



REGULAR MEETING of the Board of Directors of the Clean Power Alliance of Southern California

Thursday, July 18, 2019

2:00 p.m.

Southern California Association of Governments

900 Wilshire Blvd., Ste. 1700

Los Angeles, CA 90017

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 Board 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 Board 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 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 Policy No. 8 – Public Comment for additional 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 Board meeting date. Any written materials submitted thereafter will be distributed to the Board at the Board 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:

Calabasas City Hall – Council Conference Room
100 Civic Center Way, Calabasas, CA 91301

Ventura County District 2 Supervisor’s Office
625 West Hillcrest Drive, Thousand Oaks, CA 91360

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

Whittier City Hall – Admin Conference Room
13230 Penn Street, Whittier, CA 90602

I. WELCOME AND ROLL CALL

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve Minutes from June 6, 2019 Board of Directors Meeting
2. Approve Minutes from June 28, 2019 Board of Directors Special Meeting
3. Approve Policy No. 11 Governing Records Retention and Disposal
4. Approve Second Amended Task Order No. 1 with MRW and Associates for Rate Setting and Cost of Service Analysis
5. Receive and File Report from the June 11, 2019 Community Advisory Committee Meeting
6. Receive and File Quarterly Risk Management Team (RMT) Report

IV. REGULAR AGENDA

Action Items

- 7. Discuss and Provide Direction on CPA Expansion Strategy
- 8. Approve Amendments to the Energy Risk Management Policy

V. MANAGEMENT UPDATE

VI. LEGISLATIVE & REGULATORY UPDATE

VII. COMMITTEE CHAIR UPDATES

Director Lindsey Horvath, Chair Legislative & Regulatory Committee

Director Julian Gold, Chair, Finance Committee

Director Carmen Ramirez, Chair, Energy Planning & Resources Committee

VIII. BOARD MEMBER COMMENTS

IX. REPORT FROM THE CHAIR

X. ADJOURN – TO REGULAR MEETING SEPTEMBER 5, 2019

***Public Records:** Public records that relate to any item on the open session agenda for a regular Board 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 Board. 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.*

REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, June 6, 2019 2:00 p.m.

MINUTES

*Conference Center at Cathedral Plaza
Conference Room 6
555 W. Temple Street
Los Angeles, CA 90012*

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

*Calabasas City Hall
Council Conference Room
100 Civic Center Way, Calabasas, CA 91301*

*Whittier City Hall – Admin Conference Room
13230 Penn Street, Whittier, CA 90602*

I. WELCOME AND ROLL CALL

Chair Diana Mahmud called the meeting to order. Interim Board Secretary Christian Cruz conducted roll call.

Roll Call				
1	Agoura Hills	Deborah Klein Lopez	Director	Remote
2	Alhambra	Jeff Maloney	Alternate	In-Person
3	Arcadia	Sho Tay	Director	In-Person
4	Beverly Hills	Julian Gold	Director	In-Person
5	Calabasas			Absent
6	Camarillo	Tony Trembley	Director	Remote
7	Carson	Reata Kulcsar	Alternate	In-Person
8	Claremont	Corey Calaycay	Alternate	In-Person
9	Culver City	Charles Herbertson	Alternate	In-Person
10	Downey			Absent
11	Hawaiian Gardens	Ramie Torres	Alternate	Remote
12	Hawthorne	Alex Monteiro	Director	In-Person
13	Los Angeles County	Sheila Kuehl	Vice Chair	In-Person
14	Malibu	Christine Shen	Alternate	In-Person

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15	Manhattan Beach	Nancy Hersman	Director	In-Person
16	Moorpark	Janice Parvin	Director	Remote
17	Ojai	Johnny Johnston	Director	Remote
18	Oxnard	Carmen Ramirez	Director	In-Person
19	Paramount	Laurie Guillen	Director	Remote
20	Redondo Beach	Christian Horvath	Director	In-Person
21	Rolling Hills Estates	Steve Zuckerman	Director	In-Person
22	Santa Monica	Kevin McKeown	Director	In-Person
23	Sierra Madre	John Harabedian	Director	In-Person
24	Simi Valley	Ruth Luevanos	Director	Remote
25	South Pasadena	Diana Mahmud	Chair	In-Person
26	Temple City			Absent
27	Thousand Oaks	Helen Cox	Alternate	Remote
28	Ventura	Christy Weir	Director	Remote
29	Ventura County	Linda Parks	Vice Chair	In-Person
30	West Hollywood	Lindsey Horvath / Robyn Eason	Director / Alternate	In-Person
31	Whittier	Henry Bouchot	Director	Remote

II. GENERAL PUBLIC COMMENT

There were no general public comments.

III. CONSENT AGENDA

1. Approved Minutes from May 2, 2019 Board of Directors Meeting
2. Authorized 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
3. Approved Policy No. 10 Regarding Vendor Communications
4. Appointed One Member to the Community Advisory Committee for 2019-2020 Representing Unincorporated Los Angeles County and Removed One Member Representing the South Bay

5. Received and Filed Report from the May 9, 2019 Community Advisory Committee Meeting

Motion: Director McKeown, Santa Monica

Second: Director Calaycay, Claremont

Vote: Items 1 through 5 passed by a roll call vote, with one abstention from Whittier.

IV. 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)

Direction was given, but no reportable action was taken.

V. REGULAR AGENDA

Action Items

6. Adopted 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

Ted Bardacke, CPA Executive Director, introduced this item, and Matt Langer, CPA COO, provided a presentation on this item. Mr. Langer discussed the Phase 4 subset customers impacted by the recurring SCE rate changes. These include customers in the TOU-8, TOU-GS-3, TOU-PA-2, and TOU-PA-3. Mr. Langer highlighted these subset customers were no longer covering their costs, due in part to the change in TOU periods. In particular, a new super off peak rate in the winter impacted these types of customers in CPA service territory. In addition, there is an impact due to the PCIA in conjunction with the ERRRA trigger. Mr. Langer pointed out that CPA staff has been proactive in reaching out to affected customers to notify them of the potential rate changes.

Director Weir mentioned that for Ventura this is a substantial increase, for their affected accounts, and if anything can be done to decrease the impact. Chair Mahmud clarified by stating that the CPA Executive Committee did discuss this particular issue, and the Committee was concerned that not accurately reflecting an allocation based on cost of service would effectively lead to other CPA customers subsidizing member agencies and may be seen negatively.

Director Torres asked for clarification on LS-1 rate premium. Mr. Langer clarified that if a City is on the LS-1, which are owned by SCE, then the overall bill premium for the Clean tier would be 11%. Director Zuckerman stated that a city could opt-out on the lighting meter accounts only, and he wanted the Board to know that is an option. Vice-Chair Parks pointed out that it is important to consider the 100% cities, and in the future help these cities with some form of assistance. Chair Mahmud clarified that the impacts on subset customers, including those at 100%, is a result of a confluence of factors that were unforeseen, and in order to provide a subsidy then other customers would be impacted. Director McKeown also clarified that CPA streetlight charges are one of the lowest and in the dollar amount the impact may not be as significant.

Director Herbertson asked what the financial impact would be if large customers opted out. Mr. Bardacke clarified that some energy that was already purchased on their behalf would need to be sold by CPA. Director Gold also commented that customers should pay for the cost of service.

Director Luevanos asked if this item needed action at this time. Mr. Bardacke stated that action needed to be taken, at this time, in order for CPA to begin recovering costs. Additionally, CPA needs to adopt the 2019/20 budget, which assumes the revenue from these rates. Finally, there is a 60 day window to opt-out, with no risk, and CPA would like to provide customers with those rates and their associated impact with as much time as possible.

Motion: Director Gold, Beverly Hills

Second: Director Ramirez, Oxnard

Vote: Item 6 was approved with the following roll call vote:

AYES:	Alhambra, Arcadia, Beverly Hills, Camarillo, Culver City, Hawaiian Gardens, Hawthorne, Malibu, Manhattan Beach, Moorpark, Ojai, Oxnard, Paramount, Redondo Beach, Rolling Hills Estates, Santa Monica, Sierra Madre, South Pasadena, West Hollywood
NOES:	Ventura City
ABSTAIN:	Agoura Hills, Carson, Simi Valley, Thousand Oaks, Ventura County
ABSENT:	Calabasas, Claremont, Downey, Los Angeles County, Temple City, Whittier

7. Approved Proposed Fiscal Year 2019/20 Budget

David McNeil, Chief Financial Officer, provided a brief presentation, stating that the budgeting process began in March 2019 and budget priorities were presented to the Board of Directors, Executive Committee, and Finance Committee. In preceding weeks both the Executive Committee and Finance Committee received and review the Draft Budget. Finally, the Finance Committee recommended the Draft Budget be moved to the Board of Directors for approval.

Mr. McNeil also provided a snapshot of CPA's major budget costs in comparison to other CCAs across the state. Director Harabedian commented that CPA should place an emphasis on providing adequate staffing levels.

Motion: Director McKeown, Santa Monica

Second: Director Horvath, Redondo Beach

Vote: Item 7 passed by a unanimous roll call vote.

VI. MANAGEMENT UPDATE

Mr. Bardacke directed the Board members to the written materials in the agenda packet for review of current topics.

VII. COMMITTEE CHAIR UPDATES

There were no additional Committee Chair updates.

VIII. BOARD MEMBER COMMENTS

There were no additional Board Member comments.

IX. REPORT FROM THE CHAIR

Chair Mahmud noted that CPA is holding its Board Retreat on June 28, the next Regular Board meeting will be on July 18, and the Board is dark in August.

X. ADJOURN

Chair Mahmud adjourned the meeting.

SPECIAL MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Friday, June 28, 2019 8:30 a.m.

MINUTES

Wallis Annenberg Building at Exposition Park
700 Exposition Park Drive
Los Angeles, CA 90037

I. WELCOME AND ROLL CALL

Chair Diana Mahmud called the meeting to order. Interim Board Secretary Christian Cruz conducted roll call.

Roll Call				
1	Agoura Hills	Deborah Klein Lopez	Director	In-Person
2	Alhambra			Absent
3	Arcadia	Sho Tay	Director	In-Person
4	Beverly Hills			Absent
5	Calabasas			Absent
6	Camarillo			Absent
7	Carson	Reata Kulcsar	Alternate	In-Person
8	Claremont			Absent
9	Culver City	Joe Susca	Alternate	In-Person
10	Downey			Absent
11	Hawaiian Gardens			Absent
12	Hawthorne	Alex Monteiro	Director	In-Person
13	Los Angeles County	Sheila Kuehl	Vice Chair	In-Person
14	Malibu	Skylar Peak	Director	In-Person
15	Manhattan Beach			Absent
16	Moorpark	Roseann Mikos	Director	In-Person
17	Ojai	Johnny Johnston	Director	In-Person
18	Oxnard	Carmen Ramirez	Director	In-Person

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19	Paramount			Absent
20	Redondo Beach	Christian Horvath	Director	In-Person
21	Rolling Hills Estates	Steve Zuckerman	Director	In-Person
22	Santa Monica			Absent
23	Sierra Madre	James Carlson	Alternate	In-Person
24	Simi Valley	Ruth Luevanos	Director	In-Person
25	South Pasadena	Diana Mahmud	Chair	In-Person
26	Temple City			Absent
27	Thousand Oaks	Helen Cox	Alternate	In-Person
28	Ventura	Joe Yahner	Alternate	In-Person
29	Ventura County	Linda Parks	Vice Chair	In-Person
30	West Hollywood	Robyn Eason	Alternate	In-Person
31	Whittier			Absent

II. GENERAL PUBLIC COMMENT

There were no general public comments.

III. REGULAR AGENDA

1. Approved and Authorized the Executive Director to Execute a 15-year Power Purchase Agreement (PPA) with the Arlington Energy Center II, LLC Solar Project and Approved and Authorized the Executive Director to Execute a 15-year PPA with the Golden Fields Solar III, LLC Project

Matt Langer, Chief Operating Officer, provided a brief presentation on this item. Mr. Langer indicated that this is a 233-Megawatt standalone solar facility. If approved, the 15-year term of this project will begin in December 2021. In addition, there is also a 40-Megawatt standalone solar project. If approved, the 15-year term of this project will begin in the summer of 2021.

Motion: Director Ramirez, Oxnard

Second: Director Luevanos, Simi Valley

Vote: Item 1 passed by a unanimous vote.

2. Approved and Authorized the Executive Director to Execute a 10-year Power Purchase Agreement (PPA) for the Isabella Hydroelectric Project

Mr. Langer provided a brief presentation on this item. Mr. Langer stated this project originally came through the CPA short term solicitation and the project has been around since the 1950's. This is a 12-Megawatt project, and if approved, the term would be for 10 years beginning in December 2020. Steven Nash, CPA CAC member, asked if this project has pump storage capacity. Mr. Langer responded, that this project does not. Chair Mahmud asked if this project is interconnected to another hydroelectric project and the capacity factor for this project. Mr. Langer responded, that it is adjacent to another project, but not interconnected and that he can provide the capacity factor to Chair Mahmud once staff attains it. Additionally, Chair Mahmud asked about the seismic work being done at the site, and will it affect the operation of the facility. Mr. Langer responded that when CPA contract term begins there will be no work done that will affect the sites operation at that time.

Motion: Vice Chair Kuehl, Los Angeles County

Second: Director Lopez, Agoura Hills

Vote: Item 2 passed by a unanimous vote.

3. Conducted CPA Board Retreat

Chair Mahmud introduced the Board Retreat topics to be discussed today which include a workshop to collect Board Feedback on CPA's local programs goals & priorities process, and breakout discussions with subject matter experts on CPA membership expansion considerations, CCAs and the changing energy landscape, and future ratemaking challenges and opportunities.

This item was for informational purposes only.

IV. ADJOURN

Chair Mahmud adjourned the meeting.



Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Board of Directors

From: Nancy Whang, General Counsel

Approved By: Ted Bardacke, Executive Director

Subject: Approve CPA Policy No. 11 governing Records Retention and Disposal

Date: July 18, 2019

STAFF RECOMMENDATION

Approve CPA Policy No. 11 governing Records Retention and Disposal

RECORDS RETENTION AND DISPOSAL POLICY

CPUC Decision 12-08-045 sets forth rules governing CPA's obligations to protect customer data privacy and security. The rules also include a data retention obligation. CPA has existing policies governing privacy and security of customer data but a policy for customer data/document retention is necessary.

As CPA staff began developing this policy, they determined that a more comprehensive approach, rather than one or more stand-alone policies, would be beneficial. As a result, CPA staff reviewed similar policies from the Southern California Public Power Authority, Marin Clean Energy, Los Angeles Metro, and Sonoma Clean Power. Internally, CPA staff were also surveyed to evaluate internal business needs. This Policy is a result of this process, reflects CPA staff's input, and is designed to be user-friendly and functional while allowing for flexibility when there are changes to legal or regulatory requirements. The Executive Committee reviewed the draft Policy at its July 10 meeting and the attached draft incorporates feedback received from Committee members.

Attachment: 1) Records Retention & Disposal Policy No. 11.



Policy Title	Records Retention & Disposal Policy		
Policy Number	CPA2019-11	Effective:	07/18/2019

1. Purpose

The purpose of this Records Retention and Disposal Policy (Policy) is to ensure that necessary records and documents of the Clean Power Alliance of Southern California (CPA) are adequately protected and maintained and to ensure that records that are no longer needed by CPA or are of no value are discarded at the appropriate time. This policy is also for the purpose of aiding employees of CPA in understanding their obligations in retaining electronic documents - including e-mail, web files, text files, draft documents, PDF documents and all Microsoft Office or other formatted files.

2. Policy

This Policy represents the CPA policy regarding the retention and disposal of records and the retention and disposal of electronic documents.

3. Administration

Attached as Appendix A is a Records Retention and Disposal Schedule that is approved as the initial maintenance, retention and disposal schedule for physical records of CPA and the retention and disposal of electronic documents. The Executive Director is the officer in charge of the administration of this Policy and the implementation of processes and procedures to ensure the Records Retention and Disposal Schedule is followed. The Executive Director is authorized to: make modifications to the Records Retention and Disposal Schedule when required to ensure that it is in compliance with local, state and federal laws and includes the appropriate document and record categories for CPA; monitor local, state and federal laws affecting record retention; conduct an annual review of the record retention and disposal program; and monitor compliance with this Policy.

Unless an original is required pursuant to this Policy, to a contract provision, or required by law, CPA may destroy physical copies of records or duplicate electronic copies of records and keep an electronic copy as a permanent record, provided the retained electronic record accurately and legibly reproduces the original thereof in all details and the electronic copy does not permit additions, deletions or changes to the original document images.

4. Suspension of Records Disposal in Event of Litigation or Claims

In the event CPA is served with any subpoena or request for documents or any employee becomes aware of a governmental investigation or audit concerning CPA, becomes aware of or receives a claim governed by or exempt from the Government Code §§ 900, et seq., such employee shall inform the Executive Director and the General Counsel and any further disposal of documents shall be suspended until such time as the General Counsel determines otherwise. The General Counsel shall take such steps as is necessary to promptly inform all staff of any suspension in the further disposal of documents.

5. Applicability

This policy applies to all physical records generated in the course of CPA's operation, including both original documents and reproductions. It also applies to the electronic documents described above.

This policy was approved by the Board of Directors of CPA on July 18, 2019.

Appendix A

Records Retention and Disposal Schedule

Record Type	Required Retention	Descriptions (if applicable)
Board Documents		
Final Board Agenda and Agenda Packets	Permanent	
Board Approved Documents	Permanent	Resolutions, policies, meeting minutes approved by the Board
Board Approved Budgets	Permanent	Final, approved budgets
Board and Committee Meeting Materials	Permanent	Agendas, staff reports, and any other materials provided to Board members for Board meetings
Board Form 700s	4 years after submission to FPPC	
Board Presentations	2 years after Board meeting	Any presentations or handouts given to the Board during a Board meeting
Elections	6 months after the election	Signed ballots and any correspondence transmitted with ballots, tally sheets.
Joint Powers Agreement and Bylaws	Permanent	Includes all versions approved by the Board
Contracts and Related Documents		
Executed contracts, including any amendments, change orders, task orders	10 years after termination or expiration of contract	Energy agreements and related documents or ancillary agreements, contracts with vendors or consultants.
Drafts of non-energy contracts	4 years after termination of contract	
Emails relating to non-energy contracts	5 years from date of email	Specifically relating to contracts, task orders, amendments, RFPs.
Non-disclosure agreements	2 years after the expiration of the term of the agreement, if term specified; otherwise, permanent	All non-disclosure agreements
Completed vendor forms	4.5 years after effective date of Contract	Vendor Campaign Contribution Forms or any forms that the Board may require.

