



**MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, March 25, 2020**

9:00 a.m.

Listen to the Finance Committee meeting (Audio Only):

Call: (562) 247-8422 Conference Code: 145-734-969

All Participants must press “#” to join the meeting.

SPECIAL NOTICE REGARDING PUBLIC COMMENT: Pursuant to Paragraph 11 of Executive Order N-29-20, executed by the Governor of California on March 17, 2020, and as a response to mitigating the spread of Coronavirus known as COVID-19, the Finance Committee will allow members of the public to participate and address Committee Members during the meeting via teleconference only. Below are the ways to participate:

- Members of the public are encouraged to submit written comments on any agenda item to publiccomment@cleanpoweralliance.org up to two (2) hours before the meeting.
- If you desire to provide public comment during the meeting, you must contact staff at (213) 269-5889 up to two (2) hours before the meeting.
 - You will be asked to provide a phone number to call you during the meeting. You will also be asked for your name (or other identifying information) similar to filling out a speaker card so that you can be called when it is your turn to speak.
 - You will be called during the comment section for the agenda item on which you wish to speak.
 - You may be put on hold until your name is called by CPA staff.
 - You will be able to speak to the Committee for the allotted amount of time. Please be advised that all public comments must comply with our Public Comment Policy.
 - Once you have spoken, or the allotted time has run out, the phone call will be discontinued.

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 the Clerk of the Board at gmonzon@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.

Clean Power Alliance Finance Committee
March 25, 2020

PUBLIC COMMENT POLICY: *The General Public Comment item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

Each speaker is customarily limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five (5) minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Clean Power Alliance Policy No. 8 – Public Comments for more information.

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

I. CALL TO ORDER & ROLL CALL

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve Minutes from the February 26, 2020 Finance Committee Meeting
2. Receive and File January 2020 Monthly Financial Dashboard
3. Receive and File January and February 2020 Risk Management Team Report

IV. REGULAR AGENDA

4. Report from the Chief Financial Officer
5. Review and Recommend Approval of Proposed Amendment to FY 2019/20 Budget to the Board of Directors

V. COMMITTEE MEMBER COMMENTS

VI. ADJOURN

Public Records: *Public records that relate to any item on the open session agenda for a Committee Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Committee. Those documents are available for inspection online at www.cleanpoweralliance.org.*

MEETING of the Finance Committee of the
Clean Power Alliance of Southern California
Wednesday, February 26, 2020, 11:00 a.m.

MINUTES

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

Carson City Hall
Executive Conference Room
701 E. Carson Street
Carson, CA 90745

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

City of Santa Monica City Hall
1685 Main Street, Room 201
Santa Monica, CA 90401

I. WELCOME & ROLL CALL

Chair Julian Gold called the meeting to order at 11:00 a.m. and Clerk of the Board Gabriela Monzon conducted roll call.

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

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve Minutes from the January 22, 2020 Finance Committee Meeting
2. Receive and File December 2019 Monthly Financial Dashboard

Motion: Committee Member Zuckerman, Rolling Hills Estates
Second: Committee Member O'Connor, Santa Monica
Vote: Items 1 and 2 were approved by a roll call vote.

IV. REGULAR AGENDA

3. Report from the Chief Financial Officer

David McNeil, Chief Financial Officer, provided an update and noted that CPA was ahead of budget for December.

In response to Committee Member Zuckerman's questions, Mr. McNeil explained that over the summer of 2019, CPA saw elevated customers opt out, but they largely stabilized since that time.

Mr. McNeil provided an update on the banking and treasury operations noting a positive cash and liquidity situation for CPA.

4. Review and Recommend Approval of Proposed Investment Policy by the Board of Directors

Mr. McNeil provided a summary of the changes made to the proposed investment policy, reflective of the feedback received by Committee Members at the last Finance Committee meeting. Mr. McNeil indicated that changes made to the policy included the removal of commercial paper as eligible investment securities, based on CPA's focus on creating a socially responsible investment policy and that a broad study of municipal investment policies were reviewed to formulate this policy. Lastly, Mr. McNeil noted that staff is asking the Finance Committee to recommend approval of the policy to the Board at its March 5, 2020 meeting.

Mr. McNeil provided further clarification of the policy in response to Committee Member Kulcsar's questions.

Chair Gold and Mr. McNeil discussed the need for purchasing U.S. Treasuries and the use of a broker to do so.

Motion: Committee Member Zuckerman, Rolling Hills Estates

Second: Committee Member O'Connor, Santa Monica

Vote: Items 4 was approved by a roll call vote.

5. Review and Recommend Approval of Proposed Amended and Restated Credit Card Policy by the Board of Directors

Mr. McNeil described the recommended changes to the Credit Card policy, stating that it reflects new infrastructure now in place to govern the use of the credit card and the implementation of additional controls.

