REGULAR MEETING of the Executive Committee of the
Clean Power Alliance of Southern California
Wednesday, April 20, 2022
1:30 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 COVID19, the Executive Committee will conduct this meeting remotely.

Click here to view a Live Stream of the Meeting on YouTube
If the YouTube stream is not working, please use the zoom link.
*There may be a streaming delay of up to 60 seconds. This is a view-only live stream.

To Listen to the Meeting:
https://us06web.zoom.us/j/86842423936
or
Dial: (720) 707-2699 Meeting ID: 868 4242 3936

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

Each speaker is customarily 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 Clean Power Alliance Policy No. 8 – Public Comments for more information.

**CALL TO ORDER AND ROLL CALL**

**GENERAL PUBLIC COMMENT**

**CONSENT AGENDA**

1. Approve Minutes from March 16, 2022 Executive Committee Meeting

**REGULAR AGENDA**

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

3. Review Draft Agenda for May 11, 2022 Board of Directors Meeting

4. Provide Direction on Fiscal Year 2022/2023 Rates Approach

5. Review Fiscal Year 2022/2023 Budget Priorities

**COMMITTEE MEMBER COMMENTS**

**ADJOURN – NEXT MEETING MAY 18, 2022**

*Public Records:* Public records that relate to any item on the open session agenda for a 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. Public records are available for inspection online at www.cleanpoweralliance.org/agendas.
MINUTES
REGULAR MEETING of the Executive Committee of the
Clean Power Alliance of Southern California
Wednesday, March 16, 2022, 1:30 p.m.

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 COVID19, the Executive Committee conducted this meeting remotely.

CALL TO ORDER & ROLL CALL
Chair Mahmud called the meeting to order at 1:31 p.m. and Gabriela Monzon, Board Clerk, conducted roll call.

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All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT
There was no public comment.

CONSENT AGENDA
1. Approve Minutes from February 16, 2022, Executive Committee Meeting Minutes

**Motion:** Vice Chair Kuehl, Los Angeles County  
**Second:** Director Parkhurst, Sierra Madre  
**Vote:** Item 1 was approved by a roll call vote.
REGULAR AGENDA

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

Ted Bardacke, CEO, discussed default rate changes in the cities of Camarillo, Rolling Hills Estates, and Redondo Beach; noted that the City of Camarillo voted to change their default rate to 100% Green. Committee Member Santangelo shared that there was an overwhelming community support for the change. Mr. Bardacke provided an overview of the CalCCA lobby day where several topics were discussed, including budgeting with an emphasis on infrastructure rather than programmatic spending, the need for new transmission, and the affordability of electricity. Chair Mahmud briefly discussed the theory of inverse condemnation, under which a public entity is strictly liable for damage caused by a public work, without the need to demonstrate negligence. Chair Mahmud opined that many city- and county-owned public works were not designed for the anticipated climate change, which can negatively impact municipalities. Mr. Bardacke added that there have been increasing discussions concerning ratepayer and taxpayer costs, especially due to the budget surplus and how it will be used to reduce electricity bills. Vice Chair Kuehl shared her views on liability, noting that negligence could be too high a standard, but that further conversation would be necessary. In response to Vice Chair Parks’ question about using infrastructure funding for undergrounding to prevent wildfires, Mr. Bardacke noted that the legislature was unlikely to be interested in the undergrounding transmission of 500kv lines but is considering the feasibility of undergrounding at a more local level. Lastly, Mr. Bardacke congratulated Committee Member Parkhurst and the City of Sierra Madre for being the first to approve the Power Ready Memorandum of Understanding (MOU). Committee Member Parkhurst commented that the MOU was approved without concerns. Committee Member Gold added that the City of Beverly Hills is working with CPA’s General Counsel to clarify some portions of the MOU.

