Community Advisory Committee of the Clean Power Alliance of Southern California
Regular Meeting
Thursday, April 20, 2023
1:00 pm

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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:

Ventura County Government Center CEO Channel Islands Room, 4th Floor Hall of Administration 800 South Victoria Avenue, Ventura, CA 93009

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.

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CALL TO ORDER & ROLL CALL

GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. Approve Minutes from the February 16, 2023, Community Advisory Committee Meeting
2. Update on Implementation of Workplan Priorities

REGULAR AGENDA

3. Net Energy Metering 3.0 Update
4. Fiscal Year 2023/24 Rates and Budget Priorities

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT MEETING ON MAY 18, 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 Community Advisory Committee of the

Clean Power Alliance of Southern California

Thursday, February 16, 2023

1:00 p.m.

CPA Office 801 S. Grand Ave., Suite 400 Los Angeles, CA 90017	Ventura County Government Center - CEO Channel Islands Room, 4th Floor Hall of Administration 800 South Victoria Avenue Ventura, CA 93009

CALL TO ORDER AND ROLL CALL

Chair Fromer called the meeting to order at 1:10 p.m. and Christian Cruz, Community Outreach Manager, conducted a roll call.

East Ventura/West LA County	Angus Simmons	Absent
East Ventura/West LA County	Jennifer Burke (Vice-Chair)	Absent
East Ventura/West LA County	Debbie West	Remote
San Gabriel Valley	Richard Tom	Remote
San Gabriel Valley	Kim Luu	Absent
West/Unincorporated Ventura County	Lucas Zucker	Remote
West/Unincorporated Ventura County	Vern Novstrup	Remote
South Bay	Vacant	
Gateway Cities	Irella Perez	Remote
Gateway Cities	Genaro Bugarin (Vice-Chair)	Remote
Westside	Cris Gutierrez	Absent
Westside	David Haake	Remote
Unincorporated Los Angeles County	Neil Fromer (Chair)	Remote
Unincorporated Los Angeles County	Kristie Hernandez	Absent

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

No public comment.

CONSENT AGENDA

1. Approve Minutes from January 19, 2023, Community Advisory Committee Meetings
2. Update on Implementation of Workplan Priorities

Motion	Committee Member Tom, San Gabriel Valley
Second	Vice Chair Bugarin, Gateway Cities
Vote	The consent agenda was approved by a roll call vote.

REGULAR AGENDA

3. Oral Update from the Chief Executive Officer on CPA Operations

Ted Bardacke, CEO, provided an update on the Brown Act requiring in-person meetings.

Mr. Bardacke highlighted that the Executive Committee will make a recommendation to the Board to accept an interim rate adjustment that will keep all residential customers, including those with 100% Green rates, at a competitive comparison with Southern California Edison (SCE). Staff will communicate the adjustment to customers through a bill message and ensure the public is invited to comment and participate in the upcoming annual rate setting process.

Committee Member Haake asked about the cycle and timeline for cities to join CPA or change their default with CPA. Mr. Bardacke clarified the deadline for a city to change their default level in 2023 was at the end of 2022. The end of 2023 is the deadline for default changes for 2024. Mr. Bardacke noted, that at the end of 2022, CPA admitted the cities of Monrovia, Santa Paula, and Hermosa Beach into CPA and service is expected to begin in March of 2024.

Chair Fromer inquired about CPA expansion within Los Angeles County. Mr. Bardacke noted that at this time, expansion is targeted at individual cities that express an interest in joining CPA.

Chair Fromer asked about CPA's investment grade credit rating timeline and current staged reserves. Mr. Bardacke clarified that CPA is working with a consultant to obtain a shadow rating and provide due diligence. He also specified that as of right now, CPA does not possess the metrics for the investment grade credit rating, but staff hopes that the interim rate adjustment may place CPA in a position to reach it by the end of the year.

4. Local Program Strategic Plan Mid-Cycle Review

Joanne O'Neill, Director, Customer Programs, provided a presentation on the mid-cycle refresh of the 5-year local Programs Strategic Plan. Ms. O'Neill reviewed the launch status, eligibility, and demand response methods for the Power Response program. She noted that CPA staff is in the process of creating a toolkit to provide communication and social media templates to promote the programs.

Ms. O'Neill provided updates on the funding and activity in Ventura County and Los Angeles County for Electric Vehicle (EV) charging incentives.

Chair Fromer asked about the Power Share program capacity. Ms. O'Neill noted that there is a waiting list.

Committee Member Perez inquired about EV charging incentives. Ms. O'Neill noted that CPA is currently offering only EV charging infrastructure for public sites and multifamily housing. Any interested customer can apply and, if qualified, would receive a reservation to offset charging infrastructure costs.

