Executive Committee of the
Clean Power Alliance of Southern California
Regular Meeting
Wednesday, March 15, 2023
1:30 p.m.

Visit CPA’s YouTube Channel to view a Live Stream of the Meeting
www.youtube.com/@CPApublieetings
*There may be a streaming delay of up to 90 seconds. This is a view-only live stream.

CPA Office
801 S. Grand Ave., Suite 400
Los Angeles, CA 90017

Members of the public may also participate in this meeting remotely at the following locations:

<table>
<thead>
<tr>
<th>Location</th>
<th>Address</th>
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<tbody>
<tr>
<td>Agoura Hills City Hall</td>
<td>Planning Conference Room 30001 Ladyface Court Agoura Hills, CA 91301</td>
</tr>
<tr>
<td>Ojai City Hall</td>
<td>Conference Room 401 S Ventura St. Ojai, CA 93023</td>
</tr>
<tr>
<td>Beverly Hills City Hall</td>
<td>Council Office, 4th Floor 455 N. Rexford Drive Beverly Hills, CA 90210</td>
</tr>
<tr>
<td>Sierra Madre City Hall</td>
<td>Council Chambers 232 W. Sierra Madre Blvd. Sierra Madre, CA 91024</td>
</tr>
<tr>
<td>Camarillo City Hall</td>
<td>Administrative Conference Room 601 Carmen Drive Camarillo, CA 93010</td>
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<tr>
<td>Ventura County Government Center</td>
<td>Point Mugu Conference Room, 4th Floor Hall of Administration 800 South Victoria Avenue Ventura, CA 93009</td>
</tr>
<tr>
<td>South Bay Cities Council of Governments Conference Room 2355 Crenshaw Blvd., Suite 125 Torrance, CA 90501</td>
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<tr>
<td>Los Angeles County Hall of Administration Sybil Brand Conference Room, Room 372 500 West Temple Street Los Angeles, CA 90012</td>
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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:** 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. Members of the public who wish to address the Committee at CPA’s Office are requested to complete a comment card and provide it to staff. If you
are attending from a remote location, please identify yourself to a CPA representative when your item is called. Each speaker is 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 Policy No. 8 – Public Comment for additional information.

NAVIGATING OUR AGENDA PACKETS
The meeting agenda packets are bookmarked PDFs, which display a list of agenda items to the left of the page and allow you to click to view specific items within the packet. If viewing in your browser, click the "document outline" button in the upper left corner of the screen. If the PDF is downloaded, the bookmark panel (ribbon icon) appears on the left side of the screen.

ACCESSIBILITY: 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 least two (2) working days before the meeting at clerk@cleanpoweralliance.org or (213) 713-5995. Notification in advance of the meeting, while not required, will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

CALL TO ORDER AND ROLL CALL

GENERAL PUBLIC COMMENT

CONSENT AGENDA
  1. Approve Minutes from February 15, 2023 Executive Committee Meeting

CLOSED SESSION
  2. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
     Exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: 1

REGULAR AGENDA
  3. Review Draft Agenda for the April 6, 2023, Board of Directors Meeting
  4. Preview of FY 2023/2024 Rate Setting Process

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT REGULAR MEETING ON APRIL 19, 2023

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 at CPA’s Office at 801 S. Grand Ave., Suite 400, Los Angeles, CA 90017, or online at www.cleanpoweralliance.org/agendas.
MINUTES
REGULAR MEETING of the Executive Committee of the
Clean Power Alliance of Southern California
Wednesday, February 15, 2023
1:30 p.m.

Meeting videos are available on CPA’s YouTube Channel.
www.youtube.com/@CPApublicmeetings

Committee Members participated in this meeting from the following locations:

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<td>4455 W. 126th Street, Hawthorne, CA 90250</td>
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<tr>
<td>Residence Inn Business Center</td>
<td>8400 Market Street, Middleton, WI 53562</td>
</tr>
<tr>
<td>Ventura County Government Center</td>
<td>Sybill Brand Conference Room, Room 372 500 West Temple Street, Los Angeles, CA 90012</td>
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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.

