



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

Wednesday, May 22, 2019

11:00 a.m.

555 W. 5th Street, 35th 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 Christian Cruz, at least two (2) working days before the meeting at ccruz@cleanpoweralliance.org or (213) 269-5870. 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.

PUBLIC COMMENT POLICY: *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. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

Each speaker is customarily 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 Clean Power Alliance Policy No. 8 – Public Comments for more information.

In addition, members of the Public are encouraged to submit written comments on any agenda item to PublicComment@cleanpoweralliance.org. To enable an opportunity for review, written comments should be submitted at least 72 hours but no later than 24 hours in advance of the noticed Committee meeting date. Any written materials submitted thereafter will be distributed to the Committee at the Committee

Clean Power Alliance Finance Committee
May 22, 2019

meeting. Any written submissions must specify the Agenda Item by number, otherwise they will be considered General Public Comment.

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

Beverly Hills City Hall
4th Floor, Conference Room 4B
455 N. Rexford Drive, Beverly Hills, CA 90210

Camarillo City Hall
Executive Conference Room
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 & ROLL CALL

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve Minutes from April 24, 2019 Finance Committee Meeting
2. Receive and file March 2019 Monthly Financial Dashboard
3. Receive and file May 2019 Risk Management Team Report

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer
5. Recommend the Board of Directors Adopt Draft Fiscal Year 2019/20 Annual Budget and Authorize Staff to Make Adjustments Based on Updated Rate and Load Information Prior to the June 6, 2019 Board Meeting

V. COMMITTEE MEMBER COMMENTS

VI. ADJOURN

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. The Board has designated Clean Power Alliance, 555 W. 5th Street, 35th*

Clean Power Alliance Finance Committee
May 22, 2019

*Floor, Los Angeles, CA 90013, as the location where those public records will be available for inspection.
The documents are also available online at www.cleanpoweralliance.org.*

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, April 24, 2019, 11:00 a.m.

MINUTES

*555 W. 5th Street, 35TH Floor
Los Angeles, CA 90013*

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

*Beverly Hills City Hall
4PthP Floor, Conference Room 4B
455 N. Rexford Drive, Beverly Hills, CA
90210*

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

I. WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order and the Interim Board Secretary Christian Cruz conducted roll call.

Roll Call			
Beverly Hills	Julian Gold	Committee Chair	Remote
Camarillo	Tony Trembley	Committee Member	Remote
Carson	Reata Kulcsar	Committee Member	Absent
Rolling Hills Estates	Steve Zuckerman	Committee Member	Remote
Santa Monica	Pam O'Connor	Committee Member	Absent

II. GENERAL PUBLIC COMMENT

The following individuals provided general comments: Harvey Eder (Public Solar Power Coalition), and David Gingold.

III. CONSENT AGENDA

1. Approved Minutes from March 27, 2019 Finance Committee Meeting
2. Received and filed February 2019 Monthly Financial Dashboard
3. Received and filed April 2019 Risk Management Team Report

The following individual provided comments on the Consent Agenda: Harvey Eder (Public Solar Power Coalition).

Motion: Committee Member Trembly, Camarillo

Second: Steve Zuckerman, Rolling Hills Estate

Vote: Items 1 through 3 were approved by a unanimous roll call vote.

IV. REGULAR AGENDA

4. Received report from the Chief Financial Officer

David McNeil, Chief Financial Officer, provided a summary of CPA's financial progression, highlighting that our year to date performance was ahead of budget. CPA enrolled residential customers in February 2019 and energy use was higher than expected due to cooler weather. CPA performed well under these conditions. Mr. McNeil also reported that preliminary financial results for March are positive and CPA will finish the quarter ahead of budget targets and in compliance with bank credit covenants. The First Amendment to the Credit Agreement with River City Bank has been signed, and staff expects the increase on the line of credit will be in effect in a weeks' time. CPA drew from its line of credit in March. Finally, Mr. McNeil introduced Amita Rustagi new CPA Manager of Financial Planning and Analysis.