Vice Chair Bugarin inquired about the Power Response program incentive levels for enrolling consumers. Ms. O'Neill identified that there is a chart on CPA's website that includes a two-part incentive including an enrollment incentive and an annual incentive for continued participation. The numerical incentive is a range based on the value of the device.

Committee Member Perez expressed a preference for more education on the benefits of clean power for the school districts. In response to Committee Member Perez, Ms. O'Neill indicated that school districts are currently eligible through SCE's program.

Committee Member Zucker inquired about heavy-duty EV charging. Ms. O'Neill noted that CPA is currently only supporting light-duty EV charging, but the proposal includes an evaluation of medium EV charging as well. Committee Member Zucker commented that a recent advisory committee for the California Electric Vehicle Incentive Program (CalEVIP) discussed placing greater emphasis on medium/heavy duty charging and workplace charging as opposed to home charging. Committee Member Zucker expressed a desire to see an equity analysis of program funds and customers to discern best practices to target lower-income customers in need of assistance. Ms. O'Neill advised that many programs include a feature to track funds precisely to disadvantaged communities, stating that staff could do a similar analysis for the Power Response programs. Committee Member Zucker added that a geographic analysis might be simplest, but granular customer-level data would be more helpful.

Committee Member Novstrup commented that the rapid progress in EV technology is changing the shape of where and when charging is needed, and the high demands for 'holiday charging' and multifamily residential charging is becoming a massive economic challenge. Committee Member Novstrup added that bidirectional charging may be something CPA could explore in the future. Ms. O'Neill suggested that much intervention and support is needed because of the challenges involved beyond the costs and infrastructure.

Vice Chair Bugarin suggested that staff work to ensure that CPA is helping to support an equitable transition that benefits all consumers and providing services where other CCAs are not. Vice Chair Bugarin further suggested that the CAC might have additional input and requested that staff facilitate follow-up conversations to provide more time for that input and perspective.

COMMITTEE MEMBER COMMENTS

Staff reminded CAC members who receive a NEM 3.0 working group survey to respond so an appropriate meeting date can be determined.

ITEMS FOR FUTURE AGENDAS

There were no comments.

ADJOURN

Chair Fromer adjourned the meeting at 2:27 p.m.

Return to Agenda

Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Community Advisory Committee

From: Christian Cruz, Community Outreach Manager

Approved by: Ted Bardacke, Chief Executive Officer

Subject: Update on Implementation of Workplan Priorities

Date: April 20, 2023

RECOMMENDATION

Receive and file.

BACKGROUND

This monthly report outlines the Community Advisory Committee (CAC) and CPA staff activities supporting the CAC.

CAC EARTHDAY ACTIVITIES

During the month of April, CPA staff sponsored and supported over a dozen community events throughout CPA service territory, which foster environmental education and stewardship in honor of Earth Day. As outlined in Section 2 of the CAC workplan[1], CAC members also participated in Earth Day events with CPA staff. These activities included tabling, engaging with community members, and educating customers about CPA. CAC members and CPA staff participated in, or are anticipated to participate in, Earth Day events within the following member agencies.

Member Agency Earth Day Events	
Carson	Calabasas
Claremont	City of Ventura
Downey	Hermosa Beach
Hawthorne	Thousand Oaks
Oxnard	Rolling Hills Estates
Paramount	Thousand Oaks
Unincorporated Los Angeles County	

[1] Participate in CPA-organized outreach activities (e.g., Earth Day events)

At this time, CPA staff is asking any CAC member that is able to table at one of the final Earth Day events at the end of April to reach out to staff to obtain additional information. The remaining Earth Day events will be held in the City of Sierra Madre (April 22nd), City of Calabasas (April 23rd), the City of Claremont (April 23rd), and City of Hermosa Beach (April 30th).

Additionally, CAC members participated in the Pando Days event held at Caltech. CPA funded the Pando Day's organization through the CPA Community Benefits Grant Program. This event was a project showcase celebrating the work of 15 colleges and universities enrolled in the Pando Days program. This program provides a course, studio, or lab to develop ingenious solutions to community sustainability challenges over the 2022/23 fall term.

NEM 3.0 WORKING GROUP

As outlined in Section 1 of the CAC workplan[2], on March 29, staff assisted in convening the Net Energy Metering (NEM) 3.0 CAC working group. NEM is a tariff approved by the California Public Utilities Commission (CPUC) and used by many load-serving entities (LSE) in California to incentivize rooftop solar adoption.