Electronic signature of signed contract or amendment, unless wet signature required by counterparty	Consistent with the required retention period of the signed document.	Electronic signatures are sufficient unless a counterparty requires a wet signature.
Customers		
Ad Hoc Customer Reports and Lists	Destruction after staff use is complete	Mailing lists, analysis reports
Customer Data Requests	2 years	Cost comparison, bill analyses, usage history, billing history, rate comparisons, customer service emails
Customer Database Information	5 years	Customer database reports, usage history, billing data, account balances, program participation, opt-out data
AMI Data Lists and Report	Destruction after staff use is complete	Non-aggregated customer AMI data
Human Resources		
Employee personnel records	7 years after employee leaves CPA	Resumes, offer letters, change of status, benefits, performance reviews, terminations, new hire forms, and leave requests
Employee benefit information	6 years after plan year	Benefit plans (such as insurance)
Benefit Plan Claims	Permanent	
California Family Rights Act or Family Medical Leave (if applicable) records	3 years	Request/claim for benefit; basic employee data, including name, address, occupation, rate of pay, terms of compensation, daily and weekly hours worked per pay period, additions to/deductions from wages and total compensation. Dates of leave taken by eligible employees, etc.
COBRA records	6 years from the date of the record	Written notices, forms, etc.
Miscellaneous personnel information	1 year after date of termination	I-9 form, background checks, confidential medical records
Payroll Records	8 years	Timecards and employee wage records
Payroll tax records	8 years from date tax paid	Amounts of wages subject to withholding. Agreements with employee to withhold additional tax. Actual taxes withheld and

		dates withheld. Reason for any difference between total tax payments and actual tax payments. Withholding forms (W-4, W4-E).
Recruitment files	2 years after hiring decision	Job announcements, interview notes, recruitment materials, correspondence
Retirement plan records	Permanent	
Safety Data	5 years from date of the record	Logs, records, or summaries of occupational injuries and illnesses.
W-2 or 1099 forms	7 years after employee leaves CPA	
Workers' comp documents	Permanent	
Financial Documents		
Accounts payable or receivable ledgers, schedules, and trial balances	5 years	
Audit reports	Permanent	
Bank statements, cancelled checks, deposit slips, and related documents	5 years	Includes bank reconciliations
Cash books	Permanent	
Cash receipts and disbursements	5 years	
Chart of accounts	Permanent	
Checks (cancelled, all other)	5 years	
Checks (cancelled, for important payments, i.e. taxes, property purchases, special contracts, etc. File checks with the transaction papers)	Permanent	
Credit Applications (Business)	1 year (after notification)	
Electronic fund transfer documents	5 years	
Equipment records & invoices	5 years (after disposition)	
Expense reports, analyses and distribution schedules	5 years	

Federal, state and local tax returns	Permanent	
Financial statements (end-of-year trial balances)	Permanent	
Fixed asset records and appraisals	Permanent	
Forecasts & projections	5 years	
Garnishments	3 years	
General Ledgers (end-of-year trial balances)	Permanent	
Interim and year-end financial statements and trial balances	Permanent	
Invoices from contractors or vendors	2 years after completion of contract	Invoices submitted by Vendors seeking payment from CPA
Original Letters of Credit or Guarantees	Term of Letter of Credit or Guarantee	Copies of a Letter of Credit or Guarantee shall be considered a "Loan document"
Licenses	Permanent	
Loan documents, notes	Permanent	Original signatures may be maintained for these types of documents.
Monthly trial balances	Permanent	
Tax exemption documents, including application for exemptions	Permanent	
Reimbursement requests	5 years	Director, CAC member, or CPA employee
Internal Documents		
General E-mails	12 months unless vital to performance of job or otherwise required by this Policy	Email correspondence deemed vital to the performance of their job or that applies specifically to a document that has a prescribed retention plan should be copied to the staff's folder or filed with the documents it relates to
Drafts of internal/business documents	30 days after final version is approved	Drafts of program documents, marketing materials, etc.
Marketing, General Educational, or Informational Material	2 years after public distribution	Flyers, brochures, electronic advertisements, reports, electronic information
Legal Files and Papers		
Court Orders	Permanent	

Legal Memoranda and Opinions	Permanent	
Claims / Litigation Files	5 years after the conclusion of litigation	Claim, complaint, discovery, pleadings, correspondence, etc.
Claims / Litigation Final Settlement	Permanent	Settlement Agreements, Release, Memorandum of Understanding, and other ancillary documents related to settlements.
Property Records		
Lease agreements	7 years	Includes any sub-lease, rental agreements.
Permits	Permanent	Tenant improvements, etc.
Solicitations (RFP, RFQ, Bids)		
Bids & Proposals (Awarded)	7 years after close of solicitation	Including Q&A
Bids & Proposals (Unsuccessful)	2 years after close of solicitation	Including Q&A
Correspondence with bidders	3 years after close of solicitation	
Published Solicitations	2 years after close of solicitation	
Drafts of Solicitations	30 days after final version is approved	Drafts of program documents, marketing materials, etc.
Training Records		
Attendance Records	7 years after training	



Staff Report – Agenda Item 4

To: Clean Power Alliance (CPA) Board of Directors

From: Ted Bardacke, Executive Director

Subject: Approve Second Amended Task Order No. 1 with MRW and Associates for Rate Setting and Cost of Service Analysis

Date: July 18, 2019

RECOMMENDATION

Authorize the Executive Director to execute a Second Amended Task Order No. 1 with MRW and Associates (MRW) for Rate Setting and Cost of Service Analysis to increase the Not-To-Exceed (NTE) amount from \$238,090 to \$369,090, to extend the term to October 31, 2019, and to adjust the scope of work to include necessary updates.

BACKGROUND

In August of 2018, the Board approved Task Order No. 1 with MRW to perform rate setting work and cost of service analysis associated with the CPA's 2019 rate setting process. In February 2019, the Board authorized execution of MRW's Amended Task Order No. 1 to perform additional rate setting work resulting from SCE's undercollection and Trigger Application.

SECOND AMENDED TASK ORDER NO. 1 WITH MRW AND ASSOCIATES

Since the approval of MRW's Amended Task Order No. 1, SCE made other rate changes and CPA responded with three separate 2019 rate changes: (i) in March, (ii) in April, and (iii) in June. The cost of the June rate change was not anticipated in the previous MRW Amended Task Order No. 1 NTE and the cost to complete that work exceeded the NTE.

MRW has also completed updating 2019 rate model outputs and has analyzed the revenue impacts from SCE's undercollection in 2018 and SCE's Trigger Application. CPA staff is now proposing to amend the scope of MRW's Task Order No. 1 (i) to account for necessary updates to rate setting tools, and other deliverables to reflect the June rate change; and (ii) to authorize MRW to begin the process to transfer the rate setting modeling to CPA (consistent with CPA's budget priorities for FY2019-20).

The work completed by MRW for the June rate change, the updates to deliverables based on June rates, and the work to transfer rate models to CPA staff necessitate an increase in the total contract price from \$238,090 to \$369,090 (NTE).

FISCAL IMPACT

Expenditures associated with the proposed Amendment for the June rate setting work were included in the FY 2018-19 budget. Expenditures with updating rate setting tools and the transfer of rate setting modelling work to CPA are included in the Board approved FY 2019-20 Budget.

Attachment: 1) Second Amended Task Order No. 1 with MRW and Associates

Exhibit E-1
MASTER AGREEMENT TASK ORDER
(TIME AND MATERIALS BASIS)

MRW & ASSOCIATES LLC

Second Amended Task Order No.1 CPA Master Agreement No. 2018-08-03

Project Title: Rate Setting and Cost of Service (COS) Analysis

Period of Performance: August 17, 2018 to ~~April 30~~October 31, 2019

CPA Project Director: Matthew Langer

CPA Task Order Manager: Matthew Langer

I. GENERAL

Contractor shall satisfactorily perform all Services detailed in the Task Order Description attached hereto as Exhibit E-1A, on a time and materials basis, in compliance with the terms and conditions of Contractor's Master Agreement identified above.

II. PERSONNEL

Contractor shall provide the below-listed personnel whose labor rates are as shown:

Skill Category Rate Setting and Cost of Service Analysis

Name: Mark Fulmer_____	@ \$300.00/hour.
Name: Mary Neal_____	@ \$260.00/hour.
Name: Anna Casas_____	@ \$165.00/hour.
Name: Naina Gupta_____	@ \$150.00/hour.
Name: George Randolph_____	@ \$135.00/hour.
Name: Brandon Charles_____	@ \$215.00/hour.
Name: William Monsen_____	@ \$340.00/hour.

PAYMENT

- A. The Total Maximum Amount that CPA shall pay Contractor for all Services to be provided under this Task Order shall not exceed ~~Two~~Three Hundred ~~Thirty Eight~~Sixty-Nine Thousand ~~and~~ Ninety Dollars ~~(\$238,369,090)~~.
- B. Contractor shall invoice CPA only for hours actually worked, in accordance with the terms and conditions of Contractor's Master Agreement. Travel time for each Contract personnel shall be billed at half (50%) the hourly labor rate specified in Section II above, provided that all travel shall be approved in writing and in advance by CPA. Contractor shall be responsible for limiting the number of hours worked by Contractor personnel under this TASK ORDER, not to exceed the Total Maximum Amount in III.A, above.

C. Contractor shall satisfactorily perform and complete all required Services in accordance with Statement of Work notwithstanding the fact that total payment from CPA shall not exceed the Total Maximum Amount.

D. Contractor shall submit all invoices under this Task Order to:

Clean Power Alliance
Attn: Accounts Payable
555 West 5th Street, 35th Floor
Los Angeles, CA 90013.

IV. SERVICES

In accordance with Master Agreement Section 2 (Work), Contractor may not be paid for any task, deliverable, service, or other work that is not specified in this Task Order, and/or that utilizes personnel not specified in this Task Order, and/or that exceeds the Total Maximum Amount of this Task Order, and/or that goes beyond the expiration date of this Task Order.

ALL TERMS OF THE MASTER AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT. THE TERMS OF THE MASTER AGREEMENT SHALL GOVERN AND TAKE PRECEDENCE OVER ANY CONFLICTING TERMS AND/OR CONDITIONS IN THIS TASK ORDER. NEITHER THE RATES NOR ANY OTHER SPECIFICATIONS IN THIS TASK ORDER ARE VALID OR BINDING IF THEY DO NOT COMPLY WITH THE TERMS AND CONDITIONS OF THE MASTER AGREEMENT.

Contractor's signature on this Task Order document confirms Contractor's awareness of the terms and conditions of the Master Agreement and specifically with the provisions of Section 2 (Work) of the Master Agreement, which establishes that Contractor shall not be entitled to any compensation whatsoever for any task, deliverable, service, or other work:

- A. That is not specified in this Task Order, and/or
- B. That utilizes personnel not specified in this Task Order, and/or
- C. That exceeds the Total Maximum Amount of this Task Order, and/or
- D. That goes beyond the expiration date of this Task Order.

REGARDLESS OF ANY ORAL PROMISE MADE TO CONTRACTOR BY ANY CLEAN POWER ALLIANCE PERSONNEL WHATSOEVER.

MRW & ASSOCIATES LLC

By: _____

Name: Mark Fulmer

Title: Principal

Date: _____

CLEAN POWER ALLIANCE

By: _____

Name: Ted Bardacke

Title: Executive Director

Date: _____

Exhibit E-1A**TASK ORDER DESCRIPTION****Rate Setting and Cost-of Service Analysis****SUMMARY**

Support CPA's 2019 ratemaking by developing and implementing a rate setting process. Support CPA's efforts to provide customer-friendly rates that also meet CPA's financial objectives by analyzing the cost of service for CPA's various rates. Use the rate setting process and cost of service analysis to design rate classes and tiered rate offerings.

TASK LIST**1. Rate Setting Process analysis**

- a. Evaluate CPAs existing rate setting methodology (discount relative to SCE rates for 36% and 50% tiers; premium rate for 100% tier)
 - i. Analyze existing rates and tiered offerings
 - ii. Identify gaps and opportunities for improvement in CPA's existing Rate Setting Process. Questions to consider include, but are not limited to:
 1. Are all necessary rate elements considered in Rate Setting approach?
 2. Should rates be set as a discount to SCE generation rates or overall rates?
 3. Should each rate tier (36%, 50%, 100%) be set as at a rate relative to SCE rates or should higher tier rates be set based on a variable adder on base rates?
 4. What other rate setting approaches should CPA consider?
- b. Recommend improvements for 2019 Rate Setting Process based on above analysis and incorporating best practices from other CCAs

Task 1 deliverables: Written assessment of CPA Rate Setting Process approach; recommendations; timeline for implementation.

2. Ratemaking tools⁺

- a. Cost-of-Service Model
 - i. COS Model will compare the revenues from CPA's actual or projected rates with CPA's actual or projected costs of power and overheads to determine the profitability of each rate class and rate tier.
 1. COS Model shall accept cost assumptions from CPA's financial model and analyze the profitability of each rate class

⁺ ~~All models shall be produced in Excel and provided to CPA in unlocked formats.~~

- ii. Consultant shall identify rate classes that are insufficiently profitable and recommend alternative approaches, if needed
- b. Rate Setting Model (RSM)
 - i. Develop a model to set rates based on various assumptions and scenarios
 - 1. RSM shall incorporate relevant insights from Task 1 to ensure completeness and adherence to best practices
 - 2. RSM shall have flexibility to apply a single rate discount across all rate classes or unique rate discount to each rate class or tier
 - 3. RSM shall produce outputs that are compatible with CPA's financial model and easily transferable into customer rate sheets
 - 4. COS Model shall be integrated with RSM in order to quickly assess the impact of various scenarios to cost of service results

c. Necessary updates to Task 2 deliverables identified below to reflect June rates

Task 2 deliverables: Rate Setting Model and COS Model. Analysis of insufficiently profitable rate classes and recommended remedial action. Review sessions with CPA staff to ~~provide training on how the models work and~~ discuss key findings.

3. Final Rate Setting Implementation

- a. Residential Rate Classes
 - i. Using the approach and tools adopted in Tasks 1 and 2, develop 2019 rates based on updated rates from SCE and other inputs
 - ii. Create rate sheets and rate/cost comparisons for use by CPA's data manager and for distribution to customers
 - 1. This shall include Joint Rate Comparisons (JRC) for joint mailers with SCE and JRCs for all rates to be posted on CPA's website
 - 2. Rate sheets for use by CPA's data manager will be produced in a format acceptable to the data manager
- b. Non-Residential Rate Classes
 - i. Using the approach and tools adopted in Tasks 1 and 2, develop 2019 rates based on updated rates from SCE and other inputs
 - ii. Based on input from CPA staff, design custom rates to address the needs of key customer classes and uses such as Electric Vehicle charging and water agencies.
 - iii. Create rate sheets and rate/cost comparisons for use by CPA's data manager and for distribution to customers
 - 1. This shall include Joint Rate Comparisons (JRC) for joint mailers with SCE and JRCs for all rates to be posted on CPA's website
 - 2. Rate sheets for use by CPA's data manager will be produced in a format acceptable to the data manager
- c. Transit and Water Agency Rate Design
 - i. Participate in focus groups with key water and transit agency customers in order to identify unique customer rate design needs
 - ii. Based on feedback from focus groups, work with CPA staff to design rates that fulfil water and transit agency customer needs.

d. Necessary updates to Task 3 deliverables identified below to reflect June rates

Task 3 deliverables: Final 2019 rates and customer rate sheets and comparisons.

4. **Model Transfer and As-Needed Consulting**

- a. Provide consulting services for matters related to rates or cost of service analysis, but outside of the specific scope of work identified in Task 1, 2 and 3.
- b. The parties will agree in advance when a request falls under Task 4.

Task 4 deliverables: ~~TBD, as needed.~~

c. Complete revenue projections as requested

d. Model Transfer

- i. Work with CPA Staff to define COS and Rate Model requirements
- ii. Complete COS and Rate Model modifications as instructed to meet the requirements defined in 4(c)
- iii. Provide CPA Staff with training on COS and Rate Models
- iv. Support development of SQL server database to support COS and Rate Models

Task 4 deliverables: Revenue projections as requested, train CPA staff on use of Rate and COS Models, complete COS and Rate Models consistent with CPA requirements, transition COS and rate modelling to CPA Staff.

SCHEDULE AND COORDINATION

Each task listed above will be undertaken in close coordination with CPA staff. The consultant will discuss initial findings or approaches for each task with CPA staff before developing final work products or deliverables in order to avoid rework. CPA Staff will provide timely direction, feedback and input in developing the work product.

Existing timelines for CPA and SCE rate setting drive the schedule for the Task Order. The key events for CPA's 2019 Rate Setting Process are listed below. Note: rows shaded in grey are milestones that inform the schedule, but do not indicate Task Order due dates.

Date	Action
August 16 Board Meeting	CPA finalizes rate options (e.g. 36% RPS, 50% RPS, 100% RPS) and Task Order
August 20	Task Order kick-off with consultant
August – October	CPA members select default rate option with conservative guidance on savings vs. SCE
August 31	Complete Task 1: Rate Setting Process Analysis
October 1	Complete Task 2a: COS Model for all customer classes
November 1	Complete Task 2b: Rate Setting Model

Early November	SCE files updated rate forecast
November 10	Complete Task 3a: Residential Rate Setting
Mid November Board Meeting	CPA sets Residential rates (in time for Dec pre-enrollment notice)
March	SCE Advice Letter setting final rates (effective TBD)
April <u>June 1</u>	Update Task 3a, if necessary: Residential Rate Setting
February-May Board Meetings	CPA calibrate Residential rates as needed
April <u>June 1</u>	Complete Task 3b: Non-Residential Rate Setting
February-April- <u>June</u> Board Meetings	Set and calibrate <u>Residential and Non-Residential Commercial</u> rates
<u>July 31</u>	<u>Complete Updates to Task 3: Joint Rate Comparison for June Rates</u>
<u>October 31</u>	<u>Complete Updates to Task 2 and Complete Task 4c and 4d: Rate Setting Model, Cost of Service Model, Revenue Projections, and Model Transfer</u>

Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Board of Directors
From: Christian Cruz, Community Outreach Manager
Approved By: Ted Bardacke, Executive Director
Subject: Community Advisory Committee (CAC) July 2019 Report
Date: July 18, 2019

RECOMMENDATION

Receive and file.

SUMMARY

On July 11, the Clean Power Alliance Community Advisory Committee (CAC) held its monthly meeting. During this meeting the CAC received a presentation on the status of current legislation the CPA is following or has taken a position on. The CAC also provided input on the CPA Distributed Energy Resource (DER) Pilot Project, where they highlighted the need ensure equity among those selected for the pilot and ensuring there is adequate marketing done to inform customers of this opportunity.

The CAC also received an update on the current opt actions for Phase 1,2, 3, and 4 commercial enrollments, as well as an update on the current SCE billing delays. Additionally, the CAC received an update on the communication efforts CPA is undertaking to inform customers who will see rate increases for the following rate classes: GS-3, TOU-8, PA2/PA3, and lighting.

One of the CAC members for the East Ventura/West L.A. County subregion, Rocío Gonzalez, has recently informed CPA staff that she has moved out of CPA service

territory and is no longer able to serve on the CAC. As such, CPA staff is reaching out to potential candidates in coordination with CAC and member agencies in this area to fill this vacancy.

The CAC will go dark in August and is scheduled to reconvene on September 12, at which time it will receive an update on CPA's local programs goals and priorities effort and the Voyager Scholarship Program progress.

Attachment: 1) CAC Meeting Attendance

Community Advisory Committee Attendance

	2018						2019						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July
East Ventura/West LA County													
Angus Simmons								✓	✓	✓	✓	✓	✓
Laura Brown								✓	A	✓	A	✓	A
Rocio Gonzalez								✓	A	A	A	A	A
San Gabriel Valley													
Richard Tom								✓	A	✓	✓	✓	A
Robert Parkhurst								✓	✓	✓	✓	✓	✓
West/Unincorporated Ventura County													
Lucas Zucker								✓	✓	A	✓	✓	✓
Steven Nash								✓	✓	✓	✓	✓	✓
South Bay													
Vacant													
Vacant								A	A	A	A		
Gateway Cities													
Jaime Abrego								✓	A	✓	A	A	✓
Jordan Salcedo								✓	A	✓	✓	A	A
Westside													
Cris Gutierrez								✓	✓	A	✓	✓	✓
David Haake								A	✓	✓	✓	✓	A
Unincorporated LA County													
Neil Fromer									A	✓	✓	A	✓
Kristie Hernandez												✓	A

Major Action Items and Presentations**February**

CPA Rate Development
 Communications and Outreach
 Long Term Renewables Request for Offers (RFO)
 Voyager Scholarship Program
 Committee Procedures - Chair and Vice Chair Elections

March

Voyager Scholarship Program
 Upcoming Activities and Operations

April

Voyager Scholarship Program Final Recommendation
 Chair and Vice Chair Elections

May

Local Programs Goals and Priorities CAC input Session

June

Local Programs Goals and Priorities Workshop

July

Update on 2019/20 Legislation
 Input on DER pilot Program

Staff Report – Agenda Item 6

To: Clean Power Alliance (CPA) Board of Directors
From: Matthew Langer, Chief Operating Officer
Approved By: Ted Bardacke, Executive Director
Subject: Quarterly Risk Management Team Report
Date: July 18, 2019

RECOMMENDATION

Receive and file.

