# REGULAR MEETING of the Community Advisory Committee of the Clean Power Alliance of Southern California

## Thursday, April 21, 2022

## 1:00 p.m.

**SPECIAL NOTICE:** Pursuant to the Proclamation of the State of Emergency by Governor Newsom on March 4, 2020, AB 361, and enacting Resolutions, and as a response to mitigating the spread of COVID-19, the Board of Directors will conduct this meeting remotely.

Click here to view a Live Stream of the Meeting on YouTube
*There may be a streaming delay of up to 60 seconds. This is a view-only livestream.

**To Listen to the Meeting:**
https://us06web.zoom.us/j/96592426856 or
Dial: (346) 248-7799 Meeting ID: 965 9242 6856

**PUBLIC COMMENT:** Members of the public may submit their comments by one of the following options:

- Email Public Comment: Members of the public are encouraged to submit written comments on any agenda item to clerk@cleanpoweralliance.org up to four hours before the meeting. Written public comments will be announced at the meeting and become part of the meeting record. Public comments received in writing will not be read aloud at the meeting.
- Provide Public Comment During the Meeting: Please notify staff via email at clerk@cleanpoweralliance.org at the beginning of the meeting but no later than immediately before the agenda item is called.
    - You will be asked for your name and phone number (or other identifying information) similar to filling out a speaker card so that you can be called on when it is your turn to speak.
    - You will be called upon during the comment section for the agenda item on which you wish to speak on. When it is your turn to speak, a staff member will unmute your phone or computer audio.
    - You will be able to speak to the Committee for the allotted amount of time. Please be advised that all public comments must otherwise comply with our Public Comment Policy.
    - Once you have spoken, or the allotted time has run out, you will be muted during the meeting.

If unable to connect by Zoom or phone and you wish to make a comment, you may submit written comments during the meeting via email to: clerk@cleanpoweralliance.org.

While downloading the Zoom application may provide a better meeting experience, Zoom does not need to be installed on your computer to participate. After clicking the webinar link above, click "start from your browser."

*Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at clerk@cleanpoweralliance.org or (323) 640-7664. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.*

***PUBLIC COMMENT POLICY:*** *The General Public Comment item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*
*Each speaker is limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five 5 minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Policy No. 8 – Public Comment for additional information.*

## CALL TO ORDER

## WELCOMING REMARKS

## GENERAL PUBLIC COMMENT

## CONSENT AGENDA

1. Approve Minutes from March 17, 2022, Community Advisory Committee
2. Update on Implementation of Workplan Priorities

## REGULAR AGENDA

3. Oral Update from the Chief Executive Officer on CPA Operations
4. Budget Priorities Fiscal Year 2022/2023
5. CPA Rate Options 2022/2023

## COMMITTEE MEMBER UPDATES, ACCOMPLISHMENTS, OR WORK-IN-PROGRESS

## ITEMS FOR FUTURE AGENDAS

## ADJOURN – NEXT MEETING ON May 19, 2022

***Public Records:*** *Public records that relate to any item on the open session agenda for a regular Committee Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Committee. The public records are available for inspection online at www.cleanpoweralliance.org/agendas.*

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# MINUTES

REGULAR MEETING of the Community Advisory Committee of the

Clean Power Alliance of Southern California

Thursday, March 17, 2022

1:00 p.m.

*The Community Advisory 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

Vice-Chair Hernandez called the meeting to order at 1:02 p.m. and Karla Velazquez, Clerk of the Community Advisory Committee, conducted a roll call.

| | | |
|---|---|---|
| **East Ventura/West LA County** | Angus Simmons (Vice-Chair) | Remote |
| **East Ventura/West LA County** | Jennifer Burke | Remote |
| **East Ventura/West LA County** | Debbie West | Remote |
| **San Gabriel Valley** | Richard Tom | Remote |
| **San Gabriel Valley** | Kim Luu | Absent |
| **West/Unincorporated Ventura County** | Lucas Zucker | Absent |
| **West/Unincorporated Ventura County** | Vern Novstrup | Remote |
| **South Bay** | David Lesser | Remote |
| **South Bay** | Emmitt Hayes | Remote |
| **Gateway Cities** | Jaime Lopez | Absent |
| **Gateway Cities** | Genaro Bugarin | Remote |
| **Westside** | Cris Gutierrez | Remote |
| **Westside** | David Haake (Chair) | Absent |
| **Unincorporated Los Angeles County** | Neil Fromer | Remote |
| **Unincorporated Los Angeles County** | Kristie Hernandez (Vice-Chair) | Remote |

All votes are unanimous unless otherwise stated.

