MINUTES

REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, December 2, 2021, 2:00 p.m.

The Board of Directors conducted this meeting remotely, pursuant to the Proclamation of the State of Emergency by Governor Newsom on March 4, 2020, AB 361, and enacting CPA Resolutions, and as a response to mitigating the spread of COVID-19

CALL TO ORDER & ROLL CALL

Chair Diana Mahmud called the meeting to order at 2:00 p.m. and Raynette Tom, Interim Clerk of the Board, conducted roll call.

Roll Call				
1	**Agoura Hills**	Louis Celaya	Alternate	Remote
2	**Alhambra**			Absent
3	**Arcadia**	Sho Tay	Director	Remote
4	**Beverly Hills**	Julian Gold	Director	Remote
5	**Calabasas**	Mary Sue Maurer Michael McConville	Director Alternate	Remote
6	**Camarillo**	Susan Santangelo	Director	Remote
7	**Carson**	Reata Kulcsar	Alternate	Remote
8	**Claremont**	Corey Calaycay	Director	Remote
9	**Culver City**	Daniel Lee	Director	Remote
10	**Downey**	Sean Ashton	Director	Remote
11	**Hawaiian Gardens**			Absent
12	**Hawthorne**	Alex Monteiro	Director	Remote
13	**Los Angeles County**	Gary Gero	Alternate	Remote
14	**Malibu**	Mikke Pierson	Director	Remote
15	**Manhattan Beach**	Hildy Stern	Director	Remote
16	**Moorpark**	Janice Parvin	Director	Remote
17	**Ojai**	William Weirick Michelle Ellison	Alternate Alternate	Remote
18	**Oxnard**			Absent
19	**Paramount**			Absent

20	**Redondo Beach**	Ted Seeman	Alternate	Remote
21	**Rolling Hills Estates**	Steve Zuckerman	Director	Remote
22	**Santa Monica**	Gleam Davis	Director	Remote
23	**Sierra Madre**	Robert Parkhurst	Director	Remote
24	**Simi Valley**	Ruth Luevanos	Director	Remote
25	**South Pasadena**	Diana Mahmud	**Chair**	Remote
26	**Temple City**	Fernando Vizcarra	Director	Remote
27	**Thousand Oaks**			Absent
28	**City of Ventura**	Joe Yahner	Alternate	Remote
29	**Ventura County**	Linda Parks	**Vice Chair**	Remote
30	**West Hollywood**	Lindsey Horvath	Director	Remote
31	**Westlake Village**	Kelly Honig	Director	Remote
32	**Whittier**	Vicki Smith	Alternate	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT
No general public comment was made.

CONSENT AGENDA

1. Adopt Resolution Finding the Continuing Need to Meet by Teleconference Pursuant to Government Code Section 54953 (e)
2. Approve Minutes from November 4, 2021 Board of Directors Meeting
3. Receive and File 2022 Board and Standing Committee Meeting Schedule
4. Approve 2022 Legislative & Regulatory Policy Platform
5. Approve Contract Amendments with
   a. Pastilla, Inc. for an NTE amount of $235,000
   b. Fraser Communications for an NTE amount of $590,000
   c. MBI Media for an NTE amount of $225,000
6. Receive and File Q3 2021 Risk Management Report
7. Receive and File Q3 2021 Communications Report
8. Receive and File Community Advisory Committee Monthly Report

Motion: Director Pierson, Malibu
Second: Director Vizcarra, Temple City
Vote: The consent agenda was approved by a roll call vote, with abstentions from Directors Weirick, and Smith, on Item 2.

REGULAR AGENDA

9. <u>Receive Presentation on FY 2020/21 Audited Financial Statements and FY 2021/21 Q1 Financial Results</u>

   David McNeil, Chief Financial Officer, stated that CPA worked with independent auditors from Baker Tilly, to conduct an audit of CPA's finances. Mr. McNeil then discussed the FY 2020-21 financial results, noting that CPA faced numerous challenges arising from extreme heat events in summer of 2020, increased costs to procure electric capacity (Resource Adequacy), the impacts of slowing customer payments due to the mandated moratorium on disconnections, and the COVID-19 induced economic recession. CPA met its financial objectives by transferring $27 million from the fiscal stabilization fund to revenues in FY 2020-21; and from the application of $15.8 million in funding from the California Arrearage Payment Program (CAPP). CPA increased its net position by $27.6 million and holds no bank debt or loans as of June 30, 2021. Liquidity increased slightly to $95 million and energy costs exceeded the amended budget by 0.85% due to the delivery of renewable energy that occurred sooner than budgeted. Mr. McNeil reviewed in detail the balance sheet components as of June 30, 2021, stating that CPA's current assets primarily include cash and accounts receivable. Mr. McNeil reviewed select financial indicators; provided a budget to actual analysis, summarizing operating revenues, energy costs, operating expenses, non-operating revenues.