<table>
<thead>
<tr>
<th>Location</th>
<th>Roll Call</th>
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<th>Remote</th>
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<tbody>
<tr>
<td>Agoura Hills</td>
<td>Deborah Klein Lopez</td>
<td>Committee Member</td>
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</tr>
<tr>
<td>Beverly Hills</td>
<td>Julian Gold</td>
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<td>Camarillo</td>
<td>Susan Santangelo</td>
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<td>Remote</td>
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<tr>
<td>Hawthorne</td>
<td>Alex Monteiro</td>
<td>Committee Member</td>
<td>Remote</td>
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<tr>
<td>Los Angeles County</td>
<td>Lindsey Horvath</td>
<td>Vice Chair</td>
<td>Remote</td>
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<tr>
<td>Ojai</td>
<td>Betsy Stix</td>
<td>Committee Member</td>
<td>Remote</td>
</tr>
</tbody>
</table>
Sierra Madre | Robert Parkhurst | Committee Member | Remote
South Pasadena | Diana Mahmud | Committee Member | Remote
Ventura County | Vianey Lopez | Vice Chair | Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT
There was no public comment.

CONSENT AGENDA
1. **Approve Minutes from January 18, 2023, Executive Committee Meeting**

   **Motion:** Committee Member Parkhurst, Sierra Madre
   **Second:** Vice Chair Lopez, Ventura County
   **Vote:** The consent agenda was approved by a roll call vote.

REGULAR AGENDA
2. **Oral Update from the Chief Executive Officer on CPA Operations**
   Ted Bardacke, CEO, provided a staffing update, noting that CPA has reduced its vacancy rate significantly in the past several months. Mr. Bardacke indicated that Assembly Member Muratsuchi agreed to sponsor a legislative bill, to accompany a budget proposal, that will add incentives for bringing on new clean capacity above compliance levels. The new legislative and regulatory platform now allows staff to act on such bills swiftly. Mr. Bardacke reminded the Committee about the upcoming virtual Lobby Day.

   In response to Committee Member Mahmud’s question concerning committee chair assignments, Mr. Bardacke noted that Eduardo Garcia is the Chair of the Assembly Committee on Utilities and Energy, and there may be interest in utility costs and geothermal development; Steven Bradford is the Chair of the Senate Energy, Utilities, and Communications Committee, who may focus on policy and regulatory issues impacting affordability.

3. **Review Draft Agenda for the March 2, 2023, Board of Directors Meeting**
   Mr. Bardacke discussed the Board consent agenda items, including the proposed ticket distribution policy and the brand campaign task orders. Mr. Bardacke noted that bill positions will be a regular item on the Board consent agenda.

   Mr. Bardacke reviewed items on the regular agenda, including a potential increase to the JPMorgan credit line and its legal parameters, the nomination period for an at-large executive committee position representing Los Angeles County, and CPA’s rates.

   Responding to Committee Member Mahmud’s question concerning vote-by-mail, Nancy Whang, General Counsel, indicated that the Board may vote using unanimous consent if there is only one candidate for a single position, but a roll
call vote is the most prudent procedure when there is more than one candidate for a single position.

4. Receive Presentation on Interim FY 2022/2023 Rate Adjustment and Recommend an Option to the Board of Directors

Matt Langer, Chief Operating Officer, provided a presentation on an interim FY 2022-23 market adjustment rate change. At its February meeting, the Board indicated consensus to support an increase to CPA’s $80 million credit line with JP Morgan and an interim market adjustment to take effect in April 2023. Mr. Langer reviewed the credit rating metrics and CPA’s current Days Liquidity on Hand (DLOH), outlined the rate comparisons between Southern California Edison’s (SCE) base rate and CPA’s Lean Power, Clean Power, and 100% Green Power rates, and presented the three rate adjustment options for the Board to consider. Option 1 would adjust rates to the July 2022 total bill levels, maintaining CPA rates far below SCE rates. Option 2 would adjust rates to December 2022 total bill levels, maintaining significant discounts to SCE for most rates/products. Option 3 would increase rates three-fourths of the way between CPA and SCE current levels. Option 3 substantially reduces the competitive gap with SCE, with a more considerable customer impact in the short term. Staff considerations include offsetting the impact of market volatility on CPA’s financial position and continuing to pursue the goal of an investment credit rating; contributing to reserves to have flexibility and be competitive in the next fiscal year; and FY 2023/2024 rates will likely be closer to SCE’s rates to address market volatility and achieve CPA’s financial goals.

