto their customers; under the APC approach, customers will eventually know that their rates are no longer within the targets and shares some concern that a rate increase will not go unnoticed in the summer under the APC approach. Committee Member Gold recognized that the hybrid approach gets CPA closer to COS rates without disrupting business operations; observed that COS rates allow CPA to become proactive rather than reactive to SCE; the complexity of SCE electricity bills can deter customers from differentiating CPA/SCE increases; and suggested a one dollar increase to CARE customers that can raise approximately $3 million and allow CPA to rework scenarios. Committee Member Santangelo agreed in that the COS strategy will eventually separate CPA from SCE comparisons; noted concern with the hybrid approach, specifically that Lean and Clean products increase when switching from APC to COS, and the 100% Green decreases, which can appear to be two rate increases to Lean and Clean customers. Vice Chair Parks echoed concern for the optics of the increase of Lean and Clean and the decrease of 100% Green in the transition from APC to COS; added that maintaining the 100% Green in the target even if only a small percentage, keeps CPA's promise to its customers regarding the rate product differentiations; and CPA should continue to encourage communities to default to 100% Green. Committee Member Lopez agreed with previous comments about encouraging communities to default to 100% Green and protecting that default decision. Mr. Langer responded that CPA wants to avoid messaging that assumes preference for one customer class over another; rather the COS approach offers a coherent message to customers where CPA charges for the costs it incurs to procure the product each customer consumes and that it is coincidental that 100% Green cost of service falls within the target range this year. Chair Mahmud added that since CPA first projected cost comparisons to SCE's base rate, the cost of renewables has decreased more rapidly, whereas thermal energy has likely increased because the demand is higher to address reliability; however, it is good news that the cost of renewables is getting closer to that of thermal energy. Chair Mahmud agreed that customers do expect bill increases during the summer and if SCE increases transmission and delivery charges, CPA increases will be harder to spot; a transition to COS can also help to encourage customers to default to 100% Green as it would only be marginally more expensive. Vice Chair Parks agreed that dirtier energy is becoming more expensive which can encourage customers to choose cleaner energy. Committee Member Horvath agreed with the perception that most customers are not aware of the difference in service and the charges on their bills; and highlighted that a transition to COS is inevitable, as CPA is responsible for maintaining its commitment to its communities' environmental goals and to protecting low-income customers. Committee Member Zuckerman agreed and stated preference for transitioning to COS at once rather than phasing, and letting customers choose to opt-out if they need to. Committee Member McKeown reiterated that though he previously accepted the idea that 100% Green communities pay a bit more than their share, he has concern for the temporary summer increase proposed in the hybrid scenario; but pointed out that although there were rate comparison promises, the organization should continue to work towards a bigger promise of transitioning the region off fossil fuel and onto 100% renewable energy.

Vice Chair Kuehl indicated that the COS model may be easier to explain to customers and expressed support for COS if there is a consensus. After further discussion, the Executive Committee reached a consensus on the Cost-of-Service-based approach. Committee Member McKeown voiced willingness to consider a scenario where 100% Green customers pay slightly more to help ease the burden of the other classes. Mr. Bardacke conceded that a small premium is built into the current COS approach and Committee Member McKeown reasoned that the slight increase is in the interest of the viability of CPA that will eventually move all communities to renewable energy.

4. Review Fiscal Year 2021-2022 Budget Priorities

Mr. Bardacke provided a summary of CPA's budget process, where key priorities are to contain net operating expenses to current levels and a 50% reduction in capital outlay; management of energy costs and risk; reduce use of consultants by investing in staff and technology; and use savings to increase customer programs and communications where there is potential return on investments (ROI). Mr. Bardacke reviewed the budget timeline and elaborated on the organizational priorities, noting that staffing, investing in data and systems, impactful customer programs and meeting financial targets are crucial. Energy market risk is increasing, and CPA is mitigating that risk through long-term renewable and storage projects. In-sourcing has reduced projected spending; the amended Calpine contract provides room for investments in customer programs and community engagement to improve customer experience and increase access to assistance programs. Mr. Bardacke discussed upcoming projects to increase brand awareness and loyalty, activities to support customer assistance programs with high ROI, and program marketing support. Customer programs were split into three categories of funding including: reimbursable programs, such as Power Share; state funded; and strategic with long-term ROI or community benefits potential. Mr. Bardacke highlighted considerations for staffing, emphasizing on mid and junior level hiring across the organization to build internal capacity and support; a continued focus on retention; and budget considerations for current staff, cost of living adjustments (COLA), merit increases, and full year impacts from hiring; all while maintaining staffing costs at industry-leading 1% - 1.2% of total revenue. CPA will bring on more energy storage in the next six months than what is currently on the entire state's energy grid overall and will need the staff to manage the market transformation. CPA is heavily investing in technology and will need to acquire the staff to use and maintain the technology. Investments in communications and customer programs can build brand loyalty, mitigate potential opt-outs during a time of cost pressure, bring additional operating efficiencies, and manage cost volatility in the medium and long-term.

Vice Chair Kuehl complimented the addition of middle-level staff which also allows the organization to diversify and grow talented staff; and encouraged a balanced approached to the return of staff to the office. In response to Committee Member Zuckerman's question regarding the 8% increase for staff, Mr. Bardacke responded that the COLA is based off an objective index but the figure in the budget is a placeholder; and merit increases are available to staff but not guaranteed.

5. Review Draft Agenda for May 6, 2021 Board of Directors Meeting

The Executive Committee reviewed the agenda and provided feedback and suggestions on item placement.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Chair Mahmud adjourned the meeting at 3:37 p.m.