3. Review Draft Agenda for April 7, 2022 Board of Directors Meeting

Mr. Bardacke reviewed the consent agenda, including bill positions and a budget amendment. Barring the clarification of specific legal wording, SB 1287 could significantly change the financial service requirement (FSR) for CCAs upon an involuntary return of customers. CPA’s current FSR is $147,000, but the bill can change that figure to over one billion dollars depending on the interpretation of the bill and its intent. If the bill has a hearing scheduled before the Board meeting, CPA will need to take a position ahead of it. In response to questions, Mr. Bardacke clarified that there are two drivers to this bill: the WCE bankruptcy and an ongoing CPUC proceeding on the Provider of Last Resort (POLR); SB 1287 may be a political response to that proceeding. Responding to Vice Chair Kuehl’s question, Mr. Bardacke clarified that after the meeting with the bill sponsor, Senator Bradford, CPA may engage its member agencies and their lobbyists in advocacy efforts. Mr. Bardacke stated that the budget amendment was related to increased interest expenses and capital outlay but the net impact would be zero and that the Finance Committee will review the amendment prior to the Board meeting.
Mr. Bardacke reviewed several items on the regular agenda, including the Voluntary Allocation and Market Offer (VAMO), an update from the customer programs team, and the Board chair nomination. Mr. Bardacke discussed VAMO in more detail. CPA can now access the renewable energy its' customers are paying for through the Power Charge Indifference Adjustment (PCIA) and needs to select the quantity of those resources to bring into CPA’s portfolio, including short-term and long-term (10 plus years remaining on the contract) resources. Mr. Bardacke clarified that long-term resources contain a greater than 5-year commitment and need Board approval. In response to Committee Member questions, staff indicated that CPA may choose several resources in 10 percent increments representing a slice of the entire PCIA eligible portfolio. The quality of the resources is 50% solar and 35% wind; CPA gets a bundled product and Southern California Edison (SCE) remains the scheduling coordinator for the contracts; risk is spread out and contract defaults are unlikely. Vice Chair Kuehl asked if the volatility in oil and gas supply due to the attacks in Ukraine will raise demand for renewables and asked how staff plans to exclude fossil fuel-based resources. Mr. Bardacke stated that general volatility in the world is placing upward pressure and is a good hedge against rising prices for renewable energy; staff will recommend that CPA exclude unbundled RECs as much as possible, and take some long-term resources to hedge some risk, but remain in the market for new renewable energy contracts. The resources available are only eligible renewable resources (solar, wind, geothermal, biomass), and none are fossil fuels. Chair Mahmud asked clarifying questions relating to ancillary services associated with the resources and the type of renewables CPA will receive from the portfolio. Matt Langer, COO, explained that there is no ancillary service revenue included in the portfolio but if there were, the value would be included. Additionally, the resources are all standalone renewables and CPA will receive an amalgamated profile of the hundreds of resources in SCE’s portfolio.

Regarding the customer programs update, Vice Chair Kuehl opined that it could generate a long discussion relating to customer demographics, program demands, and priorities; and it should be allotted more discussion time. Committee Member Parkhurst echoed Vice Chair Kuehl’s comments. Chair Mahmud suggested keeping the item as the last one on the agenda. At the request of Chair Mahmud, Mr. Bardacke provided an update on the programs. Committee Member Eason noted that it would be helpful to share with Board members how the recent surveys informed the types of programming.

4. Clean Energy Prepayment Financing Presentation

David McNeil, Chief Financial Officer, introduced Kate Freeman, Financial and Strategy Initiatives Manager, as the point person for the prepay project and representatives from Municipal Capital Markets (MCM), John Norman and Tyler Noble. Mr. McNeil outlined the energy prepayment transaction entities, provided flowchart examples of prepay transactions, and illustrative figures, and discussed risks and risk mitigants of prepay transactions. In response to Committee Member questions, Mr. McNeil clarified that the interest rate differentials do change over time and the illustrative figures shown are not a prediction of what they will be when
CPA goes to transaction later this year. Bonds are issued at a fixed interest rate, with a mandatory redemption at the five-to-seven-year period, at which point the interest rate resets to whatever it is at the time of redemption but must meet minimum savings before being reissued. Bonds are issued in single transactions but may include more than one project in a transaction. Lastly, CPA would use an existing power purchase agreement for a project that has already reached commercial operation.

Mr. McNeil reviewed various risks and risk mitigants associated with prepaid transactions and pricing; outlined a proposed timeline for presentations and updates on prepayment financing to the Executive Committee, Finance Committee, and Board of Directors. Chair Mahmud requested clarification on the interest rate reset; Mr. McNeil explained that there are interest rate resets during the term of a bond and CPA can novate in additional new PPAs that would pick up where the old ones rolled off during the term of the bond. PPA’s approved in the last year by the CPA Board include assignment language to allow for prepay transactions, but CPA may renegotiate PPAs to include assignment language if necessary. Chair Mahmud also proposed staff identify and confirm the amount of savings that Northern California CCAs have achieved as a result of approving this financing mechanism, as it would be beneficial for Board members to see the financial benefits.