SUMMARY

The CPA's Energy Risk Management Policy (ERMP) establishes a staff-level Risk Management Team (RMT) responsible for implementing, maintaining and overseeing compliance with the ERMP and for maintaining the Energy Risk Hedging Strategy. The ERMP requires quarterly reporting to the Board on the activities, projected financial performance, and general market outlook facing CPA.

The Quarterly RMT Report for the period covering January 1, 2019 through June 30, 2019 (Q1 & Q2) is attached.

The RMT also reports ERMP compliance to the Finance and Energy Planning & Resources Committees on a monthly basis.

Attachment: 1) RMT Report for Q1 & Q2 2019



Quarterly Report of Risk Management Team January 1, 2019 through June 30, 2019 (Q1 & Q2 2019)

I. Introduction

The Board of Directors of Clean Power Alliance (CPA) approved an Energy Risk Management Policy (ERMP) at its July 12, 2018 meeting, which provides the framework for conducting procurement activities in a manner that maximizes the probability of CPA meeting its portfolio, reliability, and financial goals.

The ERMP requires quarterly reporting to the Board on the activities, projected financial performance, and general market outlook facing CPA. The Risk Management Team (RMT)¹ submits this report in accordance with this requirement. The RMT also reports on ERMP compliance to both the Finance Committee and Energy Planning & Resources Committee on a monthly basis.

II. Risk Management Team Activities

The RMT is responsible for implementing, maintaining and overseeing compliance with the ERMP and for maintaining the Energy Risk Hedging Strategy. The primary goal of the RMT is to ensure that the procurement activities of CPA are executed within the guidelines of the ERMP and are consistent with Board directives. A number of business practices are prescribed in the ERMP. What follows is a summary of CPA's compliance with these practices as outlined in the Policy.

A. ERMP Acknowledgement Form

It is the policy of CPA that all CPA Representatives participating in any activity or transaction within the scope of the ERMP shall sign, on an annual basis or upon any revision, a statement acknowledging compliance with the ERMP. Execution of the ERMP Acknowledgement Form was completed by Board members, relevant CPA staff, and relevant consultants.

There are no existing or potential conflicts of interest to report. All business has been conducted consistent with applicable laws and regulations.

B. Transaction Types

The ERMP approved in July 2018 included an initial list of approved transaction types. All products that have been purchased or sold by CPA during the current quarterly periods represent an approved transaction type as listed in Appendix C of the ERMP.

¹ The RMT is comprised of CPA's Executive Director, Chief Operating Officer, Chief Financial Officer, and Director of Power Planning and Procurement.

C. Counterparty Suitability

The ERMP requires that all counterparties with whom CPA transacts must be reviewed for creditworthiness and assigned a credit limit. A formal Counterparty Credit Protocol document that describes the method for evaluating counterparties and establishing a credit limit was developed by CPA's Chief Financial Officer and the Portfolio Manager. The Protocol was approved by the Executive Director, in consultation with the RMT, and enacted in Q1 2019.

Pursuant to the ERMP, no counterparty credit limit may exceed \$40 million. CPA is fully compliant with this obligation, and there are no credit limit violations to report for the two previous quarters.

D. System of Record

As required by the ERMP, all transactions are being stored in CPA's Portfolio Manager's (currently TEA) trading and risk management system. Similarly, all transaction approvals are being logged and stored on TEA's servers, which information is being made available to CPA staff via a secure web portal. The transaction record also includes the confirmation letters for each transaction.

E. Position Tracking and Management Reporting

In order to manage risk, the ERMP requires the regular production of various reports. The current status of each report required by policy follows:

- Financial Model Forecast: CPA continues to develop and refine its financial model. The financial model captures historical and projected revenues and energy and operating costs and produces various financial reports and forecasts on an accrual and cash flow basis. The model imports load forecast data and energy contract details from TEA's load forecasting and deal capture systems respectively, MRW's revenue model, the accounting system maintained by Maher Accountancy, and forward prices from the ICE Data Service. In April 2019 CPA hired a Manager of Financial Planning and Analysis who has day to day responsibility for updating and enhancing the model.
- Net Position Report: Short- and long-term net position reports are in production and directly linked to TEA's trade capture system. The short-term net position report updates daily and incorporates the current weather outlook for the next 60 days to show net positions for the current and next months. The long-term net position report assumes normal weather and shows net positions through the balance of the current year and prompt four years.
- Counterparty Credit Exposure: CPA is fully compliant. CPA is receiving daily updates of counterparty credit exposures on both a notional and mark-to-market basis.
- Monthly Risk Analysis: The ERMP requires both stress testing of financial results, as well as probability-based assessments of future financial projections. CPA implemented a risk analysis tool to stress test financial results and validate potential hedging transactions. This model continues to be refined; CPA anticipates being able to implement probability-based risk analysis in the near future.
- Quarterly Board Report: subject of this report.

F. Delegation of Authority

All executed transactions during the current period have been approved consistent with the Delegation of Authority outlined in Section 5 of the ERMP.

G. Limit and Other Compliance Violations

The ERMP requires that transaction volumes should not be executed that exceed the requirements of meeting CPA's load (energy and capacity), renewable and/or carbon free energy requirements. The following policy deviations have been reported to the Finance Committee and Energy Planning & Resources Committee:

Policy Deviation	Required Action	Reported
CPA is short of procurement targets for PCC1 and PCC2 energy in 2020 and 2021. CPA ran a 2019-2023 clean energy RFO and has purchased enough PCC1 and PCC2 to meet 2019 targets but did not receive sufficient bids to meet 2020 and 2021 targets.	CPA will issue another short-term clean energy RFO in the beginning of 2019. CPA is also engaging in bilateral discussions with counterparties.	1/11/19
CPA is short of procurement targets for Carbon Free energy in 2019-2021.	CPA will issue a short-term clean energy RFO in the beginning of 2019.	1/11/19
CPA is short of target for RA procurement in 2021.	CPA will issue an RA RFO in the beginning of 2019 for needs in 2021 and beyond; however, some regulatory uncertainty exists related to pending CPUC actions on local RA procurement.	1/11/19
Due to CPA's revised load forecast, CPA is long PCC1 and carbon free in 2019.	CPA will issue a solicitation to sell PCC1 and carbon free for the remainder of 2019.	6/4/19

H. Training

The ERMP acknowledges the importance of ongoing education as part of its risk management framework. Consistent with this, the ERMP outlines certain training requirements. CPA anticipates implementing training during the second half of 2019 as it builds out its staff.

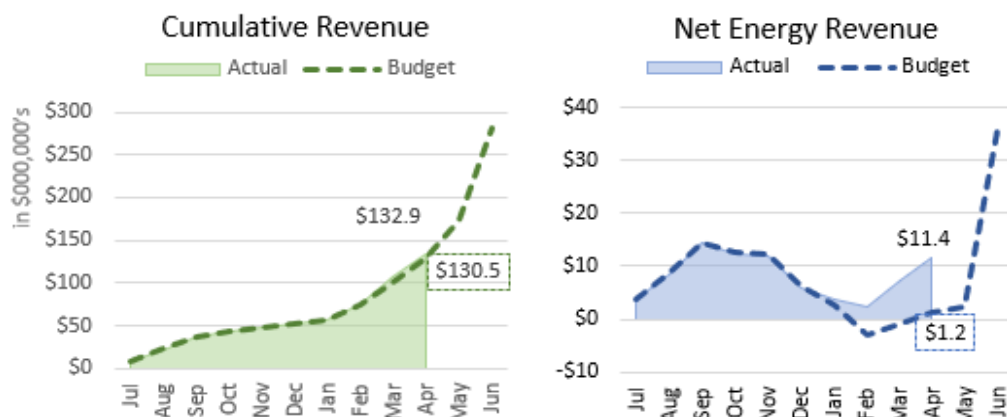
I. Hedging Strategy

CPA is fully compliant with the hedging strategy provided in Appendix A of the ERMP with the exceptions described in Section G.

Staff developed proposed amendments to the ERMP hedging strategy that will be presented to the Board in Q32019.

III. Financial Performance

CPA recorded the following revenue and margin (electricity revenue less cost of energy) results for the 10 months ending April 30, 2019 (FY 2018/19 Year to Date).



CPA remains ahead of budget for the fiscal year to date through April 30, 2019 and expects to meet its financial objectives for the fiscal year. CPA's audited financial results for the year ended June 30, 2019 will be available during the fourth calendar quarter of 2019. CPA is in compliance with its banking and energy contract covenants and commitments.

IV. General Market Outlook

Resource Adequacy Proceeding

On February 21, 2019, the California Public Utilities Commission (CPUC) issued a decision in its Resource Adequacy (RA) proceeding. The decision postpones the implementation of a new scheme whereby SCE, PG&E and SDG&E would become central buyers for all local RA in their territories starting in 2020. If adopted, this would mean that CPA would no longer be responsible for procuring any local RA, but could sell local RA it holds to the central buyer. CPA is continuing to monitor the proceeding and is coordinating a response through CalCCA. The decision did refine the RA program to include a three-year local RA compliance obligation (100% in year 1, 100% in year 2 and 50% in year 3).

Staff Report – Agenda Item 7

To: Clean Power Alliance (CPA) Board of Directors

From: Ted Bardacke, Executive Director

Subject: Discuss and Provide Direction on CPA Expansion Priorities

Date: July 18, 2019

RECOMMENDATION

Direct staff to prepare for potential expansion of CPA in 2020 by developing criteria for new member agency recruitment based on criteria such as increasing geographic diversity, filling in service territory gaps, acquisition of key load pockets, and enhancing CPA's financial strength and environmental impact.

BACKGROUND

During the CPA 2019 Board Retreat, one of the breakout discussions focused on identifying priorities for CPA to consider in expanding its service to additional jurisdictions in Southern California. The participants discussed that, since CPA is just now approaching a steady state and focused on organizational stability, CPA should wait to launch a robust outreach campaign for new members until 2020, which under the California Public Utilities Commission (CPUC) regulations means customers in those new member communities would begin receiving service in 2022.

It was also recommended at the retreat that over the next six months staff develop criteria for a proactive expansion strategy. This criteria could include geographic diversity, filling service territory gaps, and financial impacts. The retreat breakout participants advised staff to bring this item to the full Board for discussion amongst all the members.

ANALYSIS

In developing the recommendation and after collecting Board feedback at the Retreat, CPA staff believe the organization needs to put its energy and focus into transitioning to full operational mode, including adding staff, moving core procurement and financial functions in-house, launching pilot DER and customer programs and moving to permanent office space. In addition, current energy market conditions – rising prices and rate uncertainty – are not particularly conducive to a broad-based expansion effort.

If the recommendation is approved, communities who approach CPA over the next six months would be told that CPA is open for expansion in 2020. Jurisdictions that actively seek to join CPA in 2019 could still be considered under unique circumstances such as that which existed with Westlake Village last year, where there was a compelling geographic reason with little financial impact.



Staff Report – Agenda Item 8

To: Clean Power Alliance (CPA) Board of Directors
From: Matthew Langer, Chief Operating Officer
Approved By: Ted Bardacke, Executive Director
Subject: Approve Energy Risk Management Policy (ERMP) Amendments
Date: July 18, 2019

RECOMMENDATION

Approve amendments to CPA's Energy Risk Management Policy to authorize a new transaction type (Portfolio Content Category 3 renewable energy), modify prompt and calendar year hedge targets, and incorporate minor revisions to reflect CPA's operating history.

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 establishes a staff-level Risk Management Team (RMT) and is supplemented by an Energy Risk Hedging Strategy, which sets the minimum and maximum procurement amounts CPA will undertake for various energy products.

The original ERMP and associated hedging strategy was based on industry best practices but was expected to evolve as CPA developed further operational experience and/or new market conditions unfold. Amendments to the ERMP require approval by the Board. The Executive Committee discussed the proposed amendments at both their June 19, 2019 and July 10, 2019 meetings and provided significant input. Staff will

provide a technical and policy overview of the proposed changes at the July 18 Board meeting.

PROPOSED ERMP AMENDMENTS

Authorized Transaction Types

Staff is seeking approval to add Portfolio Content Category 3 (PCC3) renewable energy purchases to CPA's approved transaction types. In California, renewable energy, together with the documentation of that energy's environmental attributes (Renewable Energy Credits, or RECs) fall into one of the following three 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 shaped¹ 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 RECs that are "unbundled" from purchases of energy).

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 a small proportion of CPA's overall 2019 REC purchases are met with PCC3 procurement. PCC3 RECs would be used to partially meet the renewable energy targets for the Lean and Clean rates. PCC3 RECs would not be used to meet the energy and environmental requirements of the 100% Green rate product.

¹"Firmed and shaped" means that deliveries from an intermittent resource are supplemented with additional energy to provide the purchaser with a predictable delivery quantity and schedule. Over the course of a year, the total deliveries from the RPS-eligible facility will match the firmed and shaped energy, but not in real time.

The use of PCC3 RECs is discouraged, though not prohibited, by CPA's Joint Powers Agreement, as they are less environmentally preferable than PCC1 and PCC2.

However, PCC3 RECs are available at a significantly lower price compared to PCC1 and PCC2 and many CCAs use them either in their start-up years and/or on an ongoing basis to fill end-of-year open positions. Given the unique circumstances of CPA's 2019 rate-setting and financial needs, the intention is to purchase PCC3 RECs for 2019 only; any future purchases would only be considered and presented to the Board as part of the annual rate setting and budget adoption process.

The alternative to buying PCC3 RECs in 2019 while still meeting CPA's financial requirements would be to buy fewer RECs overall, thereby falling short of the 36% and 50% renewable energy targets for the Lean and Clean rates respectively.

When developing the ERMP in 2018, staff did not anticipate being in a financial position of having to buy PCC3 RECs to meet the organization's renewable energy commitments. Therefore, PCC3 RECs were not included among the authorized transaction types in the ERMP. Thus, in order to make these purchases, PCC3 transactions must be added as an authorized transaction type in the ERMP. A New Transaction Type Approval Form, required by the ERMP, is attached.

Fixed-Price Energy Hedge Targets

Fixed priced energy hedges are the principal way that CPA manages energy market price risk which fluctuates from day to day. CPA hedges by purchasing energy at a fixed price for a specific period of time (hourly, daily, monthly, annually), thus locking in certainty and limiting the risk of higher prices. Over the course of the past year, the RMT has, at times, believed it should undertake a more conservative hedging strategy than the ERMP allows. Staff is seeking approval to amend the fixed-priced energy hedge targets to reflect the following changes with the goal of further mitigating risk:

- 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, in practice CPA seeks to be sufficiently hedged on a rolling-year basis

to avoid being underhedged within a prompt fourth-quarter period. The proposed revision changes the targets from calendar year to rolling year.

- **Maximum Hedge Limits** – The proposed rolling hedge targets include a new 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 transmission outages, etc.) and/or to protect against load forecast uncertainty.
- **Revised Calendar Year Hedge Targets** – Calendar Year + 2 and Calendar Year + 3 hedge targets would be slightly increased at both the minimum and maximum levels to maintain a more conservative hedged position in these outer years.

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

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

Other

Several other minor revisions are made throughout the document that reflect CPA's 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
- 2) Proposed Updated ERMP (redline)

ATTACHMENT 1: New Transaction Type Approval Form

Prepared By: Natasha Keefer

Date: July 18, 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 RPS compliance period, PCC3 RECs cannot exceed 10% of a load-serving entity's compliance procurement. Due to changing regulations at the California Energy Commission, for the purposes of the Power Content Label in 2019, PCC3 RECs are not expected to 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

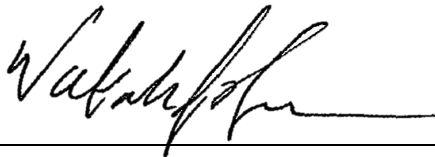
PCC3 RECs would be given the same accounting treatment as PCC1 and PCC2.

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

7/18/19

Date



Chief Operating Officer

7/18/19

Date



Executive Director

7/18/19

Date



Energy Risk Management Policy

July ~~12~~18,
~~2018~~2019

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Section 1: ENERGY RISK MANAGEMENT POLICY OVERVIEW

1.1 Background and Purpose

The Clean Power Alliance of Southern California (CPA) is a Joint Powers Authority (JPA) administering a Community Choice Aggregation (CCA) program in Southern California. CPA service territory currently includes 31 jurisdictions – 29 cities and the unincorporated parts of Los Angeles and Ventura Counties. CPA members presently include the following:

Counties:

Los Angeles

Ventura

Cities:

Agoura Hills	Hawaiian Gardens	Santa Monica
Alhambra	Hawthorne	Sierra Madre
Arcadia	Manhattan Beach	Simi Valley
Beverly Hills	Malibu	South Pasadena
Calabasas	Moorpark	Temple City
Camarillo	Ojai	Thousand Oaks
Carson	Oxnard	Ventura
Claremont	Paramount	West Hollywood
Culver City	Redondo Beach	Whittier
Downey	Rolling Hills Estates	

CCA, authorized in California under AB 117 and SB 790, allows local governments, including counties and cities, to purchase wholesale power supplies for resale to their residents and businesses as an alternative to electricity provided by an Investor Owned Utility (IOU). For CPA members, that IOU is Southern California Edison (SCE). Electricity procured by CPA to serve customers is delivered over SCE's transmission and distribution system.

CPA exists to serve its local government members, and the residences and businesses located within their respective communities. CPA's specific objectives are to provide its customers with a reliable supply of electricity, at competitive electric rates, sourced from a generation portfolio with lower greenhouse gas (GHG) emissions and higher renewable content than the incumbent utility, SCE. CPA also has goals to be a catalyst for local economic development and give its member agencies greater choice in the energy procured for their residents.

To meet these commitments, CPA must procure electric power supplies and operate in the wholesale energy market which exposes CPA, and ultimately the customers that it serves, to various risks. The intent of the Energy Risk Management Policy (ERMP) is to provide CPA, and by extension its customers, with a

framework, to identify, monitor and manage risks associated with procuring power supplies and operating in wholesale energy markets.

The Energy Risk Management Policy (ERMP), including its appendices, establishes CPA's Energy Risk Program.

1.2 Scope

Unless otherwise explicitly stated in the ERMP or other policies approved by the CPA Board of Directors (Board), the ERMP applies to all power procurement and related business activities that may impact the risk profile of CPA. The ERMP documents the framework by which CPA staff and consultants will:

- Identify and quantify risk
- Develop and execute procurement strategies
- Develop controls and oversight
- Monitor, measure and report on the effectiveness of the ERMP

To ensure its successful operation, CPA has partnered with experienced consultants to provide power supply services. Specific to power procurement, CPA has partnered with an outside Portfolio Manager. The Portfolio Manager augments CPA's internal Front (transacting), Middle (monitoring) and Back (settlement) Office related activities as discussed at Section 4.3. The Portfolio Manager will adhere to and be governed by the ERMP in providing these services to CPA. In addition, the Portfolio Manager's activities executed on CPA's behalf will be governed by its own risk management policies and procedures, and prudent industry practices.

1.3 Energy Risk Management Objective

The objective of the ERMP is to provide a framework for conducting procurement activities that maximize the probability of CPA meeting the goals listed in Section 2.1.

Pursuant to the ERMP, CPA will identify and measure the magnitude of the risks to which it is exposed and that contribute to the potential for not meeting identified goals.

1.4 ERMP Administration

The ERMP has been reviewed and approved by the Board. The Executive Director in consultation with the Risk Management Team (collectively, the "RMT"), as defined in Section 4.2, and the Board must approve amendments to the ERMP, except for appendices D, E, and F, which may be amended with approval of the Executive Director, in consultation with the RMT. The Executive Director must give notice to the Board of any amendment it makes to an appendix or a reference policy or procedure document.

Section 2: GOALS AND RISK EXPOSURES

2.1 ERMP Goals

To help ensure its long-term success, CPA has outlined the following goals:

- Build a portfolio of resources with lower GHG emissions and higher renewable content than SCE;
- Meet reliability requirements established by the State of California, and operate in a manner consistent with Prudent Utility Practice (defined as the practices generally accepted in the utility industry to ensure safe, reliable, compliant and expeditious operations);
- Maintain competitive retail rates with SCE after adjusting for exit fees (currently the Power Charge Indifference Adjustment or PCIA) and Franchise Fees paid by CPA customers;
- Emphasize during the initial years of operation the funding of financial reserves to meet the following long-term business objectives:
 - Stabilize rates by dampening year-to-year variability in power supply costs;
 - Establish an investment-grade credit rating to maximize the ability of CPA to engage in long-term acquisition or development of generation supplies consistent with ERMP goals; and
 - Provide a source of equity capital for investment in generation.

