



**MEETING of the Executive Committee of the
Clean Power Alliance of Southern California
Wednesday, June 19, 2019
1:30 p.m.**

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

Clean Power Alliance Executive Committee Meeting
June 19, 2019

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

Ventura County Government Center
Channel Islands Conference Room, 4th Floor Hall of Administration
800 South Victoria Avenue, Ventura, CA 93009

I. WELCOME AND ROLL CALL

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. [Approve Minutes from May 15, 2019 Executive Committee Meeting](#)

IV. REGULAR AGENDA

2. [Receive Report from the Executive Director](#)
3. [Discuss Energy Risk Management Policy \(ERMP\) Amendment](#)
4. [Staff Update on 2019 Board Retreat](#)

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 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 Executive Committee of the
Clean Power Alliance of Southern California
Wednesday, May 15, 2019, 1:30 p.m.

MINUTES

555 West 5th Street, 35th Floor

Los Angeles, CA 90013

Beverly Hills City Hall

4th Floor, Conference Room 4B

455 N. Rexford Drive, Beverly Hills, CA 90210

Ventura County Government Center

Channel Islands Conference Room

4th Floor Hall of Administration

800 South Victoria Avenue, Ventura, CA 93009

I. WELCOME AND ROLL CALL

Chair Diana Mahmud called the meeting to order.

Roll Call				
1	Beverly Hills	Julian Gold	Director	Remote
2	Los Angeles County	Sheila Kuehl	Vice Chair	Present
3	Oxnard	Carmen Ramirez	Committee Member	Remote
4	Rolling Hills Estates	Steve Zuckerman	Committee Member	Present
5	Santa Monica	Kevin McKeown	Committee Member	Present
6	South Pasadena	Diana Mahmud	Chair	Present
7	Ventura County	Linda Parks	Vice Chair	Remote
8	West Hollywood	Lindsey Horvath	Committee Member	Remote

II. GENERAL PUBLIC COMMENT

There were no public comments.

III. CONSENT AGENDA

1. Approved Minutes from April 17, 2019 Executive Committee Meeting

Motion: Beverly Hills, Committee Member Gold

Second: Rolling Hills Estates, Committee Member Zuckerman

Vote: Item 1 was approved by a unanimous roll call vote.

IV. REGULAR AGENDA

2. Reviewed Draft Agenda for June 6, 2019 Board of Directors Meeting

Ted Bardacke, Executive Director, briefly reviewed consent agenda items, and noted the Professional Services Agreement between Maher Accountancy and CPA, and the intent to begin insourcing activities being conducted by consultants over the course of the year. In addition, a candidate for the vacant Community Advisory Committee (CAC) seat for unincorporated Los Angeles County is on the consent agenda. Chair Mahmud asked about Task Order No. 4 and the term of the agreement with The Energy Authority (TEA) in conjunction with the term of this task order. Mr. Bardacke stated that CPA has a three-year resource management agreement with TEA and Task Order No.4 would replace Task Order No. 3.

Mr. Bardacke discussed Item 6: Rates on the regular agenda and highlighted the 1,800 subset customers that will be impacted by higher rate premiums. Under the current rates, CPA cannot cover the costs to serve these customers. Vice-Chair Kuehl asked for clarification on how this impacts our current power contracts. David McNeil, Chief Financial Officer, clarified that CPA will need to buy less power beginning in October. However, for the summer months CPA has already procured the needed energy.

Mr. Bardacke added that there are two alternatives to addressing the subset customer issue: 1) significantly raise rates on all customers effectively subsidizing the subset customers, or 2) raise rates on just those subset customers to cover their cost of service. Chair Mahmud indicated there is consensus to proceed after the summer to adjust our rates in a manner

consistent with cost causation. The Committee also advised staff to be transparent with CPA customers on this issue, so they are aware of the rate change and its effects far in advance. Mr. Bardacke reported that letters will be going out to the affected subset customers giving them notice of this issue. These customers will also have 60 days after their enrollment date with CPA service to opt-out risk free.

