



**REGULAR MEETING of the Finance Committee of the  
Clean Power Alliance of Southern California  
Wednesday, June 27, 2018  
11:00 a.m.**

**555 West 5<sup>th</sup> Street, 35<sup>th</sup> Floor  
Los Angeles, CA 90013**

*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 Jacquelyn Betha, at least two (2) working days before the meeting at [jbetha@cleanpoweralliance.org](mailto:jbetha@cleanpoweralliance.org) or (213) 269-5870, ext. 1001. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.*

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

*Beverly Hills City Hall  
4<sup>th</sup> Floor, Conference Room 4B  
455 N. Rexford Drive  
Beverly Hills, CA 90210*

*Camarillo City Hall  
601 Carmen Drive  
Camarillo, CA 93010*

*Carson City Hall  
Executive Conference Room  
701 E. Carson Street  
Carson, CA 90745*

*Rolling Hills Estates City Hall  
4045 Palos Verdes Drive N.  
Rolling Hills Estates, CA 90274*

**I. WELCOME AND ROLL CALL**

**II. PUBLIC COMMENT**

This 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 agenda shall be heard at the time the matter is called.

As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip. Speakers are customarily limited to two minutes, but an extension can be provided at the discretion of the Chair. If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of the staff who will distribute the information to the Committee members and staff.

### **III. REGULAR AGENDA**

1. Approve Minutes from April 25, 2018 Finance Committee Meeting
2. Presentation on Monthly / Quarterly Financial Reporting
3. Discuss Energy Risk Management Policy

### **IV. COMMITTEE MEMBER COMMENTS**

### **V. ADJOURN**

*Public records that relate to any item on the open session agenda for a regular Committee Meeting are available for public inspection. The Board has designated the County of Los Angeles, Chief Sustainability Office, Kenneth Hahn Hall of Administration, Room 493, 500 West Temple Street, Los Angeles, CA 90012, for making those public records available for inspection. The documents are also available on our internet website at [www.cleanpoweralliance.org](http://www.cleanpoweralliance.org).*

REGULAR MEETING of the Finance Committee of the  
Clean Power Alliance of Southern California

Wednesday, April 25, 2018, 11:00 a.m.  
555 West 5<sup>th</sup> Street, 35<sup>th</sup> Floor  
Los Angeles, CA 90013

**MINUTES**

**I. WELCOME AND ROLL CALL**

Committee Chair Julian Gold called the meeting to order. Board Secretary Jacquelyn Betha conducted roll call:

Roll Call				
1	<b>Beverly Hills</b>	Julian Gold	Chair	Present
2	<b>Camarillo</b>	Tony Trembly	Director	Present
3	<b>Claremont</b>	Corey Calaycay	Director	Present
4	<b>Manhattan Beach</b>	Amy Howorth	Director	Present
5	<b>Rolling Hills Estates</b>	Steve Zuckerman	Director	Present

**II. PUBLIC COMMENT**

There were no comments from members of the public.

**III. REGULAR AGENDA**

1. Updated P&L Forecast

Interim CFO, John Zeller, presented a 2018–2019 forecast. The Committee reviewed the Status Report handout regarding the Power Charge Indifference Adjustment (PCIA), or exit fee. The Committee discussed how other CCA's calculate interest in their cash flow models, and the impacts on the bottom line.

2. FY 2017/2018 Budget Adjustment

It was reported that the Board is expected to take action on this item on May 2, 2018. A \$140,000 adjustment was presented, including increases and decreases in line items for 2017 & 2018 years related to hiring staff, power procurement, establishing an accounting and payroll system, and utility

fees. Topics discussed also included: bank protection, cyber policy / hacking insurance, ransomware insurance, external FDIC protection, broker account, sweep account – better percentage interest, and the potential for bonding.

3. FY 2018/2019 Budget Preview

It was reported that the Board is expected to consider this item, including the River City Credit Agreement, on May 2, 2018.

4. Credit Line Term Sheet and Documentation

It was reported that the Board is expected to take action on this item on May 2, 2018. The term sheet was renegotiated, a \$20 million credit line was approved for June launch, and an additional credit request will occur in Fall 2018, thus there is no new resolution needed. The Committee discussed other topics including: roll-out requirements, banking controls – dual control, tokens, and positive pay.

