

MINUTES

REGULAR MEETING of the Executive Committee of the
Clean Power Alliance of Southern California
Wednesday, September 21, 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 Gold called the meeting to order at 1:30 p.m. and Gabriela Monzon, Board Clerk, conducted roll call.

Roll Call			
Agoura Hills	Deborah Klein Lopez	Committee Member	Remote
Beverly Hills	Julian Gold	Chair	Remote
Camarillo	Susan Santangelo	Committee Member	Remote
Hawthorne	Alex Monteiro	Committee Member	Remote
Los Angeles County	Sheila Kuehl	Vice Chair	Remote
Ojai	Betsy Stix	Committee Member	Remote
Sierra Madre	Robert Parkhurst	Committee Member	Remote
South Pasadena	Diana Mahmud	Committee Member	Remote
Ventura County	Linda Parks	Vice Chair	Remote
West Hollywood	Lindsey Horvath	Committee Member	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from August 17, 2022 Executive Committee Meeting

Motion: Committee Member Parkhurst, Sierra Madre
Second: Committee Member Mahmud, South Pasadena
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, provided an update on the impacts of the recent California heatwave on CPA, including communication and outreach efforts, performance of generation assets, and financial impacts. CPA's approximate 400 megawatts of batteries performed well and helped to ensure grid reliability, which highlighted the need to continue to build more assets; CPA made a significant number of market purchases and will likely need to draw on the credit line; CPA is still well-positioned in overall liquidity and cash flow. Committee Member Mahmud inquired about the amount of additional megawatts CPA would need to compensate for the retirement of Diablo Canyon. Mr. Bardacke indicated that Diablo Canyon will function until 2031, giving CPA enough time to acquire resources. Vice Chair Parks asked if there was data depicting the energy drop percentage due to the emergency alert text sent. Committee Member Parkhurst commented that within 15 minutes of the alert, the grid dropped a gigawatt of energy, and 2 gigawatts within 30 minutes; and noted that California has more batteries on its grid than nuclear energy; batteries helped to prevent rolling blackouts. Matt Langer, Chief Operating Officer, added that on a peak day in 2020 with rolling blackout, there was 300-400 MW of storage on the grid, and this year the grid had more than 3,000 MW. Committee Member Mahmud expressed a desire for staff to look at the outreach to Power Response customers from CPA's program administrator during demand response events.

Mr. Bardacke indicated that six entities are implementing full-scale default rate changes to go into effect in October, and two other cities (South Pasadena and Rolling Hills Estates) are aligning their commercial and residential customers at 100% Green. Mr. Bardacke added that staff has seen a 50/50 split between opt-outs and opt-downs, noting that this year, CPA is able to offer a cheaper rate than Southern California Edison (SCE). Committee Member Lopez thanked CPA staff for their work in maintaining a well-trained call center staff knowledgeable in rate changes.

3. Review Draft Agenda for the October 6, 2022, Board of Directors Meeting

Mr. Bardacke discussed items on the consent agenda, including the notification of the Joint Powers Agreement amendments; the regulatory obligation by SCE to offer CPA a small amount of resource adequacy related to the Westlake Village expansion.

Mr. Bardacke discussed potential items on the regular agenda, including approval of a geothermal Power Purchase Agreement (PPA) to help with grid stability and compliance. and seven existing PPAs are going through a price refresh process to provide proposals for competitive pricing and schedules to meet the market challenges. Committee Member Parkhurst thanked the procurement staff for their excellent work with the PPA repricing process, adding that the Midterm Reliability results, and an additional bilateral agreement were also considered in the analysis.

4. Review Potential Amendments to the Joint Powers Agreement

Nancy Whang, General Counsel, and Mr. Bardacke provided a presentation on various Joint Powers Agreement (JPA) amendments needed. The proposed amended and restated JPA will reflect the previous amendments to the JPA in a single document, including the Board's delegation to the CEO to sign contracts, and other administrative changes. Mr. Bardacke also discussed administrative challenges in tracking member agency staff alternates due to turnover, reassignments and retirements among county/city staff. Mr. Bardacke presented three JPA amendment options for consideration and discussion.