Vice Chair Kuehl asked staff if there are any other options. CPA staff indicated, that given the financial situation and cost of service for certain customers, currently there is no other option other than those discussed today. Committee member Gold asked, in order to get CPA closer to even on cost, is there any flexibility in having rate increases, but still under what Edison would charge, that would get CPA closer to cover cost of service for the subset customers. Staff indicated that any increase in the Clean rate would no longer provide parity cost, so flexibility does not exist at this time. Vice Chair Parks asked what the impact will be to the 100% customers. Mr. Bardacke clarified that there is no impact to residential customers or small business customers. CPA staff indicated that a new rate group could be established for municipal accounts. The Committee expressed it would be inequitable to have CPA to cover the cost of the municipal accounts affected, while still requiring the subset customers to cover their total cost of service. The Committee indicated that affected customers and member agencies should pay for what they use to maintain equitable treatment for all affected accounts.

Mr. Bardacke provided a brief overview of the draft budget and highlighted the operations expenses, very little of which is discretionary. Vice Chair Kuehl asked about the expansion of staff over the next year. Mr. Bardacke clarified that CPA is looking to insource its operations, and staff expansion will be needed to do so. Chair Mahmud asked for clarification on capital outlay. Mr. Bardacke clarified, that line item is for CPA furniture, fixtures and improvements for a future permanent office space for CPA.

Mr. Bardacke reviewed the final item of the agenda pertaining to Power Purchase Agreements (PPAs). CPA received over 230 bids in its Long-Term Clean Energy RFO and is currently in negotiation with five developers for seven projects. It is expected that in June, two or three of these contracts will be ready for Board consideration. Committee member Zuckerman asked if these projects entail new construction or buying power from existing facilities. CPA staff clarified these projects are new construction.

This item was for discussion purposes only.

3. Discuss Southern California Edison Return on Equity Request

Ted Bardacke, Executive Director, provided a brief review on this item. SCE requested a higher return on equity to increase shareholder returns. If this request is adopted, by the Federal Energy Regulatory Commission (FERC) and the California Public Utilities Commission (CPUC), the average residential customer bill increase would be approximately \$14.40. CPA could file for party status to be able to take action as proceedings move forward, and the Committee indicated its preference for CPA to submit for party status in the CPUC proceeding only.

This item was for discussion purposes only.

4. Staff Update on 2019 Board Retreat Planning

Ted Bardacke, Executive Director, reviewed the Board retreat format, which will include a two-hour strategic planning workshop on local programs. In addition, there will also be a plenary on rates, member agency expansion, and emerging energy market issues. Chair Mahmud requested that membership expansion be expanded upon to create more interest for the breakout session. Vice Chair Kuehl advised that the agenda include

potential questions for discussion to better inform the Board on what will be discussed during the Retreat.

This item was for discussion purposes only.

V. COMMITTEE MEMBER COMMENTS

There were no additional Committee Member comments.

VI. ADJOURN

Chair Mahmud adjourned the meeting.



Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Executive Committee
From: Ted Bardacke, Executive Director
Subject: Report from the Executive Director
Date: June 19, 2019

The Executive Director will provide an oral report on current CPA operations.

Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Executive Committee

From: Natasha Keefer, Director of Power Planning & Procurement

Approved By: Ted Bardacke, Executive Director

Subject: Energy Risk Management Policy (ERMP) Amendment

Date: June 19, 2019

SUMMARY

Staff is seeking guidance from the Executive Committee regarding proposed amendments to the ERMP to be considered by the Board of Directors (Board) at its July 18, 2019 meeting.

BACKGROUND

In July 2018, the Board approved an ERMP that governs the framework by which the Board, staff, and consultants conduct power procurement and related business activities. The ERMP is supplemented by an Energy Risk Hedging Strategy, which establishes the minimum and maximum procurement amounts CPA will undertake for various energy products.

The various limits set by the ERMP were based on best practices but were expected to evolve as CPA develops further operational experience or new market conditions unfold. Amendments to the ERMP require approval by the Board.

PROPOSED ERMP AMENDMENTS**Authorized Transaction Types**

The Risk Management Team (RMT) will be seeking approval to add Portfolio Content Category 3 (PCC3) renewable energy purchases to CPA's approved transaction types.