**IV. COMMITTEE MEMBER COMMENTS & QUESTIONS**

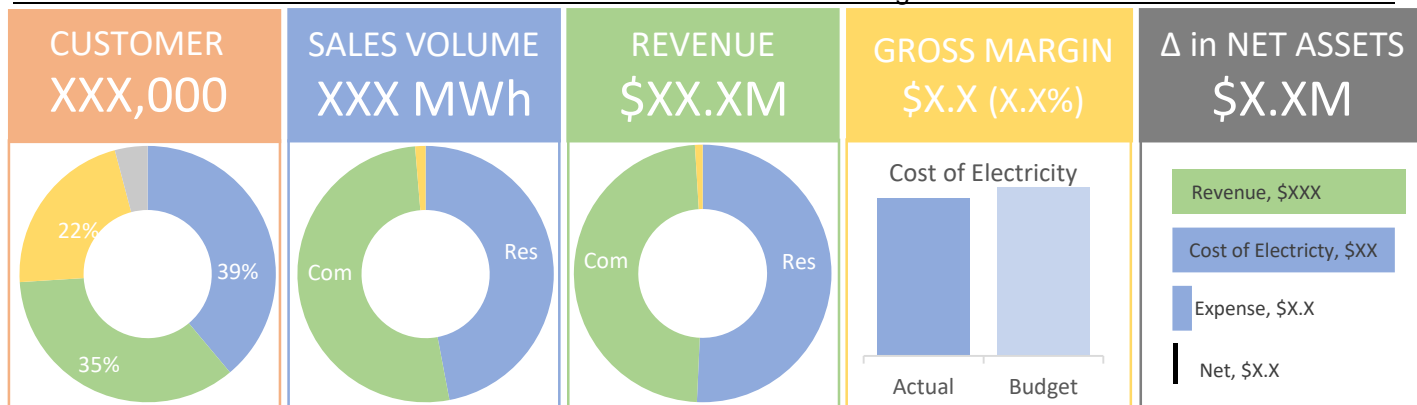
Committee members provided general comments.

**V. STAFF COMMENTS**

There were no staff comments.

**VI. ADJOURN**

Chair Gold adjourned the meeting until May 23, 2018.

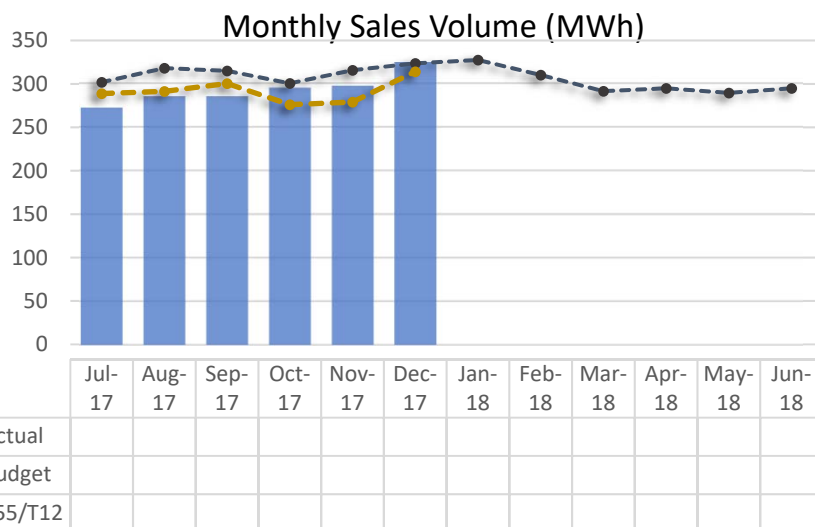


December Revenue of \$XXM accounted for XXX MWh in net retail consumption. This nearly matches budget for the month in both volume and revenue; however, improvement includes about XXMWh related to prior period adjustments with finalized numbers. We are seeing T55's come in higher than T12 which is narrowing the gap to budget.