COMMITTEE MEMBER COMMENTS
Vice Chair Kuehl reported on a motion related to decarbonization in Los Angeles County to explore various ways of increasing opportunities for residents to transition from natural gas to electric appliances. Vice Chair Parks applauded L.A County’s efforts and leadership in sustainability.

Chair Mahmud shared that SCE recently presented at a Southern California Association of Governments (SCAG) meeting on its Electric Vehicle (EV) program and noted that SCE will cover electric infrastructure installation costs for owners of multifamily housing and will offer a rebate for the purchase of EV chargers.

ADJOURN
Chair Mahmud adjourned the meeting at 3:32 p.m.
To: Clean Power Alliance (CPA) Executive Committee
From: Ted Bardacke, Chief Executive Officer
Subject: Oral Update from the CEO on CPA Operations
Date: April 20, 2022

The CEO will provide an oral report on CPA operations.
To: Clean Power Alliance (CPA) Executive Committee
From: Ted Bardacke, Chief Executive Officer
Subject: Review Draft Agenda for May 11, 2022 Board of Directors Meeting
Date: April 20, 2022

Staff will provide an overview of the proposed agenda items for the May 11, 2022, Board of Directors meeting for review and feedback from the Executive Committee. The draft Board agenda is attached to this staff report. Information on the main items for Board consideration is provided below.

CONSENT AGENDA
The following items are recommended for inclusion on the Consent Agenda of the May Board meeting.

NewGen Contract Amendment
NewGen Strategies and Solutions LLC is a consulting firm that has been providing specialized technical support to CPA for the past two years to provide expert review of SCE’s Energy Resource Recovery Account (ERRA) proceedings. NewGen has identified numerous items in the filings that have led to reduced costs for CPA customers. CPA would like to use NewGen for the upcoming ERRA year; however, CPA also has a separate cost of service study contract with NewGen and the total cost of the two contracts exceeds the signing authority of the CEO. Therefore, this year’s contract for ERRA proceedings technical support is subject to Board approval.

The scope of services that NewGen will provide include:

1. Review SCE ERRA filings
2. Generate discovery requests and ongoing support for discovery
3. Support written comments or direct testimony
4. Support and attend hearing, if applicable
5. Support for review of SCE’s Public Safety Power Shut-Off cost recovery proceeding

Clean Energy Prepay Bond Service Providers
At the April 7, 2022 Board of Directors meeting, Staff presented a project timeline for CPA to evaluate and prepare for a prospective energy prepayment financing. In keeping with that timeline, staff is conducting competitive solicitation processes in conjunction with Municipal Capital Markets (MCM) to engage with service providers necessary to structure and execute a prepay transaction. These providers include:

1. Prepay Legal Counsel to advise CPA on legal matters relating to a prepay transaction and to assist with contract negotiation and documentation.
2. Bond Issuer to issue the prepayment bonds, serve as a conduit for ongoing monthly payments to/from the Prepaid Supplier and CPA, make regular interest and principal payments to the Bondholders, and provide annual disclosures.
3. Prepaid Supplier to which CPA will assign PPA contracts (and concomitant obligations to make monthly energy payments to PPA counterparties and to supply CPA with energy) and who will receive the proceeds of the prepay transaction, net of underwriting and service provider fees.

Each of these providers will be selected through competitive solicitation processes. Staff conducted a competitive solicitation process for Municipal Financial Advisory services in January 2022 as described below. At the May Board meeting, staff intend to present contracts for 1) Prepay Counsel; and 2) Municipal Financial Advisor (amended and restated).