Vice Chair Kuehl commented that city manager engagement would be unclear; opined that a feasible option may be to have the Board Regular Director name a staff alternate; and posed a question to other Committee Members about the feasibility of the latter option within their cities. Committee Members Lopez and Santangelo expressed that option 1 is not one they could exercise, as the city manager in their cities direct staffing decisions. Committee Member Santangelo expressed preference for having elected alternates rather than staff. Vice Chair Parks opined that it would be best to have an individual's name for the alternate position as opposed to just a position. Committee Member Mahmud expressed a strong preference for option 3 in order to ensure a clear record of the alternate's name and ensure their legal authority to be a representative of a city. Committee Member Horvath agreed, expressing a preference for the individual cities to have the responsibility of appointing a staff alternate and updating CPA if that person changes. Committee Members Monteiro and Parkhurst commented that having a staff member as an alternate has proven to be an asset, as they have knowledge of community and environmental issues and utilities. In response to Chair Gold's question regarding members of the governing body who are not elected, Mr. Bardacke clarified that there are cases where members of the governing body have been appointed because of council vacancies and were not technically elected. Committee Member Mahmud added that the JPA also provides the option to appoint a member of the public with expertise on energy matters. Chair Gold suggested that the current process remain in place but ensure that each city makes a binding determination in writing. Committee Member Mahmud added that official documentation is needed to ensure the authority of the designated individual is clear and traceable, and Chair Gold concurred. Mr. Bardacke explained that based on feedback, option 1 would be eliminated from the list and staff would consider clarifying language for proper documentation of designations.

5. Review and Provide Input on Proposed Board Action for Prepayment Transaction

Kate Freeman, Financial and Strategy Initiatives Manager, provided a presentation on the proposed Board action for a renewable energy prepay transaction. This transaction can generate \$2 million to \$5 million of annual savings in energy costs. Staff has enlisted the help of Municipal Capital Markets (MCM), Chapman and Cutler (C&C), Goldman Sachs Group, Inc. (GS), and its subsidiary J. Aron & Company, LLC (J Aron) to complete the prepay transaction. Ms. Freeman summarized the proposed Board action that creates parameters under which the prepay transaction can be completed, includes proposed documents and forms, provides direction to CCCFA to make payments to service providers for issuance costs out of bond proceeds, and authorize staff to enter into Limited Assignment

Agreements (LAAs) with one or more existing PPA counterparties. Ms. Freeman also reviewed the structure of the prepayment transaction; provided descriptions for prepay documents for the bond issuance, trustee, prepaid supplier, funding recipient, energy purchase agreement assignments, and settlement mechanics.

Responding to Chair Gold's question regarding J Aron, staff clarified that J Aron is a subsidiary of Goldman Sachs (GS) that focuses on energy trading and delivery, and GS is backstopping their obligations and payments. Ms. Freeman explained that the LLC agreement provides for a specifically enumerated right of CPA to potentially select another funding recipient at each reset period; if another funding recipient were selected, a replacement agreement with the new funding recipient would then be instituted without any penalties or fees. Responding to Chair Gold's inquiry regarding the distribution of \$16 million in fees, Ms. Freeman noted the fees cover various expenses, including Goldman Sachs for rating agency fees and bond postings, Municipal Capital Markets (MCM) for advisory work, Chatman & Cutler as prepaid council, Orrick as tax council, and procurement council. Chair Gold opined that it would be helpful to have an economic breakdown of the recipients of the fees. In response to Chair Gold's question regarding peer review of documents, Ms. Freeman advised that reviews have been done throughout the timeline of this process. Nancy Whang, General Counsel, added that a quality control (QC) level of review and questioning of experts has been done with the documents as well. In response to Committee Member Mahmud's questions, staff noted that the intent of the authorization is for one series of bond issuance with two PPAs, and the \$1.3 billion is the upper boundary for the aggregate bond principal. Additionally, staff noted that subsequent Board authorization is needed for future individual transactions and the general range of cost savings is between 5-10% with an average of 6%. Staff confirmed that the higher the commercial interest rate, the greater the savings. Committee Member Mahmud inquired about who makes the determination whether or not the execution-ready version of a LAA is within the guardrails of the Board-approved resolution. Ms. Whang indicated that the interpretation of any Board decision is made by the General Counsel in conjunction with input from the commercial team and outside counsel, Chapman & Cutler. Responding to Committee Member Mahmud's question regarding the Inflation Reduction Act (IRA), staff specified that nothing in the IRA or subsequent enacted legislation would affect the benefits or financial assumptions regarding existing transactions, but it may be leveraged in the future. Mr. Bardacke indicated that staff will work to get a financial breakdown of the fees to the Finance Committee.

COMMITTEE MEMBER COMMENTS

Chair Gold congratulated the CPA staff for their work during the recent heat wave.

ADJOURN

Chair Gold adjourned the meeting at 3:04 p.m.