

MINUTES

Board of Directors of the
Clean Power Alliance of Southern California
Regular Meeting
Thursday, April 6, 2023, 2:00 p.m.

Meeting videos are available on [CPA's YouTube Channel](https://www.youtube.com/@CPApublicmeetings).
www.youtube.com/@CPApublicmeetings

Board members participated from the following locations:

Calabasas City Hall Council Conference Room 100 Civic Center Way Calabasas, CA 91302	CPA Office 801 S. Grand Ave., Suite 400 Los Angeles, CA 90017
Whittier City Hall Admin Conference Room 13230 Penn Street Whittier, CA 90602	Ventura County Government Center Channel Islands Conference Room, 4th Floor Hall of Administration 800 South Victoria Avenue Venture, CA 93009
South Bay Cities Council of Governments Conference Room 2355 Crenshaw Blvd., Suite 125 Torrance, CA 90501	Westlake Village City Hall Council Office/Conference Room 31200 Oak Crest Drive Westlake Village, CA 91361

CALL TO ORDER & ROLL CALL

Chair Julian Gold called the meeting to order at 2:00 p.m. and Gabriela Monzon, Clerk of the Board, conducted roll call.

Roll Call				
1	Agoura Hills			Absent
2	Alhambra	Jeff Maloney	Director	Present
3	Arcadia	Michael Cao	Director	Present
4	Beverly Hills	Julian Gold	Chair	Present
5	Calabasas	Ed Albrecht Michael McConville	Alternate Alternate	Remote
6	Camarillo	Susan Santangelo	Director	Remote
7	Carson	Cedric L. Hicks, Sr.	Director	Present
8	Claremont	Corey Calaycay	Director	Remote
9	Culver City	Joe Susca	Alternate	Remote
10	Downey			Absent

11	Hawaiian Gardens			Absent
12	Hawthorne	Alex Monteiro	Director	Present
13	Hermosa Beach	Justin Massey	Director	Present
14	Los Angeles County	Lindsey Horvath	Vice Chair	Present
15	Malibu			Absent
16	Manhattan Beach	Amy Howorth	Director	Remote
17	Moorpark	Renee Delgado	Director	Remote
18	Ojai	Michelle Ellison	Alternate	Remote
19	Oxnard	Bert Perello	Director	Remote
20	Paramount			Absent
21	Redondo Beach			Absent
22	Rolling Hills Estates	Debby Stegura	Director	Remote
23	Santa Monica	Gleam Davis	Director	Present
24	Santa Paula	Jenny Crosswhite	Director	Present
25	Sierra Madre	Robert Parkhurst	Director	Present
26	Simi Valley	Rocky Rhodes	Director	Present
27	South Pasadena	Arpy Kasparian	Alternate	Present
28	Temple City			Absent
29	Thousand Oaks			Absent
30	City of Ventura	Liz Campos	Director	Remote
31	Ventura County	Vianey Lopez	Vice Chair	Present
32	West Hollywood	John Erickson Chelsea L. Byers	Director Alternate	Present
33	Westlake Village	Ned Davis	Director	Remote
34	Whittier	Leon Vasquez	Alternate	Remote

All votes are unanimous unless otherwise stated.

PLEDGE OF ALLEGIANCE

Vice Chair Lopez led the pledge of allegiance.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from March 2, 2023, Board of Directors Meeting
2. Approve Fiscal Year 2022/2023 Amended Budget as Reflected Herein
3. Approve Proposed Amendments to the Net Energy Metering Tariff Effective April 1, 2023
4. Receive and File Bill Positions Monthly Report
5. Receive and File Community Advisory Committee Monthly Report

Motion: Director Hicks, Carson

Second: Director Parkhurst, Sierra Madre

Vote: The consent agenda was approved by a roll call vote with an abstention by Director Massey.

REGULAR AGENDA

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

Gabriela Monzon, Clerk of the Board, provided an oral report on the item. Following an initial vote tally that ended in a tie, the Board of Directors continued this item to the following meeting on May 4, 2023.