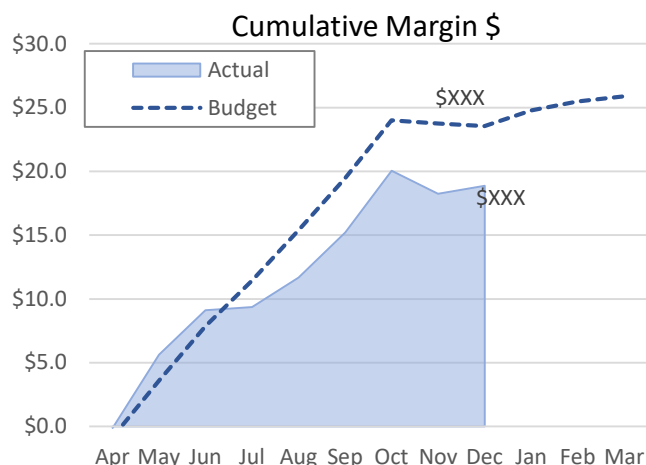
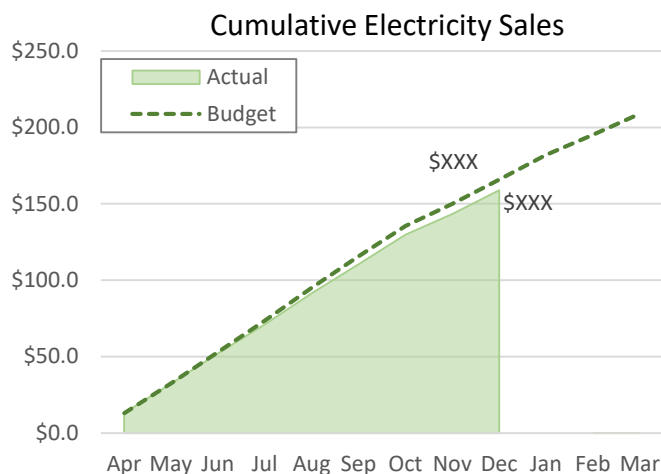
Fiscal year-to-date revenue of \$XXX.XM is still X% short of the \$XXX.XM budget.

The chart to the right shows volume comparison to budgeted volume.

The charts below display cumulative revenue and margin \$ vs budget.



YTD Revenue delta to budget by \$XM, Margin dollars \$XXXM to of budget.



#### Data Definitions:

**CUSTOMERS:** Unique Customers Account Numbers billed during Calendar Month

**SALES VOLUME:** Total Electricity Usage from estimated meter reads, plus or minus any final meter adjustments to prior periods invoiced in the current month.

**REVENUE:** Total Company Total Revenue, excluding interest income, but including Bad Debt.

**ELECTRICITY SALES:** Electricity Sales, including Premium. Excludes Public programs, Other Revenue and Interest income.

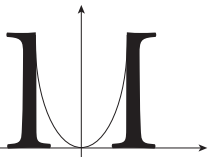
**MARGIN \$:** Electricity Sales less Cost of Electricity

**ACTUAL:** see sales volume above

**BUDGET:** Volumes from budget forecast used for original 2017/18 Budget

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**T55/T12:** Final meter reads (T55) used for available months, estimated meter reads (T12) used until final meter data is available (T12).



MAHER ACCOUNTANCY 1101 FIFTH AVENUE • SUITE 200 • SAN RAFAEL, CA 94901

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**ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
Sonoma Clean Power Authority

Management is responsible for the accompanying special purpose statement of Sonoma Clean Power Authority (a California Joint Powers Authority) which comprise the budgetary comparison schedule for the period ended April 30, 2018, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of Sonoma Clean Power Authority.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the Authority's results of operations. Accordingly, this special purpose budgetary comparison statement is not designed for those who are not informed about such matters.

We are not independent with respect to the Authority because we performed certain accounting services that impaired our independence.

*Maher Accountancy*

San Rafael, CA  
May 29, 2018

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**SONOMA CLEAN POWER AUTHORITY OPERATING FUND  
BUDGETARY COMPARISON SCHEDULE**

