MINUTES

MEETING of the Finance Committee of the

Clean Power Alliance of Southern California

Wednesday, June 23, 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 11:04 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 May 26, 2021 Finance Committee Meeting
2. Receive and File May 2021 Risk Management Team Report
3. Receive and File May 2021 CPA Investment Report

In response to Committee Member Kulcsar's questions regarding hedging strategies on Item 2 and CPA's conservation efforts, Matt Langer, Chief Operating Officer, explained that staff evaluates the type, amount, pricing of hedging needed to manage market exposure, and the likeliness of extreme heat. Although conservation efforts are part of the strategy to deal with extreme heat events, CPA's risk management strategy does not rely on conservation instead of hedging.

Motion: Committee Member Calaycay, Claremont
Second: Committee Member Kulcsar, Carson
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 an update on CPA's cashflow and treasury activity, noting that there has been a fairly steady decrease in liquidity since the beginning of the year. Though some of it is seasonal, some of it results from a steady increase in accounts receivable as customers continue to pay tier bills slowly or not at all. Receivables are about $27 million higher than they were at the same time last year, meaning that some assets are tied up in receivables that would otherwise be in the form of cash. Additionally, SCE's billing transition has caused delayed reporting of usage resulting in charging delays of at least 30 days. In the coming months, resumption of disconnections and bill relief may help CPA to increase cashflow.

Mr. McNeil provided a review of the financial dashboard, noting that CPA recorded a loss of $6 million in April, resulting from deliveries of renewable energy certificates taking place faster and sooner than budgeted and higher costs due to reversal of accruals.

Committee Member Kulcsar asked how far back the missing data goes; commented that customer communication is important to avoid confusion. Staff explained that the missing data is from the beginning of the year, with a noticeable uptick in April when the SCE billing conversion took place. Committee Member Zuckerman asked about renewable energy, line of credit usage, and whether the new rate increases will bring an increase in revenue. Mr. McNeil explained that there should be higher revenues in July and higher net income had CPA not done the rate change; were it not for the accelerated renewable energy costs and the missing revenue, the loss would be closer to $1 to $2 million in April. CPA has issued $147,000 in letters of credit under its $37 million line of credit.

In response to Chair Gold's comments regarding the impact of billing delays on customers, Mr. Bardacke explained that bills did not go out in the prior month, though some customers can experience billing delays for months or even years. Once SCE catches up, customers will receive larger than usual bills and often end up going on payment plans when the overall amount owed is large.

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

Mr. McNeil reviewed the current collection process that SCE follows and provided examples of circumstances in which SCE returns receivables to CPA, including accounts closed by the customer and disconnections due to non-payment. SCE has returned nearly $6 million of accounts receivables to CPA prior to March 2020. Staff plans to hire collection agents and explained that collecting returned receivables can reduce past-due accounts receivable balances and reduce CPA's bad debt expense. The proposed collections policy will govern the collection of accounts receivable that are no longer being collected by SCE and have been returned to CPA. Mr. McNeil explained that a customer with a $50 or more and outstanding CPA charges not subject to collection by SCE, may be referred for collections to a collection agency or agencies designated by CPA; customers will begin collecting for customers who are no longer receiving services from CPA in September 2021. Mr. McNeil described the collection agent's role and the services it would provide, consistent with laws or regulations relating to consumer protection, credit reporting, and monitoring debt collections. Additionally, CPA will not impose interest, penalties, nor fees; it may authorize the collection agent to reach settlements; credit reporting may occur within 180 days following the initiation of the collections process. The Executive Director will have discretion to approve policy exceptions. Mr. McNeil reviewed a portion of SCE's collections process, noting that it is very complex. Both SCE and CPA will refer customers to third-party collections agents to do the collection.

Committee Member Kulcsar asked how many accounts would be ready for collections by this summer and whether the collection agency will be allowed to resell customer data to another third-party if the agency does not collect. Mr. McNeil noted that the $50 cutoff should be established first, but it will be in the tens of thousands. The first batch of referrals are receivables that have already been referred to CPA from SCE, but most will be closed and inactive accounts that will receive noticing from CPA. The collection agents will not be allowed to sell any data. Committee Member Kulcsar asked about the threshold for credit reporting and wondered what the impact on customers would be for getting a credit reporting for being past due $50 on their account. Additionally, Committee Member Kulcsar inquired as to the cost for the collections agents and whether customers will have payment plan options. Mr. McNeil stated that he will have to work with the collection agents to determine the threshold for the amount of dollars and timeframe before reporting occurs and provide direction to the collections agent. Similarly, CPA will coordinate with the collections agent on the payment options provided to customers. Committee Member Calaycay asked if there was an ability to utilize the lien process in the collections process and Mr. McNeil noted staff will have to research the possibility of that; the collection agencies CPA will work with are familiar with some of the strategies for collection available to municipal agencies and may be able to offer some insight. In response to Committee Member Zuckerman's question regarding a collections fee, Mr. McNeil explained that it may be about 25% of what the collection agents can collect; but the collections policy will inform the contracting process. The practice of using two agencies is very competitive.

Chair Gold asked how payments are applied to past charges and Mr. McNeil clarified that SCE has a transparent process for allocating partial customer payments to SCE and CPA charges. For CPA's side of the bill, the older charges get paid first. Chair Gold suggested that the Executive Director's discretion include an explicit exception about hardship to ensure sensitivity towards customer circumstances. Committee Member Calaycay noted that there are programs available for low-income customers that may be experiencing financial difficulty. Committee Member Kulcsar inquired as to the process for incorporating the Committee's feedback. Staff noted that not all feedback ought to be addressed in the policy itself, but rather in the contracting process, such as the practices and relationship of the collection agent.

The Finance Committee directed staff to investigate the option of the lien process within the context of CPA collections activities and bring back the implementation process to the Finance Committee for feedback.

Motion: Committee Member Calaycay, Claremont
Second: Committee Member Zuckerman, Rolling Hills Estates
Vote: The consent agenda was approved by a roll call vote.

Committee Member Zuckerman added that staff should also consider how medical and/or life support can be addressed in the collections policy. Chair Gold noted that CPA does not manage disconnections.

COMMITTEE MEMBER COMMENTS

Committee Member Zuckerman requested information on CPA's counterparty crediting activities.

ADJOURN

Committee Chair Gold adjourned the meeting at 12:05p.m.