CLEAN POWER ALLIANCE
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# Board of Directors Meeting

Thursday, June 6, 2019
2:00 p.m.

# I. Welcome & Roll Call

# II. General Public Comment

# III. Consent Agenda

# Item 1

Approve Minutes from May 2, 2019 Board of Directors Meeting

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# Item 2

Authorize the Executive Director to Execute an Amended and Restated Task Order No. 3 between CPA and The Energy Authority (TEA) for Power Procurement and Advisory Services

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# Item 3

Approve Policy No. 10 Regarding Vendor Communications

# Item 4

Appoint One Member to the Community Advisory Committee for 2019-2020 Representing Unincorporated Los Angeles County and Remove One Member Representing the South Bay

# Item 5

Receive and file report from the Community Advisory Committee May 9, 2019 Meeting

# IV. Closed Session

# Closed Session

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code Section 54956.9: (1)

# V. Regular Agenda

# Item 6

Adopt Resolution No. 19-06-010 to Approve 2019 Rates for Phases 1 & 2 Non-Residential Customers, Resolution No. 19-06-011 to Approve 2019 Rates for Non-Residential Customers (Phase 4), and Resolution No. 19-06-012 to Approve 2019 Rates for Phase 3 Residential Customers

# June 2019 Rate Adjustments

# SCE 2019 rate changes to date

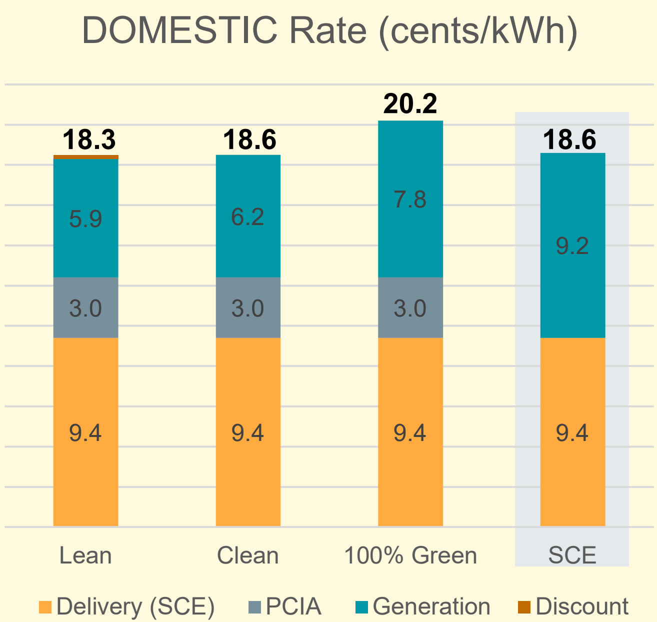
- January: Initial 2019 rate adjustments
- March: TOU period changes; revenue allocation changes
- April: ERRA “Trigger” $825 million charge
- June: 2019 ERRA and PCIA change (typically happens in January)

# June Rate Changes

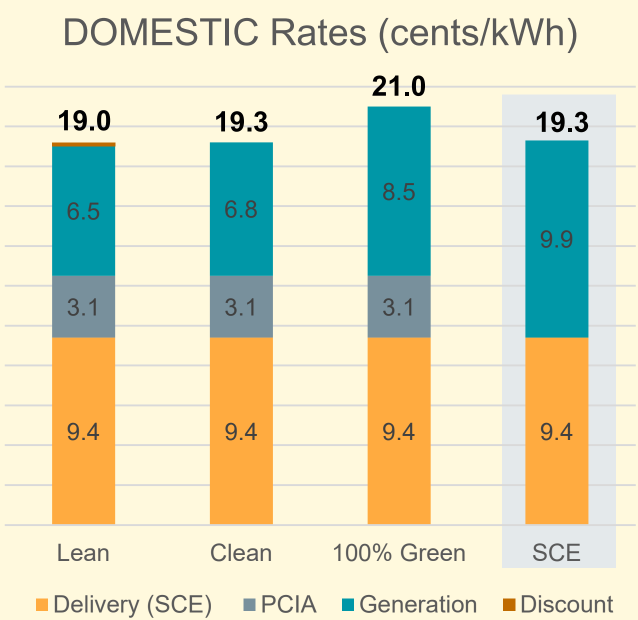
- On June 1, SCE implemented its 2019 ERRA revenue requirement
  - This rate change includes new generation rates that would normally take effect in January, but were delayed due to the ERRA trigger proceeding
  - Also includes changes to the PCIA reflecting 2019 costs and new methodology adopted last year
- The implementation of SCE's June rate change resulted in an increase of approximately 3.4% to the average total rates paid by SCE bundled customers
- CPA had always intended to adjust its rates with the ERRA implementation in order to cover costs and stay within Board approved bill comparison ranges