**July 1, 2017 through April 30, 2018**

	<b>2017/18 YTD</b>	<b>2017/18 YTD</b>	<b>2017/18 YTD</b>	<b>YTD</b>	<b>2017/18</b>	<b>2017/18</b>
	<b>Amended</b>	<b>2017/18 YTD</b>	<b>Budget</b>	<b>Actual/</b>	<b>Amended</b>	<b>Budget</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Budget</b>	<b>Remaining</b>
			<b>(Under) Over</b>	<b>%</b>		
<b>REVENUE AND OTHER SOURCES:</b>						
Revenue - Electricity (net of allowance) *	\$ 142,538,703	\$ 140,433,506	\$ (2,105,197)	99%	\$ 175,021,000	\$ 34,587,494
Revenue - Evergreen Premium (net of allowance)	210,118	362,513	152,395	173%	258,000	(104,513)
Revenue - Electricity sales for resale **	-	446,050	446,050	-	-	(446,050)
Revenue - Interest income	265,833	434,464	168,631	163%	319,000	(115,464)
Total revenue and other sources	<u>143,014,654</u>	<u>141,698,973</u>	<u>(1,315,681)</u>	<u>99%</u>	<u>175,598,000</u>	<u>33,899,027</u>
<b>EXPENDITURES AND OTHER USES:</b>						
<b>CURRENT EXPENDITURES</b>						
Cost of energy and scheduling	118,519,031	117,472,807	(1,046,224)	99%	143,649,000	26,176,193
Data management	2,688,333	2,616,088	(72,245)	97%	3,226,000	609,912
Service fees- PG&E	1,028,333	956,280	(72,053)	93%	1,234,000	277,720
Personnel	2,775,000	2,463,595	(311,405)	89%	3,330,000	866,405
Outreach and communications	792,500	745,793	(46,707)	94%	951,000	205,207
Customer service	395,000	203,761	(191,239)	52%	474,000	270,239
Legal	308,333	214,772	(93,561)	70%	370,000	155,228
Accounting and auditing	161,667	126,150	(35,517)	78%	194,000	67,850
Technical consultants	291,667	264,230	(27,437)	91%	350,000	85,770
Legislative consultants	191,667	71,974	(119,693)	38%	230,000	158,026
Other consultants	179,167	42,799	(136,368)	24%	215,000	172,201
Program implementation and development	5,000,000	2,832,405	(2,167,595)	57%	6,000,000	3,167,595
General and administration	412,500	685,270	272,770	166%	495,000	(190,270)
Fire relief donations	785,000	637,000	(148,000)	81%	1,000,000	363,000
Total current expenditures	<u>133,528,198</u>	<u>129,332,924</u>	<u>(4,195,274)</u>	<u>97%</u>	<u>161,718,000</u>	<u>32,385,076</u>
<b>OTHER USES</b>						
Collateral deposit payments	2,000,000	562,290	(1,437,710)	28%	2,000,000	1,437,710
Capital outlay	136,667	69,590	(67,077)	51%	164,000	94,410
Total expenditures, Other Uses and Debt Service	<u>135,664,865</u>	<u>129,964,804</u>	<u>(5,700,061)</u>	<u>96%</u>	<u>163,882,000</u>	<u>33,917,196</u>
Net increase (decrease) in available fund balance	<u>\$ 7,349,789</u>	<u>\$ 11,734,169</u>	<u>\$ 4,384,380</u>	<u>160%</u>	<u>\$ 11,716,000</u>	<u>\$ (18,169)</u>

\* Represents sales of approximately 2,057,000 MWh for 2017/18 YTD actual.

\*\* Electricity sales for resale is the result of sales to other utilities for resale purposes.

**RESERVES**

	<b>Balance</b>
Operating Cash Reserve	\$ 42,371,048
Program Cash Reserve	7,477,244
	<u>\$ 49,848,292</u>

**SONOMA CLEAN POWER AUTHORITY**  
**OPERATING FUND**  
**BUDGET RECONCILIATION TO STATEMENT OF**  
**REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**July 1, 2017 through April 30, 2018**

Net increase (decrease) in available fund balance per budgetary comparison schedule:	\$ 11,734,169
Adjustments needed to reconcile to the changes in net position in the Statement of Revenues, Expenses and Changes in Net Position:	
Subtract depreciation expense	(49,987)
Add back capital asset acquisitions	69,590
Add back collateral deposits	562,290
Change in net position	<u>\$ 12,316,062</u>





# **Energy Risk Management Policy and Risk Drivers**

# Overview

- The July 12, 2018 board meeting agenda includes a proposed Energy Risk Management Policy (ERMP) and FY 18-19 Procurement Plan
- The ERMP is a critical component of procurement cost oversight and development of future procurement strategies
- The ERMP is being developed by TEA and staff and will incorporate best practices used by CCAs and other market participants
- The ERMP will replace the current “percentage of annual load” procurement authority of the Executive Director with a more robust risk-based approach that includes more factors and layers of approval
- The FY 18-19 Procurement Plan will propose a solicitation schedule for energy hedges, renewable energy, RA, and carbon-free procurement for 2019-2021

## EMRP Policy Purpose

- Provide a framework for conducting trading activities and mix of short and long-term contracting to ensure CPA's long-term viability
- Identify and measure the magnitude of risks to which CPA is exposed:
  - Market, regulatory, volumetric, model, operational, counterparty credit, and reputational risk\*

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\*The policy is not intended to address *all* risks faced by CPA, only those related to procurement

## The Energy Risk Management Policy will include:

- Risk management governance, including establishment of a staff-level Risk Management Committee (RMC)
  - Members include the Executive Director, COO, and Director of Power Planning & Procurement\*
- Delegation of daily procurement responsibilities, including specific limits on transaction types, terms, values, and volumes
- Description of risk measurement, valuation, and stress test methodologies
- Credit policy, including max credit limits, monitoring protocols, and counterparty concentrations