During this meeting, the working group received a presentation, which reviewed the final CPUC NEM 3.0 decision, NEM 2.0 cost to CPA, and CPA's proposed NEM policy scenarios. The CAC working group provided feedback and recommended that CPA staff move forward with a presentation to the larger CAC in April and include the feedback and direction provided by the CAC working group.

[2] Support the convening of CAC working groups as needed to define objectives and activities for priority topics/initiatives

Return to Agenda

Staff Report – Agenda Item 3

To:	Community Advisory Committee
From:	CC Song, Senior Director, Regulatory Affairs and Karen Schmidt, Director, Rates and Strategy
Subject:	Net Energy Metering 3.0 Update Presentation
Date:	April 20, 2023

Staff will provide a presentation on the net energy metering 3.0 update.

ATTACHMENT

1) Net Energy Metering 3.0 Update PPT

Item 3.1 - NEM 3.0 Implementation Proposals

April 20, 2023

Summary

- The CPUC NEM 3.0 decision reduced overall compensation for roof-top solar but increased the incentive for storage and provided added compensation for low-income customers
- This approach aligns with CPA policy goals but may be insufficient to overcome barriers to storage adoption and access for low-income customers
- Following meetings with the CAC NEM working group and CAC leadership, CPA staff is recommending that CPA follow the NEM 3.0 approach to export compensation, complemented by a robust and broad-based storage incentive program
- Staff is requesting feedback from the CAC on these recommendations to share with the Board in June

Presentation Overview

- Review CPA Goals and Objectives for Implementing Net Energy Metering
- Overview of CPUC's Final Decision
- CPA Policy Options
- Discussion and Possible Next Steps for CAC

Review: CPA NEM Goals and Objectives

- Overall NEM Policy Goals
  - Support Grid Reliability
  - Incentivize Energy Storage Adoption
  - Expand Access for Low-Income Customers

- Rate Design Objectives
  - Legacy Treatment: Existing NEM 1.0 and 2.0 customers should remain on existing tariffs for 20 years from interconnection date
  - Export Compensation: Develop a compensation schedule that values a customer's generation's contribution to the grid at the time of export, and incentivize storage adoption
  - Expand Access for Low-Income Customers: Provide a more generous market signal through rates to incentivize distributed energy resource adoption for low-income customers

CPUC's Final NEM 3.0 Decision

- **Legacy Treatment:** Customers on NEM 1.0 and NEM 2.0 will be unaffected – they will continue to remain on their tariffs for 20 years from the interconnection date. Customers who begin their NEM service tariff before April 14, 2023 will be treated as NEM 2.0 customers.
- **Export Compensation:** NEM 3.0 compensates exported energy (energy generated on site in excess of what is consumed each hour) based on Avoided Cost Calculator (ACC) values rather than retail rates
  - Average hourly ACC values for each month, differentiated by weekdays and weekends, will be published annually
  - Customers who sign up during the first five years of NEM 3.0 implementation will receive an incentive adder to their bills, which will decline by 20% each year.
  - Once a customer has been interconnected, the adder will be applied to that customer for 9 years.
  - The estimated pay-back period for an average NEM 3.0 customers is 9 years, up from 5 years under NEM 2.0.
- **Low-income Incentives:** Low-income customers will receive an incentive adder that is 2x higher than other residential customers.

Impact on CPA customers

- **Legacy treatment:** CPA's ~65,000 existing NEM customers will remain on their current NEM 1.0 or 2.0 tariff on both the generation and delivery sides of their bills – no change
  - CPA will place new NEM customers on its existing NEM 2.0 tariff until the CPA Board adopts a new NEM policy

- **Export Compensation:** Most of the reduced payback on new installations will occur on the delivery side of customer bills
  - SCE's NEM 3.0 adders will be applied to the delivery side of the bill, so CPA customers will receive the same benefit as bundled customers

- **Storage Incentive:** Compensation for exports based on hourly avoided cost pricing incentivizes adding battery storage to solar installations