## GENERAL PUBLIC COMMENT

No public comment.

## CONSENT AGENDA

1. Approved Minutes from February 17, 2022, Community Advisory Committee Meeting

**Motion** Committee Member Lesser, South Bay
**Second** Committee Member Gutierrez, Westside
**Vote** The minutes were approved by a roll call vote

## REGULAR AGENDA

2. Oral Update from the Chief Executive Officer on CPA Operations

Chief Executive Officer Ted Bardacke highlighted that last week the City of Camarillo voted to change its default rate to 100% green.

Mr. Bardacke gave an update on the Power Ready program and noted that the City of Sierra Madre is the first city to approve the Memorandum of Understanding (MOU) to install solar and battery storage through the Power Ready program. He highlighted that the Ventura County Board of Supervisors will also consider two MOUs for solar and battery storage through the Power Ready program.

Committee Member Lesser requested data on CPA's renewable content with the addition of the City of Camarillo. Mr. Bardacke noted that staff will put together a data fact sheet for the CAC. He also added that in 2023 it is anticipated that CPA's portfolio will include up to 70% renewable energy.

Committee Member Bugarin asked about CPA's support for member agencies on reach codes and other electrification efforts, including vehicle electrification. Mr. Bardacke noted that CPA is in the development stages of a program that will assist cities to pass reach codes that will promote building electrification. He also highlighted electric vehicle incentives through CPA's CALeVIP program, and marketing activities to promote that program.

3. Bill Positions

Policy Director Gina Goodhill provided a presentation on AB 1814 and HR 6662.

Ms. Goodhill noted that currently CCAs are allowed to submit applications to the CPUC for Disadvantaged Community Green Tariff and Community Solar program funds, but not for Transportation Electrification Programs. AB 1814 would allow

CCAs to become Transportation Electrification Program Administrators, and access ratepayer funds approved for these programs.

Ms. Goodhill reviewed HR 6662, which is the first piece of federal legislation the CPA Board has taken a position on. This bill would reduce the barriers public housing residents face. The bill will also provide access to clean energy and it is in line with CPA's transportation electrification goals.

Ms. Goodhill also provided an overview of the kinds of bills CPA is currently monitoring. Specifically, she highlighted that CPA is monitoring bills that include changes to the integrated resource plan; increases in financial security requirements; demand response access; extreme heat technology and extreme heat ranking systems for weather events; budget items relevant to new green technologies and investments; and affordability for utility bills.

Ms. Goodhill announced that Mr. Bardacke attended CalCCA's recent Lobby Day and CPA will host a virtual lobby day. She noted that staff will reach out to the CAC members interested in participating in the virtual event.

Mr. Bardacke provided a brief report on CalCCA's Lobby Day. He highlighted that the legislators he spoke with recognized the need to build more long-term renewable energy infrastructure. Mr. Bardacke also noted that there was discussion surrounding the importance of electricity bill affordability.

Committee Member Gutierrez commented that the CAC can initiate conversations with legislators to assist CPA. Ms. Goodhill commented that CPA has talking points and will share them with the CAC.

Vice-Chair Hernandez stated that she supports the idea of shared EV for public housing. She thanked staff for keeping the CAC informed and up to date on these legislative issues. She also agreed that having a document with information on regional legislators would be useful.

## COMMITTEE MEMBER UPDATES, ACCOMPLISHMENTS, OR WORK-IN-PROGRESS

Committee Member Gutierrez noted that she participated in a workshop on the decommissioning of the Playa de Ray Natural Gas Facility. She also noted that she is coordinating workshops to update people on affordability.

Vice-Chair Hernandez thanked Christian Cruz and Dalia Gomez for their attendance at a Community Advisory Committee in Unincorporated East Los Angeles.

## COMMITTEE MEMBER COMMENTS

No comments.

## ITEMS FOR FUTURE AGENDA

No comments.

## ADJOURN

Vice-Chair Hernandez adjourned the meeting at 2:07 pm.

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**Staff Report – Agenda Item 2**

| | |
|---|---|
| **To:** | Clean Power Alliance (CPA) Community Advisory Committee |
| **From:** | Christian Cruz, Community Outreach Manager |
| **Approved by:** | Ted Bardacke, Chief Executive Officer |
| **Subject:** | Update on Implementation of Workplan Priorities |
| **Date:** | April 21, 2022 |

## RECOMMENDATION

Receive and file.