The goals outlined above are incorporated into the financial models and metrics that are used to monitor and measure risk and ERMP success. It is important to note that the goals listed above are not intended to be a comprehensive list of goals for CPA. Rather, the above reflect the overarching goals critical to CPA's long-term financial success and that will guide the ERMP.

2.2 Risk Exposures

For the purpose of the ERMP, risk exposure is assessed on all transactions (energy, environmental attributes, and capacity) executed by the Portfolio Manager on behalf of CPA, or by CPA unilaterally, as well as the risk exposure of open positions and the impacts of these uncertainties on CPA's load obligations.

CPA faces a range of risks during launch and ongoing operation including:

- Customer opt-out risk
- Market risk
- Regulatory risk
- Volumetric risk
- Model risk
- Operational risk
- Counterparty credit risk
- Reputation risk

2.2.1 Customer Opt-Out Risk

Customer opt-out risk may be realized by any condition or event that creates uncertainty within, or a diminution of, CPA's customer base. Customer opt-out risk is manifested in two separate ways.

First, the ability of customers to return to bundled service from SCE creates uncertainty in CPA's revenue stream, which is critical for funding ERMP goals and achieving the investment grade credit rating needed to successfully operate over the long-term.

Second, customer opt-out risk can potentially challenge the ability of CPA to prudently plan for, and cost-effectively implement, long-term resource commitments made on behalf of its member communities and the customers it serves.

CPA will manage customer opt-out risk through the following means:

- Implement a key accounts program and maintain strong relationships with the local community including elected leaders, stakeholders and all of the customers CPA serves;
- Actively monitor and advocate for the interests of CPA and its customers in SCE ratemaking proceedings, California Public Utilities Commission (CPUC) proceedings that potentially affect exit fees paid by CPA customers, as well as all regulatory and legislative proceedings where an adverse outcome may challenge the ability of CPA to deliver on customer commitments;
- Regularly monitor and report actual and projected financial results including probability-based and stress-tested financial results assuming a range of possible future outcomes with respect to:
 - Future SCE generation and PCIA rates;
 - Future market costs for energy, environmental attributes and capacity; and
 - Anticipated or threatened regulatory actions, when appropriate.
- Adopt, implement and update, as needed, a formal Energy Risk Hedging Strategy (Appendix B) describing the strategy that CPA will follow for engaging in procurement activities; and
- Evaluate expansion of CPA's customers base through incorporation of other eligible communities into the CCA.

2.2.2 Market Risk

Market risk is the uncertainty of CPA's financial performance due to variable commodity market prices (market price risk) and uncertain price relationships (basis risk). Variability in market prices creates uncertainty in CPA's procurement costs, which has a direct impact on customer rates. CPA will manage market risk through:

- Regular measurement;
- Execution of approved procurement;
- Hedging and Congestion Revenue Right strategies; and
- Use of the Limit Structure set forth in the ERMP (see limits in Section 5.1.2 and Appendix B).

2.2.3 Regulatory and Legislative Risk

CPA and other CCAs are subject to an evolving legal and regulatory landscape. Additionally, CCAs are in direct competition with California's IOUs in supplying retail electricity and the IOUs face the risk of stranded investments in generating assets and power purchase agreements procured in the past to serve now departing CCA loads. The manner in which such stranded costs of these legacy power supplies are allocated to departing CCA loads is subject to change based on various proceedings at the CPUC. The outcome of such proceedings will directly affect the cost of power for CPA's customers, as well as impact the rate competitiveness of CPA.

In addition to exit fees, potential regulatory and/or legislative changes could affect the ability of CPA to exercise local control over the manner and means of procuring power supplies to serve its customers.

CPA will manage regulatory and legislative risks by:

- Regularly monitor and analyze legislative and regulatory proceedings impacting CCAs; and
- Actively participate in, and advocate for, the interests of CPA and its customers during regulatory and legislative proceedings.

2.2.4 Volumetric Risk

Volumetric risk reflects the potential uncertainty in the quantity of different power supply products (e.g., renewable energy, Carbon Free Energy and capacity) required to meet the needs of CPA customers. This uncertainty can lead to adverse financial outcomes, as well as create potential for CPA to fail to meet reliability or renewable energy compliance requirements established by the State of California and/or the CPA Board. Customer load is subject to fluctuation due to customer opt-outs or departures, temperature deviation from normal, unforeseen changes in the growth of behind the meter generation by CPA customers, unanticipated energy efficiency gains, new or improved technologies, as well as local, state and national economic conditions. CPA will manage volumetric risk by taking steps to:

- Implement robust short- and long-term load and generation supply forecast methodologies, including regular monitoring of forecast accuracy through time and refining such forecasts, including by incorporating CPA's actual load data into forecasts as such data becomes available;
- Account for volumetric uncertainty in load and/or generation supply in the Energy Risk Hedging Strategy;
- Monitor trends in customer onsite generation, economic shifts, and other factors that affect electricity customer consumption and composition; and
- Proactively engage with customers in developing distributed energy resources and behind-the-meter generation and energy efficiency programs so as to better forecast changes in load.

2.2.5 Model Risk

Model risk has potential for an inaccurate or incomplete representation of CPA's actual or forecast financial performance due to deficiencies in models and/or information systems used to capture all transactions. CPA will manage model risk by:

- RMT ratification of models used to forecast financial performance, net positions and/or measure risk;
- Ongoing review of model outputs;
- A requirement to record all procurement transactions in a single trade capture system; and
- Ongoing update and improvement of models as additional information and expertise is acquired.

2.2.6 Operational Risk

Operational risk is the uncertainty of CPA's financial performance due to weaknesses in the quality, scope, content, or execution of human resources, technical resources, and/or operating procedures within CPA. Operational risk can also be exacerbated by fraudulent actions by employees or third parties or inadequate or ineffective controls. CPA will manage operational risk through:

- The controls set forth in the ERMP;
- RMT oversight of procurement activity;
- Timely and effective reporting to the Executive Director in consultation with the RMT, and the Board;
- Implementation of a compliance training program for CPA staff;
- Ongoing CPA and Portfolio Manager staff education/training and participation in industry forums; and
- Annual audits to test compliance with the ERMP.

2.2.7 Counterparty Credit Risk

Counterparty credit risk is the potential that a counterparty will fail to perform or meet its obligations in accordance with terms agreed to under contract. CPA's exposure to counterparty credit risk is controlled by the limit controls set forth in the Credit Policy described in Section 6.

2.2.8 Reputation Risk

Reputation risk is the potential that CPA's reputation is harmed, causing customers to opt-out of CPA service and migrate back to SCE. Reputational risk is also the potential that energy market participants view CPA as an untrustworthy business partner, thus reducing the pool of potential counterparties and/or having counterparties apply a CPA-specific risk premium to pricing. Reputational risk is managed through:

- Implementation of and adherence to the ERMP;
- Engaging in ethical, transparent and honest business practices during trading activities; and
- Establishment and adherence to industry best practices including both those adopted by other CCAs, as well as those adopted by traditional municipal electric utilities.

Section 3: BUSINESS PRACTICES

3.1 General Conduct

It is the policy of CPA that all Board members, staff, and consultants (collectively referred to “CPA Representatives”), adhere to standards of integrity, ethics, conflicts of interest, compliance with statutory law and regulations and other applicable CPA standards of personal conduct while employed by or affiliated with CPA. Towards this end, all persons performing marketing and trading functions on behalf of CPA shall be subject to, read, understand, and abide by the provisions contained in the CPA Code of Marketing and Trading Practices (see Appendix F).

3.2 Trading for Personal Accounts

All CPA Representatives participating in any transaction or activity within the coverage of the ERMP are required to comply with the CPA Conflict of Interest Code ~~adopted~~approved by the Fair Political Practices Commission and are obligated to give notice in writing to CPA of any legal, financial or personal interest such person has in any counterparty that seeks to do business with CPA, and to identify any real or potential conflict of interest such person has or may have with regard to any existing or potential contract or transaction with CPA, within 48-hours of becoming aware of the conflict of interest. Written notice should be submitted to the Executive Director substantially in the form of the letter notification shown in Appendix E. This written notice obligation shall be in addition to the regulations or requirements of the Fair Political Practices Commission (e.g., Statement of Economic Interests, Form 700) and any policy adopted by the CPA Board of Directors, including but not limited to the Vendor Communication Policy No. 2019-10.

Further, all persons are prohibited from personally participating in any transaction or similar activity that is within the coverage of the ERMP, or prohibited by California Government Code Section 1090, and that is directly or indirectly related to the trading of electricity and/or environmental attributes as a commodity.

If there is any doubt as to whether a prohibited condition exists, then it is the CPA Representative’s responsibility to discuss the possible prohibited condition with CPA ~~legal~~General Counsel.

3.3 Adherence to Statutory Requirements

All CPA Representatives are required to comply with rules promulgated by the State of California, CPUC, California Energy Commission, Federal Energy Regulatory Commission (FERC), Commodity Futures Trading Commission (CFTC), and other regulatory agencies.

Congress, FERC and CFTC have enacted laws and regulations that prohibit, among other things, any action or course of conduct that actually or potentially operates as a fraud or deceit upon any person in connection with the purchase or sale of electric energy or transmission services. These laws also prohibit any person or entity from making any untrue statement of fact or omitting a material fact where the omission would make a statement misleading. Violation of these laws can lead to both civil and criminal actions against the individual involved, as well as CPA. The ERMP is intended to comply with these laws, regulations and rules and to avoid improper conduct on the part of anyone employed by CPA. These procedures may be modified from time to time based on legal requirements, auditor recommendations,

and other considerations.

In the event of an investigation or inquiry by a regulatory agency, CPA will provide legal counsel to employees provided the subject of the investigation is within the employee's course and scope of employment. However, CPA reserves the right to refrain from providing legal counsel if it reasonably appears to the CPA General Counsel and Executive Director that the employee was either not acting in good faith or was acting outside the course and scope of his or her employment.

CPA employees are prohibited from working for another power supplier, CCA or utility while they are simultaneously employed by CPA unless an exception is authorized by the Board.

3.4 Transaction Type

Authorized transaction types are listed in Appendix C. Each approved transaction type that is listed is included to either meet a mandatory procurement obligation required of all Load Serving Entities (LSE) serving retail loads in California; and/or alternatively, the approved product is needed for CPA to meet an identified ERMP goal. Specifically:

- Resource Adequacy Capacity is a mandatory procurement obligation that ensures adequate generation supplies are available on a planning basis to reliably meet the requirements of electric consumers in the California Independent System Operator (CAISO) balance authority;
- Portfolio Content Category 1 (PCC1) and Portfolio Content Category 2 (PCC2) renewable energy must be procured by CPA to comply with the state of California's Renewable Portfolio Standard, as required by SB 350. CPA has made a voluntary decision to purchase incremental quantities of PCC1 and/or PCC2 renewable energy to exceed the renewable portfolio content of the incumbent utility;
- Carbon Free Energy is a voluntary purchase of specified source energy from large hydroelectric generation that enables CPA to provide its customers with electricity sourced from generators producing low GHG emissions so that member agencies can meet their climate action plans and CPA can contribute to combatting climate change;
- Physical Energy products are a voluntary purchase made by CPA to provide cost certainty and rate stability for customers; and
- The CAISO is the largest grid operator in the state of California and CPA members lie within its balancing area. CAISO operates Day-Ahead, Fifteen Minute and Real-Time Markets and other ancillary markets necessary for reliable operation of the grid. CPA is required to participate in CAISO markets. Acquisition of the CAISO products listed in Appendix C either result from mandatory participation in CAISO's markets, or are useful for managing short-term market risks associated with CAISO's markets.

The strategy for using and procuring the approved products is described in further detail in the Energy Risk Hedging Strategy.

3.4.1 Exceptions

New transaction types may provide CPA with additional flexibility and opportunity but may also introduce new risks. Therefore, transaction types not included in Appendix C must be approved by the RMT and the Board prior to execution using the process defined below.

When seeking approval for a new transaction type, a New Transaction Type Approval Form, as shown in Appendix D, is to be drafted describing all significant elements of the proposed transaction. The proposal write-up will, at a minimum, include:

- A description of the benefit to CPA, including the purpose, function and expected impact on costs (i.e.; decrease costs, manage volatility, control variances, etc.);
- Identification of the in-house and/or external expertise that will manage and support the new or non-standard transaction type;
- Assessment of the transaction's risks, including any material legal, tax or regulatory issues;
- How the exposures to the risks above will be managed by the Limit Structure;
- Proposed valuation methodology (including pricing model, where appropriate);
- Proposed reporting requirements, including any changes to existing procedures and system requirements necessary to support the new transaction type;
- Proposed accounting methodology; and
- Proposed work flows/methodology (including systems).

It is the responsibility of the Middle Office to ensure that relevant departments have reviewed the proposed transaction type and that material issues are resolved prior to submittal to the Board for approval. If the transaction type is approved, Appendix C to the ERMP will be updated to reflect its addition.

3.5 Counterparty Suitability

All counterparties with whom CPA transacts must be reviewed for creditworthiness and assigned a Credit Limit as described in Section 6.

3.6 System of Record

Since information systems play a vital role in CPA's trading abilities, CPA shall ensure that the information systems and technology used to store all transaction information are maintained and secure. At the outset of CCA operations, CPA's transactions will be stored in the Portfolio Manager's enterprise trading and risk management system.

The Portfolio Manager has assigned a Database Administrator (DBA) that is charged with database security and maintenance for the transaction database. For data security, transaction data stored in the system of record will be replicated daily to ensure data redundancy and backed-up to an offsite location.

All transaction records will be maintained in US dollars and will be separately recorded and categorized by type of transaction. This system of record shall be auditable.

3.7 Transaction Valuation

Transaction valuation and mark-to-market (valuing of an asset based on its current market price) reporting of positions shall be based on independent, publicly available, market-observed prices (replacement costs) whenever possible. In the event there are not market-observed prices, the value of CPA's

transactions shall follow a notional value calculation (the total nominal dollar value of a transaction over its full duration) or other methodology approved as part of the new product approval process.

All transactions and open positions will be valued daily.

3.8 Stress Testing

In addition to limiting and measuring risk using the methods described herein, stress testing shall also be used to examine performance of the CPA portfolio under potential adverse conditions. Stress testing is used to understand the potential variability in CPA's projected procurement costs and resulting impacts on customer rates and CPA's competitive positioning associated with low probability events. The Middle Office will perform stress-testing of the portfolio on a monthly basis and distribute results to the RMT.

3.9 Trading Practices

As previously noted, CPA exists to serve its customers. The scope of its wholesale market operations is limited to that which is required to meet the power supply obligations of its customers consistent with ERMP goals. It is the expressed intent of the ERMP to prohibit wholesale market activities that result in procurement of any power supply product beyond that which is required to meet an identifiable need of CPA customers. The purchase or sale of any power supply product beyond what is reasonably anticipated to be needed to meet the requirements of CPA customers is a speculative transaction and is prohibited.

In the course of developing operating plans and conducting procurement activities, CPA recognizes that staff must employ reasonable expertise and judgment, and it is not the intent of the ERMP to restrain the legitimate application of analysis and market expertise in executing procurement strategies intended to minimize costs or maximize the value of generation within the constraints of the ERMP. If any questions arise as to whether a proposed transaction(s) constitutes speculation, the RMT shall review the transaction(s) to determine whether the transaction(s) would constitute speculation and shall document its findings. As used here, "speculation" means the act of trading an asset with the expectation of realizing financial gain resulting from a change in price in the asset being transacted.

Staff and consultants engaged in procurement activities will also observe the following practices:

- Persons shall conduct business in good faith and in accordance with all applicable laws, regulations, tariffs and rules;
- Persons shall not arrange or execute wash trades (i.e. offsetting transactions where no financial risk is taken);
- Persons shall not disseminate known false or misleading information or engage in transactions to exploit such information;
- Persons shall not game or otherwise interfere with the operation of a well-functioning competitive market;
- Persons shall not collude with other market participants; and
- Persons shall immediately report any known or suspected violation of the ERMP.

3.10 Training

CPA recognizes the importance of ongoing education to manage risk and to contribute to ERMP success. Towards this end, CPA will observe the following practices:

- All employees executing procurement transactions on behalf of CPA must receive appropriate training in the attributes of each product type that they transact, how the product furthers the portfolio objectives of CPA, and how the risk profile of CPA is impacted by procurement of each product;
- All employees executing procurement activities shall complete energy market compliance training once per calendar year and acknowledge receipt of said training in writing;
- New employees must complete energy market compliance training within 30 days of hire date.

The Chief Operating Officer shall maintain records of each employee's training status.

Section 4: ORGANIZATIONAL STRUCTURE AND RESPONSIBILITIES

4.1 Board of Directors Responsibilities

The Board has the responsibility to review and approve the ERMP. With this approval, the Board acknowledges responsibility for understanding the risks CPA is exposed to through its CCA activity and how the policies outlined in the ERMP help CPA manage the associated risks. The Board is also responsible to:

- Provide strategic direction to CPA;
- Consider transactions beyond authorities delegated to the Executive Director in consultation with the RMT;
- Consider changes to the Energy Risk Hedging Strategy (see Appendix B); and
- Consider new transaction types not currently listed in the ERMP (see Appendix C).

4.2 Risk Management Team

The RMT is responsible for implementing, maintaining and overseeing compliance with the ERMP and for maintaining the Energy Risk Hedging Strategy. At a minimum, the members of the RMT shall include the Executive Director and at least two additional CPA staff members with experience in energy markets selected at the sole discretion of the Executive Director.

The primary goal of the RMT is to ensure that the procurement activities of CPA are executed within the guidelines of the ERMP and are consistent with Board directives. The RMT shall consider and propose changes to the ERMP when conditions dictate.

Pursuant to direction and delegation from the Board of Directors and the limitations specified by this ERMP, the Executive Director, in consultation with the RMT, maintains authority over procurement activities for CPA. This authority includes, but is not limited to, taking any or all actions necessary to ensure compliance with the ERMP.

The RMT ~~authorities and~~ responsibilities may include, but are not limited to:

- Maintain the Energy Risk Hedging Strategy and ensure that all procurement strategies and related protocols are consistent with the ERMP;
- Review ~~initial~~ financial and risk models and subsequent changes;
- Establish counterparty Credit Limits;
- Review initial counterparty credit review models and methods for setting and monitoring Credit Limits and subsequent changes;
- Review reports as described in the ERMP;
- Meet to review actual and projected financial results and potential risks;
- Keep apprised of any change in the environment in which CPA operates that has a material effect upon the risk profile of CPA;
- Review summaries of limit violations and recommend corrective actions, if necessary; and

- Review the effectiveness of CPA's energy risk measurement methods.

4.3 Segregation of Duties

CPA shall work to maintain a segregation of duties, also referred to as "separation of function," to help manage and control the risks outlined in the ERMP. Individuals responsible for legally binding CPA to a transaction will not also perform confirmation or settlement functions without supplemental, transparent, and auditable controls. CPA also will leverage the organizational structure of the Portfolio Manager's Front, Middle and Back offices to help maintain a segregation of duties. The Front, Middle and Back Office responsibilities for CPA are described below.