# Today's Rate Adjustment – 99% of customer base

**Rates Approved April 4th**



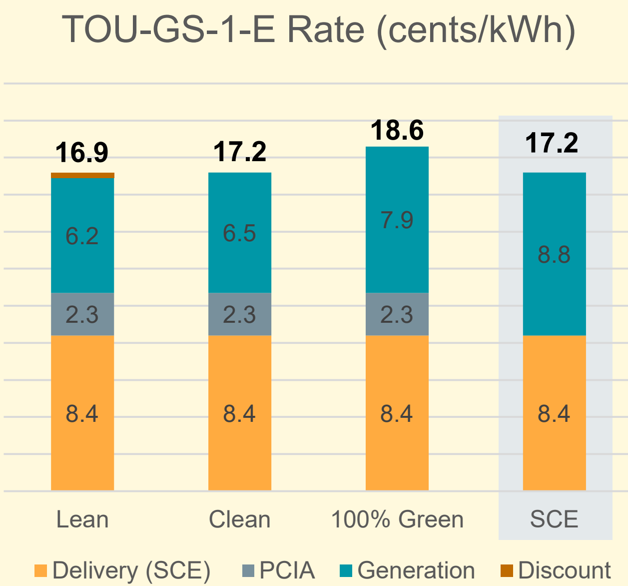

**Today's Proposed Rates**



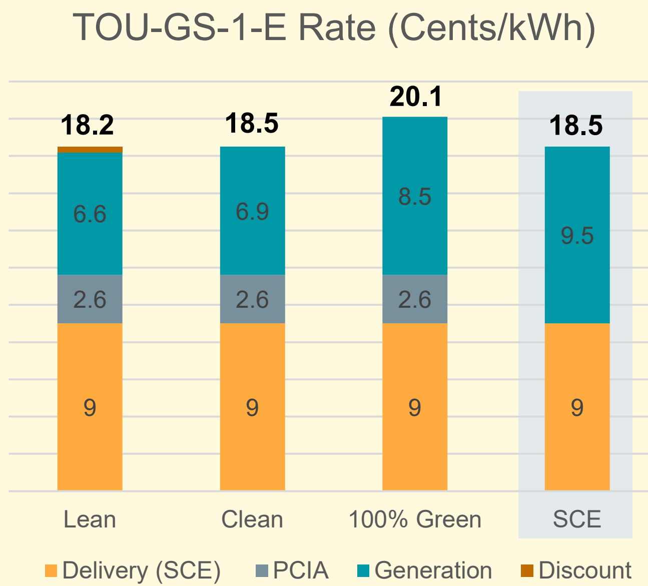

DOMESTIC is the most common residential rate.

# Today's Rate Adjustment – 99% of customer base

**Rate Approved April 4 (Phase 4)**




**Today's Proposed Rates**




TOU-GS-1-E is the most common commercial rate.