## BACKGROUND

This monthly report outlines the Community Advisory Committee (CAC) workplan activities and CPA staff activities in support of the CAC.

## WORKPLAN UPDATE

Per the CAC 2022-23 Workplan, "Section 1. CPA Commitments to Support the CAC," CPA staff committed to supporting the convening of CAC working groups, as needed. At the February 17 meeting, the CAC called for staff to assist in convening a working group on Net Energy Metering (NEM) 3.0. NEM is a tariff approved by the California Public Utilities Commission (CPUC) and used by many load serving entities (LSE) in California to incentivize rooftop solar adoption.

On March 24th, CPA staff assisted the CAC in convening a NEM 3.0 working group. During this meeting, the working group received a presentation on Distributed Energy Resources' (DER) role in grid decarbonization and reliability. The presentation contextualized rooftop solar as one of many DER tools that can help in the effort to decarbonize and ensure reliability on the grid, especially when paired with storage.

The CAC working group recommended that CPA staff provide information to the larger CAC about the current amount of distributed solar and solar + storage within CPA service territory. In addition, the working group highlighted to the staff that the CPA goals and objectives on decarbonization, system reliability, and equity are consistent with the goals

and mission of CPA. The working group also recommended that CPA staff ensures that equity is a key part of any future NEM discussion, such as the development of a new CPA NEM policy and tariff, or if CPA staff and CAC decide that it is appropriate for CPA to provide comments on an alternate PD.

## DIVERSITY, EQUITY, AND INCLUSION (DEI)

For the past several months, a dedicated, cross-functional internal DEI team at CPA has been developing a DEI action plan. CPA selected a DEI consulting partner, Orange Grove Consulting (OGC), to support CPA in this work by assessing CPA's current DEI activities and outcomes; conducting a staff engagement and training process; and working with the DEI team to review and finalize CPA's DEI strategy.

As a part of the DEI assessment process, OGC will conduct two listening sessions to gather input from CAC members on CPA's DEI efforts and priorities. CAC members' perspectives will be particularly valuable to inform OGC's assessment of CPA's external DEI activities and their impacts on CPA customers and communities. The CAC will receive a briefing on the outcome of the DEI assessment and have an opportunity to review and provide input on the updated DEI strategy at a future meeting.

## NEXT STEPS

CPA staff will assist the CAC NEM working group to convene one additional meeting in late April. At this meeting, CPA staff will provide the working group with a cost analysis for serving existing CPA NEM customers. Staff in collaboration with the CAC working group will provide an update at the May 19, 2022, CAC meeting.

Staff will also assist OGC in hosting the two listening sessions and will coordinate with interested CAC members to participate in these sessions.

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**Staff Report – Agenda Item 3**

| | |
|---|---|
| **To:** | Clean Power Alliance (CPA) Community Advisory Committee |
| **From:** | Ted Bardacke, Chief Executive Officer |
| **Subject:** | Oral Update from the Chief Executive Officer on CPA Operations |
| **Date:** | April 21, 2022 |

The Chief Executive Officer will provide an oral update on CPA operations.

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**Staff Report – Agenda Item 4**

| | |
|---|---|
| **To:** | Clean Power Alliance (CPA) Community Advisory Committee |
| **From:** | David McNeil, Chief Financial Officer |
| **Subject**: | Budget Priorities Fiscal Year 2022/2023 |
| **Date:** | April 21, 2022 |

The Chief Financial Officer will provide a presentation on budget priorities for Fiscal Year 2022/2023.

**ATTACHMENT**

1) FY2022-23 Budget Priorities PPT

# Item 4 - FY 2022/23 Budget Priorities and Operating Expense Highlights

April 21, 2022

# Summary

- CPA is developing its FY 2022/23 Budget for presentation to the Board at the June 3, 2021, Board meeting
- Today is a look at priorities for Operating Expenses (~5% of total costs)
- Key budget priorities for FY 2022/23:
  - Investments in communications and customer programs are expected to provide a better customer experience, customer/community benefits in the short-term and offer ROI opportunities for CPA over the medium and long term, and enable assistance for low-income customers
  - Continue investments in Customer Programs, notably support of EV charging, demand response and community solar
  - Expansion of staff at mid and lower levels of the organization to reduce burn-out, build internal resources and processes to prepare for expected levels of staff turnover, plan for succession, and contain expenditures on third party consultants and improve performance.
  - Continued investments in energy/data/risk management staff, technology, and systems in FY 2022/23 will help improve management of energy cost volatility, better operationalize new energy and storage projects, and result in additional operational efficiencies
- CAC Feedback is requested on operating budget priorities, particularly in the areas of communications and customer programs