Committee Member Zuckerman asked about purchase of energy hedges. Specifically, he asked for clarification if CPA is not fully hedged in 2020. Mr. McNeil responded that CPA is not fully hedged in that time period.

Chair Gold asked if we are still operating on the original line of credit, to which Mr. McNeil responded in the affirmative. In addition, he asked if CPA sweeps nightly while utilizing the line of credit. Mr. McNeil clarified that River City Bank does not offer an automatic system that sweeps nightly on the line of credit; however, Mr. McNeil does rebalance the account daily.

The following individual provided comments on this item: Harvey Eder (Public Solar Power Coalition).

This item was for informational purposes only.

5. Review Draft Fiscal Year 2019/20 Annual Budget

Mr. McNeil provided a review of the Draft Fiscal Year 2019/20 Budget. Mr. McNeil notified the committee that a final presentation is expected to go the Board on June 6th. Mr. McNeil highlighted the inclusion of the DER pilot program for \$1.2 million, which is a place holder. Currently, the parameters for the pilot are being developed. In addition, a strategic planning process is underway and a budget amendment will be needed to accommodate these programs in the future.

Mr. McNeil also reviewed the organization chart, which includes current and planned positions along with contractors. These positions are incorporated into the draft budget and the budget will have enough to accommodate additional hires. It was made clear by staff, that while the budget adds more for staff, it is a goal for the CPA to begin to bring core tasks in house that will reduce costs and improve performance.

Currently, CPA has a Director of Power Planning and Procurement Resource, as well as an Energy Resources Manager. Committee Member Zuckerman asked for clarification on the differences between those two positions. Matt Langer, COO, clarified that the Energy Resource Manager focuses on compliance and settlement validation, with minimal overlap between positions. Committee Member Zuckerman asked whether the Marketing Manager will also assist on commercial accounts or for lobbying. Jennifer Ward, Director of External Affairs, indicated that this person does not necessarily do lobbying but would work hand-in-hand with the account services team to develop materials for commercial accounts customers, but not limited to just that function. Mr. Bardacke indicated that this item reflects what the cost would be by the end of year staffing, but it is flexible and contingent on filling each position.

Mr. McNeil discussed the acquisition of a permanent CPA office in Downtown Los Angeles. It is anticipated that CPA could move into a new space by January 2020. The budget numbers were developed using a preliminary estimate for a Class A space, which is approximately \$38-42 a square foot per year.

Mr. McNeil requested feedback from the Committee on how they would like him to include, in the budget, the same expense which could fall into different categories of the budget. The Committee directed staff to include the expense in a single category but report out on that expense.

This item was for informational purposes only.

6. Review Proposed Changes to Interim Financial Reporting

Committee Member Trembly asked staff whether the Financial Dashboard can be provided monthly. Mr. McNeil clarified by stating that he proposes to provide both the monthly and the budgets to actuals quarterly. The Committee directed staff to provide the Financial Dashboard monthly and the budget to actuals quarterly.

V. COMMITTEE MEMBER COMMENTS

Committee Member Trembly expressed his appreciation to Mr. McNeil and the finance staff for a job well done.

VI. ADJOURNED

Chair Gold adjourned the meeting.