4.3.1 Front Office

The Front Office is headed by the Director of Power Planning & Procurement. The Front Office has overall responsibility for (1) managing all activities related to procuring and delivering resources needed to serve CPA load, (2) analyzing fundamentals affecting load and supply factors that determine CPA's net position, and (3) transacting within the limits of the ERMP and associated policies to balance loads and resources and maximize the value of CPA assets through the exercise of approved optimization strategies. Other duties associated with these responsibilities include:

- Assist in the development and analysis of risk management hedging products and strategies, and bring recommendations to the RMT;
- Prepare a monthly operating plan for the prompt month (the month following the current month) that gives direction to the Day-Ahead and Real-Time Market trading and scheduling staff regarding the bidding and scheduling of CPA's resource portfolio in the CAISO market;
- Develop, price and negotiate hedging products;
- Forecast Day-Ahead load and monitor/forecast same-day loads;
- Keep accurate records of all executed transactions;
- Manage and facilitate the transaction execution process for power supply transactions through coordination of the following activities:
 - Notify Front Office personnel of any anticipated unique physical delivery or scheduling issues;
 - Work with Middle Office personnel and legal counsel to establish a contract, evaluate counterparty creditworthiness and secure additional credit from the counterparty, if necessary;
 - Work with Middle Office, as needed, to perform an analysis of the potential transaction to evaluate the effect on CPA's portfolio risks;
 - Notify Back Office of terms and conditions affecting settlement to ensure that the necessary settlement procedures are in place.

4.3.2 Middle Office

The Middle Office functions will be the responsibility of the Chief Operating Officer. The Middle Office provides market and credit risk oversight, has responsibility for development of risk management policies and procedures, monitors compliance with the same, and keeps management and the Board informed on

risk management issues. ~~Through its partnership with the Portfolio Manager,~~ CPA will maintain its Middle Office functions independent from the front and back office functions.

Middle Office responsibilities include the following:

- Create and ensure compliance with policies outlining standard procedures for conducting business;
- Estimate and publish daily forward monthly power and natural gas price curves for a minimum of the balance of the current year through the next calendar year;
- Calculate and maintain the net forward positions (a forecast of the anticipated electric demands compared to existing resource commitments) of CPA for all power products (energy, renewable energy, Carbon Free Energy and Resource Adequacy Capacity);
- Ensure that CPA adheres to all risk policies and procedures;
- Implement and enforce credit policies and limits;
- ~~Handle confirmation of~~ Confirms all transactions conform to commercial terms and reconciles differences with the trading counterparties;
- Ensure all trades have been entered into the appropriate system of record;
- Ensure that all CAISO Day-Ahead, Fifteen Minute and Real-Time Market delivery volumes and prices are entered into a transaction database;
- Review models and methodologies and recommend RMT approval, as needed;
- Maintain a record of all transactions in a single trade capture system; and
- Mark unrealized and realized gain and losses associated with CPA hedge activity.
- Development and maintain financial and energy risk management models as directed by the RMT
- Develop and maintain load forecasting models and perform long term load forecasts as directed by RMT

4.3.3 Back Office

The Back Office functions will be the responsibility of the ~~Director of Power Planning & Procurement or other senior financial staff as CPA grows~~ Chief Financial Officer. It provides support with a wide range of administrative activities necessary to execute and settle transactions and to support the risk control efforts (e.g. transaction entry and/or checking, data collection, billing, etc.) consistent with the ERMP. Through its partnership with the Portfolio Manager, CPA will maintain its Back Office functions independent from the Front and Middle Office functions.

Back Office responsibilities include the following:

- ~~Ensuring reliability of~~ timely and accurate financial reporting statements;
- ~~Establish tax policies that comply with tax rules and make appropriate tax elections, in collaboration with accounting professionals and/or outside auditing firms;~~
- Maintaining a system of financial controls and business processes that control financial risk
- Maintaining the overall financial security of transactions undertaken on behalf of CPA;

- Carrying out month-end checkout of all transactions each month; and
- Validation and prompt payment of energy related invoices~~invoicing payable by CPA~~ and resolving disputes with counterparties.
- Generation and prompt collection of energy related invoices payable by counter-parties

Section 5: DELEGATION OF AUTHORITY

5.1 Risk Limits

The following limits apply to all CPA procurement activities. These limits are Board-approved and define the limits that CPA must operate within. The metrics and management of risk within these limits is further described in the Energy Risk Hedging Strategy.

5.1.2 Delegation Authority

Through its approval of the ERMP, the Board has delegated operations and oversight to the Executive Director, in consultation with the RMT, as outlined through the ERMP. Specifically, to facilitate daily operations of the CCA, the Board has delegated transaction execution authorities shown in the table below.

<i>Position</i>	<i>Term Limit*</i>	<i>Counterparty Limit</i>	<i>Notional Value Limit (per transaction)</i>	<i>Notional Value Limit (annual)</i>
Executive Director in consultation with the RMT	5 years	Pursuant to Credit Policy	Board-approved limits set in the Energy Risk Hedging Strategy	
Executive Director ¹	1 year	Pursuant to Credit Policy	\$5m in 2019; \$10m in 2020 and beyond	\$25m in 2019; \$80m in 2020 and beyond ²

* Term is the total duration of the contract, defined as the number of days between the beginning flow date and the ending flow date, inclusive.

For a transaction to be valid, it must conform to each of the four limits specified in the above table.

These limits will be applied to wholesale power procurement outside of transactions directly executed with the CAISO. These limits provide CPA the needed authority to manage risks as they arise. Transactions falling outside the delegations above require Board approval prior to execution.

Transactions with CAISO and CAISO administrative fees are excluded from this table. CAISO transactions are limited to those required for scheduling contracts in the CAISO market and for balancing CPA's load and resources.

¹ For operational flexibility, the Executive Director will have the authority to delegate 30% of procurement authority to either the Chief Operating Officer or Director of Power Planning & Procurement, as needed.

² Annual limits intended to reflect approximately 10% of annual power supply costs.

Long-term procurement, defined as contract terms greater than 5 years, will be conducted in accordance with Board-approved procurement plans. Long-term bilateral or solicitation awards will be subject to Board approval.³

All procurement executed under the delegation above, must align with CPA's underlying risk exposure (i.e., load requirements, locational and temporal) that is being hedged consistent with the Energy Risk Hedging Strategy.

5.1.3 Volume Limits

Transactions should not be executed that exceed CPA's ~~load (energy, and capacity), or~~ renewable or Carbon Free Energy requirements. If there is an adjustment to CPA requirements resulting in the volume of existing transactions exceeding ~~100% of~~ CPA's requirements, the RMT will determine the offsetting strategy deployed in sufficient proportion to mitigate the encroachment.

An exception to the above limits may be made by the RMT if executing a transaction exceeding load will minimize costs or is necessary to ensure compliance. For example, procuring RA for the entire year could cause CPA to hold excess RA in certain months. Such a transaction would be acceptable if a lower cost alternative transaction or set of transactions that more closely matches monthly needs is unavailable.

5.1.4 Locational Limits

The delivery location for all transactions must support the requirements of CPA's source or sink locations.

5.1.5 CAISO Submission Limits

CPA shall bid at least 80% of its forecast load requirements in the Day-Ahead Market and bids shall not exceed 100% of forecast load requirements.

CPA shall offer no more than 100% of the forecasted generation capability in the Day-Ahead Market. CPA shall follow CAISO protocols for all activity within CAISO.

5.2 Monitoring, Reporting and Instances of Exceeding Risk Limits

The Middle Office is responsible for monitoring and reporting compliance with all limits within the ERMP. If a limit or control is violated, the Middle Office will send notification to the trader responsible for the violation and the RMT. The RMT will discuss the cause and potential remediation of the exceedance to determine next steps for curing the exceedance.

³ The RMT will oversee the solicitation process for long-term procurement. Awards will be presented without market sensitive information (i.e. pricing or other sensitive commercial terms) for Board consideration in accordance with applicable law.

Section 6: CREDIT POLICY AND COUNTERPARTY SUITABILITY

Prior to execution of any transaction, the Front Office will verify that CPA has executed a master agreement with the counterparty, that the counterparty has been evaluated for creditworthiness, and that an approved Credit Limit has been established. No transactions may be executed without first ensuring the transaction falls within the unutilized Credit Limit for the counterparty.

6.1 Master Enabling Agreements and Confirmations

Transactions are governed by master agreements, the forms of which must be prepared by CPA General Counsel and approved by the Board. No transactions may be executed without a fully executed master agreement being on file. Written confirmations of each transaction will contain standard commercial terms and provisions. Material modifications or additions to standard commercial terms in confirmations require approval by legal counsel.

It is CPA's policy to confirm all transactions in writing. All confirmations received from counterparties will be matched against trades in the system of record. Any discrepancies between a confirmation and the system of record may be handled by the Front Office representative that executed the transaction, or if necessary, a Middle Office representative will seek resolution with the counterparty. All confirmations will be kept on file.

6.1.1 Exceptions

It is standard industry practice to not provide written confirmation of certain short-term transactions with a term of one day or less. Additionally, CPA may agree with certain counterparties to alternative methods for confirming certain transactions. Transactions executed in a recorded telephone conversation or recorded instant message in which the offer and acceptance shall constitute the agreement of the parties must be confirmed in writing after-the-fact, with notice being provided to the counterparty within 72 hours.

6.2 Counterparty Suitability

All counterparties shall be evaluated for creditworthiness by the Middle Office prior to execution of any transaction and no less than annually thereafter. Additionally, counterparties shall be reviewed if a change has occurred, or is perceived to have occurred, in market conditions or in a company's management or financial condition. This evaluation, including any recommended increase or decrease to a Credit Limit, shall be documented in writing and include all information supporting such evaluation in a credit file for the counterparty.

A Credit Limit for a counterparty will not be recommended or approved without first confirming the counterparty's senior unsecured or corporate credit rating from one of the nationally recognized rating agencies (S&P, Moody's, and/or Fitch) if available and ~~/or~~ performing a credit review ~~or analysis~~ of the counterparty's or guarantor's financial statements. The credit analysis shall include, at a minimum, current audited financial statements or other supplementary data that indicates financial strength commensurate with an investment grade rating and consider factors such as:

- Liquidity
- Leverage (debt)
- Profitability
- Net worth
- Proposed collateral and other contract terms

Trade and banking references, and any other pertinent information, may also be used in the review process.

Once a counterparty has been determined to be creditworthy, the Middle Office will propose a Credit Limit for approval by ~~the Executive Director, in consultation with~~ the RMT. Although a counterparty may qualify for a certain maximum Credit Limit, the types of products to be transacted, as well anticipated transaction volumes, terms and other business factors may prompt CPA to select a lower limit that is considered more appropriate.

Counterparties that do not qualify for an unsecured Credit Limit must post an acceptable form of credit support or prepayment prior to the execution of any transaction. A counterparty may choose to provide a guarantee from a third party, provided the third party satisfies the criteria for a Credit Limit as outlined herein.

6.3 Maximum Credit Limit

Each new counterparty Credit Limit or increase to an existing limit will be reviewed by the RMT. The maximum amount of any Credit Limit extended to a counterparty shall not exceed \$40,000,000⁴ unless approved in writing by the Board.

6.4 Credit Review Exceptions

Counterparties not subject to the above credit review criteria include those associated with Day-Ahead and current day purchases where risks associated with market movements is minimal.

6.5 Credit Limit and Monitoring

The Middle Office will monitor the current credit exposure for each counterparty with whom CPA transacts and include such information in the Current Counterparty Credit Risk Report. This report will be submitted to the RMT for review pursuant to the reporting requirements outlined in Section 7.

Current credit exposure is a measure of the known exposures and composed of two primary exposures – (1) realized exposure, and (2) forward exposure. Realized exposure, a payable or receivable amount owed between counterparties, is a measurement of cash flow for billed and unbilled transactions. Forward exposure is a measure of current unrealized exposure and includes the measure of a counterparty's incentive to fulfill contractual obligations. Forward exposure measures the risk associated with having a payment default or the need to replace a transaction in the event of delivery default.

⁴ Approximately 5% of annual power supply costs in 2020.

Section 7: POSITION TRACKING AND MANAGEMENT REPORTING

A vital element in the ERMP is the regular identification, measurement and communication of risk. To effectively communicate risk, all risk management activities must be monitored on a frequent basis using risk measurement methodologies that quantify the risks associated with CPA's procurement-related business activities and performance relative to identified goals.

Minimum reporting requirements are shown below. The reports outlined below will be presented to the RMT. Reports will be generated weekly unless otherwise noted.

- **Financial Model Forecast**

Latest projected financial performance, marked to current market prices, and shown relative to CPA's financial goals.

- **Net Position Report**

Latest forward net position report, by product type (energy, PCC1, PCC2, Carbon Free Energy and RA capacity) for the current and prompt year.

- **Counterparty Credit Exposure**

Current counterparty credit exposure compared against limits approved by CPA, as well as the limit assigned to CPA by the counterparty.

- **Monthly Risk Analysis**

Cash Flow at Risk and stress testing of financial forecasts relative to financial goals. Additional discussion of the specific Cash Flow at Risk metric that CPA will use, and its application, is provided in the Energy Risk Hedging Strategy.

- **Quarterly Board Report**

Update on activities, projected financial performance, and general market outlook to be presented quarterly at Board meetings, communicated in a way to ensure CPA confidentiality and market sensitive data is not released.

Section 8: ERMP REVISION PROCESS

The ERMP will evolve over time as market and business factors change. At least on an annual basis, the Executive Director, in consultation with the RMT, will review the ERMP and associated procedures to determine if they should be amended, supplemented, or updated to account for changing business conditions and/or regulatory requirements. If an amendment is warranted, the ERMP amendment will be submitted to the Board for approval. Changes to ERMP appendices may be approved and implemented by the Executive Director, in consultation with the RMT, with the exception of new transaction types and changes to the Energy Risk Hedging Strategy, which also require Board approval.

8.1 Acknowledgement of ERMP

All CPA Representatives participating in any activity or transaction within the scope of the ERMP shall sign, on an annual basis or upon any revision, a statement approved by the Executive Director, in consultation RMT, that such CPA Representative has:

- Read the ERMP;
- Understands the terms and agreements of said ERMP;
- Will comply with said ERMP;
- If an employee, understands that any violation of said ERMP shall subject the employee to discipline up to and including termination of employment;
- If a consultant, understands that any violation of said ERMP may be grounds for consultant contract termination; and
- If a Board member, understands that any violation of said ERMP shall subject the Board member to action by the Board.

8.2 ERMP Interpretations

Questions about the interpretation of any matters of the ERMP should be referred to the Executive Director.

All legal matters stemming from the ERMP will be referred to CPA counsel.

Appendix A: DEFINITIONS

Back Office: That part of a trading organization which handles transaction accounting, confirmations, management reporting, and working capital management.

CAISO: California Independent System Operator. CAISO operates a California bulk power transmission grid, administers the State's wholesale electricity markets, and provides reliability planning and generation dispatch.

Carbon Free Energy: Energy that is generated from a specific zero carbon emitting generating asset. It is commonly used to note energy from large hydroelectric or nuclear generation that while non-carbon emitting, is not an RPS-eligible generation source. Sometimes referred to as specified source energy.

CCA: Community Choice Aggregator. CCAs allow local government agencies such as cities and/or counties to purchase and/or develop generation supplies on behalf of their residents, businesses and municipal accounts.

CFTC: Commodity Futures Trading Commission. The CFTC is a U.S. federal agency that is responsible for regulating commodity futures and swap markets. Its goals include the promotion of competitive and efficient futures markets and the protection of investors and market participants against manipulation, abusive trade practices and fraud.

Congestion Revenue Right: A point-to-point financial instrument in the Day-Ahead Energy Market that entitles the holder to receive compensation for or requires the holder to pay certain congestion related transmission charges that arise when the transmission system is congested.

Credit Limit: The maximum amount of financial exposure one party is willing to extend to another.

Day-Ahead Market: The short-term forward market conducted by an Organized Market prior to the operating day. It is intended to efficiently allocate transmission capacity and facilitate purchases and sales of energy and scheduling of bilateral transactions.

FERC: Federal Energy Regulatory Commission. FERC is a federal agency that regulates the interstate transmission of electricity, natural gas and oil. FERC also reviews proposals to build liquefied natural gas terminals, interstate natural gas pipelines, as well as licenses hydroelectric generation projects.

Front Office: That part of a trading organization which solicits customer business, services existing customers, executes trades and ensures the physical delivery of commodities.

Franchise Fee: A franchise fee is a percentage of gross receipts that an IOU pays cities and counties for the right to use public streets to provide gas and electric service. The franchise fee surcharge is a percentage of the transmission (transportation) and generation costs to customers choosing to buy their energy from third parties. IOUs collect the surcharges and pass them through to cities and counties.

IOU: An Investor Owned Utility (IOU) is a business organization providing electrical and/or natural gas services to both retail and wholesale consumers and is managed as a private enterprise.

Limit Structure: A set of constraints that are intended to limit procurement activities.

Middle Office: That part of a trading organization that measures and reports on market risks, develops risk management policies and monitors compliance with those policies, manages contract administration and credit, and keeps management and the Board informed on risk management issues.

PCIA: Power Cost Indifference Adjustment or successor. The PCIA is intended to compensate IOUs for their stranded costs when a bundled customer departs and begins taking generation services from a CCA.

Portfolio Content Category 1 (PCC1) Renewable Energy: Energy and bundled Renewable Energy Credits that is simultaneously procured from an RPS-Eligible Facility that is directly interconnected to the distribution or transmission grid within 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) Renewable Energy: Energy and bundled Renewable Energy Credits that is simultaneously purchased from an RPS-Eligible Facility, but the energy is firmed and shaped with substitute electricity scheduled into a CBA within the same calendar year as the renewable energy is generated.

Portfolio Content Category 3 (PCC3) Renewable Energy: Renewable Energy Credits from RPS-eligible facilities that do not meet the definition of PCC1 or PCC2. Renewable Energy Credits not meeting the definition of PCC1 or PCC2.

Real-Time Market: The real-time market is a spot market in which LSEs can buy power to meet the last few increments of demand not covered in their day ahead schedules, up to 75 minutes before the start of the trading hour.

Resource Adequacy Capacity: A capacity product whereby a Seller commits to a must offer obligation of its generator in the CAISO market and on behalf of a specified Load Serving Entity.

RPS-Eligible Facility: Defined under CA Public Utilities Code § 399.11 et seq. and CA Public Resources Code § 25740 et seq. as an electrical generating facility using technologies such as biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, small hydroelectric generation of 30 megawatts or less, ocean wave, ocean thermal, or tidal current.

Settlement: Settlement is the process by which counterparties agree on the dollar value and quantity of a commodity exchanged between them during a particular time interval.

Stress testing: Stress testing is the process of simulating different financial outcomes to assess potential impacts on projected financial results. Stress testing typically evaluates the effect of negative events to help inform what actions may be taken to lessen the negative consequences should such an event occur.

Appendix B: ENERGY RISK HEDGING STRATEGY

1.1 Introduction

CPA is routinely exposed to commodity price risk and volume variability risk in the normal conduct of serving the power supply requirements of its customers.

This Energy Risk Hedging Strategy (ERHS) describes the strategy and framework that CPA will use to hedge the power supply requirements of its customers ~~during the prompt calendar year (the calendar year after the current calendar year) plus the following four calendar years~~. Specific focus is on procurement of the following market-based products:

- Fixed Priced Energy
- Portfolio Content Category 1 Renewable Energy
- Portfolio Content Category 2 Renewable Energy
- Carbon Free Energy
- Resource Adequacy Capacity

In addition to market-based transactions entered into pursuant to this ERHS, CPA will also enter into longer-term power purchase agreements (PPAs) pursuant to statutory requirements (e.g., SB 350 mandate to, by 2021, procure a minimum of 65 percent of RPS requirements under a 10-year or longer power purchase agreement)), as well as voluntary long-term resource acquisition decisions made independently by CPA pursuant to its Integrated Resource Plan or other approved Board-approved strategies. Long-term Power Purchase Agreements (PPAs) will count as hedges as described later in this ERHS.

2.1 Governance

This ERHS shall be updated, as necessary, from time to time and governed by the Energy Risk Management Policy (EMRP) approved by the CPA Board of Directors.

3.1 Hedging Program Goals

The overall goal of the ERHS is to identify exposure to commodity prices, quantify the financial impact variability in commodity prices, load requirements and generation output may have on the ability of CPA to meet its financial program goals, and manage the associated risk.

The primary goals that guide this ERHS are:

- Acquire a portfolio of resources with lower greenhouse gas emissions and higher renewable content than SCE;
- Meet reliability requirements established by the state of California, and operate in a manner consistent with prudent utility practice;

- Maintain competitive retail rates with SCE after adjusting for exit fees (currently the Power Charge Indifference Adjustment or PCIA) and Franchise Fees paid by CPA customers;
- Build financial reserves to ensure the CPA's long-term financial objectives are achieved.