Committee Member Kulcsar asked for clarification on the elimination of reporting to the Chair and the number of credit cards to be issued to staff.

Mr. McNeil noted that only one credit card will be issued and that it will be made clearer on the policy. Mr. McNeil also indicated that because circumstances have changed, it makes sense administratively to change that reporting requirement.

Committee Member Zuckerman echoed previous comments that one credit card is good from a control standpoint and noted that it may not be wise to bound the policy to just one credit card, should the need arise for issuing a second corporate credit card.

Consensus was reached to allow the issuance of a card to the Treasurer and Executive Director.

Motion: Committee Member Zuckerman, Rolling Hills Estates

Second: Committee Member Kulcsar, Carson

Vote: Items 5 was approved by a roll call vote.

There were no public comments on this item.

V. COMMITTEE MEMBER COMMENTS

Committee Members Kulcsar and Zuckerman provided comments.

VI. ADJOURN

Committee Chair Gold adjourned the meeting at 11:44 a.m.



Financial Dashboard

Summary of Financial Results

YTD
January
2020

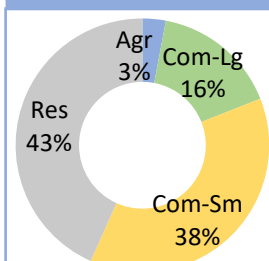
Active Accounts

996,000

Opt-Out %

5.5%

YTD Sales Volume
6,960 GWh



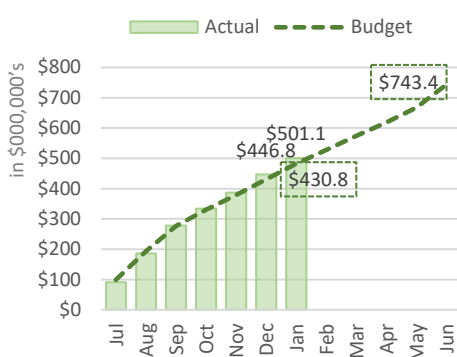
in \$000,000's

	January				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$54.3	\$51.7	\$2.6	5%	501.1	482.5	18.6	4%
Cost of Energy	\$44.9	\$52.0	-\$7.1	-14%	461.7	462.3	-0.6	0%
Net Energy Revenue	\$9.4	-\$0.3	\$9.7		39.5	20.2	19.2	95%
Operating Expenditures	\$1.7	\$2.2	-\$0.5	-21%	12.5	14.7	-2.2	-15%
Net Income	\$7.7	-\$2.4	\$10.1		26.9	5.5	21.4	388%

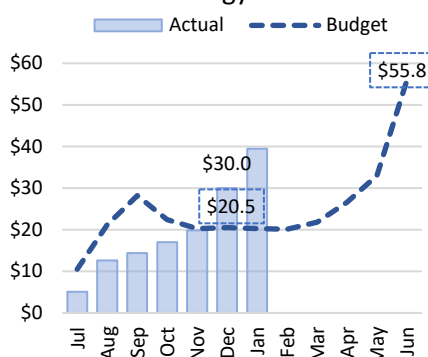
Note: Numbers may not add up due to rounding.

- Net income for the period was above budget. Results were favorably impacted by a \$3.5m legal settlement. Settlement proceeds offset energy costs and were netted from the cost of energy. Cost of energy was also favorably impacted by higher Congestion Revenue Rights revenues and the non-utilization of contingencies. Revenues were favorably impacted by a rate change that occurred in September 2019.
- For year-to-date:
 - Revenues of \$482.5 million were \$18.6 million or 4% above budget.
 - Cost of energy of \$461.7 million was flat to budgeted energy costs.
 - Operating expenditures of \$12.5 million were 15% lower than budgeted primarily due to lower than budgeted staffing, legal services, and Data & SCE service fees.
 - Net income of \$26.9M was \$21.4 million above budgeted net income of \$5.5M.
 - Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

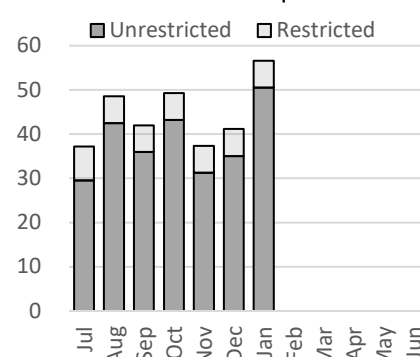
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



Definitions:

Accounts: Active Accounts represent customer accounts of active customers served by CPA per Calpine Invoice.

