

MINUTES

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California

Wednesday, August 25, 2021, 11:00 a.m.

The Finance Committee conducted this meeting remotely, in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.

CALL TO ORDER & ROLL CALL

Chair Julian Gold called the meeting to order at 11:00 a.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Carson	Reata Kulcsar	Committee Member	Remote
Claremont	Corey Calaycay	Committee Member	Remote
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Pam O'Connor	Committee Member	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from the June 23, 2021 Finance Committee Meeting
2. Receive and File June and July 2021 Risk Management Team Report
3. Receive and File June and July 2021 CPA Investment Report
4. Receive and File Restated April 2021 and May 2021 Financial Dashboard

Motion: Committee Member Calaycay, Claremont

Second: Committee Member Zuckerman, Rolling Hills Estates

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

REGULAR AGENDA

This item was presented out of order.

6. Banking Agreement Update

David McNeil, Chief Financial Officer, provided a presentation of the item, highlighting that under the direction of the Finance Committee, staff has explored a larger credit facility to support an investment-grade credit rating and provide additional liquidity. Staff will seek the approval by the Board of proposed agreements with JP Morgan Chase Bank (JPM) that would provide CPA with an \$80 million credit facility. Mr. McNeil noted that CPA uses its credit agreement with River City Bank (RCB) to provide letters of credit and borrow funds to provide working capital. Mr. McNeil reviewed a comparison of proposed terms

from both RCB and JPM agreements, noting that staff recommends the proposed agreements as the \$43 million increase in the size of the credit facility will add 21 days to the days-cash-on-hand ratio as described in CPA's reserve policy; JPM has an investment-grade rating; and will improve the perception of CPA's financial strength, which can lower energy costs. The total estimated annual cost of the proposed agreements is currently \$360,000, and a one-time fee for legal services of \$37,500.

In response to Committee Member Kulcsar's questions, Ted Bardacke, Executive Director, noted that the JPM agreement would be replacing the RCB agreement; CPA is required to pay \$10 million of the L.A. County term loan by February 28th and the remaining balance of \$20 million by the end of the fiscal year, June 30th, 2022. The terms of the JPM credit agreement would allow for CPA to borrow against the credit facility to pay the L.A. County loan if necessary. Additionally, the loan will give a strong financial perception of CPA as it increases its credit from \$37 million to \$80 million, especially at a time when CPA is going into long-term contract RFO negotiations. Mr. McNeil noted that staff does not anticipate an adverse material event to occur, but the adverse material clause does appease rating agencies; JPM has agreed to revisit the removal of the clause later. Responding to Committee Member Calaycay's questions regarding potential market perception and market savings, Mr. McNeil agreed that the agreement will benefit CPA as it pertains to long-term renewable energy and storage contract negotiations; the additional costs of the agreement could potentially be offset by savings realized due to a more favorable perception of CPA's credit strength. Mr. McNeil explained that the additional line of credit from JPM will support CPA's liquidity this coming fall. Committee Member Zuckerman asked about CPA's deposit relationship with RCB and Mr. McNeil confirmed that CPA will maintain its deposit relationship and money market account with RCB. Chair Gold noted that staff should ensure that the budget amendment request is sufficient to cover the interest costs of the loan. In response to Chair Gold's questions, Mr. McNeil clarified that though there is no industry benchmark for the sizing of a line of credit, the amount of the proposed line of credit aligns closely with liquidity needs due to energy market volatility and the need to achieve an investment grade credit rating. Investment-grade entities tend to have upwards of 120 days liquidity on hand composed of unrestricted cash and available bank lines of credit; as cash balances increase, the line of credit amount could be scaled back. Mr. McNeil stated that staff has not explored other business relationships with JPM and there is one outstanding letter of credit with RCB, issued to SCE under direction from the CPUC.

The Finance Committee expressed consensus in support of a new line of credit with JP Morgan Chase.

5. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, provided an update on CPA's year end close, noting that financial statements will be presented to the Finance Committee in November, due to the implementation of the California Arrearage Payment Program (CAPP). The CAPP was approved by the Governor at the beginning of July and will provide bill relief for customers. CPA receivables eligible for CAPP funding will be submitted for approval by the state. The determination of CPA's allocation of CAPP funding will inform CPA's estimate of FY 2020-21 bad debt expense.

Mr. McNeil provided a review of CPA's collections process, noting that in order to avoid customer confusion due to the bill relief program, CPA has elected to push back the implementation collections by a third party collection agent. CPA financial results for April and May were below budget, as a result of increased bad debt and the timing of booking renewable energy costs. CPA received the \$30 million loan from L.A. County in August 2021 and has begun using it to pay operating expenses, consistent with the lending agreement.

In response to Committee Member questions, Mr. McNeil explained that the fiscal year is expected to be below budget in terms of net income. Chair Gold requested that staff update the Finance Committee as CAPP funding comes through.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Committee Chair Gold adjourned the meeting at 11:59 p.m.