# FY 2022/23 Budget Process

✓ January – April 2022 (Staff) – FY 2022/23 Goal Setting, Departmental Budgeting, Rate Design Planning, Energy Cost Projections & Consolidated Budget Planning (ongoing)

✓ April 20, 2022 (Executive Committee) – Budget Priorities

✓ April 21, 2022 (Community Advisory Committee) – Budget Priorities

- April 27, 2022 (Finance Committee) – Budget Priorities & Draft FY 2022/23 Operating Expenses Budget
- May 11, 2022 (Board) – Budget Priorities
- May 18, 2022 (Executive Committee) – Draft FY 2022/23 Budget
- May 25, 2022 (Finance Committee) – Proposed FY 2022/23 Budget
- June 2, 2022 (Board) – Proposed FY 2022/23 Budget

# 2022/2023 Operational Priorities

1. Achieve financial targets, including IG Credit Rating

2. Meet renewable procurement and GHG emissions targets

3. Attract, retain and develop high-performing and diverse staff

4. Comply with or surpass regulatory and legal obligations

5. Develop and deliver impactful customer programs, including mid-term strategic review

6. Finish development of and implement DEI plan

7. Establish and improve processes

8. Update and Implement Data and Systems Strategic Plan

9. Lead and shape regulatory and policy discussions

10. Maintain customer participation rates, with particular emphasis on agencies changing their default rates

11. Plan for future success, including long-term rate product strategy

# Operating Expense Context

- Energy market risks continue to be elevated as California continues to experience significant heat events and available supply of energy remains constrained.
- CPA manages ~$850 million of annual energy costs representing 95% of total costs. In addition, CPA contracts for and operationalizes long-term renewable and storage projects involving billions of dollars of financial commitments.
- Renewable energy and storage developers are experiencing supply chain challenges which are impacting project viability and scheduled online dates.
- CPA will become the 3rd largest LSE in CAISO by end of 2022 and largest supplier of renewable energy in the nation. Regulatory, political and PR opportunities and scrutiny are multiplying.
- Expanding suite of customer programs requires CPA to develop the ability to acquire customers in addition to retaining them.
- Data challenges do not seem to be abating and are impacting the customer experience.

# Operating Expenses Overview

- CPA added significant staff capacity in risk management, data management, and energy operations in the past year. These resources have improved internal performance and capacity.
- Consolidating these benefits is dependent on ensuring continuous coverage of key functions, establishing/documenting processes, and investing in staff retention and talent acquisition.
- Investments in communications, customer care and data management provide a better customer experience and help customers, particularly low-income, to access assistance programs.
- Investments in Customer Programs and regulatory matters provide customer/community benefits in the short-term and offer ROI opportunities for CPA over the medium and long term.
- Operating expenses represent ~5% of total costs. One-third of operating expenses are fixed by regulatory, contractual, or policy obligations.
- Operating expenses are projected to increase by ~31% (22.5% inflation adjusted).
- CPA has limited ability to impact rates in the short term through adjustments to budgeted energy or operating expenses but can increase impact and reduce risk through these investments.

# Notable Budget Increase Areas

CPA CLEAN POWER ALLIANCE

# Communications & Mailers

- **Default Product Changes**
  - Approximately 300,000 customers will upgrade to the 100% Green Power product in October 2022 requiring additional mailing (+$550k, or 42% of total mailer costs) and communications expenses
- **Program Marketing Support**
  - Power Share (reimbursable) and Power Response require customer acquisition investments
  - Program marketing represents approximately 40% of expected communications expenses
- **Brand Awareness and Reputation Enhancement**
  - Assists with program marketing (customers), recognition among stakeholders, expansion efforts
  - Event and organizational sponsorships

# Customer Programs

**100% Reimbursable**

- Power Share/Community Solar ($2.3m, CPUC)
- Electrification Workforce Development ($375k, NextEra)

- **Leverage State Resources**
  - Electric Vehicle Charger Incentives ($957k on top of an estimated $6.5 million in state incentives)

- **Strategic with long-term ROI or community benefits potential**
  - Power Response/Demand Response ($2m, Program Incentives & Implementation)
  - Power Ready/Backup Power ($70k, Technical Services)
  - Building Electrification Code Incentives ($426k, Program Development)
  - Low Carbon Fuel Standard credits for EV charger operators ($150k, Program Development)

