

MINUTES

REGULAR MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, March 23, 2022, 11:00 a.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 Finance Committee conducted this meeting remotely.

CALL TO ORDER & ROLL CALL

Committee Chair Julian Gold called the meeting to order at 11:02 a.m. and Executive Assistant, Raynette Tom, conducted roll call.

| Roll Call | | | |
|------------------------------|-----------------|------------------|--------|
| Beverly Hills | Julian Gold | Committee Chair | Remote |
| Carson | Reata Kulcsar | Committee Member | Remote |
| Rolling Hills Estates | Steve Zuckerman | Committee Member | Remote |
| Santa Monica | Pam O'Connor | Committee Member | Absent |

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the February 23, 2022 Finance Committee Meeting
2. Receive and File February 2022 Risk Management Team Report
3. Receive and File February 2022 CPA Investment Report
4. Receive and File January 2022 Financial Dashboard

Motion: Committee Member Zuckerman, Rolling Hills Estates

Second: Committee Member Kulcsar, Carson

Vote: The consent agenda was approved by a roll call vote.

REGULAR AGENDA

5. Report from the Chief Financial Officer
David McNeil, Chief Financial Officer, provided an oral update on CPA's treasury operations, financial performance, accounts receivable, and preparations for the FY 2022/23 budgeting and rate setting processes. Mr. McNeil noted that CPA received about \$15 million in CAPP funding and discussed billing issues where 14% of customers were impacted.

In response to Committee Member Zuckerman's question concerning Calpine, Ted Bardacke, Chief Executive Officer, commented that Calpine's work on billing issues is within their scope and they have not requested additional funds. Mr. Bardacke noted that a recent billing issue surfaced involving missing usage that impacts about 20,000 customers; more details will be shared with the Board concerning this issue, and proactive

communication will go out to impacted customers. Committee Chair Gold asked if bad debt and CAPP funding will impact the FY 2021/22 year end close. Mr. McNeil responded that CPA will be able to accurately report its performance but added that another round of CAPP funding may be a factor in the year-end close. Mr. McNeil proposed that another factor will be the resumption of disconnections and late payment fees that are expected to begin in May/June. After discussion, Chair Gold noted to staff that the different funding programs could be confusing to a ratepayer and recommended clear customer messaging delineating the reasons for charges and credits.

6. (a) Review Proposed FY 2021/22 Amended Budget; and (b) Recommend Approval of Proposed FY 2021/22 Amended Budget to the Board of Directors as Presented

Antony Sugiarto, Financial Planning & Analysis Manager, provided a presentation on the proposed FY 2021/22 budget amendment. Mr. Sugiarto noted that for this fiscal year, staff is not proposing any budget changes to revenue and cost of energy. Staff is, however, proposing budget changes to operating expenses, and Mr. Sugiarto detailed the proposed changes to technical services, interest expense budget, legal services, and other services budget line items. The impact of the budgeted change in net position is \$0.00. Lastly, staff also proposed an increase in capital outlay to allow for tenant improvements, improvements to CPA's website and to accommodate unforeseen equipment purchases and office improvements as more staff begin to use the office on a regular basis.

In response to Committee Member questions regarding the item, staff explained the following: J.P. Morgan Chase was paid \$200,000 of the budgeted amount for interest expense with the remainder used to pay the Los Angeles County loan. The proposed increase in capital expense will allow CPA to address significantly long load times on the website and proceed with an extensive architectural refresh. Additionally, the make-up of "other revenue" includes everything that does not fit into retail electricity sales, such as settlement funds received from Southern California Edison (SCE), and California Public Utilities Commission (CPUC) funding. Chair Gold opined it would be helpful to have a quantitative understanding of the impact remote work has had on the budget and what impacts returning to work will have moving forward.

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

7. Receive Presentation on Clean Energy Prepayment Financing and Provide Input

Kate Freeman, Financial Strategy & Initiatives Manager, introduced Municipal Capital Advisors (MCM) representative John Norman; and provided an overview of the item. Ms. Freeman explained that prepaids are financing mechanisms that allow municipal utilities and CCAs to leverage their status as issuers of tax-exempt debt to reduce energy costs. Thirteen municipal prepayment transactions were completed in California since 2006, with three completed by CCAs in Fall 2021. An initial prepay transaction is expected to save CPA approximately \$2-3 million per year on its Power Purchase Agreements (PPAs) costs. Ms. Freeman provided an overview of the various entities involved in setting up an energy prepayment transaction including the prepaid supplier; bond issuer; bond investors; existing PPA counterparty or energy seller; and service providers. Ms. Freeman outlined an illustrative flowchart of a prepay transaction example. In response to Committee Member Kulcsar's question regarding the 30-year term, Ms. Freeman explained that CPA would have the ability to add contracts as needed to replace expiring

PPAs. Mr. Norman added that the 30-year contracts yield the highest savings prospects. Ms. Freeman covered various potential risks and risk mitigants of prepay transactions, the proposed timeline for the Board and Committees to discuss prepays, and then invited questions and feedback from the Committee.

Committee Member Kulcsar asked how CPA would avoid having to pay for energy twice if there was an early termination of a prepay bond. CPA and MCM staff explained that in such a case, the prepay suppliers would be responsible for repaying the balance of that bond and that at no time will CPA make payments twice for the same energy. Chair Gold requested feedback from the Committee on their comfort level with the proposed prepayment financing option. Committee Member Kulcsar expressed some concern that risks of prepay transactions do not outweigh the benefits but noted that Committee feedback can provide further context for her. Committee Member Zuckerman added that the option is attractive and nearly risk-free as the potential is there to revert to the original PPA, if needed, without any loss realized. Chair Gold agreed with this opinion, adding that CPA would not be responsible for repaying any bonds. Both Chair Gold and Committee Member Zuckerman added that the greatest risk for CPA is the potential that the bond is not issued, and the potential savings are not realized. In response to Committee Member Zuckerman's question regarding confidentiality, Mr. McNeil indicated that the terms of CPA's PPA will remain confidential. After the discussion, the Committee recommended a presentation to the Board that defines concepts, risks, and highlights benefits of prepay transactions.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Committee Chair Gold adjourned the meeting at 12:17 p.m.