CPA Policy Options

CPA CLEAN POWER ALLIANCE

CPA NEM Policy Options

Options

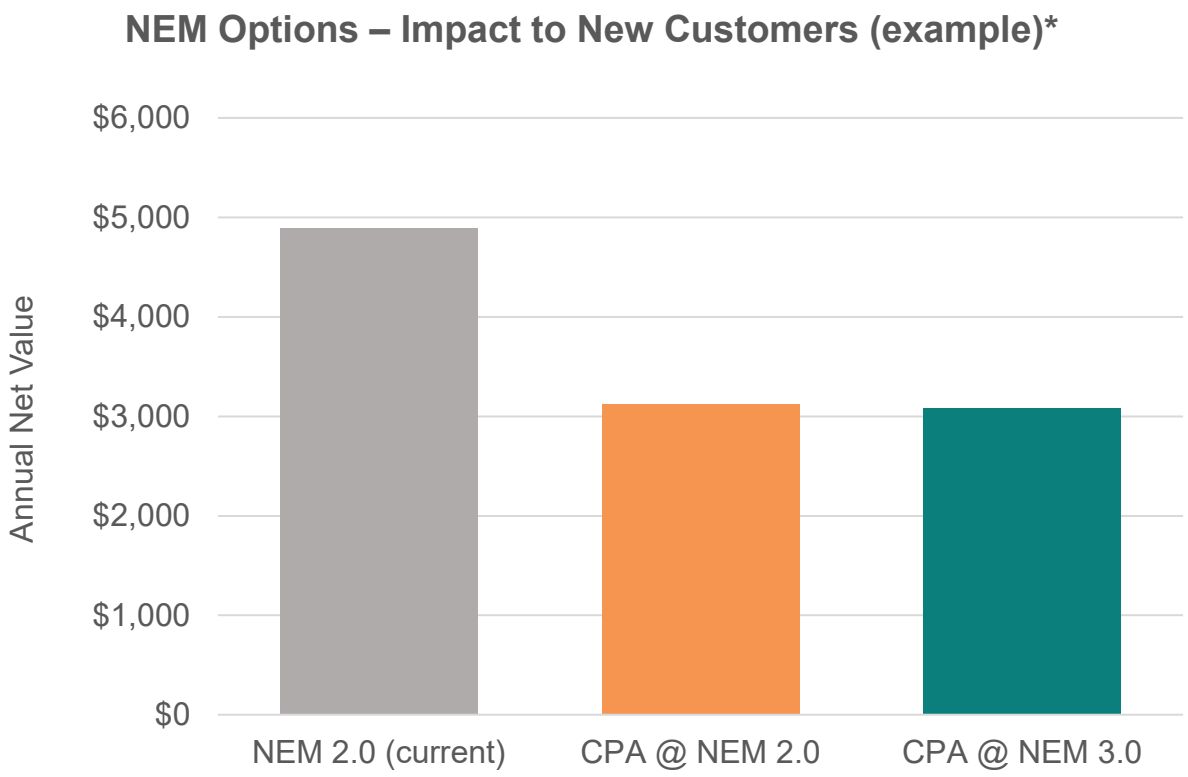
- Continue NEM 2.0 – compensate new customers at retail rates
- Follow CPUC NEM 3.0 – compensate new customers at ACC
- Provide additional incentives for storage and low-income customers

Considerations

- Impact on customer behavior
- Impact on CPA policy goals
- Financial impact to CPA

NEM 2.0 vs. 3.0: Value to Customers

- Continuing to place new CPA solar customers on NEM 2.0 would provide a small benefit to customers – estimated $40 to $400 per year depending on customers' storage adoption



**Non-CARE customer with average existing NEM customer load, 8kW PV,13.5kWh battery system, no adders.*

NEM 2.0 vs. 3.0: Grid Reliability & Storage Adoption

- NEM 3.0 increases the incentive for storage compared to NEM 2.0
- CPA remaining at NEM 2.0 would reduce incentive to adopt storage compared to NEM 3.0
  - Highest ACC values are for generation in peak-demand hours; delivery-only ACC is flatter and much lower value
- CPA can consider its own adder incentive to increase storage adoption & dispatch during peak hours for all customers or for selected segments (e.g., low-income residential customers)

NEM 3.0 Scenarios – Storage Incentive (example)

Scenario	Storage Premium	
	Added Annual Value to Customer	% of Total Annual Value
NEM 2.0 (current)	$652	15%
CPA @ NEM 2.0	$790	34%
CPA @ NEM 3.0	$1,167	61%

**Non-CARE customer with average existing NEM customer load, 8kW PV,13.5kWh battery system, no adders.*

NEM 2.0 vs. 3.0: Low-income customers

- Generally NEM 3.0 pays customers less than NEM 2.0, even with higher low-income adders
- NEM 3.0 reduces the disparity in NEM value to CARE versus non-CARE customers, but is not likely to result in greater access to and adoption of solar + storage by low-income customers
- CPA is considering its own incentives to encourage solar + storage adoption for low-income families

NEM 2.0 vs. 3.0: CPA annual cost

- While the benefit to new NEM customers of CPA staying on NEM 2.0 would be modest, the added cost to CPA would be significant
- As noted previously, actual costs will depend on multiple factors including customer adoption rates over time and optimization of battery storage and dispatch