Financial Dashboard

Summary of Financial Results

YTD
March
2019

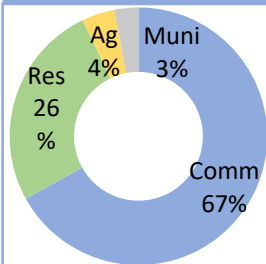
Active Accounts

921,000

Opt-Out %

3.1%

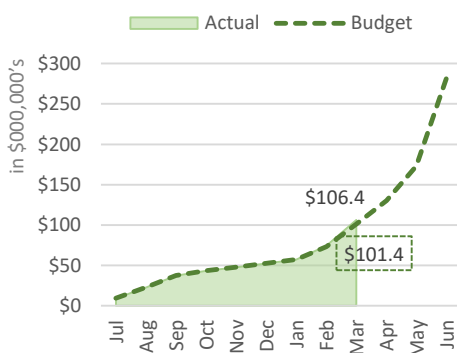
YTD Sales Volume
1,772 GWh



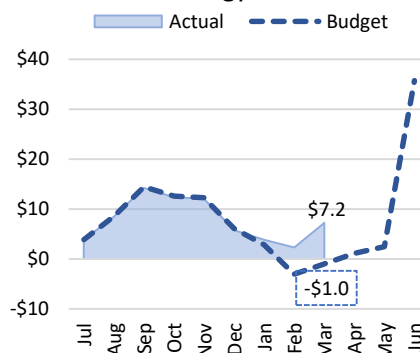
in \$000,000's	March				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$32.1	\$28.0	\$4.1	15%	106.4	101.4	5.0	5%
Cost of Energy	\$27.2	\$25.9	\$1.3	5%	99.1	102.3	-3.2	-3%
Net Energy Revenue	\$4.9	\$2.1	\$2.9	139%	7.2	-1.0	8.2	
Operating Expenditures	\$1.6	\$1.7	-\$0.1	-7%	6.6	7.6	-1.0	-13%
Net Income	\$3.3	\$0.3	\$3.0		0.7	-8.6	9.2	

- CPA recorded positive financial results for the period. Expenditures remain within authorized budget limits.
- Year-to-date Revenues were \$106.4 million or 5% above amended budget revenues.
- Cost of energy was \$99.1 million or 3% below budgeted energy costs.
- Operating expenditures were \$1 million or 13% lower than budgeted primarily due to lower than budgeted staffing, Legal services, and Data Management and SCE service fees.
- Net income of \$0.7M for the year to date was \$9.2 million greater than budgeted net loss of \$8.6M.
- Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

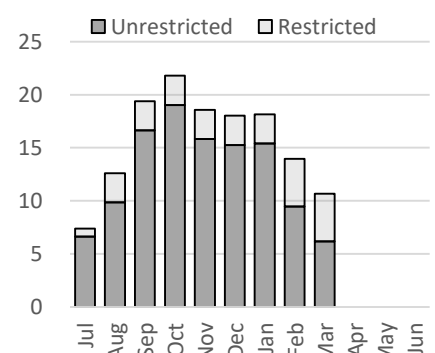
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



Definitions:

Active Accounts: Active Accounts represent accounts of customers served by CPA

Opt-out %: Customer accounts opted out divided by eligible CPA accounts

YTD Sales Volume: Year to date sales volume represents the amount of energy in gigawatt hours (GWh) sold to retail customers

Revenues: Retail energy sales less allowance for doubtful accounts

Cost of energy: Cost of energy includes direct costs incurred to serve CPA's load

Operating expenditures: Operating expenditures include general, administrative, consulting, payroll and other costs required to fund operations

Net income: Net income represents the difference between revenues and expenditures before depreciation and capital expenditures

Cash and Cash Equivalents: Includes cash held as bank deposits

Year to date (YTD): Represents the fiscal period beginning July 1, 2018₈



Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Finance Committee
From: Matthew Langer, Chief Operating Officer
Approved by: Ted Bardacke, Executive Director
Subject: May 2019 Risk Management Team Report
Date: May 22, 2019

SUMMARY

Key Actions

- Reviewed load forecast scenario that reflects CPA's latest opt out projections. The load forecast will continue to be updated with actual Phase 4 customer opt out trends through the Phase 4 post-enrollment period.
- Reviewed counterparty credit and discussed Peninsula Clean Energy (PCE)'s receipt of its Baa2 Moody's rating.
- Reviewed open positions and approved energy hedge transactions covering the period of July 2019 through December 2021.

Policy Compliance

No new policy compliance issues to report.



Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Approved By: Ted Bardacke, Executive Director
Subject: Draft Fiscal Year 2019/20 Annual Budget
Date: May 22, 2019

RECOMMENDATION

Recommend the Board of Directors adopt Draft Fiscal Year 2019/20 Annual Budget (provided as Attachment 1) and authorize Staff to adjust budgeted revenues and cost of energy based on updated rate and load information prior to the June 6, 2019 Board Meeting.