# Staffing

- 2021/22: Budgeted headcount of 55 – plus 4 added mid-year w/n budget. Currently have 47 staff.
- Turnover: Need to hire 2 to gain 1
  - Jan 2021 to March 2022 – Hired 35/Net gain of 14
  - Oct 2021 to March 2022 – Hired 13/Net gain of 8
- Build out mid-levels of the organization to ensure coverage during staff absences and inevitable vacancies, reduce burnout, build for the future, and plan for succession.
- In-source regulatory, rate setting, and communications activities while deepening resources in energy procurement to manage newly commissioned renewable energy and storage resources
- Invest in human resources staff, professional development (G&A), and recruiting (Other Services) to attract and retain staff

# Budget Priorities Review

- Investments in communications and customer programs are expected to provide a better customer experience, customer/community benefits in the short-term and offer ROI opportunities for CPA over the medium and long term, and enable assistance for low-income customers
- Expansion of staff at mid and lower levels of the organization can reduce burn-out, build internal resources and processes to prepare for expected levels of staff turnover, plan for succession, and contain expenditures on third party consultants and improve performance
- Investing in human resources staff, professional development (G&A), and recruiting (Other Services) to attract and retain staff
- Continued investments in energy/data/risk management staff, technology, and systems in FY 2022/23 will help improve management of energy cost volatility, better operationalize new energy and storage projects, and result in additional operational efficiencies

# Questions?

CPA CLEAN POWER ALLIANCE

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**Staff Report – Agenda Item 5**

| | |
|---|---|
| **To:** | Clean Power Alliance (CPA) Community Advisory Committee |
| **From:** | Matthew Langer, Chief Operating Officer |
| **Subject**: | CPA Rate Options 2022/2023 |
| **Date:** | April 21, 2022 |

The Chief Operating Officer will provide a presentation on CPA rate options for 2022/2023.

**ATTACHMENT**

1) CPA Rate Options 2022/2023 PPT

# Item 5 - FY 2022/23 Rates Discussion

April 21, 2022

# Executive Summary

- Each year CPA set rates once to coincide with the beginning of our fiscal year on July 1
- As CPA considers FY22/23 rates, the competitive environment presents a unique opportunity to make significant progress toward our near and long-term financial goals
- Staff is requesting feedback from the CAC on the rate options the Board will consider in May

- Agenda:
  - Recap of 2022 rate environment
  - Considerations for FY22/23 rates
  - Rate setting options
  - CARE subsidy and programmatic options
  - Options recap and discussion

# Recap: PCIA Impacts

- The PCIA dropped approximately 85% in 2022, driven by historically high energy market forward prices which reduced the above market cost of SCE's PCIA portfolio
  - On-peak benchmark price of energy in 2022 was $71.72, compared to $44.43 in 2021
- CPA customers saw resulting bill reductions of 6-7% beginning March 2022 with no action by CPA

**Average CPA Residential Customer Bill**

| Energy Product | January 2022 | March 2022 | % Change |
|---|---|---|---|
| **Lean** | $170.81 | $158.54 | -7.2% |
| **Clean** | $172.08 | $159.82 | -7.1% |
| **100% Green** | $176.33 | $164.06 | -7.0% |

**Average CPA Small Business Customer Bill**

| Energy Product | January 2022 | March 2022 | % Change |
|---|---|---|---|
| **Lean** | $249.22 | $233.65 | -6.2% |
| **Clean** | $251.37 | $235.80 | -6.2% |
| **100% Green** | $256.58 | $241.01 | -6.1% |

# Recap: Competitive Impacts

- SCE's generation rates increased by ~18% beginning March 2022
- The increased SCE generation rate combined with the decreased PCIA improved CPA's competitive position versus SCE
- Several factors led to increased SCE generation rates
  - A $700+ million undercollection from 2021 resulting from SCE generation rates that were lower than needed to recover costs
  - Elevated forward prices for energy in 2022
  - Lower PCIA increases bundled customer costs

**Average CPA Residential Customer Bill**

| Energy Product | January 2022 | Comparison to SCE | March 2022 | Comparison to SCE |
|---|---|---|---|---|
| **SCE base** | $160.72 | | $173.03 | |
| **Lean** | $170.81 | 6.3% | $158.54 | -8.4% |
| **Clean** | $172.08 | 7.1% | $159.82 | -7.6% |
| **100% Green** | $176.33 | 9.7% | $164.06 | -5.2% |