Prepay Legal Counsel
Staff is conducting a competitive solicitation to identify qualified Prepay Counsel. Responses to the solicitation are due on April 22. Staff plan to conduct interviews with shortlisted vendors beginning April 27 and to present a proposed contract for approval to the Board at the May 11 meeting. Staff anticipates that compensation to the Prepay Counsel will be contingent upon the successful closing of a prepay transaction and would be paid by a third party (not CPA) out of bond proceeds. If a transaction is not completed, no fees would be owed to the Prepay Counsel.
Municipal Financial Advisor (MCM)
In January 2022, CPA conducted a competitive solicitation to identify a qualified Municipal Financial Advisor to assist CPA with a prepaid transaction. After interviews, staff recommended the selection of MCM and executed a short-term contract for the provision of project management and advisory services to CPA through June 2022 under the CEO’s signing authority. Staff plan to present to the Board a proposed amended and restated contract with MCM at the May 11 meeting.

The amended contract will: (i) retain MCM to support the structuring and execution of a prepaid transaction; (ii) extend the term of MCM’s engagement until the closing of a prepay transaction, and; (iii) update the compensation to MCM so that payment of any fees beyond June 1, 2022 (the term of the current contract) will be contingent upon the successful closing of a prepay bond transaction, which would be paid by a third party (not CPA) out of the proceeds of a bond issuance. If a prepay transaction is not completed, no fees would be owed to MCM. Also, if CPA terminates the agreement with MCM for convenience on the eve of the prepayment transaction close date, i.e. 60 days or less prior to the close of an authorized transaction, MCM will be entitled to receive 75% of the transaction fee as compensation for services performed for CPA up to that point. The Not-to-Exceed amount of the transaction fee is expected to be $487,500.

Staff plan to present recommendations for a Bond Issuer and Prepaid Supplier to the Board at its June and July 2022 meetings, respectively.

Bill Positions
Depending on the progress of bills during the current legislative session, staff may be bringing additional bill positions to the Board for consideration.

REGULAR AGENDA
The following items are recommended for inclusion on the Regular Agenda of the May Board meeting.

FY 2022/2023 Rates Approach
This item will be subject to a separate presentation to the Executive Committee.
FY 2022/2023 Budget Priorities
This item will be subject to a separate presentation to the Executive Committee.

Election of Board Chair, Committee Chair Appointments, & Open Nomination Period for At-Large Executive Committee Positions

At the April 7, 2022, Board of Directors meeting, Chair Mahmud opened the nomination period for the Board Chair position for a two-year term beginning on July 1, 2022. The Chair may be a Director who meets the eligibility criteria below and is elected by a vote of all Regular Directors.

1. The candidate must be a Regular Director;
2. The candidate must have attended at least 50% of CPA’s Regular Meetings in the prior 12 months; and,
3. The candidate must affirm that they intend to serve a full term as Chair.

The nomination period closed on Friday, April 15, 2022. During the nomination period, the following nomination was received:

1. Julian Gold, Beverly Hills

The Clerk of the Board has verified that the nominee meets all the eligibility criteria. At the conclusion of the nomination period, the Clerk of the Board distributed ballots with instructions to all Regular Directors. Ballots can be returned via mail or in-person by 2:00 pm on May 11th.

At the May 11th meeting, the newly elected Chair will announce Committee Chair appointments for the Legislative & Regulatory, Finance, and Energy Planning & Resources Committees. The current Board Chair will open the nomination period for Executive Committee At-Large positions. The election for the At-Large positions will occur at the June 2022 Board meeting.

ATTACHMENT
1) Draft May 11, 2022 Board of Directors Agenda
REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Wednesday, May 11, 2022
2:00 p.m.

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE

GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. Adopt Resolution Finding the Continuing Need to Meet by Teleconference
   Pursuant to Government Code Section 54953 (e)
2. Approve Minutes from April 7, 2022 Board of Directors Meeting
3. Approve NewGen Contract Amendment
4. Approve Contracts for Clean Energy Prepay Bond Services
5. Approve Bill Positions
6. Receive and File Community Advisory Committee Monthly Report

ELECTION OF BOARD CHAIR AND ANNOUNCEMENT OF COMMITTEE CHAIR
APPOINTMENTS

REGULAR AGENDA

7. Provide Direction on Fiscal Year 2022/2023 Rates Approach
8. Review Fiscal Year 2022/2023 Budget Priorities

OPEN NOMINATION PERIOD FOR EXECUTIVE COMMITTEE AT-LARGE
POSITIONS

MANAGEMENT REPORT

COMMITTEE CHAIR UPDATES

BOARD MEMBER COMMENTS

REPORT FROM THE CHAIR

ADJOURN – NEXT REGULAR MEETING ON JUNE 2, 2022
To: Clean Power Alliance (CPA) Executive Committee
From: Matt Langer, Chief Operating Officer
Approved by: Ted Bardacke, Chief Executive Officer
Subject: Fiscal Year 2022/2023 Rates
Date: April 20, 2022

RECOMMENDATION
Provide direction on FY 2022/2023 rates approach.