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\*Additional members may be added as CPA brings on additional staff (e.g. CFO)

# Front, Middle, Back Office

- The EMRP establishes processes, controls, and reporting requirements to ensure compliance and appropriate risk oversight of Front, Mid, and Back office functions
  - Front office – trading and contract origination
  - Mid office – market and credit risk oversight
  - Back office – settlements and billing, contract admin
- Actual front, middle, back office functions will be performed by a mixture of staff and consultants (TEA)

## Open Areas

- Between now and the Board Meeting, Staff is finalizing:
    - Risk measurement metrics and limits
    - Necessary internal systems and processes to comply with ERMP controls
    - Interaction between the RMC and the Board
      - ED/RMC authority levels (Based on time, value, type, etc.)
      - Protection of sensitive market information and risk profile
    - Procurement Plan solicitation schedule – still weighted towards closing short-term positions
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# Risk Context and Major Drivers

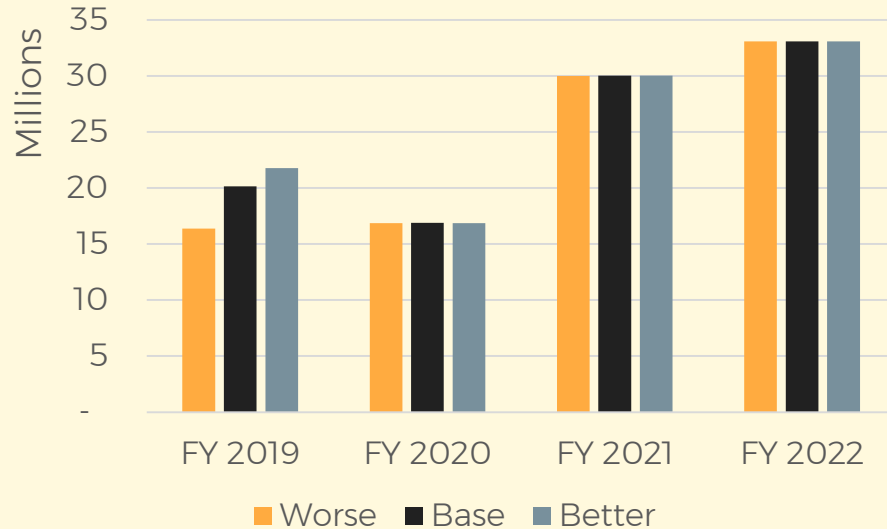
- Phase-In Scenarios
- SCE Rates
- PCIA
- SCE Base Renewable Levels
- Renewable Prices

Figures on the next five slides are indicative only and are shown to represent trends, verified projections

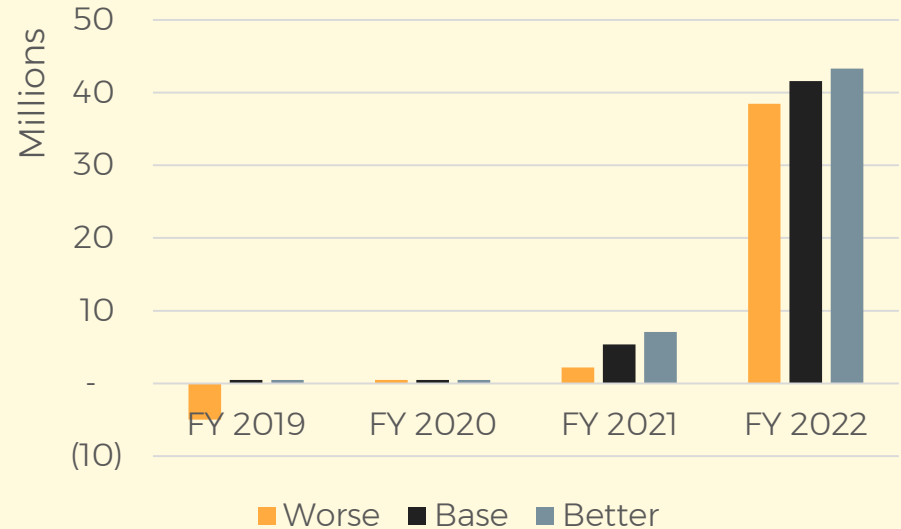
# Phase-In Scenarios – Indicative

**Worse** - Feb Partial Res, April All Non-Res, June Partial Res  
**Base** - Feb Partial Res, May Partial Res, May All Non-Res  
**Better** - Feb All Res, May All Non-Res