**Average CPA Small Business Customer Bill**

| Energy Product | January 2022 | Comparison to SCE | March 2022 | Comparison to SCE |
|---|---|---|---|---|
| **SCE base** | $233.17 | | $252.91 | |
| **Lean** | $249.22 | 6.9% | $233.65 | -7.6% |
| **Clean** | $251.37 | 7.8% | $235.80 | -6.8% |
| **100% Green** | $256.58 | 10.0% | $241.01 | -4.7% |

# Considerations for FY 22/23 Rates

- CPA is presented with a rare opportunity to accelerate its progress towards achieving mid- and long-term strategic financial goals while balancing other factors:
  - Significant progress toward board-approved reserve and liquidity targets
  - Preparation for a less favorable competitive environment in 2023
  - Prepare to achieve an investment-grade credit rating
  - Maintain CPA's competitive position and overall value proposition
  - Prepare for upcoming default changes
  - Ensuring financial resilience through continuing energy market volatility

# Credit Rating Overview

- An important milestone in CPA's progress is achieving an investment-grade (IG) credit rating
- What is an investment-grade credit rating?
  - A credit rating is an opinion published by an independent rating agency (e.g. S&P, Moody's, and Fitch) that assesses the likelihood an entity will repay its debts
  - Entities with an investment-grade rating are considered the best credit risks and can attract financing at the lowest cost and from the greatest number of lenders and investors
- How does CPA obtain a credit rating?
  - CPA engages with a credit rating agency which will evaluate CPA and assign a credit rating

| | Moody's | S&P | Fitch | Meaning |
|---|---|---|---|---|
| Investment Grade | Aaa | AAA | AAA | Prime |
| | Aa1 | AA+ | AA+ | High Grade |
| | Aa2 | AA | AA | |
| | Aa3 | AA- | AA- | |
| | A1 | A+ | A+ | Upper Medium Grade |
| | A2 | A | A | |
| | A3 | A- | A- | |
| | Baa1 | BBB+ | BBB+ | Lower Medium Grade |
| | Baa2 | BBB | BBB | |
| | Baa3 | BBB- | BBB- | |
| Junk | Ba1 | BB+ | BB+ | Non Investment Grade Speculative |
| | Ba2 | BB | BB | |
| | Ba3 | BB- | BB- | |
| | B1 | B+ | B+ | Highly Speculative |
| | B2 | B | B | |
| | B3 | B- | B- | |
| | Caa1 | CCC+ | CCC+ | Substantial Risks |
| | Caa2 | CCC | CCC | Extremely Speculative |
| | Caa3 | CCC- | CCC- | In Default w/ Little Prospect for Recovery |
| | Ca | CC | CC+ | |
| | | C | CC | In Default |
| | | | CC- | |
| | D | D | DDD | |

# Credit Rating Benefits

- Receiving an IG credit rating will yield many benefits to CPA
  - Increases the number and quality of financial institutions willing to finance CPA's long-term renewable and energy storage projects, thus reducing costs for developers, increasing probability of project completion, and allowing them to provide CPA with a wider variety of lower-cost projects to choose from
  - Increases energy supplier participation in CPA's short-term solicitations for renewable and conventional energy and Resource Adequacy, thus increasing competition and potentially reducing costs
  - Reduces or eliminates certain collateral posting obligations, thus freeing up cash
  - Enhances CPA's reputation as a stable, financially sound leader in the energy industry, leading to greater trust and influence in the state legislative and regulatory arenas
- If CPA makes a larger contribution to reserves this year, it will accelerate its progress toward an IG credit rating

# Credit Rating Metrics

- Building liquidity (cash and unused lines of credit) is critical for achieving an investment grade credit rating
  - The key metric for liquidity is Days Liquidity on Hand (DLOH)
  - DLOH is defined as available cash and unused lines of credit divided by net operating expenses x 365
- CPA is currently in the "adequate" range – 67 DLOH as of Dec 2021
- Staff believes that CPA would need to be well within the range of "strong" to receive an IG rating in the next year

| Risk Factor | Metric | Extremely Strong | Very Strong | Strong | Adequate | Vulnerable | Highly Vulnerable |
|---|---|---|---|---|---|---|---|
| **Liquidity** | Days Liquidity on Hand (days) | >=270 | 150-270 | 90-150 | 45-90 | 15-45 | <=15 |
| **Indicative Credit Rating** | | High IG | | Medium IG | Low IG | Sub-IG | |