ATTACHMENT
1. FY 22/23 Rates Approach Presentation
Item 4 - FY 2022/23 Rates Approach

April 20, 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 that the Executive Committee reach a consensus on a recommended Rate Approach to accompany the Board presentation 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

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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

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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.
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

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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

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Projected Contribution to Net Position</th>
<th>Projected Days Liquidity on Hand (6/30/23)</th>
<th>Comparison to SCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lean</td>
</tr>
<tr>
<td>Low revenue option</td>
<td>$178M</td>
<td>109</td>
<td>-4%</td>
</tr>
<tr>
<td>Middle revenue option</td>
<td>$236M</td>
<td>131</td>
<td>-2%</td>
</tr>
<tr>
<td>High revenue option</td>
<td>$265M</td>
<td>142</td>
<td>-1%</td>
</tr>
</tbody>
</table>
## Rate Comparison Ranges – Residential

### Average CPA Residential Customer Bill

<table>
<thead>
<tr>
<th>Energy Product</th>
<th>January 2022*</th>
<th>Comparison to SCE</th>
<th>July 2022</th>
<th>Comparison to SCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCE base</strong></td>
<td>$160.72</td>
<td></td>
<td>$173.03</td>
<td></td>
</tr>
<tr>
<td>Lean</td>
<td>$170.81</td>
<td>6.3%</td>
<td>$166.31</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Clean</td>
<td>$172.08</td>
<td>7.1%</td>
<td>$167.99</td>
<td>-2.9%</td>
</tr>
<tr>
<td>100% Green</td>
<td>$176.33</td>
<td>9.7%</td>
<td>$173.03</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Low revenue option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Middle revenue option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>High revenue option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Reduction to Net Position</th>
<th>Reduction to DLOH</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: End freeze 7/1/22 (base case)</td>
<td>$0</td>
<td>0</td>
</tr>
<tr>
<td>B: End freeze 10/1/22</td>
<td>$10M</td>
<td>4</td>
</tr>
<tr>
<td>C: Step down rate freeze by half 7/1/22</td>
<td>$18M</td>
<td>7</td>
</tr>
<tr>
<td>D: Maintain freeze for FY22/23</td>
<td>$35M</td>
<td>13</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Energy Product</th>
<th>January 2022</th>
<th>Comparison to SCE</th>
<th>July 2022</th>
<th>Comparison to SCE</th>
<th>July 2022</th>
<th>Comparison to SCE</th>
<th>Current</th>
<th>Comparison to SCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCE base</td>
<td>$108.72</td>
<td></td>
<td>$116.98</td>
<td></td>
<td>$116.98</td>
<td></td>
<td>$116.98</td>
<td></td>
</tr>
<tr>
<td>Lean</td>
<td>$111.82</td>
<td>2.9%</td>
<td>$113.59</td>
<td>-2.9%</td>
<td>$105.99</td>
<td>-9.4%</td>
<td>$95.50</td>
<td>-18.4%</td>
</tr>
<tr>
<td>Clean</td>
<td>$112.90</td>
<td>3.8%</td>
<td>$115.31</td>
<td>-1.4%</td>
<td>$107.39</td>
<td>-8.2%</td>
<td>$96.58</td>
<td>-17.4%</td>
</tr>
<tr>
<td>100% Green</td>
<td>$112.90</td>
<td>3.8%</td>
<td>$115.31</td>
<td>-1.4%</td>
<td>$107.39</td>
<td>-8.2%</td>
<td>$96.58</td>
<td>-17.4%</td>
</tr>
</tbody>
</table>

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 requesting that the Executive Committee reach a consensus on a recommended Rate Approach to accompany the presentation 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
Appendix
## Rate Comparison Ranges – Small Business

