

Clean Energy Alliance  
JOINT POWERS AUTHORITY

Regular Board Meeting  
October 15, 2020, 2 p.m.  
Hosted by the City of Del Mar

# Item 4: Clean Energy Alliance Draft Energy Risk Management Policy

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Barbara Boswell, Interim Chief Executive Officer  
Kirby Dusel, Pacific Energy Advisors

# Item 4: Clean Energy Alliance Energy Risk Management Policy

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- Recommendation
  - Receive presentation and provide input into the draft Clean Energy Alliance Energy Risk Management Policy

# Energy Risk Management Policy Introduction

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- As a CCA, CEA's participation in various energy transactions exposes the organization to a variety of risks, including:
  - Market Price Risk
  - Counterparty Credit and Performance Risk
  - Load and Generation Volumetric Risk
  - Operational Risk
  - Liquidity Risk
  - Regulatory/Legislative Risk
- Best practices suggest that CEA should adopt an ERM Policy before actively engaging in the full scope of energy transactions that will be required to serve customers
- A draft ERM Policy has been developed for CEA, reflecting principles, practices and responsibilities successfully implemented by other CCAs

# Purpose of an Energy Risk Management Policy

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- During its normal course of business, CEA will be managing risks associated with its participation in California's wholesale energy markets
- A key component of effectively managing procurement and portfolio risks is being able to identify, measure and control market and credit risks
- The Energy Risk Management Policy (Policy) provides the framework around which CEA will manage various market and credit risks and outlines the roles and responsibilities for those participating in the management of such risks
- CEA's Policy can be updated (subject to Board approval), as necessary, to address new/evolving risks facing CEA or CEA's preferences related to the management of such risks

# Energy Risk Management Policy Administration

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- Certain responsibilities/functions will be segregated to ensure appropriate controls
- CEA's Board will oversee initial implementation of the Policy and adopt ongoing amendments, as necessary
- The CEO will chair the Risk Oversight Committee (ROC) and designate members of the committee
- The ROC will:
  - Begin meeting in late 2020 or early 2021
  - Meet on a quarterly basis, unless otherwise decided upon by the ROC Chair
  - Provide updates to the Board regarding its meetings no less than once per quarter
  - Adopt/adapt risk management guidelines
  - Specify permitted transactions and set related risk limits
  - Report any material violations of the Policy to the Board
  - Periodically review the Policy and recommend changes to the Board

# Key Energy Market Risks

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Market Price  
Risk

Counterparty  
Credit Risk

Load and  
Generation  
Volumetric Risk

Operational  
Risk

Liquidity Risk

Regulatory and  
Legislative Risk

# Key Elements of an ERM Policy

## 1. Define Risk Management Goals and Principles

- CEA will manage its energy portfolio with the purpose of reducing energy-related greenhouse gas emissions, promoting electric rate stability and fostering local economic benefits while contemporaneously minimizing risks.

## 2. Internal Control Principles

- Internal control principles consist of business practices designed to prevent errors and improprieties, ensure accurate and timely reporting of operational results and information pertinent to management, and facilitate attainment of business objectives. Key principles include the segregation of duties between front, middle and back office functions, and delegation of authority related to procurement activities.

## 3. Risk Management Business Practices

- A key component of the Policy is the requirement to regularly report risk metrics such as open positions, value-at-risk, and credit exposure.

## 4. Risk Management Policy Governance

- After the Board approves the Policy, it will oversee Policy administration until the Risk Oversight Committee (ROC) is formed and actively meeting. Once formed and actively meeting, the ROC will assume administrative oversight of the Policy.



# Overview of Risk Oversight Committee

- The Board will oversee compliance with the Policy until the ROC is formed and actively meeting.
- Once formed and actively meeting, oversight of the Policy, including establishment of DOAs, will be assigned to the ROC.
- ROC formation is planned in November 2020.
- The ROC will be a Committee focused on reviewing energy procurement activity and overseeing the management of accompanying risks. It is advisory in nature and therefore not subject to the Brown Act.
- As planned, ROC membership will be appointed by the CEO, comprised of a Board member, the CEO, CFO, General Counsel, and COO/Procurement Director (if/when hired). Others may be invited as necessary; technical consultants will have standing invitations.



# Delegation of Procurement Authority

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- **Purpose:** Delegations of Authority (DOAs) are tools that allow for timely and efficient participation in energy transactions.
  - DOAs shall be set at amounts commensurate with expected procurement levels and inclusive of designated executive staff and leadership.
  - DOAs allow for timely authorization to procure products that require quick responses (some within hours).
  - Executed transactions (completed during the prior month) will be reported at each Board meeting.
- **DOA Parameters:** DOA thresholds will be based on the tenor, volume, and notional value of each transaction.
- **Oversight:** The DOAs will be overseen and managed by the Board or ROC, consistent with the Energy Risk Management Policy. It is envisioned that oversight of the DOAs will be delegated to the ROC, the formation of which is planned in November 2020.