NEM 3.0 – Estimated CPA Annual Cost in 2030

Scenario	Program Cost in 2030 ($M)			% of Revenue		
	Low Growth (5%)	Mid Growth (10%)	High Growth (15%)	Low Growth (5%)	Mid Growth (10%)	High Growth (15%)
CPA @ NEM 2.0	$14.3	$25.3	$37.7	1.2%	2.1%	3.1%
CPA @ NEM 3.0	$5.3	$9.1	$13.1	0.4%	0.8%	1.1%
Total new NEM customers in 2030	22,627	45,254	67,880			

Incentives and Programs for Storage Adoption

- Incentives and programs could help encourage adoption of storage resources to support grid reliability
  - Rate design alone may not significantly boost adoption given the cost of battery storage
- CPA currently offers Power Response, a residential and commercial program that provides $300-$400 device incentives, and approximately $100-$300 annual incentive for participation in demand response events
  - CPA may augment the incentives to encourage storage adoption, especially for NEM 3.0 customers who can realize more value with storage adoption than NEM 2.0 customers
- Additional incentives that CPA can consider for customers purchasing BTM resources include:
  - Provide rebates for storage to customers
  - Free/discounted direct installation of storage for low-income customers
  - Partner with storage providers to provide discounts to CPA customers
  - On-bill financing re-payment for storage
- A greater portion of the incentives can target low-income customers to achieve policy goals

Recommendation

- Set CPA's export compensation rate consistent with Avoided Cost Calculator values adopted by CPUC's NEM 3.0 decision
  - Consistent with the policy goals and objectives of supporting grid reliability and encouraging storage adoption
  - Compared with keeping customers on NEM 2.0, NEM 3.0 provides similar values to customers but much greater incentive for storage adoption
  - Consistent with NEM offerings across the State and SCE territory to minimize confusion

- To more effectively achieve its policy goals, CPA should adopt a broad-based storage incentive program to complement NEM 3.0
  - Target a greater portion of the incentives at low-income customers (approx. 30% of CPA's customer base)
  - Consider incentives for existing NEM 1.0 and 2.0 customers to add storage

Questions

CPA CLEAN POWER ALLIANCE

How much does NEM 2.0 cost CPA?

Category	Estimated Annual CPA Cost (excl. retail rev)	Estimated Annual CPA Cost (incl. retail rev)
Retail energy sales avoided through customer on-site generation*	$2.3M	$9.6M
CPA payments to customers for energy exported to grid	$21.2M	$21.2M
CPA avoided market energy purchases	($3.3M)	($4.8M)
Reduction in CPA Resource Adequacy requirement	($0.6M)	($0.6M)
Total	**$19.5M**	**$25.4M**
Total as % of Projected FY22-23 Revenue	~1.6%	~2.1%

**Includes allocation of CPA fixed costs.*

- CPA has about 63,000 residential and 1,600 commercial existing NEM customers
- Annual costs will continue until existing customers' 20-year legacy period expires

How much would NEM 3.0 cost CPA?

- Assuming CPA mirrors CPUC/SCE approach and CPA NEM load grows 10% per year from 2023 to 2030 (about 7,900 customers per year or 59,000 customers in total)
- Actual costs will depend on multiple factors including customer adoption rates over time and optimization of battery storage and dispatch

Category	Estimated Annual CPA Cost in 2030 (excl. retail rev)	Estimated Annual CPA Cost in 2030 (incl. retail rev)
Retail energy sales avoided through customer on-site generation	$1.9M	$7.9M
CPA payments to customers for energy exported to grid	$3.2M	$3.2M
CPA avoided market energy purchases	($2.7M)	($3.9M)
Reduction in CPA Resource Adequacy requirement	($0.5M)	($0.5M)
Total	**$1.8M**	**$6.6M**
Total as % of Projected FY22-23 Revenue	~0.2%	~0.6%

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Staff Report – Agenda Item 4

To: Community Advisory Committee

From: Ted Bardacke, Chief Executive Officer

Subject: 2023/24 Rates & Budget Priorities

Date: April 20, 2023

Staff will provide a presentation on the 2023/24 rates & budget priorities.