Responding to Chair Gold’s questions, David McNeil, Chief Financial Officer, indicated that the September heat wave and December energy price spikes cost CPA approximately $75 million. Committee Member Santangelo asked about CPA’s initial DLOH goal, and staff indicated that during the 2022 rate setting process, the target was 120 DLOH; none of the three options would achieve that target but will move CPA closer to it and relieve some of the pressure on the upcoming full-year rate setting process while remaining mindful of customer impact. Mr. Langer added that the impact on the DLOH is limited due to the short span of the interim rate change. Responding to Committee Member Monteiro’s rates questions, Mr. Langer and Mr. Bardacke indicated this interim rate increase is a response to the volatile market and that the Board will look at rates holistically in preparation for the next fiscal year but that the approach for the interim rate adjustment is to look at a single percentage change across all three products, whereas the annual adjustment includes a more thorough look at cost of service, differentials between the three products, calibration, and closer market intelligence. Committee Member Monteiro voiced support for Option 2. Vice Chair Horvath inquired about the communication plan given the short timeline, and Mr. Bardacke indicated that staff is planning to include a bill message informing customers of the rates as well as inviting public participation in the annual rate setting process. Committee Member Parkhurst asked if the Community Advisory Committee (CAC) will review the interim rate adjustment. Mr. Bardacke shared that the CAC had already reviewed the item and advised staff to emphasize CPA’s highly competitive rates in its customer communication. Chair Gold asked what the financial impact would be if Option 3 pegged the 100% Green rate at 1% less than SCE, and Mr. Langer responded it would cost about $9 million.
Committee Member Mahmud expressed support for Option 3, a preference to communicate CPA’s favorably competitive rates, and a desire to take advantage of this unique opportunity to increase CPA’s reserves, increase its DLOH, and expedite its ability to achieve creditworthiness. Committee Member Mahmud referred to an SCE filing with the California Public Utilities Commission (CPUC) for a 4.4% increase in its energy rates scheduled to take effect in June, which Mr. Langer confirmed but indicated that CPA’s analysis excludes any impact of SCE’s plan to raise rates. Committee Member Parkhurst expressed support for Option 3, echoing Committee Member Mahmud’s desire to communicate CPA’s competitive advantage; added that CPA needs an assertive approach to achieve an investment grade credit rating and prepare for uncertainty in the summer. Committee Member Klein Lopez expressed support for Option 3 because of the long-term stability it provides and because it increases reserves, allowing for better rates. Committee Member Santangelo echoed support for Option 3. Vice Chair Horvath and Committee Member Monteiro suggested a slight modification to Option 3, where a 1% adjustment would be made to 100% Green. Vice Chair Horvath stressed the importance of communicating to customers that all three of CPA’s residential rates remain competitive with SCE’s rate. Staff clarified that if each rate product was reduced by 1%, it would result in a $7-9 million adjustment, adding $81-83 million to reserves.

Committee Member Monteiro and Chair Gold expressed support for Option 3 with the 1% reduction for all three rate products. Committee Member Klein Lopez expressed a preference for administering the 1% reduction to the 100% Green product only. Committee Member Santangelo opined that the rate increases need to be equitable, and Mr. Bardacke added that a reduction to only the 100% Green product would be contrary to the direction of the market. Responding to Committee Member Parkhurst’s question concerning the complexity of this change, Mr. Langer advised that both Option 3 and the modified Option 3, where the 100% Green product is changed to a 1% discount and the calculated 1% change is made to the other two products are both feasible for staff. Committee Member Monteiro expressed that 100% Green communities might be concerned if Option 3 is presented as is. Vice Chair Horvath added that it is critical to consider all the diverse interests of the Board in this discussion and maintain a focus on equity for CPA’s communities.

Committee Member Mahmud expressed support for Committee Member Klein Lopez’s position but stated that the modified Option 3 is an acceptable alternative. The Executive Committee reached a consensus on the amended Option 3 with a 1% reduction to the 100% Green product and an additional 1% reduction to the other 2 rate products. Chair Gold suggested that the modified Option 3 should be presented to the Board as the recommended option.

COMMITTEE MEMBER COMMENTS
Committee Member Stix announced that the City of Ojai recently passed its clean reach codes. Committee Member Mahmud congratulated staff for their diligent hiring efforts.

ADJOURN
Chair Gold adjourned the meeting at 2:49 p.m.
Staff will provide an overview of the proposed agenda items for the April 6, 2023, 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 action items are recommended for inclusion on the Consent Agenda of the April Board meeting.