SUMMARY

Each year CPA develops an annual budget to govern the receipt of revenues and disbursement of expenditures during the upcoming fiscal year. The FY 2019/20 Budget is being developed in accordance with the timeline and priorities summarized in FY 2019-20 Budget Priorities and Timeline presentation (provided as Attachment 2) and reflects the input of the Finance and Executive Committees.

CPA is currently evaluating new historical customer electricity usage information provided by Southern California Edison (SCE), opt-out behavior from the current, May 2019 enrollment phase, and planning retail electricity rates that will go into effect on June based in part of forthcoming retail rates that will be published by SCE.

Expected year over year revenue and cost changes arise from the following changes to CPA operating conditions.

1. The full year impact of Phase 3 (Residential) and Phase 4 (Commercial) enrollments
2. The “insourcing” of activities currently provided by third party service providers
3. The development of information systems that reduce costs and risks and allow CPA to deliver on its mission
4. A move to new, permanent agency offices in downtown Los Angeles

The Draft FY 2019/20 Budget sets forth changes to the following budget line items:

Revenue – electricity (+503,748,000, +179%): Budgeted electricity revenues are based on estimates of customer electricity usage, and retail electricity rates. Retail electricity rates include rates that staff expects to propose to the Board for approval at the June Board meeting. The increase in revenue results primarily from the full year effect of enrolling residential and commercial customers in February and May 2019 respectively. Electricity revenues include an allowance for uncollectable accounts. Revenue may change prior to the presentation of the FY 2019/20 Budget at the June Board meeting due to updates of the load forecast following receipt of additional historical usage data from SCE, opt out rates from the May enrollment becoming clearer, and changes to both SCE and CPA rates that are expected to go into effect in June 2019.

Other revenue (\$10,000): Other revenue includes operating revenue that does not represent sales of electricity and frequently relates to unanticipated events that occur during the year.

Cost of energy (+\$482,195,000, +196%): Cost of energy includes expenses associated with the purchase of energy, charges by the California Independent Systems Operator (CAISO) for load, and services performed by the CAISO. CAISO charges for load are based on customer energy use and the prices at the Default Load Aggregation Point (DLAP). Credits for energy generation scheduled into the CAISO market and revenues arising from Congestion Revenue Rights (CRRs) are netted from the cost of energy. CAISO credits for energy generation are based on wholesale energy deliveries and Locational Margin Prices (LMPs). CRRs are financial instruments created by the CAISO

which enable load serving entities, such as CPA, to manage price differences between wholesale energy delivery locations and retail use points. Increased energy costs result primarily from the full year effect of enrolling residential and commercial customers in February and May 2019 respectively. Cost of energy may change prior to the presentation of the FY 2019/20 Budget at the June Board meeting due to updates of the load forecast following receipt of additional historical usage data from SCE, opt out rates from the May enrollment becoming clearer, and changes in market prices which impact the cost of energy.

Staffing (+\$2,385,000; 97% increase): Staffing costs include salaries and benefits payable in accordance with CPA's Board approved Employee Handbook. Increased costs result from:

- The full year effect of staff hired during FY 2018/19
- The insourcing of core activities and hiring of new staff over the course of FY 2019/20 as described in the organization chart appearing in Attachment 1 and which allows the Technical Services budget to remain relatively flat
- A budget allowance for increased staff benefits. Staff plan to present revisions to staff benefits to the Executive Committee for input in the first quarter of FY 2019/20.

Technical services (+\$72,000; 4% increase): Technical services include rate setting and energy management related services such as scheduling coordination, rate setting, energy portfolio management consulting services, including assistance with risk management, and support for the 2019 Request for Offers for Long Term Clean Energy Resources (Long Term RFO). Providers of technical services include The Energy Authority (portfolio/risk management and scheduling) and MRW Associates (rates and revenue modeling). In nearly all cases, contracts for technical services for FY 2019/20 are under negotiation or RFOs for technical services have not yet occurred. The 4% increase reflects the insourcing of portfolio management and rate setting services.