   Mr. McNeil provided a presentation of the FY first quarter financial performance ending September 30, 2021. CPA reported a $9.2 million gain, $41.5 million above a budgeted net loss of $32.5 million. Financial results were favorably impact by lower energy costs arose from lower than budgeted load, the absence of heat events in CPA's territory, and CAISO spot market prices that were lower than prices energy forward prices. Mr. McNeil also reviewed year over year financial results, which indicated improvement as a result of moderate temperatures in FY Q1 2021 and a rate increase in July 2021. Mr. McNeil concluded with a summary of liquidity and key financial indicators, discussed CPA's larger credit facilities, and stated that CPA is well positioned to complete the current fiscal year within or ahead of budget.

   Director Gold, Chair of the Finance Committee, shared that the Committee met with the financial auditors, who indicated that the audit found no material deficiencies and commended the CPA team for navigating the unique situations the industry faced in the past year. In response to questions, Mr. McNeil clarified that there is a .45% non-utilization fee for the bank loan and if CPA were to borrow on the credit facility it would do so at the base rate plus 175 basis points; most of CPA's cash is held at River City Bank in an interest earning account, and a small amount kept in the Local Agency Investment Fund with a rate of return at or slightly above 0.25%.

   Chair Mahmud thanked staff and the Finance Committee for their contribution in maintaining CPA's fiscal health.

10. Receive Presentation on 2022 PCIA and SCE Rates Outlook
Matt Langer, Chief Operating Officer, provided a presentation on the item. Southern California Edison (SCE) filed its 2022 Energy Resource Recovery Account (ERRA) forecast in November; this update provides a detailed look at SCE's generation rate and the PCIA. The initial analysis conducted by staff indicates that the PCIA is dropping by approximately 70% in 2022 and CPA customers will see a bill reduction of around 6% beginning in March 2022. The PCIA decrease is due primarily to the historically high energy market forward prices in 2022, which reduce above-market costs for SCE's PCIA portfolio. Mr. Langer discussed competitive impacts; SCE's generation rates are increasing by around 22% starting in March 2022. The increase combined with the decreased PCIA will improve CPA's competitive position, leading every CPA product to be less expensive than SCE as of March 1. Mr. Langer reviewed some factors contributing to SCE's increased generation rates, including the 2021 undercollection of $700+ million and elevated forward energy prices. Staff is planning CPA's 2022 rate setting strategy. Early considerations include the use of cost-of-service principles in rate setting; potentially lower SCE rates and a higher PCIA in 2023; and CPA's contributions to the reserves and/or fiscal stabilization fund in anticipation of a more challenging rate environment in 2023.

Director Pierson encouraged staff to think about ways to market this positive information to new customers and new agencies that might want to join CPA. Director Weirick noted that accumulation of cash is important during economic times where interest rates might go up. Director Gero commented that the narrowing gap between the Clean and 100% Green rate in the coming year can serve as a window of opportunity in several cities for transition to the 100% Green rate. In response, Mr. Langer clarified that the forecast in 2023 may change, and while CPA will highlight this competitive edge, it will continue its long-term messaging of communicating its value proposition and not overly emphasizing its comparison to SCE. Mr. Langer calculated that the 6.6% residential bill reduction will translate into an $11 or $12 monthly reduction and noted that the staff will be bringing a discussion about rates to the Board in the spring as part of CPA's annual rate setting process.

Director Horvath asked if there would be any repercussions for SCE undercollecting such a large amount and commented that this may serve as an opportunity for CPA to call attention to the behavior of the IOU. Mr. Langer explained that this year, unlike in 2018, SCE followed the correct process and therefore is unlikely to face any consequences with the CPUC. Ted Bardacke, Executive Director, added that SCE's frequent multiple rate increases to both generation and delivery is getting noticed, particularly at a time when affordability is an important part of the discussion. Chair Mahmud noted that regulators recently recognized that energy bills used to be affordable, but that is no longer the case. Director Zuckerman asked about the impacts of SB 612 and Director Kulcsar asked about outreach to customers who previously opted out. Mr. Langer explained that SB 612 would have likely lowered RA costs; and there will be opportunities for outreach, but the strategy will be adjusted once CPA sets its own rates. Chair Mahmud asked if PG&E also undercollected and if SCE was compelled by CPUC regulations to submit its rates. Mr. Langer clarified that PG&E did undercollect and Northern CA CCAs also face similar dynamics; SCE is indeed compelled by CPUC decisions that determine when they file and there is currently no consensus on if the due dates for SCE filings should be changed.