**Net Energy Metering Cash Out Policy Adjustment**

Staff is in the process of analyzing the implications of the California Public Utility Commission’s recent Net Energy Metering (NEM) 3.0 decision on CPA and its customers and developing recommendations on CPA’s future NEM policy. The recommendations will be developed with input from the Community Advisory Committee over the next several months with the goal of presenting options and a recommendation to the Board later this year.

In the meantime, staff has received customer input on one aspect of the existing NEM policy that staff believe should be addressed in advance prior to a comprehensive set of recommendations later in the year. Currently, NEM customers entitled to net surplus compensation over one hundred dollars receive a check from CPA each year in April. Customers with net surplus compensation amounts less than one hundred dollars have that credit rolled onto their bill for future periods. The purpose of the cutoff for check
disbursement is to limit the number of small-dollar checks CPA must mail each year. In cases where the value is small, the cost to CPA of issuing and mailing check can exceed the value of the check. Some customers have expressed a strong preference for receiving a check rather than a bill credit for their net surplus compensation. To address this feedback, staff is proposing to allow customers to request to receive a check even if the value is less than one hundred dollars in a year.

**FY 2022/2023 Budget Adjustment**

Staff will present a Proposed Amendment to the FY 2022/23 Budget. The FY 2022/23 Budget was approved by the Board at its June 1, 2022 meeting. The Proposed Amendment will allow for increases to the Cost of Energy, Data Manager, and Interest Expense budget line items. These increases will be partially offset by an increase in Electricity Revenue. All other revenue and expense budget line items will remain unchanged. The Finance Committee will be asked to review and recommend approval of the Proposed Amendment to the Board at the Finance Committee’s March 22 meeting.

The increase in Electricity Revenue arises from an increase in retail electricity rates approved by the Board at its March 2, 2023 board meeting. The increase in cost of energy arises from a major heat event in September 2023, a spike in wholesale electricity prices in December 2022 and January 2023, and higher renewable energy prices and costs than anticipated in the FY 2022/23 Budget. A very small increase in Data Manager costs arises from a higher estimate of the number of customer accounts served by CPA and resulting higher than expected customer account charges. The increase in interest expense arises from greater borrowing on the line of credit than anticipated in the FY 2022/23 Budget and will allow for increased costs arising from a potential increase to the size of CPA’s line of credit with JPMorgan. Staff plan to present an amendment to the line of credit with JPMorgan to the Board for approval later this spring, prior to the end of FY 2022/23.

**REGULAR AGENDA**

The following items are recommended for inclusion on the Regular Agenda of the April Board meeting.
Election of Los Angeles County At-Large Executive Committee Position

At the March 2, 2023 Board of Directors meeting, Board Chair Julian Gold opened the nomination period for the Los Angeles County At-Large position on the Executive Committee, with a term ending June 30, 2024. The nomination period for the At-Large position closed on Friday, March 10, 2023.

After the conclusion of the nomination period, the following nominations were received:

1. Cedric Hicks, Carson
2. Jeff Maloney, Alhambra

The election will take place at the April 6 Board meeting. Government Code section 54953(b)(2) states “[a]ll votes taken during a teleconferenced meeting shall be by roll call. Accordingly, the Clerk of the Board will conduct a roll call vote of Regular Directors representing L.A. County jurisdictions. Alternate Directors may not vote in the election of At-Large Executive Committee positions.

Prepay Transaction

Following the successful completion of CPA’s first energy prepayment financing in February 2023, staff are planning for a second prepay transaction that would occur later in 2023 subject to board approval and favorable market conditions.

Staff plan to discuss this second pre-pay transaction in detail with the Finance Committee at its March meeting. In addition, staff will be offering an educational briefing for new Board members on pre-pay transactions to provide additional background information on the transaction objectives and structure.

Staff plan to recommend selection of the following entities to support a second prepay transaction. This is a very similar team who participated in the first prepay transaction, including:


3. California Community Choice Financing Authority (CCCFA) as Bond Issuer. Scope of work: 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.

4. J. Aron & Company LLC to serve as Prepaid Supplier. Scope of work: assignee on PPA contracts, make monthly energy payments to PPA counterparties and supply CPA with energy.

5. Goldman Sachs Group to serve as Underwriter of the prepayment bonds, and second “co-underwriter” to be determined. The co-underwriter would work with GSG to underwrite the bonds and would be a member of the California State Treasurer’s Office Small Business Enterprise Program and/or Disabled Veteran Business Enterprise Program.