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, 2019

Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Finance Committee

From: Matthew Langer, Chief Operating Officer

Approved by: Ted Bardacke, Executive Director

Subject: Risk Management Team Report

Date: March 25, 2020

JANUARY 2020 RMT REPORT

Key Actions

- Discussed recent market trends and outlook for Q1 2020.
- Reviewed energy position for February and March and decided no additional transactions were needed for these months.
- Reviewed long-term energy position and approved energy hedge solicitations for 2020 – 2023.
- Reviewed analysis of using physical call options as a portfolio risk mitigation instrument.
- Reviewed renewable and carbon free positions and approved a renewable energy solicitation for 2020-2023. RMT will reassess the carbon free position later in the year.
- Reviewed Resource Adequacy position and approved a Resource Adequacy solicitation for 2021-2022.

Policy Compliance

No new policy compliance issues to report for January.

FEBRUARY 2020 RMT REPORT**Key Actions**

- Discussed credit rating timing and process.
- Discussed potential impacts of COVID-19 on short-term and long-term load forecast.
- Reviewed short-term energy position for April and May 2020 and decided to take no action.
- Reviewed renewable energy and carbon free positions and considered potential transactions.

Policy Compliance

No new policy compliance issues to report for February.



Staff Report – Agenda Item 4

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Subject: Report from the Chief Financial Officer
Date: March 25, 2020

The Chief Financial Officer will provide an oral report updating the Finance Committee on the following items:

- Borrowing and treasury operations
- January 2020 financial performance and financial outlook
- Covid-19 and Financial Risk Management Planning Update
 - Retail customer delinquency and non-payment risk
 - Load and revenue risks
 - Energy market risks
 - Counterparty credit risk
- Investing update: Local Agency Investment Fund



Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Finance Committee
From: David McNeil, Chief Financial Officer
Approved By: Ted Bardacke, Executive Director
Subject: Proposed Amendment to Fiscal Year 2019/20 Budget
Date: March 25, 2020

RECOMMENDATION

Recommend approval of the proposed Amendment to the Fiscal Year (FY) 2019/20 Budget (“Amendment”) to the Board of Directors as provided as Attachment 1.

BACKGROUND

Each year CPA develops an annual budget to govern the receipt of revenues and disbursement of expenditures during the upcoming fiscal year. In June 2019 CPA’s Board of Directors approved the FY 2019/20 Budget (“Budget”). The Amendment is proposed to reflect changes that occurred during the year that will result in higher energy, customer noticing, and other professional services costs, and increased capital expenditures.

BUDGET DETAIL

The proposed Amendment reflects increases to both revenue and expense budget line items. The increase in budgeted revenue offsets the increased cost of energy. Proposed operating expense increases are offset by decreases in other operating expense line items. In addition, staff propose an increase to capital expenditures to potentially accelerate some expenditures to keep CPA’s move to new offices on track. The impact of the proposed Amendment on the budgeted contribution to the net position is zero.

The Amendment includes changes to the following Budget line items:

Revenue – electricity (+\$51,375,000, +6.9%): Budgeted electricity revenues are based on estimates of customer electricity usage and retail electricity rates. The increase in revenue results primarily lower opt-out rates than those assumed in the FY 2019/20 Budget and the small rate change approved by the Board in September 2019.

Cost of energy (+\$51,375,000, +7.5%): Cost of energy includes expenses associated with the purchase of system energy, renewable energy, resource adequacy, and charges by the California Independent Systems Operator (CAISO) for load, and services performed by the CAISO. CAISO charges for load are based on customer energy use and prices at the Default Load Aggregation Point (DLAP). Credits for energy generation scheduled into the CAISO market and revenues arising from Congestion Revenue Rights (CRRs) are netted from the cost of energy. CAISO credits for energy generation are based on wholesale energy deliveries and Locational Margin Prices (LMPs). CRRs are financial instruments created by the CAISO which enable load serving entities, such as CPA, to manage price differences between wholesale energy delivery locations and retail use points. Increased energy costs result primarily from lower customer opt-out rates than those assumed in the Budget.

Staffing (-\$206,000; 4.2% decrease): Staffing costs include salaries and benefits payable in accordance with CPA's Board-approved Employee Handbook. Decreased costs result from a slower pace of hiring than assumed in the Budget.

Technical services (-\$100,000; 5.6% decrease): Technical services include rate setting and energy management related services such as scheduling coordination, rate setting, energy portfolio management consulting services, including assistance with risk management, and consultant support for the 2019 Request for Offers for Long Term Clean Energy Resources (Long Term RFO). Current providers of technical services include The Energy Authority (portfolio/risk management and scheduling) and MRW Associates (rates and revenue modeling) and Ascend Analytics (RFO support). The decrease reflects the non-utilization of contingencies and the insourcing of some energy portfolio management activities beginning in March 2020.