## Change in Net Position



## Ending Cash Position



*Figures are indicative only and are shown to represent trends, not verified projections*



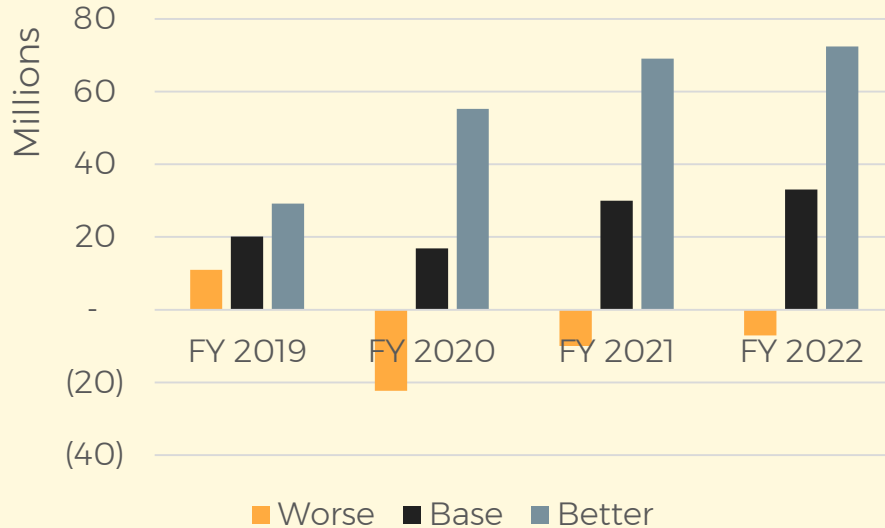
# SCE Rates – Indicative

**Worse** – 8% Rate Decrease in 2019

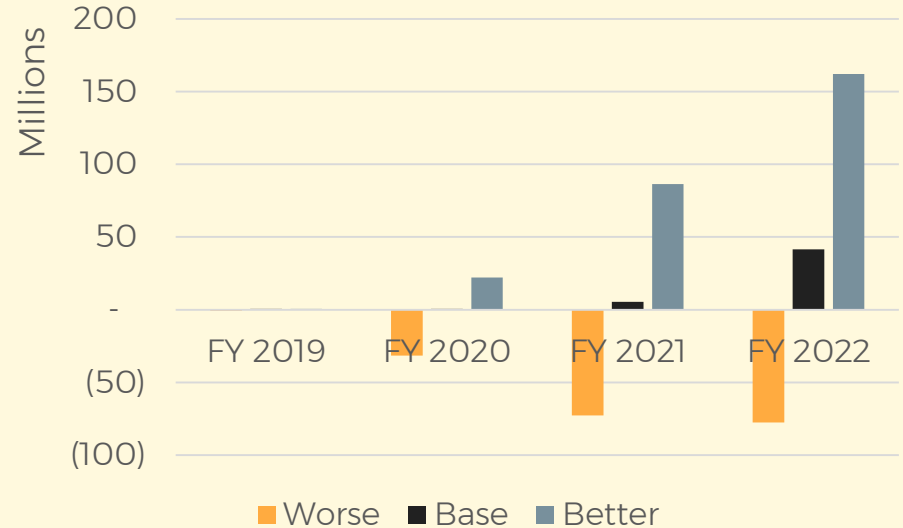
**Base** – ERRA Projection

**Better** – No change between 2018 and 2019 Rates

## Change in Net Position



## Ending Cash Position



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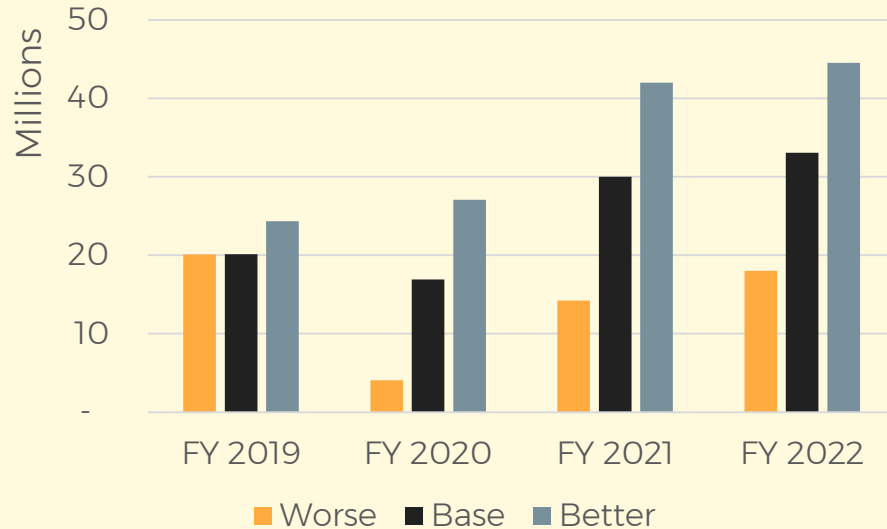
# PCIA – Indicative