6. A Credit Rating Agency to be determined. Scope of Work: provide a credit rating for the prepay bonds.

At the April Board meeting, Staff intend to present contracts with 1) Municipal Financial Advisor, 2) Prepay Counsel and 3) Credit Rating Agency. Fees owed to the Municipal Finance Advisor and Prepay Counsel will be contingent upon the successful closing of a prepay bond transaction and will be paid by CCCFA out of the proceeds of the bond issuance. Fees owed to the Credit Rating Agency will be paid from bond proceeds in the event a bond is issued. In the unlikely event a bond is not issued, CPA will make direct payment to the Credit Rating Agency (total costs estimated to be $300,000), with a reimbursement to CPA for 50% of the credit rating fee by Goldman Sachs. Staff also plans to contract with a firm providing green bond verification services under the CEO’s signing authority (total cost estimated to be $30,000). This firm will also be paid from bond proceeds unless a bond is not issued in which case CPA will be obligated to make
payment directly to the firm. Thus, the total at-risk costs to CPA are approximately $180,000 if no bond is issued.

Staff also plans to present to the Board at its April meeting a Resolution that encompasses the following approvals or authorizations:

1. Parameters under which the prepay transaction can be completed
   a. Prepay bonds will be limited obligations of CCCFA, not obligations of CPA
   b. Aggregate bond principal will not exceed $1.3 billion
   c. The minimum “Monthly Discount Percentage” (i.e., cost savings), as determined at the initial Bond Pricing Date and any future Repricing Dates, shall be at least 5%
   d. CCCFA total cost of issuance shall not exceed 1.25% of the amount of bond proceeds

2. Proposed CPA documents or ‘Form Of’ documents including:
   a. Clean Energy Purchase Contract
   b. Operational Services Agreement
   c. Limited Assignment Agreement / Form of Limited Assignment Agreement
   d. Letter Agreement re: Limited Assignment Agreement
   e. PPA Payment Custodial Agreement
   f. Other documents as necessary

3. Direction to CCCFA to make payments to service providers for issuance costs out of bond proceeds.

These are substantially the same parameters under which the first prepay transaction took place.

**Long-Term Power Purchase Agreement(s)**
Staff is in the process of negotiating several long-term contracts that resulted from recent RFOs. Should these negotiations be successful, up to two of these contracts may be presented for consideration.
Local Government Sustainability Assistance Program

The Local Programs for a Clean Energy Future plan, adopted by the Board in 2020, discussed the potential for a specific program to support CPA’s member agencies in advancing their clean energy, sustainability, and/or climate action plan initiatives. Based on input from member agency City Managers, Sustainability Managers, the Community Advisory Committee and internal staff, CPA has designed a program framework to offer local governments funding, project management, and technical support to assist these local projects and initiatives.

The program, currently envisioned as a three-year initiative, would provide funding to member agencies to advance resiliency and grid management, electrification, and/or local procurement within their operations or communities through two potential pathways: a menu pathway and a grant pathway.

**Menu:** This pathway would receive the majority of the funding, with each member agency receiving the opportunity to select one menu item. Based on initial feedback from stakeholders, this menu would include assistance in the area of (1) fleet electrification, (2) building electrification, and (3) community electric vehicle charging. Additional menu items may be added based on stakeholder input. Each menu item would be designed to be roughly the same value.

**Grant opportunities:** With the remaining funding, CPA would issue at least two annual rounds of applications for member agencies to submit funding requests to advance projects within their operations or communities addressing resiliency, grid management, electrification and/or local procurement. Each member agency may submit a proposal during each round, with funding covering no more than 100% of the project cost.

Within both pathways, part of the technical assistance package would be working with member agencies to identify and pursue additional funding and financing sources, where applicable, to enable the project to expand beyond the CPA funding.
CPA staff plan to seek feedback from the Board during the April Board meeting on the program design and structure as part of the program development process.

**Preview of FY 23/24 Rate Setting Process**

This item will be subject to a separate presentation to the Executive Committee.

**ATTACHMENT**

1. Draft April 6, 2023, Board of Directors Agenda
REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, April 6, 2023
2:00 p.m.