All hedging activities will be conducted to achieve results consistent with the above goals and to meet the power supply requirements of CPA's customers. Any transaction that cannot be directly linked to a requirement of serving CPA's customers, or that serves to reduce risk as measured by the Power Supply Cost at Risk (PSCaR) described below is prohibited.

4.1 Hedging Targets and Strategies

4.1.1 Fixed Price Energy

Fixed Price Energy purchases provide for suppliers to deliver energy – for which CPA will receive energy market revenues – to CPA at a fixed price. They are used to manage the electricity commodity price risk that the CPA faces as a Load Serving Entity. Specific to CPA's customers, Fixed Price Energy hedges are used to provide cost certainty and rate stability.

In the near-term, CPA will predominantly employ Fixed Price Block Energy contracts, which provide for suppliers to deliver a predetermined volume of energy at a constant delivery rate. As CPA enters into long-term, fixed price contracts for renewable and/or carbon-free energy, these will likewise hedge CPA's market risk and, subsequently, reduce the required volume of Fixed Price Block Energy purchases.

When assessing its requirements for Fixed Price Energy, the CPA will use an econometric model to forecast ~~the monthly energy requirements of its customers during heavy and light load hours⁵ each month.~~ Forecast load will be determined through use of an econometric model that forecasts both total energy usage and hourly energy requirements and monthly peak demand by customer load class. The model will use historical data to estimate relationships between energy consumption and economic, demographic and/or weather variables. The econometric model will be refined through time as additional load data is acquired through CPA operations.

The CPA will observe the following schedule when hedging its Fixed Priced Energy Requirements. ~~The Time Period represents the number of months following the then present month. The Minimum and Maximum hedge % represent the Fixed Price Energy under contract divided by forecasted load.~~

Time Period	Minimum Hedge % ⁶	Maximum Hedge %
Prompt Month	90	100
Prompt 1 Calendar Year 4 Quarters	70 85	90 110
CY + 1 Balance of prompt year not covered by Prompt 4 Quarters	50 65	70 90
C Current Calendar Year (CY) + 2	30 40	50 70
CY + 3	0	5 40
CY + 4	0	3 40
CY + 5	0	15

~~⁵Heavy Load (On-peak) Hours in wholesale energy markets are 6am to 10pm, Monday through Saturday, excluding New Years Day, Memorial Day, 4th of July, Labor Day, Thanksgiving and Christmas. All other hours during the year are considered Light Load (Off-peak) Hours.~~

⁶ CPA will exclude the estimated amount of hedge provided to CPA's customers by SCE's portfolio under the current PCIA construct when calculating compliance with the hedge schedule.

The hedge schedule for the Prompt ~~Month-Quarter~~ will be measured as of 5 days prior to the first day of the ~~month-quarter~~ (e.g., on ~~August-September 27, 2018~~~~2019~~, CPA will have hedged ~~90~~~~85~~ to ~~110~~ percent of its projected energy requirements during ~~September-Q4 2018~~~~2019 to Q3 2020~~).

~~The hedge schedule for the Prompt Calendar Year (CY), as well as subsequent 2 calendar years, will be measured as of the first day of each new calendar year (e.g., on January 1, 2019, CPA will have hedged 70 to 90 percent of its forecast energy requirements for CY 2019; 50 to 70 percent of its forecast energy requirements for CY 2020 and 30-50 percent of its forecast energy requirements for CY 2021).~~

The minimum hedge level will be achieved by implementing a time-driven programmatic strategy. Time-driven programmatic hedges are executed at a predetermined rate pursuant to a time schedule and without regard for market conditions. The purpose of these hedging transactions is to achieve a reduction in variability in power supply costs by gradually increasing the amount of energy hedged as the actual date of consumption approaches. Time-driven strategies avoid the inherent impossibility of trying to consistently and accurately “time the market” to purchase energy at least cost when making hedging decisions. Additionally, a load serving entity the size of CPA needs to spread its procurement efforts over time to effectively manage the potential negative price impacts of procuring a large volume of energy, over a short period of time, in an illiquid market.

Hedging decisions to reach targets between the minimum and maximum hedge levels will be based on price-driven or opportunistic strategies. The purpose of price-driven or opportunistic strategies is to capitalize on market opportunities when conditions are favorable. The CPA will base its decision to execute opportunistic hedges on the anticipated impact to projected power supply costs and the resulting reduction in PSCaR.

Opportunistic hedges may be executed when energy price levels are favorable to lowering the cost of power relative to established program goals and financial projections; alternatively, opportunistic hedges can be executed in adverse market conditions relative to financial goals in order to reduce the potential negative impact of continued upward trending commodity prices relative to established goals.

In executing this ERHS, Fixed-Price Energy hedges may be modified, repositioned or unwound for the purpose of maintaining hedge coverage that matches changes in forecast electric load. This includes the ability of the CPA to use liquid market products to hedge average loads over a defined time period and then later modify its hedges to more precisely match load.

4.1.2 Portfolio Content Category 1 Renewable Energy

In order to cost-effectively meet its GHG-reduction and renewable energy goals, CPA intends to meet a growing share of its energy supply requirements with renewable energy, a large portion of which will be Product Content Category 1 (PCC1) renewable energy. PCC1 renewable energy is sourced from a renewable generator that is either directly interconnected to the California Independent System Operator (CAISO) or another California Balancing Authority or directly scheduled into CAISO without use of substitute energy.

In order to manage price risk of long-term renewable energy, and to allow CPA to prudently and methodically build a portfolio of long-term assets, CPA intends to meet its PCC1 energy targets with a

blend of short and long-term contracts. In the 2018-2020 period, this balance will include a relatively higher share of short-term contracts as the CPA focuses on launching its CCA and establishing a strong financial foundation. While hedging its PCC1 requirements during the next one to two years with contracts that are primarily shorter in term, CPA will observe the following schedule. The hedge schedule percentages shall be measured such that a 100% hedge position equals 75%⁷ of the RPS energy CPA will need to serve all customers at their chosen rate option (e.g. 50% RPS). The hedge schedule shall be measured on December 1 of each year for the Prompt Calendar year and the four subsequent calendar years.

PCC1 Hedge Targets Applicable During Calendar Years 2018-2020

Time Period	Minimum Hedge %	Maximum Hedge %
Prompt Calendar Year <u>(PY)</u>	75	100
<u>P</u> CY + 1	50	80
<u>P</u> CY + 2	30	70
<u>P</u> CY + 3	0	70
<u>P</u> CY + 4	0	70

Between 2018 and 2021, CPA will increase its focus to longer-term PCC1 contracts, particularly for Calendar Year 2021 and beyond. This shift is necessary to comply with the renewable procurement requirements of SB 350, as well as the fact that new renewable generating facilities typically require long-term PPAs with terms that can range from ten to twenty-five years. CPA's strong interest in delivery of renewable generation to its customers will eventually require voluntary execution of long-term PPAs beyond what is mandated by SB 350.

CPA's eventual goal is to reach a steady state of procurement in which it contracts for four to eight percent of its projected annual PCC1 requirements each year via long-term contract. Doing so will i) allow CPA to steadily reduce its exposure to renewable energy and energy market price risks in a fashion similar to the programmatic hedging approach for Fixed-Price Block Energy and ii) ensure that CPA is in a position to make strategic procurement decisions and, if appropriate, commitments every year.

As CPA's PCC1 portfolio is increasingly comprised of long-term contracts in line with long-term contracting requirements mandated under SB 350, in 2021 and thereafter, CPA shall observe the following schedule while hedging its PCC1 requirements. This hedge schedule shall first be measured on December 1, 2020 and then on December 1 of each subsequent year for the Prompt Calendar year and the two following calendar years.

PCC1 Hedge Targets Applicable Beginning in Calendar Year 2021

Time Period	Minimum Hedge %	Maximum Hedge %
Prompt Calendar Year	65	100

⁷ SB350 requires a minimum of 75% of RPS product used for compliance to come from PCC1 resources.

CY -PY + 1	60	95
<u>P</u> CY + 2	55	90
<u>P</u> CY + 3	55	90
<u>P</u> CY + 4	55	90

4.1.3 Portfolio Content Category 2 Renewable Energy

CPA shall diversify its renewable energy portfolio further by incorporating Portfolio Content Category 2 (PCC2) renewable energy purchases. PCC2 renewable energy is sourced from renewable generators located outside the state of California where that generation is “firmed and shaped” for delivery into California. PCC2 purchases are typically less expensive and shorter in term than PCC1, so they provide a cost-effective and flexible method of augmenting CPA’s renewable energy purchases to meet renewable portfolio content commitments to customers.

CPA will observe the following schedule when hedging its PCC2 renewable energy requirements. The hedge schedule percentages shall be measured such that a 100% hedge position equals 25%⁸ of the RPS energy CPA will need to serve all customers at their chosen rate option (e.g. 50% RPS). In other words, if CPA’s PCC2 position is 100% hedged, then 75% of the RPS energy will come from PCC1 resources. The hedge schedule shall be measured on December 1 of each year for the Prompt Calendar year and the two subsequent calendar years.

Time Period	Minimum Hedge % ⁹	Maximum Hedge %
Prompt Calendar Year	50	100
<u>P</u> CY + 1	35	75
<u>P</u> CY + 2	20	50
<u>P</u> CY + 3	0	25
<u>P</u> CY + 4	0	10

It should be noted that there is currently a proceeding underway at the California Public Utility Commission to implement California legislature’s AB 1110, which may impact the reporting and accounting methodologies that apply to PCC2 renewable energy, so the hedging schedule above is subject to change as CPA gains clarity regarding any potential revised methodology.

4.1.4 Carbon Free Energy

In pursuit of its GHG-reduction objectives, CPA shall augment its renewable energy purchases outlined above with energy purchases from carbon-free energy generating facilities, which are typically hydro-

⁸SB 350 allows a maximum of 25% of RPS product used for compliance to come from PCC2 resources.

⁹ RPS compliance rules set minimum requirements for PCC1 procurement and maximum limits for PCC2 procurement as a percentage of the total RPS compliance portfolio. If insufficient PCC2 product is available in the market, the Risk Management Team may approve shifting volumes from the PCC2 hedge schedule into the PCC1 hedge schedule.

electric resources located in California that are too large to qualify as Eligible Renewable Resources (30 MW or greater) or located outside of California. Similar to PCC2 renewable energy contracts, carbon-free energy purchases are typically short-term, most frequently one to three years in length.

CPA will observe the following schedule when hedging its Carbon-Free renewable energy requirements. The hedge schedule shall be measured on December 1 of each year for the Prompt Calendar year and the two subsequent calendar years.

Time Period	Minimum Hedge %	Maximum Hedge %
Prompt Calendar Year	75	100
P CY + 1	50	75
P CY + 2	25	50
P CY + 3	0	25
P CY + 4	0	10

In setting the above targets, it is important to note that the purchase of Carbon Free Energy is a voluntary requirement set by the CPA Board to exceed SCE's GHG emissions goals. In determining the total volume of Carbon Free Energy to be hedged, the CPA Board may elect to increase or reduce the total quantity of Carbon Free Energy included in CPA's portfolio as it seeks to balance multiple program objectives, including financial goals such as targets for financial reserves and retail rates. The Board will determine CPA's target quantity of Carbon Free Energy annually during the rate-setting process.

4.1.5 Resource Adequacy Capacity

As a Load-Serving Entity (LSE) in California, CPA is required to demonstrate both annually and monthly that it has secured sufficient energy capacity to provide for its share of California's energy load; this capacity is referred to as Resource Adequacy (RA). Because CPA serves customers in SCE's service territory, CPA has local RA requirements specific to the Los Angeles Basin and Big Creek/Ventura local areas, as well as general RA requirements for Southern California ("South of Path 26 System"), a portion of which must be Flexible RA. Flexible RA requirements ensure resources are available on the grid to provide ancillary services such as ramping and regulation.

RA is typically transacted via contracts that vary in length from one month to three years, and it is currently bought and sold via a bilateral market, which not only provides cost-effective contracting opportunities but also proves at times to be fragmented and volatile. While a waiver process exists to excuse LSEs from their RA requirements, it is the goal of CPA to meet its requirements and not use the RA waiver process.

CPA will observe the following schedule when hedging its RA requirements. The hedge schedule shall be measured for each RA product that CPA is required to procure on December 1 of each year for the Prompt Calendar year and the two subsequent calendar years.

Time Period	Minimum Hedge %	Maximum Hedge %
Prompt Calendar Year	90	100
CY PY + 1	50	90
P CY + 2	30	80
P CY + 3	0	30
P CY + 4	0	15

5.1 Hedge Program Metrics

The success of the Energy Risk Hedging Strategy will be measured by realizing power supply costs in line with the budgeted power supply costs used to set customer rates, as well as by reducing CPA's exposure to commodity price risk. The following two metrics will be utilized to manage the Energy Risk Hedging Strategy:

- Current projected power supply costs will be compared to budgeted power supply costs where budgeted costs will be based on the assumptions used at the time customer generation rates are set. Current power supply costs shall use all fixed priced contracts executed as of the date of the report. All open positions will be marked to market and compared to the budgeted power supply costs.
- Power Supply Cost at Risk (PSCaR). PSCaR represents a statistical view of what could happen to CPA's power supply costs assuming that no action is taken to manage its portfolio from the date of the analysis through the end of the period of time being analyzed. The potential cost will be calculated using a historical sampling methodology that considers on- and off-peak periods separately over the remaining life of the transactions. The PSCaR calculation will consider potential variability in load and generation supply. The PSCaR will be calculated by rank ordering the portfolio cost and measuring the difference between the 95th percentile and the expected power cost outcome.

These metrics will be reviewed when making price-driven or opportunistic hedging decisions to ensure that the transactions are consistent with the goals of the Energy Risk Hedging Strategy. These metrics will be updated and reported ~~by TEA to the CPA~~ on a monthly basis.

6.1 Reporting Requirements

The following reports are required to manage the hedge program and to ensure its success:

- Net Position Report for each product
- Current Projected Power Supply Costs compared to budget
- Power Supply Cost at Risk
- GHG intensity

Appendix C: AUTHORIZED TRANSACTION TYPES

All transaction types listed below must be executed within the limits set forth in the ERMP. Definitions for each product are provided in Appendix A.

- **CAISO Market Products**
 - **Day-Ahead Market Energy** (Energy purchased from the CAISO Day-Ahead Market.)
 - **Real-Time Market Energy** (Energy purchased from the CAISO in the Real-Time Market)
 - **Congestion Revenue Rights** (A point-to-point financial instrument in the Day-Ahead Energy Market that entitles the holder to receive compensation for or requires the holder to pay certain congestion related transmission charges that arise when the transmission system is congested.)
 - **Convergence Bids** (Financial positions, either demand or supply, taken in the Day-ahead Market and liquidated in the Real-Time Market.)
 - **Inter-Scheduling Coordinator Trades** (A trade between two Scheduling Coordinators that is a settlement service that CAISO offers to parties of a bilateral contract as a means of offsetting CAISO settlement charges against bilateral contractual payment responsibilities.)
- **Physical Energy Products**
 - **Short-Term Energy** (Energy traded in the CAISO market or bilaterally for a duration less than one year.)
 - **Long-Term Energy** (Energy traded in the CAISO market or bilaterally for a duration greater than one year.)
 - **Physical Over-the-Counter (OTC) Options** (Call options that give the buyer the right, but not the obligation, to buy an underlying power product at agreed upon terms as detailed in a confirmation agreement; or put options that give the seller the right, but not the obligation, to sell an underlying power product at agreed upon terms as detailed in a confirmation letter.)
- **Resource Adequacy Capacity** (A capacity product whereby a Seller commits to a must offer obligation of its generator in the CAISO market and on behalf of a specified Load Serving Entity.)
- **Import Capability Rights** (Entitles an LSE to count Resource Adequacy products at a specified import location toward its Resource Adequacy Requirements.)
- **Physical Environmental Products**
 - **PCC1 ~~and~~, PCC2 and PCC3 Renewable Energy** (see definition in Appendix A)¹
 - **Carbon Free Energy** (see definition in Appendix A)
 - **Air Resource Board Allowances** (An allowance is a tradeable permit issued by the California Air Resource Board to emit one metric ton of a carbon dioxide equivalent greenhouse gas emission.)
- **Financial Hedging Products**
 - **Futures Contracts** (A contract to buy or sell a commodity (electricity) at a predetermined price at a specified time in the future. Futures Contracts are standardized for quality and quantity to facilitate trading on a futures exchange (e.g., Intercontinental Exchange).)

¹ Clean Power Alliance's Joint Power's Agreement discourages the purchase and use of PCC3 products. PCC3 products will only be acquired under exceptional circumstances requiring the use of this product to achieve the agency's environmental and financial goals/objectives.

- **Swaps** (Financial contracts in which one party agrees to pay a cash flow calculated by multiplying a fixed volume by a fixed price (fixed price payer) and the other party agrees to

- pay a cash flow calculated by multiplying the same fixed volume times a market reference index price (floating price payer). At settlement, the party owing the higher amount pays the net difference. Swaps are transacted in over-the-counter markets.)
- **Call and Put Options on Futures** (Call options give the buyer the right, but not the obligation, to purchase energy or other instruments ~~Futures Contract~~. Put options give the buyer the right, but not the obligation, to sell energy or other instruments ~~Futures Contract~~.)
 - **Options on Swaps (Swaptions)** (call options give the buyer the right, but not the obligation, to enter into a swap transaction as the fixed price payer. A put option gives the buyer the right, but not the obligation, to enter into a swap transaction as the floating priced payer.)
 - **Transmission** (The reservation and transmission of capacity and energy between two points on a transmission provider's system.)
 - **Tolling Agreements** (Agreement between a power buyer and a power generator, under which the buyer supplies the fuel, either physically or financially, and receives an amount of power generated based on an assumed conversion rate at an agreed cost.)

Appendix D: NEW TRANSACTION TYPE APPROVAL FORM

New Transaction Type Approval Form

Prepared By:

Date:

New Transaction Type Name:

Business Rationale and Risk Assessment:

- Product description – including the purpose, function, expected impact on net revenues (i.e., increase, manage volatility, control variances, etc.) and/or benefit to CPA
- Identification of the in-house or external expertise that will be relied upon to manage and support the new or non-standard transaction
- Assessment of the transaction's risks, including any material legal, tax or regulatory issues
- How the exposures to the risks above will be managed by the limit structure
- Proposed valuation methodology (including pricing model, where appropriate)
- Proposed reporting requirements, including any changes to existing procedures and system requirements necessary to support the new product
- Proposed accounting methodology
- Proposed Middle Office work flows/methodology, including systems
- Brief description of the responsibilities of various departments within CPA who will have any manner of contact with the new or non-standard transaction

Reviewed by:

Director of Power Planning & Procurement

Date

Chief Operating Officer

Date

Executive Director

Date

Appendix E: NOTICE OF CONFLICT OF INTEREST

To: [insert title]

Declaration of Conflict of Interest

I understand that I am obligated to give notice in writing to Clean Power Alliance of any interest or relationship that I may have in any counterparty that seeks to do business with Clean Power Alliance, and to identify any real or potential conflict of interest such counterparty has or may have with regard to any existing or potential contract or transaction with Clean Power Alliance, within 48-hours of becoming aware of the conflict of interest.

I would like to declare the following existing/potential conflict of interest situation arising from the discharge of my duties concerning Clean Power Alliance activities covered by the scope of the ERMP:

- a) Persons/companies with whom/which I have official dealings and/or private interests:

- b) Brief description of my duties which involved the persons/companies mentioned in item a) above.

Position and Name: _____

Signature: _____

Date: _____

Appendix F: **SAMPLE** CODE OF MARKETING AND TRADING PRACTICES

See next page.

**Clean Power Alliance of
Southern California
Code of Marketing and Trading Practices
July 12, 2018**

Definitions

Marketing and Trading Employee – Any employee, contractor, consultant, or agent of CPA who engages in procurement activity.