Legal services (+\$482,000; 68% increase): Legal services support CPA's contracting, including contracting for short term energy, resource adequacy, long term renewable

energy, and other activities. Increased costs will support current and additional contracting for long term renewable energy, increased regulatory activity and compliance, and a review of CPA's employment policies and benefits. Providers of Legal Services include Hall Energy Law, Clean Energy Counsel, and Holland & Hart (energy contracting), Braun Blasing Smith Wynne (CPUC compliance), Buchalter (CPUC rate and other proceedings) and Posinelli (employment law).

Other services (+\$129,000; 31% increase): Other services represent professional services not budgeted under Technical or Legal services and include costs associated with support for the local programs strategic planning project (Arup), financial auditing (TBD), planning and brokerage services associated with CPA's move to permanent offices (TBD), strategic planning services that will support the development of a technology road map (TBD), information technology support (Neutrino Networks) and other support related services. The 31% increase reflects the insourcing of accounting services.

Communications and marketing services (-\$84,000; 19% decrease): Communications and related services include costs associated with customer outreach, marketing, branding, website management, translation, advertising, special events and sponsorships. Decreased budgeted costs arise from reduced activity associated with customer enrollments in FY 2019/20 and the insourcing of marketing activities.

Customer notices and mailing services (-\$2,277,000, 88% decrease): FY 2018/19 budgeted notices and mailing services supported the enrollment of residential and commercial customers in February and May 2019 respectively. Budgeted FY 2019/20 notices and mailing services represent a contingency.

Data management services (+\$6,910,000; 138% increase): Data manager costs are based on the number of customer meters served by CPA and per-meter rates charged by CPA's data manager. Increased data manager costs arise from the full year effect of enrolling residential and commercial customers in February and May 2019 respectively.

Service fees – SCE (+\$989,000; 81% increase): Service fees are charged by SCE for a variety of billing and administrative services provided by SCE. Increased SCE fees arise from the full year effect of enrolling residential and commercial customers in February and May 2019 respectively.

General and administration (+\$148,000; 24% increase): General and administration costs include office supplies, phone, internet, travel, dues and subscriptions, and other related expenses and include fees associated with CPA's membership in the CCA trade organization California Community Choice Association (CalCCA). Increased general and administrative charges arise from increased staffing and the planned move into permanent offices.

Occupancy (+\$258,000; 165% increase): Occupancy costs include the costs of leasing CPA's offices, temporary accommodation for board meetings, educational events, and utility costs. The increase in occupancy costs mostly arises from increased staffing.

Customer Programs (+\$1,200,000, new): Customer programs represent direct costs associated with providing energy programs to CPA customers. Direct costs typically support customer rebates and program implementation. Costs associated with customer programs will support the implementation of a to be determined Distributed Energy Resources pilot program. At the completion of CPA's local program strategic planning process at the end of 2019 and pending available funds, staff could seek a budget amendment to increase spending in this category.

Finance and interest expense (+\$309,000; 111% increase): Finance and interest expenses represent fees, borrowing and letter of credit costs associated with CPA's loan facility. The increase reflects expected utilization of the line of credit in the first quarter of FY 2019/20, payment of loan and non-utilization fees to River City Bank and includes a contingency.

Interest income (+\$780,000; 1130% increase): Increased interest income results from higher balances in savings accounts.

Capital outlay (+\$552,000): Expenditures associated with capital outlay will support the purchase of furniture, computers, audio visual equipment used at Board and other meetings, and a contingency for leasehold improvements. Increased capital outlay arises from increased staffing and planned move into permanent offices.

Attachments:

- 1) Draft FY 2019/20 Budget
- 2) FY 2019/20 Budget Priorities and Timeline

CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA				
FY 2019/2020 BUDGET				
DRAFT				
A	B	C	D	E
	FY 2018/19 Budget (Amended)	FY 2019/20 Budget	Change	% Change
1 Revenue - Electricity net	281,801,000	785,549,000	503,748,000	179%
Net metering compensation				
2 Other revenue	10,000	10,000	-	0%
TOTAL REVENUE	281,811,000	785,559,000	503,748,000	179%
3 Cost of energy	246,053,000	728,248,000	482,195,000	196%
TOTAL ENERGY COSTS	246,053,000	728,248,000	482,195,000	196%
4 NET ENERGY REVENUE	35,758,000	57,311,000	21,553,000	60%
OPERATING EXPENSES				
5 Staffing	2,467,000	4,852,000	2,385,000	97%
6 Technical services	1,705,000	1,777,000	72,000	4%
7 Legal services	713,000	1,195,000	482,000	68%
8 Other services	410,000	539,000	129,000	31%
9 Communications and marketing services	433,000	349,000	(84,000)	-19%
10 Customer notices and mailing services	2,577,000	300,000	(2,277,000)	-88%
11 Data management services	5,020,000	11,930,000	6,910,000	138%
12 Service fees - SCE	1,226,000	2,215,000	989,000	81%
13 Local programs	-	1,200,000	1,200,000	
14 General and administration	609,000	757,000	148,000	24%
15 Occupancy	156,000	414,000	258,000	165%
16 TOTAL OPERATING EXPENSES	15,316,000	25,528,000	10,212,000	67%
17 OPERATING INCOME	20,442,000	31,783,000	11,341,000	55%
18 Finance and interest expense	279,000	588,000	309,000	111%
19 Depreciation	6,000	12,000	6,000	100%
20 TOTAL NON OPERATING EXPENSES	285,000	600,000	315,000	111%
21 Interest Income	69,000	849,000	780,000	1130%
22 TOTAL NON OPERATING REVENUE	69,000	849,000	780,000	1130%
23 CHANGE IN NET POSITION	20,226,000	32,032,000	11,806,000	58%
24 NET POSITION BEGINNING OF PERIOD	(2,676,840)	17,549,160	(2,676,840)	100%
25 NET POSITION END OF PERIOD	17,549,160	49,581,160	9,129,160	52%
<i>Other Uses</i>				
27 Capital Outlay	22,500	574,000	552,000	2453%
28 Depreciation	(6,000)	(12,000)	(6,000)	100%
29 CHANGE IN FUND BALANCE	20,209,500	31,446,000	11,248,000	56%
<i>Note: Funds may not sum precisely due to rounding</i>				