### Average CPA Small Business Customer Bill

<table>
<thead>
<tr>
<th>Energy Product</th>
<th>January 2022*</th>
<th>Comparison to SCE</th>
<th>July 2022</th>
<th>Comparison to SCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SCE base</strong></td>
<td>$233.17</td>
<td></td>
<td>$252.91</td>
<td></td>
</tr>
<tr>
<td>Lean</td>
<td>$249.22</td>
<td>6.9%</td>
<td>$243.09</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Clean</td>
<td>$251.37</td>
<td>7.8%</td>
<td>$245.54</td>
<td>-2.9%</td>
</tr>
<tr>
<td>100% Green</td>
<td>$256.58</td>
<td>10.0%</td>
<td>$252.91</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

*Note that customer bills are approximately 6.7% lower as of March 1 owing to reduction in the PCIA.*
Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Executive Committee

From: David McNeil, Chief Financial Officer

Approved by: Ted Bardacke, Chief Executive Officer

Subject: Review FY 2022/2023 Budget Priorities

Date: April 20, 2022

Staff will provide a presentation on the item.

ATTACHMENT

1. FY 2022/2023 Budget Priorities Presentation
Item 5 - FY 2022/23 Budget Priorities and Operating Expense Highlights

April 20, 2022
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
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
Communications & Mailers

 ejecutable

 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
Staffing – continued

Initial budget projects staffing costs to increase 41%, from 1.1% of total revenue in FY2021/22 to a still industry-leading 1.4% of revenue in the upcoming year.

<table>
<thead>
<tr>
<th>FY 2022/23 Staffing Cost Increase - Detail</th>
<th>$</th>
<th>% Incr</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2021/22 Budget</td>
<td>9,893,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Year Impact of 21/22 New Hires</td>
<td>1,817,000</td>
<td>18%</td>
<td>*</td>
</tr>
<tr>
<td>COLA</td>
<td>449,000</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Merit Increases</td>
<td>374,000</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>New Positions</td>
<td>1,385,000</td>
<td>14%</td>
<td>fully loaded</td>
</tr>
<tr>
<td>FY 2022/23 Budget Total</td>
<td>13,918,000</td>
<td>41%</td>
<td></td>
</tr>
</tbody>
</table>

* Includes full year impact of positions added mid-year, promotions, and higher than expected COLA pegged to the official inflation rate.
Current Org Chart – w/Vacancies

Board
- Filled (47)
  - General Counsel
  - Paralegal
- Vacant (12)
  - Chief Financial Officer
  - Load Forecasting & Analytics Manager
  - Financial Strategy & Initiatives Manager
  - Director, Energy & Risk Management
  - Sr. Middle Office Risk Analyst
  - Energy Mkt Risk Analyst
  - Financial Analyst
- Controller
  - Accounting Manager
  - Senior Accountant
  - Fin. Planning & Analysis Manager
- Chief Administrative Officer
  - Analyst, Customer Care
  - Associate, Customer Care
  - Associate, Marketing
  - Sr. Director, Data and Systems
    - Data and Systems Mgr
    - Data and Systems Expert
    - Office Manager
    - Database Admin
  - Sr. Analyst, Data and Systems
    - Energy Market Risk
    - PM, Data and Systems
- Chief Executive Officer
  - Director, Comm & Marketing
  - Director, Regulatory Affairs
  - Director, Operations
  - Board
- Clerk of the Board
- Executive Assistant to the CEO
- Vice President, Power Supply
- Policy Director
- Chief Operating Officer
- Chief Financial Officer
- Controller
- Accounting Manager
- Senior Accountant
- Fin. Planning & Analysis Manager
- Financial Analyst
- Current Org Chart
Staffing – What’s Next

- **April 2021 Outlook to ExCom for beyond 2021/2022**
  - ✓ Customer Programs will need one more position
  - ✓ External Affairs staffing needs will depend on strategic decisions on insourcing
  - ✓ Regulatory/Policy will need one more position
  - ✓ Procurement/Finance/Data all will need one more position

- **Outlook for beyond 2022/23**
  - ✤ More programs = More staff
  - ✤ Market and technology conditions plus regulatory creep can be a significant driver for several divisions (data, procurement, regulatory, finance)
  - ✤ Depending on evolving in-office vs. remote mix, may need space expansion in 18-24 months
Summary

- 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?