# 2023/24 Outlook

- The competitive environment remains volatile, primarily driven by PCIA and SCE generation rate fluctuations outside of CPA's control
  - In 2021 the PCIA increased compared to 2020, while SCE generation rates remained nearly flat, squeezing CPA's competitive position
  - In 2022, the PCIA dramatically decreased while SCE generation rates significantly increased, leaving CPA in a more favorable competitive position
  - Early forecasts of 2023 rates project a "snap-back" to a higher PCIA and lower SCE generation rates, potentially putting CPA in a similar position to 2021
- CPA will have less flexibility in rate setting in 2023 because it will likely be a challenging year competitively
  - This highlights the opportunity to accumulate more reserves this year to enhance flexibility and increase options for providing rate stability and competitiveness in the future

# 2022/23 Rate Option Assumptions

- Staff prepared three options for how CPA might set rates for FY2022/23
- Each option assumes the following:
  - Product differentials are based on CPA's cost of service and are similar to last year: Lean Power is 1% less than Clean Power; 100% Green Power is 3% higher than Clean Power
  - Subset rates reset to reflect cost of service
  - CARE rate freeze ends; additional scenarios for how to address CARE rate freeze are addressed separately

# 2022/23 Rate Options

- The options target DLOH with the “strong” range of 90-150 days
- Staff believes it is important to be safely within the “strong” range (i.e. above 120 DLOH) to maximize the chance of receiving an IG rating
  - Volatility in the energy markets is increasing; 2020 heat events reduced budgeted contribution to net position by $20M; similar events could occur in 2022
  - CPA’s cash needs are seasonal, so DLOH varies throughout the year making a cushion above the target important
  - The low revenue option makes IG rating much less likely in the next year

| Scenarios | Projected Contribution to Net Position | Projected Days Liquidity on Hand (6/30/23) | Comparison to SCE | | |
|---|---|---|---|---|---|
| | | | Lean | Clean | 100% Green |
| Low revenue option | $178M | 109 | -4% | -3% | 0% |
| Middle revenue option | $236M | 131 | -2% | -1% | 2% |
| High revenue option | $265M | 142 | -1% | 0% | 3% |

# Rate Comparison Ranges – Residential

## Average CPA Residential Customer Bill

### Low revenue option

| Energy Product | January 2022* | Comparison to SCE | July 2022 | Comparison to SCE |
|---|---|---|---|---|
| SCE base | $160.72 | | $173.03 | |
| Lean | $170.81 | 6.3% | $166.31 | -3.9% |
| Clean | $172.08 | 7.1% | $167.99 | -2.9% |
| 100% Green | $176.33 | 9.7% | $173.03 | 0.0% |

### Middle revenue option

| Energy Product | January 2022* | Comparison to SCE | July 2022 | Comparison to SCE |
|---|---|---|---|---|
| SCE base | $160.72 | | $173.03 | |
| Lean | $170.81 | 6.3% | $169.64 | -2.0% |
| Clean | $172.08 | 7.1% | $171.35 | -1.0% |
| 100% Green | $176.33 | 9.7% | $176.49 | 2.0% |

### High revenue option

| Energy Product | January 2022* | Comparison to SCE | July 2022 | Comparison to SCE |
|---|---|---|---|---|
| SCE base | $160.72 | | $173.03 | |
| Lean | $170.81 | 6.3% | $171.30 | -1.0% |
| Clean | $172.08 | 7.1% | $173.03 | 0.0% |
| 100% Green | $176.33 | 9.7% | $178.22 | 3.0% |

*Customer bills are approximately 6-7% lower as of March 1 owing to reduction in the PCIA.

# Options for Ending CARE Rate Freeze

- CPA froze CARE rates at 2020 levels in 2021 to mitigate the impact of significant rate increases on our most vulnerable customers
- CPA staff assessed a range of options for ending or phasing out the CARE rate freeze, recognizing that maintaining the freeze has a significant impact on CPA's net position, and at the same time many vulnerable customers are still experiencing high levels of economic stress
- All revenue options set CPA CARE rates at or below SCE CARE rates and below or close to CPA's January 2022 rates

| Scenarios | Reduction to Net Position | Reduction to DLOH |
|---|---|---|
| A: End freeze 7/1/22 (base case) | $0 | 0 |
| B: End freeze 10/1/22 | $10M | 4 |
| C: Step down rate freeze by half 7/1/22 | $18M | 7 |
| D: Maintain freeze for FY22/23 | $35M | 13 |