Renewable energy credits (RECs) fall into the following categories:

- Portfolio Content Category 1 (PCC1): Energy bundled with RECs that is simultaneously purchased from a Renewables Portfolio Standard (RPS)-eligible facility that is directly interconnected to the electric grid of a California balancing authority area (CBA); or that is not directly interconnected to a CBA but is delivered to a CBA without substituting electricity from another source.
- Portfolio Content Category 2 (PCC2): Energy bundled with RECs that is simultaneously purchased from an RPS-eligible facility, but the energy is firmed and shaped with substitute electricity and scheduled into a CBA within the same calendar year as the renewable energy is generated.
- Portfolio Content Category 3 (PCC3): RECs from RPS-eligible facilities that do not meet the definition of PCC1 or PCC2 (typically unbundled RECs).

The use of PCC3 RECs is discouraged, though not prohibited, by CPA's Joint Powers Agreement, as they are considered less environmentally preferable than PCC1 and PCC2. However, PCC3 RECs are available at a lower price compared to PCC1 and PCC2 and many CCAs use them either in their start-up years and/or to fill end-of-year open positions.

As described in the June 6 Board staff report on rates, for the purposes of meeting CPA's renewable energy position target, the Fiscal Year 2019-2020 budget assumes some of CPA's 2019 REC purchases are met with PCC3 procurement. Given the unique circumstances of CPA's 2019 rate-setting and financial needs, the intention is to purchase PCC3 RECs for 2019 only. In order to do so, PCC3 transactions must be an authorized transaction type in the ERMP. In order to enter into a new transaction type, the ERMP requires the RMT to approve a completed New Transaction Type Approval Form (see Attachment 1).

Fixed-Price Energy Hedge Targets

The RMT will be seeking approval to amend the fixed-priced energy hedge targets to reflect the following changes:

- Prompt Year Rolling Hedge Target – The current version of the ERMP sets annual fixed-price energy hedge targets based on calendar year time periods. However, practically, CPA seeks to be sufficiently hedged on a rolling-year basis to avoid being underhedged within a prompt four-quarter period. Additionally, the rolling hedge targets will include a maximum hedge limit of 110% in the prompt year to provide CPA flexibility to hedge for extreme events in the energy markets (heat waves, major outages, etc.), if needed.
- Calendar Year Hedge Targets – Calendar Year + 2 and Calendar Year + 3 hedge targets would be slightly increased to maintain a more conservative hedged position in these later years.

The resulting hedge targets would be revised as reflected in the table below.

Time Period	Minimum Hedge %	Maximum Hedge %
Prompt Month	90	100
Prompt Calendar Year <u>1-4</u> <u>Quarters</u>	70 <u>85</u>	90 <u>110</u>
CY + 1 <u>Balance of prompt year</u> <u>not covered by Prompt 4</u> <u>Quarters</u>	50 <u>65</u>	70 <u>90</u>
CY + 2 <u>Current Calendar Year</u> <u>(CY) + 2</u>	30 <u>40</u>	50 <u>70</u>
CY + 3	0	40 <u>50</u>
CY + 4	0	40 <u>30</u>
<u>CY + 5</u>	<u>0</u>	<u>15</u>

Other

Several other minor revisions will be made throughout the document that reflect operational history related to procurement activities and hiring of new staff, including the Chief Financial Officer and General Counsel.

Attachments: 1) New Transaction Type Approval Form

ATTACHMENT 1: New Transaction Type Approval Form

Prepared By: Natasha Keefer

Date: June 11, 2019

New Transaction Type Name: Portfolio Content Category 3 (PCC3) Renewable Energy

Business Rationale and Risk Assessment:

Product description

A PCC3 REC is defined as a REC from an RPS-eligible facility that does not meet the definition of PCC1 or PCC2 (typically unbundled RECs). For the 2017-2020 compliance period, PCC3 RECs cannot exceed 10% of a load-serving entity's compliance procurement. For the purposes of the Power Content Label, PCC3 RECs do not qualify as an emissions-free resource.

