

MINUTES

REGULAR MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, February 22, 2023, 11:00 a.m.

Meeting videos are available on [CPA's YouTube Channel](https://www.youtube.com/@CPApublicmeetings).
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Committee Members participated in this meeting from the following locations:

Camarillo City Hall Mayor's Office 601 Carmen Drive Camarillo, CA 93010	CPA Office 801 S. Grand Ave., Suite 400 Los Angeles, CA 90017
Claremont City Hall Citrus Room 207 Harvard Avenue Claremont, CA 91711	Carson City Hall Executive Conference Room 701 East Carson Street Carson, CA 90745
Rolling Hills Estates City Hall Conference Room 4045 Palos Verdes Drive North Rolling Hills Estates, CA 90274	

CALL TO ORDER & ROLL CALL

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

Roll Call			
Camarillo	Susan Santangelo	Committee Chair	Remote
Carson	Reata Kulcsar	Committee Member	Remote
Claremont	Corey Calaycay	Committee Member	Absent
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

No public comment was received.

CONSENT AGENDA

1. Approve Minutes from the January 25, 2023 Finance Committee Meeting
2. Receive and File January 2023 Risk Management Team Report
3. Receive and File January 2023 CPA Investment Report

4. Receive and File Fiscal Year Q2 Financial Report and December 2022 Financial Dashboard

Chair Santangelo pulled Item 2 from the Consent Agenda for separate discussion.

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member Kulcsar, Carson
Vote: Items 1, 3, and 4 were approved by a roll call vote.

Chair Santangelo requested an oral summary of Item 2. David McNeil, Chief Financial Officer, indicated that the policy deviations reported on the RMT report are for renewable energy, carbon-free energy, and Resource Adequacy (RA). CPA fell below the policy minimum of 65% for renewable energy but was able to satisfy compliance requirements for 2023 and 2024 via a regulatory process that allows CCAs to acquire renewable energy from IOUs. Staff continues to procure carbon-free energy for 2024 to reach the minimum target of 75% for 2023. Committee Member Zuckerman inquired about RA discussions at the upcoming Lobby Day, and Mr. Bardacke explained that CPA's main bill priority is directly linked to increasing the RA market supply.

Motion: Committee Member O'Connor, Santa Monica
Second: Committee Member Zuckerman, Rolling Hills Estates
Vote: Item 2 was approved by a roll call vote.

REGULAR AGENDA

5. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, provided an oral report on treasury operations. From a cashflow perspective, CPA weathered the adverse conditions during December and January. CPA recently completed a favorably priced prepay transaction; staff directed Goldman Sachs to finalize the transaction; CPA will receive significant cost savings on the Power Purchase Agreements (PPAs) signed into that prepay structure.

Mr. McNeil provided a presentation on the financial performance and outlook of FY 2022/23. CPA recorded a net loss of \$16.7 million through the first six months of FY 2022/23, close to \$90 million below budget. Mr. McNeil reviewed the income statement, budget to actual results and summarized the FY 2022/23 financial outlook. The net position is estimated to increase by \$40-60 million, absent a rate change, and the planned draft amendment to the FY 2022/23 budget to be presented at the next Finance Committee meeting. Mr. McNeil indicated that JPMorgan has been supportive of the extension of the term of the banking agreement and the increase in the line of credit. Discussions with JPMorgan about the other terms of the line of credit are ongoing, particularly relating to the adverse material clause. Increased charges for the bank line of credit will be included in the proposed budget amendment. Mr. McNeil reviewed residential and commercial Accounts Receivable (AR), CAPP funding, CPA's bad debt reserve, and total, residential, and commercial gross AR aging figures.

Responding to Committee Member Kulcsar's question concerning the late fees and the allocation of payments towards SCE/CPA portions of customer bills, Mr. McNeil indicated that SCE charges late fees based on the balances owed to them. CPA does not charge or receive late payment fees. Mr. McNeil explained that payment allocations vary by customer subsets. Staff will provide a detailed written response on this subject at a later

time. Committee Member Zuckerman asked several questions on accrued penalties, bill forgiveness, and an increase in “other receivables.” Mr. McNeil clarified that late payment fees for residential accounts will resume in April. Customers penalties have been suspended since March 2020. Lastly, “other receivables” includes increases in the settlement for contracts for differences, wherein CPA pays the difference between the PPA cost and the California Independent System Operator (CAISO) revenue. As a result of elevated market prices in December 2022 PPA sellers, such as the Calpine Geysers and White Hills, have owed money to CPA resulting in a year over year increase in other receivables. Responding to Committee Member Kulcsar’s question concerning the month in which CAPP funds were applied, Mr. McNeil indicated that staff became aware of the allocation of CAPP I and II funding prior to closing its June 2021 and June 2022 financial statements respectively, and CAPP I and II funding was applied to AR for the purpose of calculating the bad debt reserve accordingly. Committee Member Kulcsar inquired about the bad debt reserve amount, and Mr. McNeil specified that of the total \$54 million of past due AR, CPA has reserved about 60% or \$30.6 million as uncollectable. Responding to Committee Member Zuckerman’s questions concerning January gas prices and construction delays, staff shared that January will be significantly below budget partly due to similar gas prices, but not quite as much as December. Delays in renewable energy and storage project construction has been accounted for in financial projections and the budget. Staff added that the most recent financial forecasts include all contract amendments approved by the Board in October 2022, and CPA’s hedging position helped mitigate the impact of delays on project online dates.

Ted Bardacke, CEO, thanked the Finance Committee for its work in vetting the first prepay transaction, which will save several million dollars a year on renewable energy purchases. In response to Committee Member Zuckerman’s questions about prepay transaction earnings and municipal bond rates, Mr. McNeil indicated that the earnings are a function of the difference between the interest rate costs and the yield on issued bonds, which are tax exempt. Committee Member Kulcsar requested an update on the prepay transaction once it is finalized, and Mr. McNeil indicated there is an issuance document with bond details, yield, and interest rates. Staff noted that due to favorable market conditions, it will propose a second prepay issuance to the Committee in March and will include a review of the first transaction. Committee Member Zuckerman asked several questions on the size of the second transaction. Staff explained that the second transaction would include smaller projects, but other variables affect the size of the bond issuance. Lastly, staff indicated that there are discussions with S&P, the approved credit rating agency, about CPA’s updated financial projections and future rate decisions.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Committee Chair Santangelo adjourned the meeting at 12:00 p.m.