CALL TO ORDER AND ROLL CALL
PLEDGE OF ALLEGIANCE
GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. Approve Minutes from March 2, 2023, Board of Directors Meeting
3. Approve FY 2022/2023 Budget Adjustment
5. Receive and File Community Advisory Committee Monthly Report

REGULAR AGENDA

Action Items

6. Election of One Los Angeles County At-Large Position on the Executive Committee

7. Approve Professional Services Agreements with (1) Municipal Financial Advisor, 2) Prepay Counsel and 3) Credit Rating Agency; and Approve Resolution No. 23-04-047 Approving Parameters Under which an Energy Prepayment Transaction can be Completed; Authorizing and/or Approving Documents or “Form of” Documents Supporting the Prepay Transaction; and Directing California Community Choice Financing Authority (CCCFA) to Make Payments to Service Providers for Issuance Costs from Prepay Bond Proceeds

8. Approve Long-Term Power Purchase Agreements(s)

Information Items

9. Local Government Sustainability Assistance Program
10. Preview of FY 23/24 Rate Setting Process

MANAGEMENT REPORT
COMMITTEE CHAIR UPDATES
BOARD MEMBER COMMENTS
REPORT FROM THE CHAIR
ADJOURN – NEXT REGULAR MEETING ON MAY 4, 2023
To: Executive Committee

From: Matt Langer, Chief Operating Officer

Approved by: Ted Bardacke, Chief Executive Officer

Subject: Preview of FY 2023/2024 Rate Setting Process

Date: March 15, 2023

Staff will provide a presentation on the item.

ATTACHMENT

1. Presentation on FY 2023/2024 Rate Setting Process
Item 4 – Preview of FY 2023-24 Rate Setting Process

March 15, 2023
Summary

At its March meeting, the Board adopted interim rates that will go into effect on April 1.

Staff is now focusing on FY 2023-24 rate setting.

One of the first steps in this process is conducting a Cost of Service (COS) study analyzing how the cost to serve CPA’s customers compares to current rates.

Concurrently, CPA’s financial projections for the next fiscal year are being updated as part of the budget process.

Updates to the financial projections could impact aspects of the COS results shown today and will be reflected in future presentations to the Executive Committee and Board.
Product Differentials

The COS analysis indicates a widening of the product price differential amongst CPA’s three rate products

- The main driver for this widening is the increased cost of short-term renewable energy
- Increased energy prices overall partially mitigate the widening of the differentials between the three rate products

For FY 2022-23, the Board adopted product differentials where 100% Green was priced 3% higher than Clean and 4% higher than Lean

The COS analysis suggests approximate cost differentials increasing to 100% Green being priced 4% higher than Clean and 5.5% higher than Lean

The Board may consider adjusting the product differentials during rate setting to more closely follow the current COS

<table>
<thead>
<tr>
<th>COS Margin by Product with April Rates</th>
<th>Lean Power</th>
<th>Clean Power</th>
<th>100% Green Power</th>
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<tr>
<td></td>
<td>26%</td>
<td>23%</td>
<td>21%</td>
<td>22%</td>
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April 2023 typical bill comparisons to SCE

The April rate adjustment utilized an across the board percentage increase to all rates.

As a result:

- Rate comparisons vary amongst non-subset rate classes.
- Product differentials vary by rate class and differ from those adopted by the Board in June 2022.

As part of FY 2023-24 rate setting, staff will recommend reconciling some of these variances.

<table>
<thead>
<tr>
<th>Rate Class*</th>
<th>Lean Power</th>
<th>Clean Power</th>
<th>100% Green Power</th>
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<tr>
<td>Residential</td>
<td>-5.8%</td>
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<td>Residential CARE</td>
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*Comparisons are based on representative 2018 PCIA vintage rate schedules and load profiles for each rate class. Individual customer comparisons vary by specific rate schedule and customer usage.
Next Steps

- Staff will update the COS study based on updated financial projects
- Key insights from this analysis will be shared with the Board in April
- The FY2023/24 budget and rate setting process will continue as follows:

<table>
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<tr>
<th>Month</th>
<th>2023/24 Rate Setting</th>
<th>2023/24 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>Implement interim rates; Rate comparison update and next FY outlook</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>Adopt rate setting approach</td>
<td>Discuss budget priorities</td>
</tr>
<tr>
<td>June</td>
<td>Adopt final rates</td>
<td>Adopt final budget</td>
</tr>
<tr>
<td>July</td>
<td>Implementation of final rates</td>
<td>Start of new Fiscal Year</td>
</tr>
</tbody>
</table>
Questions and Discussion