# Demand Response Rate Pilot

CPA staff is also proposing new commercial demand response rates

- These rates are being proposed in order to administer a 5-month “Peak Management Program” pilot
- Similar to the SCE Critical Peak Pricing rate
  - Participating commercial customers receive an incentive in the form of credits to offset their summer on-peak demand charges.
  - During peak energy “events” CPA applies a per kWh surcharge to customer bills. Events coincide with the peak period (4pm – 9pm)
  - Several member agencies have expressed interest in this pilot
- Staff will evaluate customer responsiveness during events, revenue impacts, and customer experience – incorporate lessons learned for a broader program in 2020

# “Subset” Customer Rate Adjustments

- Proposed rates today for large Phase 4 customers in the TOU-8, TOU-GS-3, TOU-PA-2, and TOU-PA-3 rate classes are based on CPA’s costs to serve them, rather than mirroring SCE rates
  - This “subset” group represents less than 1% of CPA’s customers
- Setting rates based on CPA’s cost of service would cause customer bills to fall outside of the previously approved rate comparison ranges
  - Customer bills for these customers would fall outside of the previously approved bill comparison ranges during the winter months (Jan–May and October–December) when energy rates are lowest
  - The previously approved ranges would remain intact during the summer months (June-September) when energy rates are highest

# Cost of Service Ratemaking

- SCE's rates effectively result in cross-subsidization between customer types and within its territory to meet its revenue requirements
- Matching SCE's new rates for certain customer types will result in CPA residential and small business customers subsidizing large commercial and agricultural/pumping customers and create a revenue shortfall for CPA
  - For large energy users in SCE's territory, customers in hot climate zones may subsidize customers in temperate areas
  - CPA's largest customers are concentrated in temperate areas so rates that work for SCE don't always collect enough revenue for CPA
  - Exact cross-subsidies in SCE rates are hard to determine because SCE does not perform bottom-up cost of service analysis like CPA
- Transitioning to cost of service rates allows us to begin "decoupling" from SCE rates as the Board has encouraged and other CCAs are considering

# Reasons for Subset Customer Rate Adjustments

- CPA has followed SCE's rate changes over the course of 2019, which have included significant restructuring of rate design
    - SCE's new time of use periods, specifically a new winter super off-peak period, create disparate financial impacts for CPA given CPA's unique load profile and customer makeup
    - The new PCIA starting in June and changes to revenue allocation by rate class in March have combined to significantly distort the revenue collected from each rate group compared to previous years
    - The temporary PCIA increase due to the ERRA trigger has also reduced the amount of revenue CPA can collect from Phase 4 customers
- While CPA may have been to continue following SCE winter rates for subset customers if any one of these changes had occurred, the combined effect results in an unsustainable cross-subsidy

# Proposed Bill Premiums for Subset Rate Customers

| | Summer Bill Premiums (approximate) | | | Winter Bill Premiums (approximate) | | | Total Annual Bill Premiums (approximate – based on average annual customer usage profiles) | | |
|---|---|---|---|---|---|---|---|---|---|
| **Rate Type** | **Lean** | **Clean** | **100% Green** | **Lean** | **Clean** | **100% Green** | **Lean** | **Clean** | **100% Green** |
| **TOU-GS-3** | -1% | 0% | 9% | 16% | 18% | 19% | **9%** | **10%** | **15%** |
| **TOU-PA-2** | -1% | 0% | 9% | 21% | 24% | 24% | **10%** | **12%** | **19%** |
| **TOU-PA-3** | -1% | 0% | 9% | 32% | 35% | 37% | **18%** | **21%** | **27%** |
| **TOU-8-SEC** | -1% | 0% | 9% | 19% | 21% | 23% | **10%** | **12%** | **17%** |
| **TOU-8-PRI** | -1% | 0% | 9% | 23% | 26% | 27% | **13%** | **15%** | **21%** |
| **TOU-8-SUB** | -1% | 0% | 9% | 26% | 29% | 32% | **19%** | **22%** | **29%** |

