

Board of Directors Meeting

Thursday, February 7, 2019
2:00 p.m.

I. Welcome & Roll Call

II. Public Comment

III. Consent Agenda

Item 1

Approve Minutes from December 13, 2018 Board
of Directors Meeting

Item 2

Adopt Resolution No. 19-02-001 to Approve
Adjustments to 2019 Time of Use Domestic Rate
Schedules (Phase 3)

Item 3

Approve Amended Task Order No. 1 between CPA and MRW & Associates for Rate Setting and Cost of Service Consulting Services

Item 4

Approve Amended Task Order No. 1 between
CPA and LevelTen Energy for Long-Term RFO
Support Consultant Services

Item 5

Approve Amended Task Order No. 1 between CPA and The Energy Authority for Scheduling Coordinator and CRR Management Services

Item 6

Approve Policy No. 7 for CPA Net Energy Metering (NEM)

Item 7

Approve Professional Legal Services Agreement
between CPA and Hall Energy Law PC

Item 6

Approve Professional Legal Services Agreement
between CPA and Akin Gump Strauss Hauer &
Feld, LLP

Item 9

Approve Professional Legal Services Agreement
between CPA and the Clean Energy Counsel

Item 10

Receive and File Fiscal Year 2017/2018 Audit

IV. Regular Agenda

Item 11

Approve Clean Power Alliance Bylaws and Advance Notice of Intent to Request Approval of Amendment Number 3 to the Clean Power Alliance of Southern California (CPA) Joint Powers Agreement and to Adopt the CPA Bylaws

Item 12

Appoint One Member to the Community Advisory
Committee Representing Unincorporated Los
Angeles County

Item 13

Discuss Financial Reserve Policy

What is a Reserve Policy?

- Statement of organizational commitment to ensuring the financial strength of CPA

What are Reserves and Why does CPA Need them?

- Reserves are accounted for as the difference between Assets and Liabilities and are measured on an annual basis
- Reserves are used for working capital and are required to meet financial covenants in loan and energy agreements
- Adequate Reserves allow CPA to contract for short and long term renewable energy at competitive prices

Reserve Policy Mechanics

- Annual Measurement
- Minimum and Maximum Targets
- Targets are a % of the following year's energy and operating costs
- Maximum Reserves
- No target date to reach Minimum Target at this time but will likely propose a target date next year
- Currently projecting a \$30 million Reserve by the end of FY 2018/19 (June 30, 2019) or 3.5% of annual expenses

Relationship to Annual Budgeting and Rate Setting

- Reserve Policy informs but does not determine the outcome of annual budget and rate setting processes

Item 13 – Draft Reserve Policy

- Questions?

Item 14

Presentation on Long-Term Renewables Request
for Offers

Long-Term RFO Shortlist Update

February 7, 2019

Background

- CPA procures renewable energy to meet its regulatory requirements and the high demand of CPA's customers for renewable energy, while maintaining competitive rates
 - CPA plans to meet the SB100 60% renewable requirement starting in 2019, 11 years ahead of schedule
- CPA launched its first long-term clean energy RFO in October 2018 and will be releasing future annual RFOs to meet its large need for affordable and clean energy resources
- Long-term renewable contracts are generally cheaper than short-term contracts and may even be lower than brown power; therefore, securing these contracts is critical for minimizing the cost of CPA's robust environmental goals

CPA 2018 Clean Energy RFO

- In the 2018 RFO, CPA targets procurement of 1-2 million MWh annually from multiple projects
 - This represents approx. 7-15% of total load and 10-20% of CPA's total renewable demand
- CPA received a robust response (234 facilities) for renewable, renewable + storage, and standalone storage offers
- Today's presentation includes an update on the RFO process and the Final Shortlist selection¹

(1) Due to RFO confidentiality requirements, project-specific information (e.g. project names and pricing) are not included

RFO Process

- The Energy Committee approved an Initial Shortlist project portfolio with input from the RFO review team, including Board members Carmen Ramirez and Kevin McKeown
- The Initial Shortlist was invited to participate in a re-opening of the RFO, in order to provide their best pricing and offerings
- The Final Shortlist¹ was determined on Feb. 7th and represents approx. \$1 billion of potential clean energy commitments over the next 15 years
- Given pricing of long-term renewables, the Final Shortlist has the opportunity to save CPA customers approx. \$40m per year (5% of total procurement costs) compared to short-term contracts