**Worse** – 15% increase in 2019, 5% increase in 2020

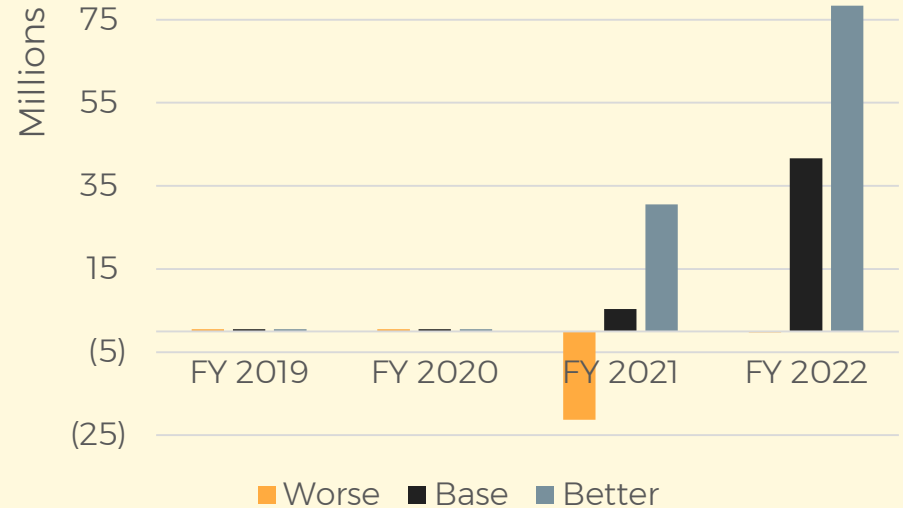
**Base** – Internal Projection (approx. 10% increase in 2019, 2% increase in 2020)