7. (a) Adopt Resolution No. 23-04-047 (Attachment 2) 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; (b) Approve Professional Services Agreement with Municipal Capital Markets Group, Inc. with a Not-To-Exceed Amount of \$340,000 to be Paid from Bond Proceeds for Municipal Financial Advisory, Guaranteed Investment Contract Broker, and Qualified Independent Representative Services; (c) Approve Legal Services Agreement with Chapman and Cutler, LLP with a Not-To-Exceed Amount of \$200,000 to be Paid from Bond Proceeds for Prepay Counsel Services; (d) Approve the Selection of Goldman Sachs as the Underwriter and Prepaid Supplier and the Selection of CCCFA as the Bond Issuer for the Proposed Energy Prepayment Financing and Authorize Staff to Select a Funding Recipient

Kate Freeman, Financial Strategy & Initiatives Manager, provided a presentation on the proposed clean energy prepayment transaction. Prepays are well-established financing mechanisms that allow municipal utilities and Community Choice Aggregations (CCAs) to leverage their status as issuers of tax-exempt debt to reduce energy costs. In February 2023, staff and prepay service providers successfully issued \$1 billion in energy prepayment bonds with an expected energy cost savings of \$66 million over the next eight years. In March 2023, staff began to prepare a second prepay transaction. Ms. Freeman reviewed the proposed Board action items and prepayment transaction diagram. Responding to Director Hicks' question concerning rising inflation for the second prepay bond, Ms. Freeman indicated that staff estimates the par amount of the second prepay bond transaction will be approximately \$900 million; as interest rates rise, the size of the transaction necessary to prepay a fixed selection of Power Purchase Agreements (PPAs) would be expected to grow. The \$1.3 billion maximum transaction size allows for sufficient cushion for unforeseen circumstances. Director Perello asked about the auction process and its transparency, and staff

clarified that Goldman Sachs allocated the \$1 billion dollars' worth of bonds proportionally based on the amount bid by each investor; most of the 34 bidders received a portion of what they were willing to purchase. Ms. Freeman explained that staff had full visibility of the bond order period of subsequent allocation process and received a detailed report itemizing the final allocations as well as Goldman Sachs' costs and compensation.

Ms. Freeman reviewed the documents requiring approval from the Board. Chair Gold inquired about cost exposure in the unlikely event that CPA indemnifies CCCFA if prepay bonds are not issued; Ms. Freeman noted that CPA would incur about \$180,000 in fees in the event that bonds were not issued. Director Parkhurst requested clarification on the White Hills PPA structure. Ms. Freeman explained that a number of CPA's early contracts are structured as contracts for differences (CfD), where monthly payment amounts between CPA and PPA counterparty are determined based on the difference between market revenues received and contract prices. Because the prepay transaction requires the establishment of a fixed price structure for each PPA assigned into the prepay, staff have established a unique set of terms in the Limited Assignment Agreement in order to convert White Hills to a fixed price structure for the duration of the prepay assignment.

Ms. Freeman reviewed the process and recommendations for the selection of prepay service providers. Responding to Director Albrecht's question about the bond credit rating, Ms. Freeman noted that Moody's assigned a Baa1 credit rating to the first prepay bond, which is reflective of the credit of Deutsche Bank, who serve as the Funding Recipient during the initial period of the prepay bond. David McNeil, Chief Financial Officer, added that the rating on the second bond is yet to be determined. Responding to Director Stegura's question concerning Goldman Sachs' ownership of J. Aron, Ms. Freeman clarified that setting up an LLC entity for the prepay transaction allows CPA the flexibility to pick a different funding recipient than Goldman Sachs if that would lead to higher savings for CPA. In response to Director Perello's question about the \$200,000 fee to be paid to Chapman & Cutler LLC, Mr. McNeil indicated that the amount is a per bond fee.