ATTACHMENT

1) 2023/24 Rates & Budget Priorities PPT

Item 4.1 - FY 2023/24 Rate Setting Approach and Budget Priorities

April 20, 2023

Summary

- CPA is developing its FY 2023/24 Rates and Budget for presentation to the Board on June 1
- Today is a look at FY 2023/24 rate approach recommendations and priorities for operating expenses (~5% of total costs)
- Rate setting approach: Staff is recommending updating product pricing differentials and subset rates based on current Cost of Service, and setting bill comparison levels to support CPA's competitiveness and financial goals
- Budget priorities:
- CAC feedback is requested on rate setting approach and on operating budget priorities, particularly in the area of customer programs

FY 2023/24 Budget & Rate Setting Process

- ✓ January – April 2023 (Staff) – FY 2023/24 Goal Setting, Departmental Budgeting, Rate Design Planning, Energy Cost Projections & Consolidated Budget Planning (ongoing)
- ✓ March 2, 2023 (Board) – Adoption of April 2023 Interim Market Rate Adjustment
- ✓ April 19, 2023 (Executive Committee) – Budget Priorities & Rate Setting Approach
- **April 20, 2023 (Community Advisory Committee) – Budget Priorities & Rate Setting Approach**
- April 26, 2023 (Finance Committee) – Budget Priorities & Draft FY 2023/24 Operating Expenses Budget
- May 4, 2023 (Board) – Budget Priorities & Rate Setting Approach
- May 17, 2023 (Executive Committee) – Draft FY 2023/24 Budget
- May 24, 2023 (Finance Committee) – Draft FY 2023/24 Budget
- June 1, 2023 (Board) – Proposed FY 2023/24 Budget and Rates

FY 2023/24 Rate Setting Approach

CPA CLEAN POWER ALLIANCE

Considerations for FY 23/24 Rates

- FY 22/23 was more challenging than expected due to extraordinary market events in the second half of 2022 and early 2023
- The April interim rate adjustment allowed CPA to get closer to its fiscal goals for the current year, but progress toward CPA's Reserve Policy targets has been slower than expected
- A favorable competitive environment presents an opportunity to accelerate progress towards achieving mid- and long-term strategic financial goals while balancing other factors:
  - Make significant progress toward Board-approved reserve and liquidity targets
  - Prepare to achieve an investment-grade credit rating
  - Prepare for a competitive environment that could be less favorable in 2024
  - Maintain CPA's competitive position and overall value proposition
  - Prepare for upcoming default changes and new member enrollments
  - Ensure financial resilience through continuing energy market volatility

FY 23/24 Rate Approach Recommendations

- Product pricing differentials
- Bill comparison levels
- Update subset rates
- Rate approach for new communities enrolling in 2024

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 costs 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

- Staff recommends setting the FY 23/24 price differential between 100% Green and Clean to 4% and the differential between 100% Green and Lean to 5% to more closely follow the current COS
  - These product differentials assume the following product content: 100% Green: 100% renewables; Clean Power: 50% renewables; Lean Power; 40% clean energy including 20-25% renewables and 15% - 20% sourced from zero-carbon large hydropower

FY23/24 bill comparison options

- The options offer a range of potential outcomes for CPA's competitiveness, financial and rate stability objectives

FY 2023/24 Rate Scenarios

Scenario	Residential/Small Business Rate Comparison to SCE*			Estimated Financial Metrics at End-FY24		
	Lean Power	Clean Power	100% Green Power	Contribution to Net Position	Reserve %	Days Liquidity on Hand (DLOH)
Minimum Reserve	-6.0%	-5.0%	-1.0%	$160M	30%	111
Low Reserve	-5.0%	-4.0%	0.0%	$193M	33%	120
Moderate Reserve	-4.0%	-3.0%	1.0%	$225M	35%	129
Midpoint Reserve	-2.0%	-1.0%	3.0%	$290M	40%	148

*Comparisons are based on representative 2018 PCIA vintage rate schedules and load profiles for each rate class, and SCE rates as of March 1, 2023. Individual customer comparisons vary by specific rate schedule and customer usage.

- Board approved reserve target is 30% to 50% of operating expenses. A mid level investment grade credit rating typically requires 90 to 150 DLOH. An incremental $80M line of credit would increase DLOH by 23 days for all scenarios.
- Staff are updating financial projections which may impact estimated financial metrics and rates submitted to the Board in June.

Bill Comparison Ranges – Residential

- Bill comparisons will be competitive with SCE under all scenarios based on current SCE rates
- SCE's June 1 rate change is expected to increase delivery charges and may increase SCE generation rates, potentially strengthening CPA's competitive position

Residential Customer Bill Comparisons – FY 23/24 Rate Scenarios*

Scenario	SCE base	Average Monthly Bill			Comparison to SCE		
		Lean	Clean	100% Green	Lean	Clean	100% Green
April 2023 rates	$192	$180	$183	$190	-5.8%	-4.6%	-1.0%
Minimum Reserve	$192	$180	$182	$190	-6.0%	-5.0%	-1.0%
Low Reserve	$192	$182	$184	$192	-5.0%	-4.0%	0.0%
Moderate Reserve	$192	$184	$186	$193	-4.0%	-3.0%	1.0%
Midpoint Reserve	$192	$188	$190	$197	-2.0%	-1.0%	3.0%

*Comparisons are based on representative 2018 PCIA vintage rate schedules and load profiles for each rate class and SCE rates as of March 1, 2023. Individual customer comparisons vary by specific rate schedule and customer usage.