**Better** – 5% increase in 2019, 0% increase in 2020

## Change in Net Position



## Ending Cash Position

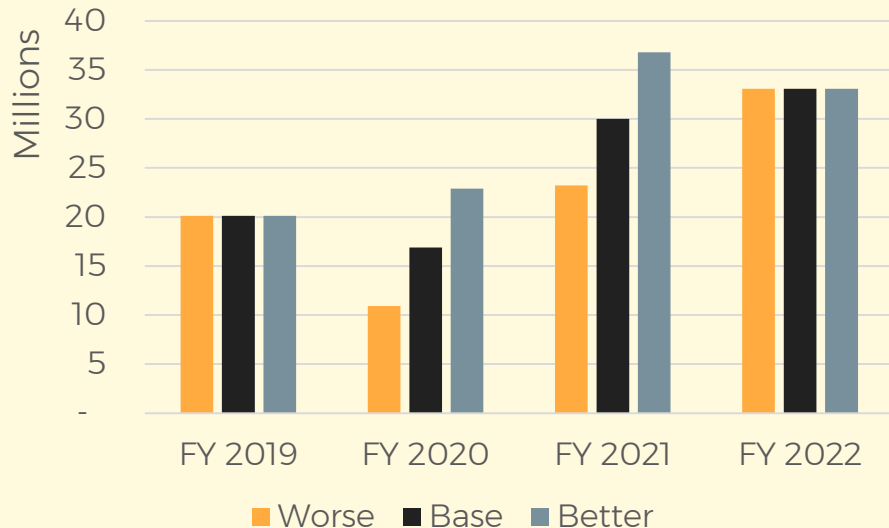


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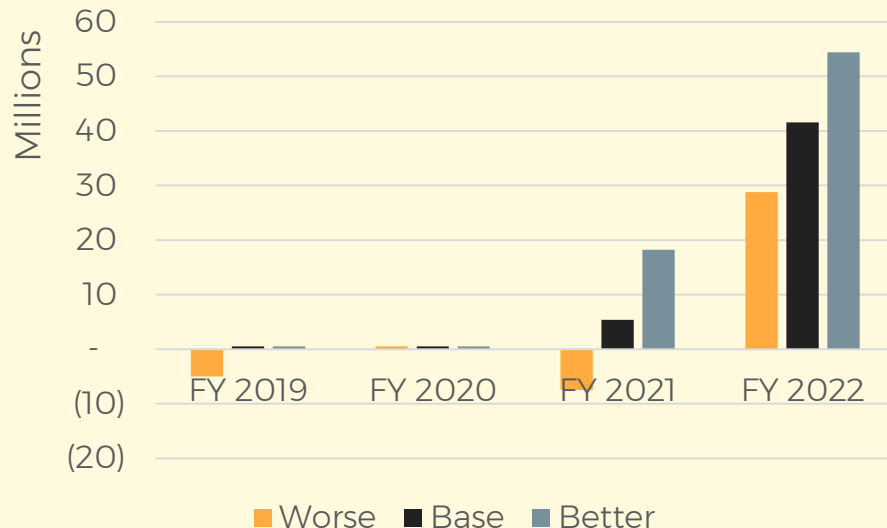
# SCE Base Renewables Level – Indicative

**Worse** – 50% RPS in CY 2020  
**Base** – 45% RPS in CY 2020  
**Better** – 40% RPS in CY 2020

## Change in Net Position



## Ending Cash Position

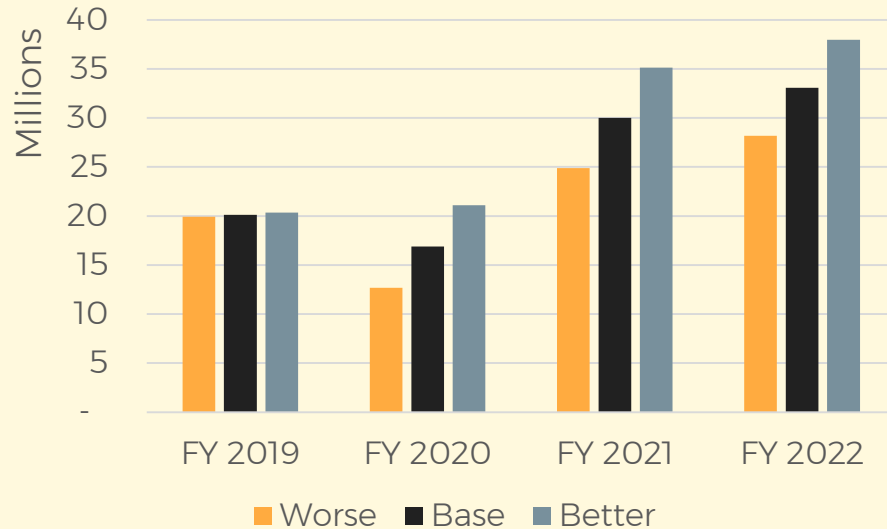


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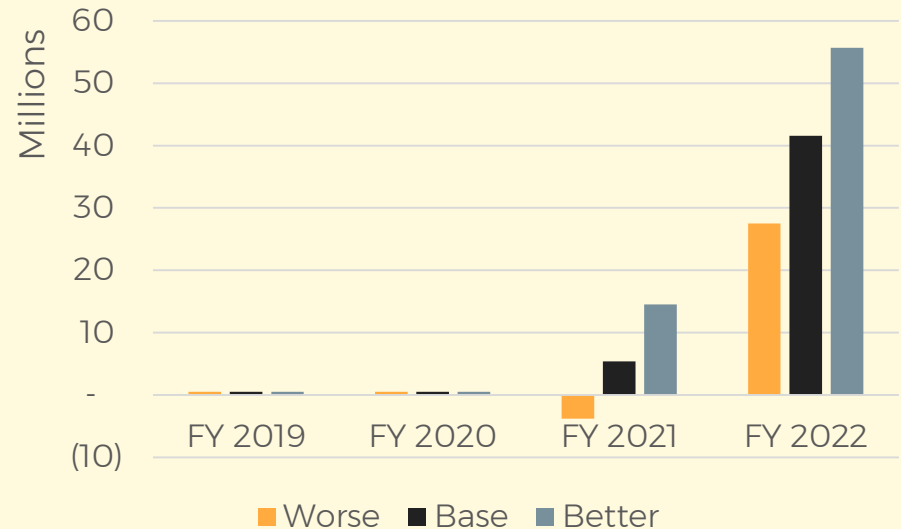
# Renewables (PCC1) Pricing – Indicative

**Worse** – 10% Increase for 2019-2022  
**Base** – Internal Forecast  
**Better** – 10% Decrease for 2019-2022

## Change in Net Position



## Ending Cash Position



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