Ms. Freeman identified the prepay costs of issuance and service provider fees, all of which are paid for out of bond proceeds in the event of a successful transaction. Staff conservatively estimates the second prepay transaction will yield an annual savings of \$2-6 million on CPA's energy costs. Directors Crosswhite and Stegura asked about contracts under different state laws; Nancy Whang, General Counsel, indicated that the few contracts which reference New York law were negotiated with a balanced approach, adding that staff is comfortable with the contract language, which balances the risks and requirements of the negotiating parties. Responding to Director Monteiro's question regarding CPA's credit rating, Ted Bardacke, CEO, shared that staff is working with Standard & Poor's with the goal of obtaining an investment grade credit rating. Director Santangelo shared that the Finance Committee discussed the second prepayment transaction at length and expressed confidence in moving forward with it.

Motion: Vice Chair Horvath, Los Angeles County
Second: Director Monteiro, Hawthorne
Vote: Item 7 was approved by a roll call vote with an abstention by Director Massey.

8. Approve a Long-Term Energy Storage Agreement (ESA) with NextEra Energy Resources for the Desert Sands Energy Storage I, LLC (Desert Sands) 75 MW Long-Duration Storage Project or in the event Desert Sands is Unable to Achieve Full Capacity Deliverability Status by January 2025, Approve a Long-Term ESA with NextEra Energy Resources for the Key Energy Storage Center 75 MW Long-Duration Storage Project Under Substantially Similar Terms as the Desert Sands ESA and Authorize the Chief Executive Officer to Execute Either Agreement

John McNamara, Director, Structured Contracts, provided a presentation on the Desert Sands energy storage agreement. To comply with the required procurement decision issued by the California Public Utilities Commission (CPUC) in June 2021, CPA launched its 2022 Mid-Term Reliability (MTR) Request for Offers (RFO). Staff has concluded negotiations with Desert Sands, a long-duration standalone storage project that includes a provision in which a similar backup project, Key, will be assigned should there be project delays or unforeseen permitting issues that arise with Desert Sands. Mr. McNamara reviewed the CPUC's MTR compliance requirements and RFO valuation. Projects must achieve Full Capacity Deliverability Status (FCDS), a designation from the California Independent System Operator (CAISO) assuring a project can provide Resource Adequacy (RA), to count towards CPA's MTR compliance requirements. Key, the backup project with FCDS, will be contracted under the same terms if Desert Sands is unable to secure FCDS. Mr. McNamara provided the overview and rationale of Desert Sands and Key.

Vice Chair Horvath inquired about CPA's access to the energy, given the locations of the storage projects. Staff indicated that the batteries are charged during the daytime when energy prices and greenhouse gas emissions are low, and the energy is then discharged to the grid in the evening when prices are high. CPA maintains the rights to all storage unit energy revenues. In response to Director Perello's questions concerning the project labor agreement, Mr. McNamara clarified that Key also has a project labor agreement, and the project labor agreements are encouraged but not required for bidding into the RFO. Chair Gold asked about the thought process behind the Desert Sands and Key projects not being contracted simultaneously. Staff responded that CPA is currently in negotiations with a separate 8-hour storage project and this back-up project approach allows CPA flexibility to mitigate risk of overprocurement.

Motion: Director Erickson, West Hollywood

Second: Director Parkhurst, Sierra Madre

Vote: Item 8 was approved by a roll call vote with an abstention by Director Massey.

9. Local Government Sustainability Assistance Program Presentation

Joanne O'Neill, Director, Customer Programs, provided a presentation. The Clean Energy Future Plan, adopted in 2020, sets a 5-year vision for customer programs and is focused on the three pillars of resilience and grid management, building and transportation electrification, and local procurement. The Local Government program objective is to accelerate the adoption of member agencies' sustainability and climate goals through technical assistance and financial support. Ms. O'Neill reviewed the program design, outreach process, program structure, and program menu items including fleet electrification, building electrification, and community

charging. Ms. O'Neill provided examples of project grant candidates, explained the project grant approach, and reviewed the budget estimate by year.