Scope of Code

This Code of Marketing and Trading Practices (the “Code”) applies to all CPA ~~m~~Marketing and ~~t~~Tradinemployees. Each person subject to this Code is required to read, understand, and abide by the provisions contained in this Code.

Purpose

In addition to demonstrating CPA’s commitment to ethical business practices, this Code is designed to ensure that CPA complies with its obligations under state and federal laws, rules and regulations promulgated by various governmental agencies, and applicable policies adopted by ~~its Clients~~CPA. This Code defines and affirms the values and principles that CPA’s Marketing and Trading Employees ~~employees~~ must follow in conducting their business activities. The Code is intended to complement the other policies, procedures and processes of CPA and to guide traders and marketers as they negotiate transactions, arrange for transmission, and manage risk.

Compliance with the Code allows CPA to assure its ~~Clients~~, counterparties, potential customers, regulators, and the public that its business activities are, and will continue to be, conducted with integrity and unlawful/unethical trading practices will not be tolerated.

Questions about compliance with industry and company regulations as well as with this Code should be referred to CPA’s General Counsel.

Policy

CPA’s ~~m~~Marketing and ~~t~~Tradinemployees shall:

1. Conduct business in good faith and in accordance with all applicable laws, regulations, tariffs and rules.
2. Endeavor to always act in the best interests of CPA’s customers.
3. Not disseminate, cause to be disseminated or facilitate the dissemination of known false or misleading information, or engage in transactions in order to exploit known false or misleading information.
4. Engage only in transactions with legitimate business purposes.
5. Not knowingly arrange or execute wash trades.
6. Not engage in any activity with the intent to alter any market price or otherwise interfere with the normal operation of a well -functioning competitive market.
7. Not engage in price reporting or furnishing transaction prices to any entity that collects prices to be used in the calculation of a price index or for distribution to subscribers, without prior written approval of CPA’s General Counsel.
8. Not collude with other market participants to: (i) affect the price of any commodity; (ii) allocate territories, customers or products; or (iii) otherwise restrain competition.

9. Not engage in transactions for commodities or services without the intention of providing those specific commodities or services.
10. Not reserve service, attempt to reserve service, access information, or attempt to access information from any transmission service provider except through means available to all eligible customers.
11. Successfully complete yearly CPA compliance training.
12. Comply with requirements that trading and marketing activities are recorded and retained.
13. Cooperate with any audit or investigation into trading and marketing activities.

Duty to Report Violations and Non-Retaliation Clause

A Marketing and Trading Employee ~~CPA employee~~ who believes that a violation of the Code has occurred is required to promptly notify ~~the CPA's~~ Chief Operating Officer. CPA shall make every effort to ensure the confidentiality of the ~~reporting employee~~ Marketing and Trading Employee. If the reporting Marketing and Trading Employee is a CPA employee, CPA shall not discharge, suspend, demote, harass, layoff, deny a promotion, or take any other retaliatory action against ~~that employee an employee~~ solely as a result of the act of reporting a suspected violation of the code. This in no way affects CPA's rights as an employer with respect to all other issues. CPA will monitor and follow up to ensure that employees who have reported alleged violations have not been subject to retaliation.

Disciplinary Action

Any failure to abide by this Code, including the Duty to Report Violations, will result in disciplinary action. All potential violations are handled on a case-by-case basis and will result in a full review by, at minimum, the following individuals: the CPA employee's immediate supervisor and CPA's General Counsel. Factors that are considered in setting the disciplinary action plan include but are not limited to: source of violation discovery (self-reported, peer-reported, reported by a third party, via internal procedures, or the result of an audit), intent (accidental or intentional), type and magnitude of risk that the CPA employee exposed CPA to (financial, reputation, etc.), and frequency of the violation (first offense or history of multiple offenses). The disciplinary actions taken may involve demotion, loss of compensation (suspension without pay), and termination of employment.

I ~~have read agree to abide by the provisions of~~ CPA's Code of Marketing and Trading Practices, understand its requirements, and agree to abide by its provisions.

Signature

Printed Name

Date

Item V

To: Clean Power Alliance (CPA) Board of Directors
From: Ted Bardacke, Executive Director
Subject: Management Update
Date: July 18, 2019

Operational Update

Beginning in late May and into June, SCE identified several issues with its billing system that is causing delays in the issuance of bills, or the issuance of incomplete bills, to CPA customers. Some Board members and member agency staff may already be aware of billing issues as they have been contacted directly by impacted customers.

Impacted customers fall into two general categories:

- 1) Accounts Did Not Bill – customers who have not been issued a bill for one or more bill periods.
- 2) Accounts Billed with Partial Charges – customers who have received one or more bills with SCE delivery charges on them but without CPA generation charges.

Approximately 111,000 bill periods related to CPA customers are currently impacted; the number of individual customers impacted is somewhat less, as some customers have been impacted for more than one bill period.

These SCE billing system issues impacted all CCAs in SCE territory. Prior to SCE advising CPA of the issues, CPA had identified that there was a problem because of customer complaints to our call center, to member agency staff and via social media. In addition, daily cash deposits were less than expected.

SCE has advised CPA that it has fixed the issues that caused the current problems and that the number of impacted customers is not accumulating. CPA and SCE, together with Calpine, are now working on clearing the backlog of outstanding bills and communicating with customers about what happened and what they should expect going forward.

Clearing the backlog means that over the next few months, most impacted customers will be receiving either a complete bill for two or more billing periods (the current period and any missing periods) or a bill with complete charges (CPA and SCE charges) for the current period and partial charges for any missed CPA charges in the past. CPA is most concerned about the financial impact on the first set of customers who will see double or triple bills and with the customer confusion that will exist with the second set of customers who may think they are being double-billed by CPA. All impacted customers will proactively be offered payment plans by SCE.

Customer communications about the issue will include:

- On bill messaging in, at a minimum, the SCE “Things You Should Know” section of the bill statement.
- Jointly developed messaging to be placed on both SCE and CPA websites.
- Jointly developed call center talking points.

CPA and SCE continue discussions about whether separate letters to impacted customers – or some smaller group of impacted customers – will be sent as well. CPA believes this can be an effective communication tool but the need to implement it will be assessed based on the initial efficacy of the remediation plan.

Financial Performance

CPA’s financial performance through April remained ahead of projections, with positive financial results compared to the approved amended budget. Year-to-date revenues were 2% higher than amended budget revenue forecasts and energy costs were 6% below budgeted energy costs. Net income was \$12 million greater than budgeted. Performance in May (Phase 4 enrollment month) and June (new summer rates) will be important in

determining how CPA closes out the current fiscal year. CPA's monthly financial dashboard is attached to this report.

Opt-Actions

General

As of July 9, CPA's commercial (Phases 1, 2, and 4) opt-out rate is 4.24%. Opt-outs among commercial customers is expected to grow over the course of July as customers receive their first bills with new summer rates and make choices within their initial 60-day opt-out window. Concern about rates is the number one reason cited by commercial customers for opting out. This is in contrast to residential customers, where automatic enrollment was cited as the number one reason for opting out.

CPA's Residential (Phase 3) opt-out rate is 4.26% and while it is close to steady state, there was a slight and predictable uptick in residential opt-outs due to summer rates implementation and SCE billing system challenges.

Total opt-out by load is estimated to be 9.4%, within the target opt-out rate of no more than 10%. CPA is in the process of revising this target based on new historic load information received from SCE and observations of customer behavior over the course of the summer. A summary of opt-action data by jurisdiction is attached.

Subset Customers

CPA is actively communicating with, and providing customized rate comparisons to, many of the subset customers who will see rate increases in October (GS-3, TOU-8, PA2/PA3) that are outside of CPA standard bill comparison ranges. CPA has hired temporary staff to assist with this effort. Many of these subset customers are still within their initial 60-day opt-out window, so a clear picture of customer behavior is not yet available. However initial trends indicate that subset customer opt-outs will be at the lower end of projections.

Member Agency Accounts

All CPA member agencies have made decisions about their eligible CPA accounts. These decisions fell into four categories:

1. All eligible accounts remain with CPA
2. All subset accounts opted-out; all regular accounts remain with CPA
3. All streetlight accounts opted out; all other accounts, both regular and subset, remain with CPA
4. Custom – some accounts remain, some opted out, some opted up, some opted down

The largest number of member agencies are in category 1.

Customer Communications

The annual Joint Rate Comparison (JRC) mailer, jointly produced by CPA and SCE, and reviewed and approved by the CPUC, was mailed to all customers during the last week of June. Because of the regulatory requirement to send the notices by July 1 and the fact that they take approximately two months to produce and secure CPUC approval, the JRC uses April rates as a basis of comparison. If time had allowed for June rates to be used, the dollar amounts on the JRC mailers would have been slightly different, but the percentage comparisons would have been the same. Copies of the residential and commercial JRC mailers are attached to this report.

CPA and SCE will continue to send these mailers on an annual basis. The 2018 Power Content Label data presented on the JRC mailers for both CPA and SCE is preliminary; final 2018 Power Content Label information approved by the California Energy Commission will be released in October.

Customer Service Center Performance

Call center volume in June increased to almost 7,000 calls for the month compared to 6,000 calls in May. This increase is largely attributable to customers enquiring with CPA about SCE billing system challenges and commercial customers getting their first bills

with CPA charges. Over 98% of calls in June were answered within 60 seconds, and average wait time was 20 seconds.

In early July, CPA has seen a significant uptick in call center contacts, due in large part to customers requesting more information after receiving the JRC mailer.

Green-E Certification and Green Leader Program

In June CPA's 100% Green Power rate product was certified under the Green-E program administered by the Center for Resource Solutions. Established in 1997, Green-E certification independently verifies that enough renewable energy was supplied by CPA to its 100% Green Power customers to meet 100% of their demand on an annual basis and that the Renewable Energy Certificates associated with that energy were retired and cannot be resold. CPA customers on the 100% Green Power rate can use this Green-E certification to claim points under the LEED Green Building rating system and utilize the Green-E logo in marketing materials.

Green-E certification will also be part of CPA's summer marketing push for its Green Leader program for commercial customers who are on the 100% Green Power rate. To become a Green Leader, 100% Green Power customers provide a photo and description of their business or organization and receive benefits such as access to decals and other promotional materials for display and marketing, opportunities for co-promotion, assistance developing GHG reduction metrics, profiles on CPA's website and other recognition. Member agencies who have municipal accounts on the 100% Green Power rate are encouraged to become Green Leaders. More information is available on the CPA website at cleanpoweralliance.org/greenleader.

Contracts Executed in May Under Executive Director Authority

The consulting firm of E3 was contracted to conduct an analysis and provide decision making support for CPA regarding the potential default of residential customers to Time of Use rates in 2020 for a not-to-exceed amount of \$125,000.

Bill Gurnsey was contracted to assist with subset customer outreach for a not-to-exceed amount of \$15,000.

A list of non-energy contracts executed under the Executive Director's signing authority is attached. The list includes open contracts as well as all contacts, open or completed, executed in the past 12 months.

Staffing Update

CPA continues to recruit for a permanent Board Secretary and several positions in power planning and procurement, finance and regulatory affairs. New recruitments for staff to manage DER and local programs are pending.

Upcoming Events

July 25 – Local Programs Workshop: Clean Power Alliance will host an open public workshop on local programs on July 25 from 1:00 p.m. to 3:00 p.m. at the Saticoy Building, 11201 A-1 Riverbank Drive in Ventura. This workshop is one of several ways community members are providing input on CPA's future suite of local programs.

- Attachments:**
- 1) April 2019 Financial Dashboard
 - 2) Customer Opt-Actions Report
 - 3) Non-energy Contracts Executed under Executive Director Authority
 - 4) Joint Rate Comparison Mailers



Financial Dashboard

Summary of Financial Results

YTD
April
2019

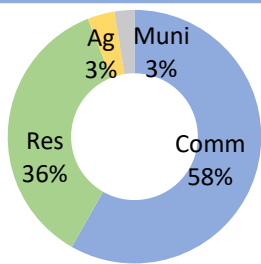
Active Accounts

920,000

Opt-Out %

3.1%

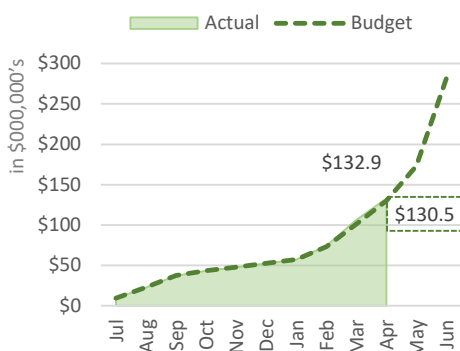
YTD Sales Volume
2,238 GWh



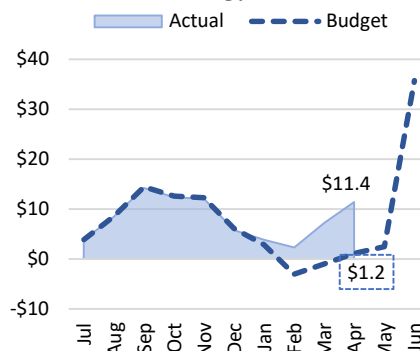
in \$000,000's	April				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$26.6	\$28.0	-\$1.4	-5%	132.9	130.5	2.5	2%
Cost of Energy	\$22.4	\$25.9	-\$3.6	-14%	121.5	129.3	-7.8	-6%
Net Energy Revenue	\$4.2	\$2.1	\$2.1	104%	11.4	1.2	10.3	885%
Operating Expenditures	\$1.8	\$2.4	-\$0.6	-26%	8.4	10.1	-1.7	-17%
Net Income	\$2.4	-\$0.4	\$2.8		3.1	-8.9	12.0	

- CPA recorded positive financial results for the period. Expenditures remain within authorized budget limits.
- Year-to-date Revenues of \$132.9 million were 2% above amended budget revenues.
- Cost of energy of \$121.5 million were 6% below budgeted energy costs.
- Operating expenditures of \$8.4 million were 17% lower than budgeted primarily due to lower than budgeted staffing, Legal services, and Data & SCE service fees.
- Net income of \$3.1M was \$12 million greater than budgeted net loss of \$8.9M.
- Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

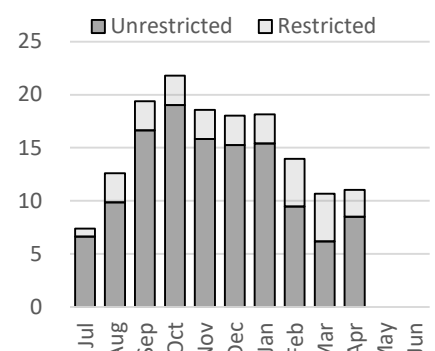
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



Definitions:

Accounts: Active Accounts represent customer accounts of active 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) 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, 2018

Clean Power Alliance - Residential Customer Status Report - As of July 11, 2019

		Opt Percentage by City & County				
CPA Cities & Counties	Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
AGOURA HILLS	Lean Power	7,405	0.35%	0.20%	0.00%	6.06%
ALHAMBRA	Clean Power	30,641	0.09%	0.00%	0.62%	1.56%
ARCADIA	Lean Power	19,767	0.11%	0.08%	0.00%	1.92%
BEVERLY HILLS	Clean Power	15,208	0.14%	0.00%	0.84%	1.11%
CALABASAS	Lean Power	9,094	0.14%	0.12%	0.00%	2.84%
CAMARILLO	Lean Power	25,941	0.37%	0.26%	0.00%	7.43%
CARSON	Clean Power	25,185	0.08%	0.00%	0.55%	1.64%
CLAREMONT	Clean Power	11,779	0.39%	0.00%	1.36%	6.66%
CULVER CITY	100% Green Power	16,402	0.00%	1.07%	2.87%	2.94%
DOWNEY	Clean Power	33,990	0.05%	0.00%	0.48%	1.64%
HAWAIIAN GARDENS	Clean Power	3,198	0.03%	0.00%	0.50%	1.19%
HAWTHORNE	Lean Power	25,145	0.11%	0.02%	0.00%	0.95%
LOS ANGELES COUNTY	Clean Power	283,636	0.11%	0.00%	0.88%	2.39%
MALIBU	Clean Power	5,644	0.18%	0.00%	1.31%	2.34%
MANHATTAN BEACH	Clean Power	14,269	0.48%	0.00%	1.65%	2.30%
MOORPARK	Clean Power	11,513	0.26%	0.00%	2.44%	13.23%
OJAI	100% Green Power	3,113	0.00%	1.06%	3.76%	6.52%
OXNARD	100% Green Power	50,700	0.00%	0.43%	1.93%	4.82%
PARAMOUNT	Lean Power	12,851	0.04%	0.01%	0.00%	0.89%
REDONDO BEACH	Clean Power	29,732	0.27%	0.00%	1.21%	1.80%
ROLLING HILLS ESTATES	100% Green Power	2,949	0.00%	1.83%	5.80%	5.09%
SANTA MONICA	100% Green Power	47,998	0.00%	0.56%	2.33%	4.71%
SIERRA MADRE	Clean Power	4,871	0.57%	0.00%	1.50%	3.31%
SIMI VALLEY	Lean Power	41,820	0.14%	0.14%	0.00%	8.31%
SOUTH PASADENA	100% Green Power	10,828	0.00%	0.54%	2.08%	2.97%
TEMPLE CITY	Lean Power	11,681	0.09%	0.04%	0.00%	1.88%
THOUSAND OAKS	100% Green Power	45,559	0.00%	1.66%	5.82%	15.16%
VENTURA	100% Green Power	39,562	0.00%	1.04%	3.36%	8.59%
VENTURA COUNTY	100% Green Power	31,214	0.00%	0.80%	3.93%	9.82%
WEST HOLLYWOOD	100% Green Power	23,375	0.00%	0.36%	1.37%	1.61%
WHITTIER	Clean Power	28,439	0.12%	0.00%	0.96%	2.70%
	Total	923,509	0.11%	0.27%	1.43%	4.26%

Opt Percentage by Default Tier					
Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
100% Green Power	271,700	0.00%	0.85%	3.17%	7.22%
Clean Power Power	498,105	0.14%	0.00%	0.92%	2.55%
Lean Power	153,704	0.17%	0.12%	0.00%	4.60%
Total	923,509	0.11%	0.27%	1.43%	4.26%

Clean Power Alliance - Non-Residential Customer Status Report - As of July 11, 2019

		Opt Percentage by City & County				
CPA Cities & Counties	Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
AGOURA HILLS	Lean Power	1,582	0.00%	0.00%	0.00%	4.80%
ALHAMBRA	Clean Power	5,007	0.00%	0.00%	0.24%	5.87%
ARCADIA	Lean Power	3,681	0.00%	0.11%	0.00%	2.58%
BEVERLY HILLS	Clean Power	4,431	0.02%	0.00%	0.25%	1.38%
CALABASAS	Lean Power	1,274	0.00%	0.00%	0.00%	5.89%
CAMARILLO	Lean Power	5,165	1.28%	0.17%	0.00%	6.23%
CARSON	Clean Power	4,941	0.00%	0.00%	0.40%	5.63%
CLAREMONT	Clean Power	1,617	0.06%	0.00%	0.68%	4.76%
CULVER CITY	100% Green Power	3,529	0.00%	0.54%	0.77%	2.55%
DOWNEY	Clean Power	4,769	0.00%	0.00%	0.19%	2.85%
HAWAIIAN GARDENS	Clean Power	584	0.00%	0.00%	0.17%	0.51%
HAWTHORNE	Lean Power	4,113	0.00%	0.00%	0.00%	2.20%
LOS ANGELES COUNTY	Clean Power	29,541	0.03%	0.00%	0.50%	2.02%
MALIBU	Clean Power	1,388	0.00%	0.00%	0.00%	3.60%
MANHATTAN BEACH	Clean Power	2,004	4.84%	0.00%	0.25%	3.69%
MOORPARK	Clean Power	1,895	1.11%	0.00%	0.37%	5.28%
OJAI	100% Green Power	828	0.00%	1.45%	1.81%	3.74%
OXNARD	100% Green Power	8,740	0.00%	0.07%	7.27%	5.55%
PARAMOUNT	Lean Power	3,155	0.00%	0.00%	0.00%	3.39%
REDONDO BEACH	Clean Power	4,970	0.00%	0.00%	0.44%	2.72%
ROLLING HILLS ESTATES	Lean Power	528	5.11%	0.19%	0.00%	7.95%
SANTA MONICA	100% Green Power	9,140	0.00%	0.61%	2.24%	2.94%
SIERRA MADRE	Clean Power	515	0.00%	0.00%	2.14%	2.33%
SIMI VALLEY	Lean Power	5,890	0.20%	0.02%	0.00%	5.18%
SOUTH PASADENA	Clean Power	1,422	0.07%	0.00%	0.91%	1.20%
TEMPLE CITY	Lean Power	1,427	0.00%	0.00%	0.00%	0.70%
THOUSAND OAKS	100% Green Power	7,501	0.00%	0.09%	1.93%	8.99%
VENTURA	100% Green Power	8,659	0.00%	1.41%	2.75%	5.83%
VENTURA COUNTY	100% Green Power	7,110	0.00%	1.17%	2.39%	12.98%
WEST HOLLYWOOD	100% Green Power	4,111	0.00%	0.19%	0.61%	1.29%
WHITTIER	Clean Power	4,229	0.00%	0.00%	0.47%	2.44%
	Total	143,766	0.19%	0.23%	1.22%	4.24%