**Average CPA CARE Customer Bill (Middle Revenue Option)**

| | | | Option A: End Freeze | | Option C: Step Down Freeze | | Option D: Maintain Freeze | |
|---|---|---|---|---|---|---|---|---|
| Energy Product | January 2022 | Comparison to SCE | July 2022 | Comparison to SCE | July 2022 | Comparison to SCE | Current | Comparison to SCE |
| SCE base | $108.72 | | $116.98 | | $116.98 | | $116.98 | |
| Lean | $111.82 | 2.9% | $113.59 | -2.9% | $105.99 | -9.4% | $95.50 | -18.4% |
| Clean | $112.90 | 3.8% | $115.31 | -1.4% | $107.39 | -8.2% | $96.58 | -17.4% |
| 100% Green | $112.90 | 3.8% | $115.31 | -1.4% | $107.39 | -8.2% | $96.58 | -17.4% |

Option B = Option D through Sept 30 and Option A starting October 1.

# One-Time Program Spending Potential

- The middle and higher revenue scenarios provide an opportunity to dedicate up to $10 million in additional one-time program spending, potentially focused on member agency sustainability and resiliency needs

- How these funds would be spent could be a focus of the mid-point Customer Programs Strategic Plan review to take place later in 2022
  - For example, programs could include rebates for member agency vehicle fleet electrification; member agency or CBO competitive grants; direct install funds for customers

- Funding for one time customer program spending could be made available through the Fiscal Stabilization Fund providing flexibility to expend funds over future periods

# Next Steps

- CPA's load forecast and financial projections will be updated prior to the May Board meeting so exact numbers will change
- Rate options will be presented to the Board in May and a vote on a "2022/23 Rate Approach" will be requested
- Final rate setting will take place at the June Board meeting along with adoption of the FY22/23 budget
  - This rate setting is mostly technical and will follow the Rate Approach adopted at the May Board meeting
- Today, staff is seeking input from the CAC on the options that will be presented to the Board in May

# Options Recap and Discussion

- Three options pose different levels of risk for CPA receiving an IG credit rating, putting more or less weight on events and factors outside of CPA's control
- Options 2 and 3 offer opportunities for differential treatment of CARE customers and/or one-time programmatic spending while still collecting sufficient revenue to reduce financial risks.

**Option 1: Low Revenue ($2- $4 bill decrease vs. Jan) – High Risk/Not Recommended**

- End CARE rate freeze in July

**Option 2: Middle Revenue Scenarios ($0 - $1 bill decrease)– Medium Risk**

- A: End CARE rate freeze in October ($10M cost), or
- B: End CARE rate freeze in July and $10 million in one-time program spending ($10M cost)

**Option 3: High Revenue Scenarios ($1 - $2 bill increase) – Lowest Risk**

- A: End CARE rate freeze in October ($10M cost), or
- B: End CARE rate freeze in July and $10 million in one-time program spending ($10M cost), or
- C: End CARE rate freeze in October and $5 million in one-time program spending ($15M cost)

# Questions

CPA CLEAN POWER ALLIANCE

# Appendix

CPA CLEAN POWER ALLIANCE

# Rate Comparison Ranges – Small Business

## Average CPA Small Business Customer Bill

### Low revenue option

| Energy Product | January 2022* | Comparison to SCE | July 2022 | Comparison to SCE |
|---|---|---|---|---|
| SCE base | $233.17 | | $252.91 | |
| Lean | $249.22 | 6.9% | $243.09 | -3.9% |
| Clean | $251.37 | 7.8% | $245.54 | -2.9% |
| 100% Green | $256.58 | 10.0% | $252.91 | 0.0% |

### Middle revenue option

| Energy Product | January 2022* | Comparison to SCE | July 2022 | Comparison to SCE |
|---|---|---|---|---|
| SCE base | $233.17 | | $252.91 | |
| Lean | $249.22 | 6.9% | $247.95 | -2.0% |
| Clean | $251.37 | 7.8% | $250.45 | -1.0% |
| 100% Green | $256.58 | 10.0% | $257.96 | 2.0% |

### High revenue option

| Energy Product | January 2022* | Comparison to SCE | July 2022 | Comparison to SCE |
|---|---|---|---|---|
| SCE base | $233.17 | | $252.91 | |
| Lean | $249.22 | 6.9% | $250.38 | -1.0% |
| Clean | $251.37 | 7.8% | $252.91 | 0.0% |
| 100% Green | $256.58 | 10.0% | $260.50 | 3.0% |

*Note that customer bills are approximately 6-7% lower as of March 1 owing to reduction in the PCIA.