Legal services (-\$96,000; 8.0% decrease): Legal services support CPA's contracting, including contracting for short term energy, resource adequacy, long term renewable energy, and other activities. Current providers of Legal Services include Hall Energy Law and Clean Energy Counsel (energy contracting), Braun Blasing Smith Wynne (CPUC compliance), and Polsinelli (employment law). Reduced costs reflect the non-utilization of contingencies.

Other services (+\$403,000; 74.8% increase): Other services represent professional services not budgeted under Technical or Legal services and include costs associated with support for the local programs strategic planning project (Arup), financial auditing (Baker Tilly), strategic planning services that will support the development of a technology road map (Energy Research Cooperative), information technology support (Neutrino Networks) and accounting services (Maher Accountancy). Higher Other services costs result from a variety of operating activities including the use of recruiters to attract key staff, investments in staff training services, contracting with a lobbying firm and the extension of a contract for outsourced accounting services with Maher Accountancy which is needed to support the transition of accounting functions in-house.

Communications and marketing services (-\$100,000; 28.7% decrease): Communications and related services include costs associated with customer outreach, marketing, branding, website management, translation, advertising, special events and sponsorships. Decreased costs reflect the non-utilization of contingencies and the in-sourcing of communications and marketing activities.

Customer notices and mailing services (+\$100,000, 33.3% increase): Increased customer notices and mailing services costs arise from higher than budgeted noticing costs for customer move-ins and includes a contingency.

Finance and interest expense (-\$200,000; 34% decrease): Finance and interest expenses represent fees, borrowing and letter of credit costs associated with CPA's loan facility. The decrease reflects the non-utilization of contingencies.

Interest income (-\$200,000; 23.6% decrease): Decreased interest income results from lower bank account balances and interest rates than assumed in the Budget.

Capital outlay (+\$500,000, 87% increase): Expenditures associated with capital outlay support the purchase of furniture, computers, audio visual equipment used at Board and other meetings, and a contingency for leasehold improvements. Increased capital outlay arises from the need to potentially accelerate some expenditures in this fiscal year instead of next fiscal year in order to keep CPA's move to new offices on schedule.

Attachment: 1) Proposed Amendment to the FY 2019/20 Budget

CLEAN POWER ALLIANCE of SOUTHERN CALIFORNIA				
Fiscal Year 2019/2020 BUDGET AMENDMENT				
PROPOSED				
A	B	C	D	E
	FY 2019/20 Base Budget	Amendment	FY 2019/20 Budget (Amended)	% Change
Revenue - Electricity net	743,350,000	51,375,000	794,725,000	6.9%
Net metering compensation		-		
Other revenue	10,000	-	10,000	0.0%
TOTAL REVENUE	743,360,000	51,375,000	794,735,000	6.9%
TOTAL ENERGY COSTS	687,568,000	51,375,000	738,943,000	7.5%
NET ENERGY REVENUE	55,792,000	-	55,792,000	0.0%
OPERATING EXPENSES				
Staffing	4,852,000	(206,000)	4,646,000	-4.2%
Technical services	1,777,000	(100,000)	1,677,000	-5.6%
Legal services	1,195,000	(96,000)	1,099,000	-8.0%
Other services	539,000	403,000	942,000	74.8%
Communications and marketing services	349,000	(100,000)	248,000	-28.7%
Customer notices and mailing services	300,000	100,000	400,000	33.3%
Data management services	11,930,000	-	11,930,000	0.0%
Service fees - SCE	2,215,000	-	2,215,000	0.0%
Local programs	1,450,000	-	1,450,000	0.0%
General and administration	757,000	-	757,000	0.0%
Occupancy	414,000	-	414,000	0.0%
TOTAL OPERATING EXPENSES	25,778,000	-	25,778,000	0.0%
OPERATING INCOME	30,014,000	-	30,014,000	0.0%
Finance and interest expense	588,000	(200,000)	388,000	-34.0%
Depreciation	12,000	-	12,000	0.0%
TOTAL NON OPERATING EXPENSES	600,000	(200,000)	400,000	-33.3%
Interest Income	849,000	(200,000)	649,000	-23.6%
TOTAL NON OPERATING REVENUE	849,000	(200,000)	649,000	-23.6%
		-		
CHANGE IN NET POSITION	30,263,000	-	30,263,000	0.0%
NET POSITION BEGINNING OF PERIOD	15,989,000	-	15,989,000	0.0%
NET POSITION END OF PERIOD	46,252,000	-	46,252,000	0.0%
<i>Other Uses</i>		-		
Capital Outlay	574,000	500,000	1,074,000	87%
Depreciation	(12,000)	-	(12,000)	0%
CHANGE IN FUND BALANCE	29,677,000	(500,000)	29,177,000	-2%
<i>Note: Funds may not sum precisely due to rounding</i>				