New member community rate approach

- Customers in Hermosa Beach, Monrovia, and Santa Paula will be placed on SCE's 2023 vintage PCIA rates when CPA begins service in March 2024. Together these new communities represent approximately 4% of CPA's annual electric consumption.
- Staff recommends setting bill comparisons for new member communities at the same level as existing communities for at least the first year of service and delegating to staff the ability to adjust the rates if needed to meet these comparisons as SCE rates change within FY 23/24
- The residential 2023 PCIA is currently 1.6 cents/kWh, compared to -0.4 cents/kWh for the 2018 PCIA. Based on the current 2023 PCIA, residential customer bills in the new member communities would be about 6% higher than existing customer bills and higher than SCE base rates if they were placed on the same generation rates
- CPA expects to recover the cost to serve the new member communities if their rates are set to match the bill comparisons for existing communities
  - The spread between 2018 and 2023 vintage PCIA rates may be smaller in 2024 which would reduce the impact of the PCIA differential

Recap: FY 23/24 Rate Approach Recommendations

- **Product pricing differentials:** Set the product price differential between 100% Green and Clean to 4% and the differential between 100% Green and Lean to 5%
- **Bill comparison levels:** Select bill comparison levels for residential and small business rates to support competitiveness and financial goals
  - Option 1 – Minimum Reserve Scenario: no change or small bill reduction (not recommended)
  - Option 2 – Low Reserve Scenario: $1-2 approx. bill increase
  - Option 3 – Moderate Reserve Scenario: $3-4 approx. bill increase
  - Option 4 – Midpoint Reserve Scenario: $7-8 approx. bill increase
- **Update subset rates:** Update streetlighting, pumping and ag, and large commercial and industrial subset rates to reflect current COS
- **Rate approach for new member communities:** Set bill comparisons for new member communities at the same level as existing communities

FY 2023/24 Budget Priorities

CPA CLEAN POWER ALLIANCE

2023/2024 Operational Priorities

1. Achieve financial targets, including Investment Grade Credit Rating

2. Meet renewable procurement and GHG emissions targets

3. Attract, retain and develop high-performing and diverse staff

4. Comply with or surpass regulatory and legal obligations

5. Develop and deliver impactful customer programs, including mid-term strategic review

6. Implement DEI plan

7. Establish and improve processes

8. Update and Implement Data and Systems Strategic Plan

9. Lead and shape regulatory and policy discussions

10. Maintain customer participation rates, with particular emphasis on agencies changing their default rates

11. Plan for future success, including long-term rate product strategy

Operating Expense Context

- Energy market risks continue to be elevated as California continues to experience significant heat events and available electricity supply in California remains constrained.
- CPA manages ~$1.25 billion of annual energy costs representing 96% of total costs. In addition, CPA contracts for and operationalizes long-term renewable and storage projects involving billions of dollars of financial commitments.
- As the 3rd largest LSE in CAISO and significant supplier of renewable energy, regulatory, political and PR opportunities and scrutiny are multiplying.
- Expanding suite of customer programs requires CPA to enhance its ability to acquire customers in addition to retaining them as well as develop technical expertise in new and innovative areas.

Operating Expenses Overview

- Operating expenses represent 4.3% of total costs. One-fourth of operating expenses are fixed by regulatory, contractual, or policy obligations.
- Over the past 18 months, CPA has added staff capacity across the organization (20 new/14 net). These resources have improved internal performance and capacity, slowed the rate of staff attrition, and leveled off consultant and other spending
  - As a whole, increases to opex costs for areas other than staffing and customer programs, will be nominal (~$500k)
- Rising spending on customer programs and staffing drives projected ~26% increase in operating expenses (~22% inflation adjusted)
- Expanding customer programs and local assistance is an organizational priority while consolidating the benefits of staffing progress is dependent on continuing to invest in staff retention and talent acquisition.
- CPA has limited ability to impact rates in the short term through adjustments to budgeted energy or operating expenses but can increase impact and reduce risk through these investments.