(1) The Final Shortlist is a subset of the Initial Shortlisted projects

Project Evaluation

- CPA developed an evaluation method that balances 6 critical procurement objectives:

\$ Value

Environmental
Stewardship

Workforce
Development

Development
Risk

Benefits to
DACs¹

Project
Location

- Criteria and rankings were developed in consultation with environmental, labor, and DAC groups

(1) Disadvantaged Communities

Success Rates

- It is anticipated that some selected projects may not successfully come online, either due to unsuccessful power purchase agreement (PPA) negotiations or development failure¹
- To ensure that the selected portfolio meets the RFO's volume target², each project's expected output has been adjusted using an industry-standard success factor:

Resource Type	Success Rate
RPS Only	70%
RPS + Storage	60%
Standalone Storage	50%

(1) CPA included financial penalties via the RFO process and PPA provisions to ensure CPA is compensated for project failure

(2) 1-2 million MWh of annual renewable generation

Approach to Portfolio Creation

- All portfolio options to include both competitively-priced, low-risk projects and a mix that score High on Qualitative Criteria
- Staff initially took three approaches to developing portfolios that meet critical objectives of CPA's clean energy procurement:

1

Value

Projects fall within the top quartile of value

2

Diversity

Projects selected to ensure diverse resource mix

3

Early Online Dates

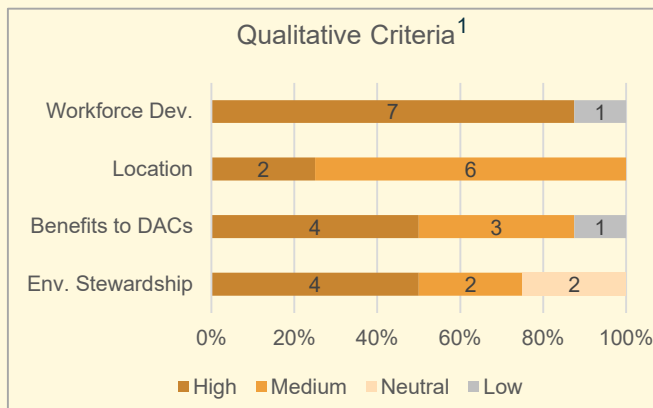
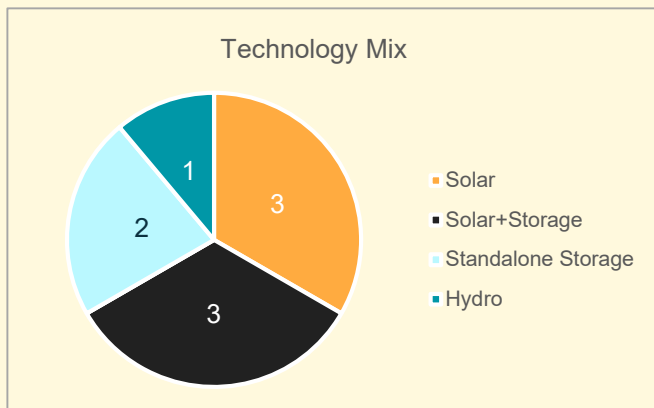
Includes projects with Q1 2021 and earlier online dates

4

The RFO Review Team developed a 4th **Recommended Portfolio**, taking the best selections from the initial three options, which the Energy Committee approved for the Initial Shortlist

Final Shortlist Overview

- 9 projects were selected for the Final Shortlist, including 2 standalone energy storage projects, from 8 unique developers
- 8 projects are new construction coming online by Q4 2021; 1 existing small hydro project was also selected
- All Final Shortlisted projects fall within the top quartile of value, with the exception of the hydro project, which was selected for resource diversity
- All projects are located within California; two are located within Los Angeles county
- In addition to value, the portfolio ranks well on qualitative criteria