FY 2019/20 Budget Timeline and Priorities

May 15, 2019

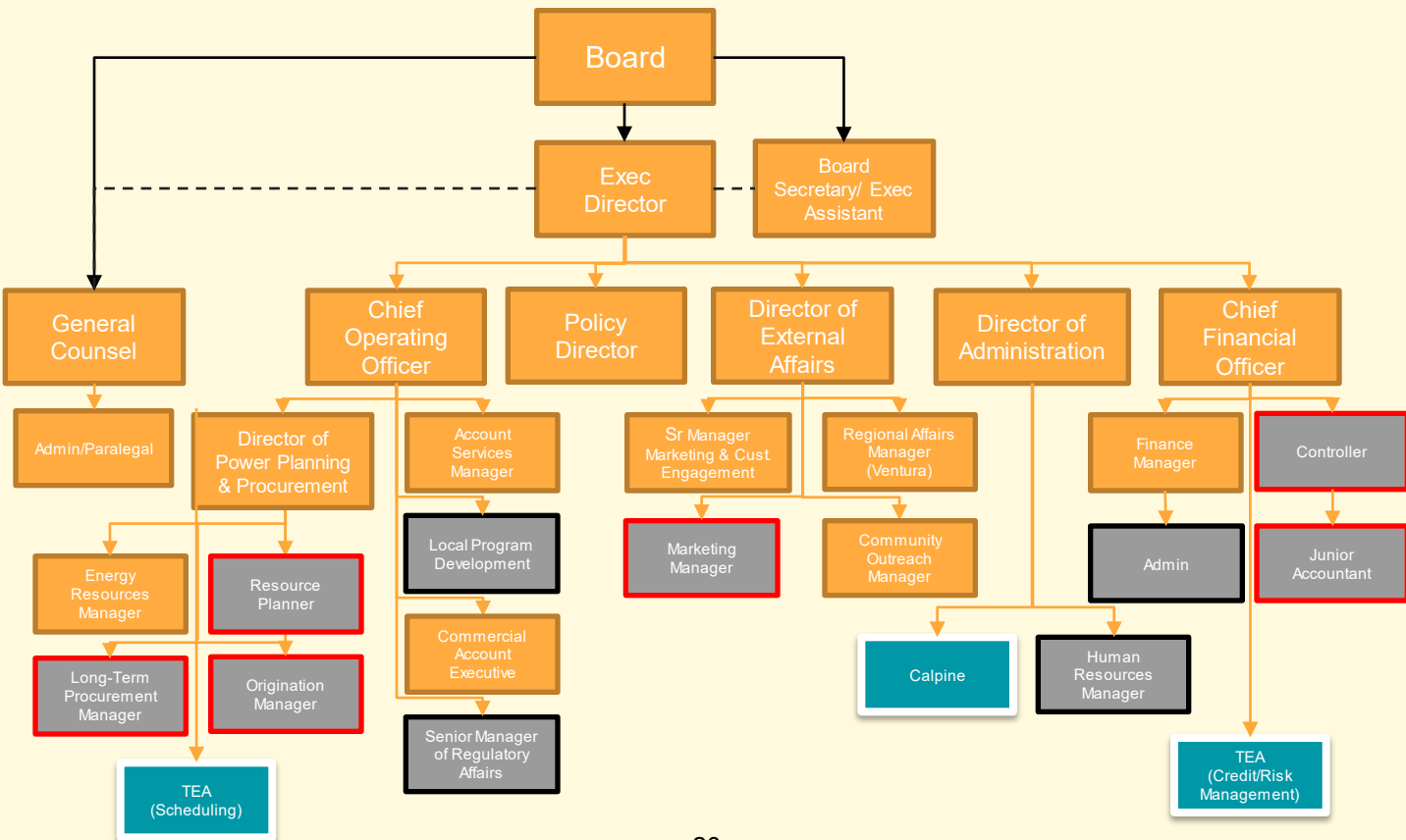
FY 2019/20 Budget – Board & Committee Schedule

- ✓ March 27, 2019 (Finance) – Budget Priorities
- ✓ April 17, 2019 (Executive) – Budget Priorities
- ✓ April 24, 2019 (Finance) – Draft FY 2019/20 Budget
- ✓ May 2, 2019 (Board) – Budget Priorities
- ✓ May 15, 2019 (Executive) – Draft FY 2019/20 Budget
 - **May 22, 2019 (Finance) – Draft FY 2019/20 Budget**
 - June 6, 2019 (Board) – Proposed FY 2019/20 Budget

Budget Priorities: Programs

- Distributed Energy Resources (DER) Pilot
 - Planning costs included in the Calpine contract.
 - Implementation costs included in the Draft FY 2019/20 Budget as a placeholder only. Process of determining program parameters is ongoing with a update to Energy Committee planned for June
- Customer Programs
 - Strategic planning kicked off this month. Expected completion by end of calendar year 2019.
 - Staffing and implementation costs for customer programs to be included in a budget amendment planned for late 2019 upon completion of the strategic planning process.

Budget Priorities: People



Budget Priorities: Place

- Accommodation for Board and other public meetings
- Accommodation for additional staff
- Affordable centrally located with access to public transportation
- Advanced video conferencing system to provide better collaboration from remote meeting locations
- Draft FY 2019/20 Budget allows CPA to relocate to its own offices in DTLA by January 2020
- Costs would include real estate broker (other services), rent and utilities (occupancy) and other office related expenses (G&A) and furniture, audio visual and IT equipment (capital assets)

Budget Priorities: Systems

- Leverage big data and energy portfolio management systems to optimize energy procurement and risk management, reduce GHG emissions, and create a platform to deliver enhanced energy services and local programs
- Energy Contract and Portfolio Risk Management System – Funding for a new system included in the Draft FY 2019/20 Budget
- Systems Planning Roadmap – Draft FY 2019/20 Budget includes funding to develop a 5-year systems planning roadmap that addresses energy contract and risk management, billing and data management, hourly customer level usage information, and accounting/payables