# Average Monthly Bill Comparison – TOU-GS-3

| **TOU-GS-3-D** | SCE | CPA Lean Rate (36% Renewable) | CPA Clean Rate (50% Renewable) | CPA Green Rate (100% Renewable) |
|---|---|---|---|---|
| Generation Rate | $0.07178 | $0.05870 | $0.06106 | $0.06761 |
| SCE Delivery Rate | $0.06185 | $0.05682 | $0.05682 | $0.05682 |
| Surcharges | N/A | $0.02964 | $0.02964 | $0.02964 |
| Total Costs | $0.13363 | $0.14515 | $0.14752 | $0.15407 |
| **Average Monthly Bill ($)** | **$11,995.54** | **$13,030.07** | **$13,242.19** | **$13,830.42** |
| **Percentage Increase to SCE** | | **9%** | **10%** | **15%** |

Based on average monthly usage of 89,767 kWh and average monthly demand of 179 kW

# Lighting Rate Changes

In addition to the subset rate increase, CPA staff is also recommending an increase to rates dedicated for street and outdoor lighting Phase 4 customers

- SCE's streetlight rates are already low
- When SCE implemented the new PCIA on June 1, Phase 4 lighting rate classes saw an almost 89,600% increase in the PCIA
- This ERRA "Trigger" and new PCIA significantly reduce the amount of revenue CPA can collect from Phase 4 lighting customers
    - The rate CPA would need to charge to match SCE rates is lower than the average cost of brown power, excluding RA, RPS and overheads
- Matching SCE's new lighting rates would result in a significant revenue shortfall for CPA and cross-subsidy amongst CPA customers

# Proposed Bill Premiums for Lighting Customers

| | Previous Bill Premiums (approximate) | | | New Bill Premiums, excluding SCE Fixture Charges (approximate) | | | Bill Impact, including SCE Fixture Charges* (approximate) | | |
|---|---|---|---|---|---|---|---|---|---|
| **Rate Type** | **Lean** | **Clean** | **100% Green** | **Lean** | **Clean** | **100% Green** | **Lean** | **Clean** | **100% Green** |
| LS-1 | -1% | 0% | 9% | **41%** | **45%** | **53%** | **12%** | **13%** | **15%** |
| LS-2 | -1% | 0% | 9% | **44%** | **48%** | **57%** | N/A | N/A | N/A |
| AL-2 | -1% | 0% | 9% | **16%** | **17%** | **20%** | N/A | N/A | N/A |

*Comparison based on common lamp type (High Pressure Sodium Vapor, 100 Watt)

- LS-1 applies to SCE-owned lighting and includes fixed per-lamp charges on the transmission and delivery portion of the bill
- LS-2 applies to customer-owned lighting and does not include fixed per-lamp charges

## Customer Communications

- CPA staff has been proactively communicating to customers that would be affected by the proposed subset and lighting rate increases
- The goal is to promote transparency and give customers enough notice to make a choice without risk within their 60-day post enrollment period
  - Since the adjustment is only for winter rates, the increase would not take effect until October 1
  - The exception is lighting rates, which would become effective July 1
- Letters have already gone out to affected customers alerting them to the possibility of a rate increase, with another letter to go out following today's Board meeting with additional detail
- CPA staff has also been conducting direct outreach with many of these customers, focusing primarily on public agencies, school districts, and large key accounts
- Staff is focused on helping customers making informed decisions

# Rate Setting – Now and in future

- This year’s rate setting process has been unprecedented and is unlikely to be repeated in 2020
  - Numerous SCE rate changes were difficult for CPA to forecast ahead of time due to limited information
  - Accumulation of structural rate changes along with implementation of trigger due to SCE's 2018 power market losses resulted in a projected revenue shortfall if CPA continued to match SCE's rates for certain large Phase 4 customers
- CPA’s approved rate ranges will remain intact for more than 99% of customers, including all residential and small business customers
- CPA intent is for this to be the last rate change of 2019
- Longer-term, the organizational goal is to get to one rate setting each year