Opt Percentage by Default Tier					
Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
100% Green Power	49,618	0.00%	0.63%	2.94%	6.11%
Clean Power Power	67,313	0.19%	0.00%	0.43%	2.88%
Lean Power	26,835	0.39%	0.06%	0.03%	4.18%
Total	143,766	0.19%	0.23%	1.22%	4.24%

Clean Power Alliance					
Non-energy contracts executed under Executive Director authority					
Rolling 12 months -- Open contracts shown in Bold					
Vendor	Purpose	Month	NTE Amount	Status	Notes
Bill Gurnsey	Subset Customer Outreach	June 2019	\$ 15,000	Active	
E3	TOU Rate Analysis	June 2019	\$ 125,000	Active	
Abbot, Stringham and Lynch	Green-E Certification - 100% Green Power Product	May 2019	\$ 6,200	Completed	
Abbot, Stringham and Lynch	AMI Data Audit	April 2019	\$ 13,500	Completed	
SHI International	VPN and SQL Database (IT)	April 2019	\$ 6,500	Active	
Polsinelli	Legal services (Employment Law)	March 2019	\$ 18,000	Active	
Chapman	Legal services (Credit Agreement)	March 2019	\$ 10,000	Completed	
Mustang Marketing	Communications and outreach to commercial and institutional customers and business groups in the Conejo Valley and Ventura County	February 2019	\$ 7,500	Active	Amount increased in May 2019 by additional \$7,500 for an additional two months
LOACOM	Social media services and messaging to residential customers	February 2019	\$ 10,500	Completed	
NKE Strategies	Communications and media relations related to SCE undercollection	November 2018	\$ 10,000	Completed	
Corepoint 1, Inc.	Preparation of Implementation Plan Addendum No. 3 (Westlake Village)	November 2018	\$ 19,500	Completed	Reimbursed by City of Westlake Villiage
Karen Schmidt	Staff work for CPA prior to full time employment	October 2018	\$ 30,000	Completed	
Buchalter (Evelyn Kahl)	Legal services (CPUC Regulatory)	September 2018	\$ 20,000	Completed	Amount increased to \$40,000 in December 2018; Additional. Agreement subesquently approved by Board
M.CUBED (Richard McCann)	Financial review of SCE's proposed early termination agreement with the Coso geothermal plant	July 2018	\$ 15,000	Active	
Sustento Group (David Hodgins)	Communications and outreach for key commercial accounts	March 2018	\$ 15,000	Active	Increased NTE to \$15,000 in March 2019 to assist with Phase 4 large customers



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Your power choices.

Choose the energy source and rate plan that's right for you.

You now have a choice when it comes to your energy supply. Clean Power Alliance and Southern California Edison (SCE) encourage you to compare your choices and select the option that suits you best.

Understanding your energy choices.

This comparison illustrates the estimated electricity costs for a typical residential customer within Clean Power Alliance's service territory with an average monthly consumption of 554 kilowatt hours (kWh). This comparison is based on Clean Power Alliance rates approved by the Board of Directors and effective as of April 4, 2019. SCE rate options are based on rates published April 12, 2019. Both Clean Power Alliance and SCE's rates are subject to change.

2019 Domestic Schedule Rate Comparison						
	SCE Base rate	SCE Green Rate 50% renewable	SCE Green Rate 100% renewable	Lean Power 36% renewable	Clean Power 50% renewable	100% Green Power 100% renewable
Generation Rate (\$/kWh)	\$0.09146	\$0.09705	\$0.10265	\$0.05926	\$0.06109	\$0.07755
SCE Delivery Rate (\$/kWh)	\$0.10888	\$0.10888	\$0.10888	\$0.10385	\$0.10385	\$0.10385
Surcharges (\$/kWh)	N/A	\$0.01477	\$0.02954	\$0.03540	\$0.03540	\$0.03540
Total Costs (\$/kWh)	\$0.20034	\$0.22070	\$0.24107	\$0.19851	\$0.20034	\$0.21680
Average Monthly Bill (\$)	\$110.99	\$122.27	\$133.55	\$109.97	\$110.99	\$120.11



Monthly Usage: 554 kWh

Rates current as of April 2019.

Generation Rate reflects the cost of producing or purchasing electricity to power your business. This rate will vary depending on your service provider and rate plan.

SCE Delivery Rate is a charge assessed by SCE to deliver electricity to your business. This rate depends on usage.

Surcharges represent the Cost Responsibility Surcharge (CRS) and Franchise Fee (FF) that are applicable to Community Choice Aggregation (CCA) customers. The CRS is a surcharge to recover costs associated with power purchases made on behalf of customers, prior to a customer's switch to a CCA. The FF recovers taxes owed to a city in exchange for allowing SCE to utilize electrical distribution lines throughout the property of the city. SCE acts as the collection agency for the FF surcharge which is levied by cities and counties for all customers.

Electric Power Generation Mix*						
	SCE (Base)	SCE Green Rate (50%)	SCE Green Rate (100%)	Lean Power	Clean Power	100% Green Power
Specific Purchases	Percent of Total Retail Sales (kWh)					
Renewable	36%	68%	100%	36%	61%	100%
Biomass & biowaste	1%	0%	0%	0%	0%	0%
Geothermal	8%	4%	0%	0%	0%	0%
Eligible hydroelectric	1%	0%	0%	0%	0%	0%
Solar	13%	57%	100%	0%	38%	100%
Wind	14%	7%	0%	36%	23%	0%
Coal	0%	0%	0%	0%	0%	0%
Large hydroelectric	4%	2%	0%	64%	39%	0%
Natural gas	17%	8%	0%	0%	0%	0%
Nuclear	6%	3%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%	0%
Unspecified Power**	36%	18%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

* Generation data for SCE and CPA represents preliminary 2018 data provided through the California Energy Commission's Power Source Disclosure program.

** Unspecified sources of power mean electricity from transactions that are not traceable to specific generation sources.

If this comparison does not address your current rate plan or if you have further questions, please contact Clean Power Alliance at cleanpoweralliance.org or (888) 585-3788 and SCE at sce.com or (800) 974-2356.



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Understanding your energy choices.

This comparison illustrates the estimated electricity costs for a typical commercial customer within Clean Power Alliance's service territory with an average monthly consumption of 997 kilowatt hours (kWh). This comparison is based on Clean Power Alliance rates approved by the Board of Directors and effective as of April 4, 2019. SCE rate options are based on rates published April 12, 2019. Both Clean Power Alliance and SCE's rates are subject to change.

2019 Schedule TOU-GS-1-E Rate Comparison						
	SCE Base rate	SCE Green Rate 50% renewable	SCE Green Rate 100% renewable	Lean Power 36% renewable	Clean Power 50% renewable	100% Green Power 100% renewable
Generation Rate (\$/kWh)	\$0.08832	\$0.09109	\$0.09386	\$0.06235	\$0.06412	\$0.08001
SCE Delivery Rate (\$/kWh)	\$0.08903	\$0.08903	\$0.08903	\$0.08400	\$0.08400	\$0.08400
Surcharges (\$/kWh)	N/A	\$0.01170	\$0.02339	\$0.02922	\$0.02922	\$0.02922
Total Costs (\$/kWh)	\$0.17735	\$0.19182	\$0.20628	\$0.17557	\$0.17734	\$0.19323
Average Monthly Bill (\$)	\$176.82	\$191.24	\$205.66	\$175.04	\$176.81	\$192.65

Monthly Usage: 997 kWh



Rates current as of April 2019.

For commercial customers served by Clean Power Alliance in Unincorporated Los Angeles County, South Pasadena or Rolling Hills Estates, surcharges and Clean Power Alliance generation rates may vary from those shown. However, overall bill comparisons are similar.

Generation Rate reflects the cost of producing or purchasing electricity to power your business. This rate will vary depending on your service provider and rate plan.

SCE Delivery Rate is a charge assessed by SCE to deliver electricity to your business. This rate depends on usage.

Surcharges represent the Cost Responsibility Surcharge (CRS) and Franchise Fee (FF) that are applicable to Community Choice Aggregation (CCA) customers. The CRS is a surcharge to recover costs associated with power purchases made on behalf of customers, prior to a customer's switch to a CCA. The FF recovers taxes owed to a city in exchange for allowing SCE to utilize electrical distribution lines throughout the property of the city. SCE acts as the collection agency for the FF surcharge which is levied by cities and counties for all customers.

Electric Power Generation Mix*						
	SCE (Base)	SCE Green Rate (50%)	SCE Green Rate (100%)	Lean Power	Clean Power	100% Green Power
Specific Purchases	Percent of Total Retail Sales (kWh)					
Renewable	36%	68%	100%	36%	61%	100%
Biomass & biowaste	1%	0%	0%	0%	0%	0%
Geothermal	8%	4%	0%	0%	0%	0%
Eligible hydroelectric	1%	0%	0%	0%	0%	0%
Solar	13%	57%	100%	0%	38%	100%
Wind	14%	7%	0%	36%	23%	0%
Coal	0%	0%	0%	0%	0%	0%
Large hydroelectric	4%	2%	0%	64%	39%	0%
Natural gas	17%	8%	0%	0%	0%	0%
Nuclear	6%	3%	0%	0%	0%	0%
Other	0%	0%	0%	0%	0%	0%
Unspecified Power**	36%	18%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

* Generation data for SCE and CPA represents preliminary 2018 data provided through the California Energy Commission's Power Source Disclosure program.

** Unspecified sources of power mean electricity from transactions that are not traceable to specific generation sources.

If this comparison does not address your current rate plan or if you have further questions, please contact Clean Power Alliance at cleanpoweralliance.org or (888) 585-3788 and SCE at sce.com or (800) 974-2356.

Item VI – Legislative & Regulatory Update

To: Clean Power Alliance (CPA) Board of Directors

From: Gina Goodhill, Policy Director; Nancy Whang, General Counsel

Subject: Legislative and Regulatory Update

Date: July 18, 2019

LEGISLATIVE UPDATE

CPA staff have been actively engaged in advocating the bill positions that the Board approved at the May 2019 Board meeting. The Legislature begins summer recess July 12 and will reconvene August 12.

- **SB 355 (Portantino):** CPA sponsored bill that would allow non-elected alternate members of CPA's Board of Directors to participate in a closed session discussion. This bill was amended to: 1) Pertain only to CPA; 2) Sunset in 2025; 3) Authorize CPA to adopt a specific policy, bylaw, or provision that authorizes a non-elected alternate directors to attend closed sessions and to share any information obtained in that closed session with the local agency member or its legal counsel; 4) Require CPA to establish a policy addressing conflicts of interest and breaches of confidentiality for these alternate directors.

CPA position: Sponsor and support.

Bill Status: Assembly Floor

- **AB 56 (E. Garcia):** Attempted to create a statewide central buyer model for renewable energy to address perceived gaps in renewables procurement. This is in contrast to a central buyer for residual resource adequacy, which under the right conditions may be of benefit to CCAs and the state's broader policy goals. The bill

was amended several times however the amendments did not address CPA's core concerns. The bill narrowly made it off the Assembly Floor, and ultimately failed to advance out of the Senate Energy, Utility and Communications Committee.

CPA position: Oppose.

Bill Status: Bill failed 5-3-5

- **SB 155 (Bradford):** Would allow the CPUC to review the Integrated Resource Plan (IRP) from each load-serving entity (LSE), and enforce the requirement that the IRP of each LSE shall contribute to a diverse and balanced portfolio. With significant effort on part of CPA, EBCE, and CalCCA, the bill was amended to include the following language: "Nothing in this section authorizes the commission to require any load serving entity to procure a specific resource or technology type."

CPA position: Oppose, unless amended. Staff will be discussing a potential removal of CPA's opposition at the next meeting of the Legislative and Regulatory Committee.

Bill Status: Assembly Appropriations Committee

- **SB 638 (Allen):** Removes the requirement that a renter must maintain a \$1 million general liability insurance policy in order to install an electric vehicle charging station at their allotted parking space. It was amended to instead require a lessee to obtain a personal liability coverage, in an amount not to exceed 10 times the annual rent charged for the dwelling.

CPA position: Support.

Bill Status: Assembly Appropriations Committee

- **SB 774 (Stern):** This bill sought to promote investment in and deployment of microgrids to increase resiliency but needed to be amended to appropriately enable CCAs to be active in this space. CPA has worked extensively with the author's office on the details of this bill.

CPA position: Support, if amended.

Bill Status: Held in Assembly Committee Utilities and Energy Committee.

- **AB 1144 (Friedman):** Would require the CPUC to reserve 10% of funds collected for the self-generation incentive program (SGIP) to be allocated to pilot projects for the installation of community energy storage systems in communities within high fire threat districts to support resiliency during a de-energization event.

CPA position: Support.

Bill Status: Senate Appropriations Committee

As the legislature comes back into session in August and then begins to consider two-year bills in 2020, staff expects central procurement and state oversight, wildfires and resiliency, the PG&E bankruptcy, and electric vehicle promotion and grid integration to continue to be prominent topics.

Wildfire Bills

Wildfire prevention and mitigation was one of highest profile topics in the legislature this year with Governor Newsom releasing a 60 Day Strike Force report and the Commission on Catastrophic Wildfire Cost and Recovery releasing a separate report. On July 12, Governor Newsom signed three bills on wildfire safety and accountability that came directly from these recommendations:

- AB 110 by Assemblymember Philip Ting (D-San Francisco) – Budget Act of 2019.
- AB 111 by the Committee on Budget – Wildfire agencies: public utilities: safety and insurance.
- AB 1054 by Assemblymember Chris Holden (D-Pasadena) – Public utilities: wildfires and employee protection.

While these bills are meant to work in conjunction, AB 1054 (Holden) has been the highest profile of them. AB 1054 offers two models for utilities to access wildfire funds – utilities are expected to choose the second option. This option creates a \$21 billion liquidity fund that investor owned utilities could access if a fire caused by their equipment results in more than \$1 billion in property damage. Ratepayers would pay \$10.5 billion and utilities would contribute a combined \$10.5 billion to match the ratepayer money. Southern California Edison would be responsible for 31.5% of this \$10.5 billion and will have to decide if they plan to contribute by July 26. PG&E would only be fully reimbursed from

the fund after exiting bankruptcy. The bill also creates a new California Wildfire Safety Advisory Board, which would make recommendations to a new division within the CPUC that focuses specifically on wildfires.

While the bill passed out of the Assembly 63:10:6, it was not without controversy. For example, ratepayer funds will be recovered through a non-bypassable charge, but the bill does not specify if these funds will be limited to the transmission and distribution service costs or if they can be passed onto generation service costs. CPA staff plan to continue engaging as the program is implemented and several run-on impacts are addressed, including the Cost of Capital regulatory proceeding discussed below.

REGULATORY UPDATE

CPA staff have been monitoring and participating in a number of California Public Utilities Commission (CPUC) proceedings. The following are highlights of a few of these proceedings that are likely to impact CPA and its customers.

1. Cost of Capital.

Background: On April 22, 2019, SCE filed its Application for Authority to Establish Its Authorized Cost of Capital for Utility Operations for 2020 and to Partially Reset the Annual Cost of Capital Adjustment Mechanism (COC Application). This is the proceeding where SCE seeks to establish its rate of return on equity (ROE) of 10.6%. This application is notable in that SCE sought to establish a separate, additional 6.00% for its wildfire risk (Wildfire Risk ROE) citing concerns about a drop in its credit rating and an increase in long-term debt costs.

On May 24, CPA filed a response to the application highlighting the Wildfire Risk ROE and asking the CPUC to consider whether the Wildfire Risk ROE is reasonable and just, particularly in light of California's policy goals of cost-effective decarbonization and affordable utility service.

Status Update: On July 2, 2019, the CPUC issued its Scoping Memo eliminating "a separate wildfire adder" from the scope but indicating that wildfire risk would be

considered among the risks when considering the authorized ROE. Since Governor Newsom signed AB 1054 (discussed above), CPA is looking at ways to have SCE address this new law in this COC proceeding.

2. Rulemaking on Electric Utility De-Energization of Power Lines in Dangerous Conditions.

Background: The CPUC instituted this rulemaking in December 2018 as a response to SB 901 which required electric IOUs to submit Wildfire Mitigation Plans. This rulemaking was intended to ensure that the CPUC has adopted de-energization parameters and protocols in anticipation of the 2019 wildfires season.

Status Update: On June 4, the CPUC issued a Phase 1 Decision adopting Public Safety Power Shut-off (PSPS) Guidelines and including CCAs in its definition of “Public Safety Partners.” The Phase 1 Decision directs coordination between electric IOUs and others, including Public Safety Partners, for notification, preparation and response to emergency conditions giving rise to PSPS events. The Decision anticipates a Phase 2 and adopted a preliminary broad scope of policy issues, including refinement of notification and communication guidelines, including education and outreach; overarching de-energization issues; development of a more robust contact information for vulnerable populations.

While not directly related to this proceeding, CPA has established a PSPS page on its website <https://cleanpoweralliance.org/sce-public-safety-power-shutoffs/> and actively communicates PSPS notifications after receiving information from SCE.

3. Resource Adequacy.

Background: In 2017, the CPUC instituted a rulemaking to oversee the Resource Adequacy (RA) program, consider program refinements and to establish local and flexible RA obligations for 2019 and 2020 (RA Rulemaking). This proceeding is moving along three separate tracks: (i) Track 1, to consider system, local and

flexible capacity RA requirements for 2019, as well as time-sensitive refinements to the RA program; (ii) Track 2, to consider more complex and slightly less time-sensitive modifications and refinements to the RA program, including, e.g., adopting Multi-Year Local RA requirements (if applicable), refining local area rules; and (iii) Track 3, to consider the 2020 program year requirements for system, local, and flexible RA, to revisit RA counting rules for weather-sensitive and local demand response resources (if applicable), or other modifications and refinements to the RA program.

Status Update: On June 27, the CPUC adopted a final decision in Track 3 setting local and flexible RA requirements for the 2020-2022 timeframe and resolving a number of issues, including changes to waiver and penalty mechanisms. On July 3, the Assigned Commissioner requested responses from parties about the use of energy imported into California to meet RA requirements. This request seeks to gather further information that may be used to clarify existing CPUC policy, if necessary, and to take action to ensure the integrity of the RA program. Responses are due July 19 and replies due July 26. Also, going forward, the CPUC Energy Division will convene a working group on counting methodologies for hydro and use-limited fossil resources and a workshop on Effective Load Carrying Capacity methodologies. Dates have not yet been announced.

Given the dynamic nature of CPUC proceedings, CPA staff may also provide an oral update or supplement to this report.

New CPUC President Named. Governor Newsom has named Marybel Batjer as the next CPUC President. Secretary Batjer currently serves as Secretary of the California Government Operations Agency (CalGovOps). She was appointed to the post by Governor Edmund G. Brown, Jr. in June 2013 to serve as the first-ever Secretary of CalGovOps. CPA understands Sec. Batjer will stay with CalGovOps until August 1.