(1) Existing projects were not assigned qualitative rankings

Final Shortlist Project List

Project Name	Type	Value Rank	Size (MW)	County	COD	Dev. Risk	Enviro. Stewardship	DAC	Project Location	Workforce Dev.
Project A	Standalone Energy Storage	ES 1	50-99	Los Angeles	Q1 2022	77.5	High	Medium	High	High
Project B	Standalone Energy Storage	ES 6	5-49	Los Angeles	Q2 2021	81.0	High	High	High	High
Project C	Solar	7	200-250	Riverside	Q4 2021	80.5	Neutral	Low	Medium	Low
Project D	Solar	8	150-199	Riverside	Q4 2021	76.5	Medium	Medium	Medium	High
Project E	Solar+Storage	10	100-149	Kern	Q4 2021	89.0	Medium	High	Medium	High
Project F	Solar+Storage	15	200-250	Riverside	Q4 2021	78.0	High	High	Medium	High
Project G	Solar+Storage	20	150-199	Kern	Q4 2020	94.5	High	Medium	Medium	High
Project H	Solar	31	50-99	Kings	Q4 2021	76.0	Neutral	High	Medium	High
Project I	Hydro	105	5-49	Butte	Q4 2021	Existing	Existing	Existing	Existing	Existing

2018 RFO Results – Local Project Selection



- Prior to the RFO launch, CPA anticipated a limited response from projects located in CPA territory, based on interconnection queue data
- In the RFO, CPA had the greatest opportunity to contract for local standalone energy storage projects
- Of the renewable project bids received, locally-sited projects scored poorly on price and/or qualitative criteria and were not selected
- CPA's RFO evaluation criteria signal to the market a demand for local projects; CPA hopes to a more robust response from local projects in the future

Local Development Opportunities

- This year, CPA will launch a local programs strategic planning process to guide the selection and development of local program investment in 2020 to 2025
- CPA is also planning the implementation of a DER Project Pilot, to be launched by January 1, 2020
- In conjunction with these efforts, CPA also plans to study the feasibility of a Local Clean Energy RFO

Summary and Next Steps

- The 2018 Clean Energy RFO Final Shortlist achieves value, procurement objectives, and qualitative benefits and represents a significant clean energy commitment by CPA
- CPA will bring PPAs for the Board's consideration and approval on a rolling basis during Spring/Summer
- CPA will have additional opportunities to contract for attractive projects in the 2019 Clean Energy RFO and will be assessing a variety of local program opportunities through its local programs strategic plan process

APPENDIX

Developer Risk

Projects ranked from best (100) to worst (0) score

- The developer risk metric is a composite score based on a number of factors impacting project risk:
 - Site control
 - Interconnection status
 - Environmental screens
 - Land use and permits
 - Project financing

Environmental Stewardship

Projects are ranked high, medium, neutral, and low based on the following prioritization:

HIGH

- Demonstrates multiple benefits (provides additional societal, health, economic, water saving, or environmental benefits beyond the climate and GHG reduction benefits of renewable energy)

MEDIUM

- Located in an area designated as a preferred renewable energy zone and received required land use entitlement permits

NEUTRAL

- Project does not demonstrate either preference or avoidance criteria

LOW

- Project is located in a high conflict area

Workforce Development

Projects will be ranked high, medium, and low based on the following prioritization:

HIGH

- The project will use targeted-hire, union labor, or multi-trade project labor agreements (including requirements for state-apprenticeship graduates)

MEDIUM

- The project does not have a labor agreement, but can demonstrate prevailing wage and some union labor and targeted hire commitments

LOW

- The project does not demonstrate prevailing wage, union labor, and targeted hire commitments

Project Location

Projects will be ranked high, medium, and low based on the following prioritization:

HIGH

- In Los Angeles and Ventura counties

MEDIUM

- Other counties within California

LOW

- Out of state projects

Benefits to DACs

Projects will be ranked high, medium, and low based on the following prioritization:

HIGH

- Located within a DAC and demonstrates DAC workforce and community development benefits

MEDIUM

- Project not located within a DAC but can demonstrate DAC benefits and has completed community outreach

LOW

- Project does not demonstrate DAC benefits

V. Management Update

VI. Closed Session

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to
Government Code section 54956.9(d)(2) or (3): 1

VII. Committee Chair Updates



Legislative & Regulatory Committee Chair

Finance Committee Chair

Energy Planning & Resources Committee Chair

Communications & Outreach Ad Hoc Chair

VIII. Board Member Comments

IX. Report from the Chair

X. Adjourn

Next Meeting – March 7, 2019