# Item 7

Approve Proposed Fiscal Year 2019/20 Budget

# CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA
## FY 2019/2020 BUDGET
## PROPOSED

| | A | B | C | D | E |
|---|---|---|---|---|---|
| | | FY 2018/19 Budget (Amended) | FY 2019/20 Budget | Change | % Change |
| 1 | Revenue - Electricity net | 281,801,000 | 743,350,000 | 461,549,000 | 164% |
| 2 | Other revenue | 10,000 | 10,000 | - | 0% |
| | **TOTAL REVENUE** | **281,811,000** | **743,360,000** | **461,549,000** | 164% |
| 3 | Cost of energy | 246,053,000 | 687,568,000 | 441,515,000 | 179% |
| | **TOTAL ENERGY COSTS** | **246,053,000** | **687,568,000** | **441,515,000** | 179% |
| 4 | **NET ENERGY REVENUE** | **35,758,000** | **55,792,000** | **20,034,000** | 56% |

*Note: Funds may not sum precisely due to rounding*

| | A | B | C | D | E |
|---|---|---|---|---|---|
| | | **FY 2018/19 Budget (Amended)** | **FY 2019/20 Budget** | **Change** | **% Change** |
| | **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 & 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 | - | 1,450,000 | 1,450,000 | |
| **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** | **25,778,000** | **10,462,000** | 68% |

| | A | B | C | D | E |
|---|---|---|---|---|---|
| | | FY 2018/19 Budget (Amended) | FY 2019/20 Budget | Change | % Change |
| 16 | **TOTAL OPERATING EXPENSES** | **15,316,000** | **25,778,000** | **10,462,000** | 68% |
| 17 | **OPERATING INCOME** | **20,442,000** | **30,014,000** | **9,572,000** | 47% |
| 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** | **30,263,000** | **10,037,000** | 50% |
| 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 | 47,812,160 | 7,360,160 | 42% |
| 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 | 29,677,000 | 9,479,000 | 47% |
| | | Contribution to net | | | |

## CCA BUDGET COMPARISON TABLE

| | A | B | C | D | E |
|---|---|---|---|---|---|
| | **% of Expenses** | **CPA** | **CCA Average (1)** | **CPA vs Average** | **Lancaster Choice** |
| **1** | Cost of energy | 96.39% | *91.78%* | 5% | 84.46% |
| **2** | Data Management | 1.67% | *1.81%* | -8% | n/a |
| **3** | IOU Fees | 0.31% | *0.53%* | -42% | n/a |
| **4** | Employment | 0.68% | *2.33%* | -71% | 2.65% |
| **5** | Marketing & Promotions | 0.09% | *0.53%* | -83% | 0.47% |
| **6** | Legal & Policy | 0.17% | *0.38%* | -56% | 1.90% |
| **7** | Energy Programs | 0.20% | *2.03%* | -90% | 1.24% |
| **8** | Professional Services | 0.32% | *0.62%* | -48% | 6.87% |
| **9** | G&A | 0.16% | *0.60%* | *-73%* | 2.41% |
| **10** | Operating Expenses | 3.61% | *8.22%* | *-56%* | 15.54% |
| | **% of Revenue** | | | | |
| **11** | Net energy revenue (2) | 7.51% | 18.53% | -60% | 16% |
| **12** | Net Income (2) | 4.04% | 11.24% | -64% | 0% |

# VI. Management Update

# VII. Committee Chair Updates

Legislative & Regulatory Committee Chair

Finance Committee Chair

Energy Planning & Resources Committee Chair

# VIII. Board Member Comments

# IX. Report from the Chair

# X. Adjourn

## Board Retreat – June 28, 2019
## Next Regular Meeting – July 18, 2019

CPA CLEAN POWER ALLIANCE