Transaction rationale

PCC3 RECs trade at a discount to PCC1 and PCC2 RECs; therefore, offsetting some PCC1 or 2 REC purchases with PCC3 RECs would result in an immediate cost savings to CPA.

Resource Requirements & Responsibilities

No additional in-house or external expertise will be required to manage the new transaction type. No new responsibilities would be required within the existing CPA team beyond the processes already in place for tracking PCC1 and PCC2 procurement.

Risks

Because there is a limit to the amount of PCC3 RECs eligible to meet CPA's RPS compliance, all RPS compliance purchases would be met by PCC1 and PCC2 RECs only. PCC3 RECs will only be used to cover a portion of CPA's voluntary RPS purchases.

There may be future risk that PCC3 RECs are no longer compliant due to a change in law. However, CPA intends to mitigate this by limiting the purchase of PCC3 RECs to 2019 only.

Valuation Methodology

The PCC3 REC is a liquid product priced on a fixed-price, volumetric basis, with known recently transacted market prices. PCC3 RECs would be valued using a similar methodology employed for PCC1 and PCC2 RECs.

Reporting Requirements

The PCC3 RECs purchases would be incorporated into CPA's existing REC position and financial reports.

Accounting Methodology

PCC3 RECs would be given the same accounting treatment as PCC1 and PCC2.

Middle Office Impacts

PCC3 RECs would require a new category of environmental product to be implemented in The Energy Authority's (TEA) deal capture system and position reporting, to ensure this product is accounted for separately from PCC1 and PCC2 RECs. TEA has confirmed this will be a straight-forward process.

Reviewed by:

Director of Power Planning & Procurement

Date

Chief Operating Officer

Date

Executive Director

Date



**Clean Power Alliance of Southern California
Board of Directors Retreat**

Date: Friday, June 28, 2019

Time: 8:30 a.m. – Check In (breakfast provided)
8:45 a.m. to 2:30 p.m. – Board Retreat (lunch provided)

Where: Wallis Annenberg Building @ Exposition Park
700 Exposition Park Drive, Los Angeles, CA 90037

DRAFT AGENDA

- I. *CPA Board Business Meeting*
- II. *Local Programs Strategic Planning Workshop:* CPA's local programs consultant team will facilitate an interactive workshop to collect feedback from Board members on priorities for CPA's future suite of local programs. Key questions include:
 - i. CPA has the opportunity to pursue a number of priority outcomes through its local programs, such as GHG reduction, local air quality improvement, job creation, local resiliency and climate adaptation, customer energy cost savings, etc. How should CPA weigh these various priorities when choosing what programs to develop?
 - ii. How can CPA balance the pursuit of broad regional impact while addressing specific local needs and attending to populations historically underserved by energy programs and investments?
 - iii. What role can CPA's member agencies play in program delivery?

- III. *Lunchtime Plenary Session:* An expert panel will discuss key issues CPA will face in the coming year. Emphasis will be on the topics to be discussed in the afternoon breakout sessions.
- IV. *Afternoon Breakout Sessions*
1. *Membership Expansion:* Dozens of jurisdictions in LA and Ventura Counties are not served by a CCA or Publicly Owned Utility (POU). What should be CPA's criteria when pursuing expansion to these jurisdictions? Beyond financial viability, should CPA have defined policy goals that new members would have to align with? Would CPA's rate offerings have to be modified in order to accommodate broad-based expansion?
 2. *Energy Market Restructuring:* California's energy market is undergoing rapid change and some Northern California CCAs are pursuing policies that would make them look more like POUs. What should CPA's stance be vis-à-vis this trend? How can CPA adhere to the principle of "choice" while limiting the downside risks of either unplanned deregulation or a statewide reassertion of centralized control?
 3. *Rates:* In the Fall of 2019 CPA will need to determine whether it will default its residential customers into Time-of-Use rates and, if so, what those rates will look like. What should be the main policy, financial, and customer impact considerations driving this decision? How will this decision inform other questions about CPA's rate making, including decoupling from SCE's rate structures and timelines, cost of service principles, and narrowing the cost differential between CPA's rate options?
- V. *Report Out from Breakout Sessions & Closing Remarks*