Chair Gold shared that the Local Government Sustainability Assistance Program was well received by city managers. Staff answered several questions from Vice Chair Horvath, Chair Gold, and Director Monteiro regarding qualifying projects and grant opportunities. Staff explained that the project menu is focused on member agencies' facilities and operations, but the grant opportunity is open to any projects that fall within the established parameters. Additionally, staff indicated that the vision of the project is for member agencies to apply on behalf of the projects deemed most appropriate for their community. Vice Chair Horvath suggested that staff consider allowing a project to directly apply for grant resources in the future, while still providing the city with authority and oversight over the project. With regard to grant opportunities, staff advised that grant applications made by non-municipal entities would require a letter of support from the city. Director Massey asked if new member agencies would be eligible, and Ms. O'Neill indicated they would be eligible upon the start of service. Director Susca commented that new construction is less costly when constructed without natural gas pipes. Director Ellison commented that the program is evidence of the benefits of community choice energy and its ability to reinvest in communities. Director Ellison asked a clarifying question about building electrification funding, and Ms. O'Neill indicated that the funding for the Local Government program is separate from Reach Code funding. Responding to Director Perello's question concerning community charging, Ms. O'Neill advised that staff is still developing the grant application process, adding that there is still funding available through the California Electric Vehicle Incentive Program (CALeVIP). Multi-family units are eligible for CALeVIP funding.

10. Preview of FY 23/24 Rate Setting

Matt Langer, Chief Operating Officer, provided a preview of the rate setting for FY 2023/24. Staff is conducting a Cost of Service (COS) study that analyzes how the cost to serve CPA's customers compares to current rates, and concurrently, CPA is also updating financial projections for the next fiscal year. Mr. Langer shared that the COS analysis indicates a widening of the product price differential amongst CPA's three rate products; this is mainly driven by the increased cost of short-term renewable energy, somewhat mitigated by the overall rising cost of energy in the portfolio. Staff will likely present options with cost differentials resulting in 100% Green priced 4% higher than Clean and 5% higher than Lean, to more closely follow the current COS. Mr. Langer reviewed the April 2023 bill comparisons to Southern California Edison (SCE) rates and FY2023-24 rate options that reflect competitiveness and financial targets.

Responding to Director Massey's inquiries about marketing resources and processes, Mr. Langer shared that the Green Leader Program recognizes 100% Green businesses, who must sign up to enroll for the program benefits. Director Ellison expressed a preference to move the Lean and Clean products to higher renewable content levels. Mr. Langer clarified that the levels are partly dependent on actual procurement activities, adding that the current target for Clean power is 50% renewables. Mr. Langer indicated that staff expects a higher renewable percentage this year and staff is working towards contracting for long-term projects to add new build renewables into CPA's portfolio. Chair Gold requested that the

composition of the Lean product be explored further at the Executive Committee and discuss future strategies.

MANAGEMENT REPORT

Mr. Bardacke welcomed new Board Members Justin Massey of Hermosa Beach, and Jenny Crosswhite of Santa Paula. Mr. Bardacke advised that the CPUC has fully certified service dates for the new cities. Mr. Bardacke thanked all Board Members who sent letters of support for AB 1538 and noted that all are welcome to attend the annual California Community Choice Association (CalCCA) conference in San Diego in May.

COMMITTEE CHAIR UPDATES

Director Susan Santangelo, Chair, Finance Committee, shared that the Finance Committee finalized the budget review and amendment and is working on the second prepay transaction.

Director Robert Parkhurst, Chair, Energy Planning & Resources Committee, welcomed VP of Power Supply Lindsay Saxby; thanked Director David Lesser for filling in as Committee Chair, and named four projects in various stages of negotiation, including a biomass project, a Resource Adequacy project, a 4-hour storage project, and a solar plus 8-hour storage project.

BOARD MEMBER COMMENTS

None.

REPORT FROM THE CHAIR

Chair Gold shared that the engagement of the Sacramento lawmakers was instrumental in securing the CPUC certification of CPA's Implementation Plan and encouraged all Board members to stay engaged in the process moving forward.

ADJOURN

Chair Gold adjourned the meeting at 4:15 p.m.