Customer Programs

- **100% Reimbursable**
  - Power Share/Community Solar ($2.7m, CPUC)
  - Electrification Workforce Development ($516k, NextEra)
- **Leverage State Resources**
  - Electric Vehicle Charging ($1.3m Program Incentives & Implementation and Communication)
- **Strategic with long-term ROI or community benefits potential**
  - Power Response/Demand Response ($1.8m, Program Incentives & Implementation, Communication, and Mailing)
  - Power Ready/Backup Power ($92k, Technical Services and Communication)
  - Building Electrification Code Incentives ($362k, Program Development and Communication)
  - Electrification Advisor (New) ($377k, Program Incentives & Implementation and Mailing)
  - Local Government Program (New) ($2.7m, Program Incentives & Implementation, Communication, and Mailing)
  - Solar + Storage (New) ($981k, Program Incentives & Implementation, Communication, and Mailing)

Staffing - Context

- 2022/23: Budgeted headcount of 70 (including one mid-year add). Currently headcount = 62
- Turnover rates are improving
  - Jan 2021 to March 2022 – Hired 35/Net gain of 14
  - April 2022 to March 2023 – Hired 20/Net gain of 14
- Turnover rates are disproportionately high within mid-level management
- Initial budget accounts for staff growth/inflation/retention efforts in the current fiscal year, while continuing to invest in current staff (~75% of the projected increase)
- New positions address growth areas (customer programs/communications/marketing/community & board engagement) and reflect the increasing complexity brought on by success (PPA and prepay settlements/data & load management)
- Continue to have favorable/leading comps within CCA industry (see slide 11)

Summary

- As a whole, increases to opex costs for areas other than staffing and customer programs, will be nominal
- Increased spending on customer programs and staffing drives increase in operating expenses
- Expanding customer programs and local assistance is an organizational priority while consolidating the benefits of staffing progress is dependent on continuing to invest in staff retention and talent acquisition.
- Accounting for past year staffing and turnover improvement plus continuing to invest in retention/development is 75% of proposed staffing increase; new positions is remaining 25%
- CPA budgeted costs continue to compare favorably with other CCAs

Questions?

CPA CLEAN POWER ALLIANCE

Appendix

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Bill Comparison Ranges – Small Business

Small Business Customer Bill Comparisons – FY 23/24 Rate Scenarios

Scenario	SCE base	Average Monthly Bill			Comparison to SCE		
		Lean	Clean	100% Green	Lean	Clean	100% Green
April 2023 rates	$278	$268	$271	$281	-3.5%	-2.3%	1.4%
Minimum Reserve	$278	$261	$264	$275	-6.0%	-5.0%	-1.0%
Low Reserve	$278	$264	$266	$278	-5.0%	-4.0%	0.0%
Moderate Reserve	$278	$266	$269	$280	-4.0%	-3.0%	1.0%
Midpoint Reserve	$278	$272	$275	$286	-2.0%	-1.0%	3.0%

*Comparisons are based on representative 2018 PCIA vintage rate schedules and load profiles for each rate class and SCE rates as of March 1, 2023. Individual customer comparisons vary by specific rate schedule and customer usage.

Subset Rates

- Large commercial and industrial, pumping and ag, and streetlighting rates, referred to internally as subset rates, have been based on Cost of Service since 2019; less than 9,900 or 1% of CPA customers are on subset rates.
- Bill comparisons for subset rates have steadily improved; under the presented FY 23/24 scenarios many customers on subset rates would have at least one option that is less expensive than or very close to SCE rates

Subset Rate Bill Comparisons – FY 23/24 Rate Scenarios*

Rate Schedule	Minimum Reserve Scenario			Moderate Reserve Scenario			Midpoint Reserve Scenario		
	Lean	Clean	100% Green	Lean	Clean	100% Green	Lean	Clean	100% Green
TOU-GS-3-D	-1.0%	0.2%	5.0%	1.5%	2.7%	7.5%	4.0%	5.2%	10.0%
TOU-8-D-SEC	-1.0%	0.3%	5.2%	1.6%	2.8%	7.8%	4.1%	5.4%	10.4%
TOU-PA-2-D	-5.8%	-4.5%	0.2%	-3.3%	-2.0%	2.7%	-0.8%	0.4%	5.2%
TOU-PA-3-D	-5.2%	-3.8%	0.9%	-2.7%	-1.4%	3.4%	-0.2%	1.1%	6.0%
LS-1	11.3%	12.5%	17.4%	13.8%	15.1%	20.0%	16.4%	17.6%	22.6%

*Comparisons are based on representative 2018 PCIA vintage rate schedules and load profiles for each rate class and SCE rates as of March 1, 2023. Individual customer comparisons vary by specific rate schedule and customer usage.