11. Receive Presentation on CPA's Long-Term Energy Product and Portfolio Content
Mr. Bardacke provided a presentation on CPA's portfolio content, noting that the Board approved the Energy Portfolio Content for Calendar Years 2021 and 2022 that reduced the overall renewable portfolio content to offset rising customer costs with the expectation of returning to previous portfolio content levels in Calendar Year 2023. Long-term planning is needed as staff prepares the 2022 Integrated Resources Plan (IRP) and more of CPA's load is being met by long-term PPAs. Mr. Bardacke reviewed the current portfolio content, default levels and renewable content. Mr. Bardacke explored CPA's competitive dynamic and explained that if in 2023, CPA reverted to its 2020 product content levels, SCE would catch up to to the renewables level in CPA's Clean product within 5 years. CPA will likely have to change its Lean and Clean products. State and federal mandates may also accelerate the timeline and the price difference of the Lean and Clean rates is small. Mr. Bardacke presented three approaches for long-term strategy: (1) climate leadership, where CPA sets escalating targets over time; (2) competitive targets to meet or beat SCE; and, (3) compliance, with a minimum floor of renewables/GHG compliance at the product level. Mr. Bardacke discussed how the three approaches would impact the three different rate products. The Lean product would not align with CPA's climate leadership position, and should CPA decide to maintain a competitive Lean product, there would likely be years when it is more expensive than SCE's base rate. Options for the Clean product include climate leadership, where Clean reaches 100% Green level by 2030 or 2035, ensuring progress towards statewide targets; but can come at a higher cost than SCE's rate. Under the competitive approach, Clean always beats SCE in environmental targets; however, it's more difficult to forecast SCE's portfolio content and long-term cost impact. Under the compliance approach, Clean would be a low cost RPS/GHG compliant product, but this may lower the environmental performance of Clean over time. Mr. Bardacke invited feedback on how CPA wants to pursue the increase of renewable content to meet statewide 2030 GHG reductions over the next decade; CPA's leadership vs. compliance with SCE; and other ideas. Staff will collect input while also preparing the IRP and plans to make a recommendation in Q1 or Q2 prior to FY 2022/23.

Director Gero commented that L.A. County's goal in creating CPA was environmental leadership and that measured leadership would be the right approach and merging the Lean and Clean tiers is the right thing to do. Director Kulcsar noted that CPA should try to get back to the higher levels of renewables in the Lean and Clean products and Carson will need more time to digest the options and get back to staff. Director Monteiro shared he will encourage his City Council to vote to move to 100% Green due to the closing gap in pricing between the two. Director Luevanos noted that although her City is primarily concerned with costs, it cannot continue to ignore the impacts of climate change, and will encourage the City to transition to greener options and supports a leadership approach for CPA. Director Santangelo shared that Camarillo has similar concerns and favors merging the rate products over time. Director Parkhurst noted similarly that costs are very important to Sierra Madre's City Council, supports merging the Clean and 100% Green products. Director Gold expressed support for merging products and taking a leadership approach; suggested creation of a slightly lower tier than 100% Green but encouraged staff to get creative with the options and also suggested tracking emerging technologies for energy storage. Director Zuckerman also expressed support for merging Lean and Clean, and gradually narrowing the gaps between Clean and 100% Green. Vice Chair Parks expressed support for incentivizing 100% Green and phasing out Lean for new customers. Director Calaycay noted that given the state's accelerated time frame for 100% renewables, CPA will have to consider merging the Lean and Clean tiers and noted how defaulting all new customers to 100% Green is a way to encourage a transition to a 100% default rate.

Director Lee asked if there were any financial incentives from suppliers or government assistance to get to 100% renewables. Mr. Bardacke noted there is not a lot of movement in the market for volume discount and CPA often has to manage its purchases so as to not drive-up demand. There is some bipartisan funding for EV chargers and transmission that may reduce overall costs to the consumer, but not necessarily to CPA.

Chair Mahmud noted a strong consensus to merge the Lean and Clean over time.

MANAGEMENT REPORT

Mr. Bardacke provided an update on the Power Ready program; the memorandum of understanding is in the final stages of review and staff hopes to get it to member agencies for approval. A potential Board retreat may occur at an outdoor location in the spring of 2022 pending the development of the COVID-19 pandemic.

COMMITTEE CHAIR UPDATES

Director Parkhurst, Energy Committee Chair, discussed the Reliability RFO results. The Committee will review the 89 bids received, including nine long duration storage projects and seven geothermal projects.

BOARD MEMBER COMMENTS

None.

REPORT FROM THE CHAIR

Chair Mahmud shared an update on the CalCCA Annual Conference where regulators expressed concern about affordability and noted some discussions about the possibility of the State funding projects such as infrastructure improvements for wildfire and new transmission. Chair Mahmud also shared that Mr. Bardacke's commentary at the conference focused on the fact that CPA's decisions are member-driven, and the biggest takeaway was that CPA is an innovative industry leader.

ADJOURN

Chair Mahmud adjourned the meeting 4:30 pm.