# Delegation of Authority Examples

**DRAFT EXAMPLE**  
**Estimated average transaction sizes and terms for individual confirmations**  
**CEA estimated annual power supply costs are ≈\$65 million annually**

Resource Type	Typical Annual Total MWh or MW	Usual Term	Term Used for Calculation	Price (\$/MWh or \$/kW-mo)	Notional Value
System Power	400,000	1-3 years	3	\$ 36.00	\$ 43,200,000
Resource Adequacy	1,200	1-3 years	3	\$ 7.50	\$ 27,000,000
Short-term Renewables	200,000	1-3 years	3	\$ 16.00	\$ 9,600,000
GHG-free	100,000	1-3 years	3	\$ 5.00	\$ 1,500,000
Long-term Renewables (fixed price)	250,000	10 years +	15	\$ 35.00	\$ 131,250,000
Long-term Renewables (index plus)	250,000	10 years +	10	\$ 14.00	\$ 35,000,000
System Power (for launch, 2 counterparties)	500,000	1-3 years	3	\$ 36.00	\$ 54,000,000

Delegation of Authority: Title/Governing Body	Product Type	Tenor Limit	Volumetric Limit	Notional Value Limit
Chief Executive Officer	System Power	Up to 1 year	400,000 MWh	\$ 15,000,000
	Resource Adequacy	Up to 1 year	1,500 MW	\$ 10,000,000
	Renewables	Up to 1 year	200,000 MWh	\$ 3,500,000
	GHG-free	Up to 1 year	200,000 MWh	\$ 1,000,000
Chief Executive Officer + CEA Board Chair	All Products	1 to 5 years	Unlimited	\$ 75,000,000
CEA Board	All Products	Any	Unlimited	Unlimited

# Item 4: CEA Energy Risk Management Policy

## Board Discussion

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# Item 5: Clean Energy Alliance Branding Update

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Barbara Boswell, Interim Chief Executive Officer  
Kevin Bostwick, Tripepi Smith

# Item 5: Clean Energy Alliance Branding Update

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- Recommendation
  - Approve Clean Energy Alliance Logo

# Item 5: Clean Energy Alliance Branding Update

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- Background
  - Board engaged Tripepi Smith to provide Marketing & Communications Services
  - CEA Brand and Logo Development are included in Scope of Services
  - September 17 Board Meeting Board provided input into CEA brand and logo
  - Tripepi Smith completed survey of Board and key staff
  - Logo designs reflect results of those outreach efforts

# Item 5: Clean Energy Alliance Branding Update

## Review Logo Options & Board Discussion

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# Item 6: Clean Energy Alliance Community Advisory Committee Nominees, Workplan and Schedule

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Barbara Boswell, Interim Chief Executive Officer

# Item 6: CEA Community Advisory Committee

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- Recommendation:
  - Approve CEA CAC Nominees: Carlsbad, Del Mar & Solana Beach
  - Approve Meeting Schedule & Work Plan

# Item 6: CEA Community Advisory Committee

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## Background:

- July 16, 2020 Board approved CAC Policy
- 2 Committee Members per Member Agency
- Board Alternate
- Applications Open August 3 – August 28, 2020

# Item 6: CEA Community Advisory Committee

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- Proposed Schedule & Work Plan:

MEETING DATE	WORK PLAN/TOPICS
December 2020	Overview of Brown Act Requirements and Conflicts of Interest Form 700 Community Choice Aggregation Overview CEA Implementation & Goals
March 2021	Community Outreach Plan to support CEA Implementation
June 2021	CEA FY 21/22 Budget Overview & Goals
September 2021	Overview & Discussion of Member Agency Climate Action Plans & Goals
December 2021	Overview of Programs offered by CCAs throughout the State

# Item 6: CEA Community Advisory Committee

## Board Discussion

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# Item 7: Clean Energy Alliance Bid Evaluation Criteria Policy

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Barbara Boswell, Interim Chief Executive Officer

# Item 7: Clean Energy Alliance Bid Evaluation Criteria Policy

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- Recommendation
  - Approve CEA Bid Evaluation Criteria Policy.

# Item 7: Clean Energy Alliance Bid Evaluation Criteria Policy

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- Background
  - July 16 CEA Board considered two alternative bid criteria and scoring system methodologies
  - CEA Board selected method that assigns high, medium, low and neutral ranking to priority criteria
  - Evaluation Criteria will apply to non-energy goods or services in excess of \$100,000 and power purchase agreements with third parties, and CEA owned projects to extent permitted by law
  - September 17 CEA Board considered initial draft Policy, provided input for final Policy



# Item 7: Clean Energy Alliance Bid Evaluation Criteria Policy

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- Changes reflected in the revised Policy include:
  - Change title of Local Economic Sustainability category to Environmental Stewardship
  - Add Social Equity Category
  - Revise Environmental Stewardship criteria to remove societal, health, and economic benefits
  - Add Social Equity criteria that reflects societal, health and economic benefits that address social equity to be evaluated as High or Low
  - Revise Local Job Growth criteria to add creation of new jobs to High rating; add a Medium rating to reflect employment of local workers and use of local businesses

# Item 7: CEA Bid Evaluation Criteria Policy

## Board Discussion

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# Item 8: Clean Energy Alliance Implementation Phasing Update

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Barbara Boswell, Interim Chief Executive Officer

# Item 8: Clean Energy Alliance Implementation Phasing Update

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- Recommendation
  - Authorize Interim Chief Executive Officer to execute letter agreement with San Diego Gas & Electric memorializing the proposed two-phased CCA implementation, to accommodate SDG&E's billing system replacement project, subject to General Counsel approval.

# Item 8: Clean Energy Alliance Implementation Phasing Update

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- CEA's Implementation Plan contemplated single-phase May 2021 CCA Launch
- July 2020 SDG&E notified CEA that it's billing system replacement project was delayed, which resulted in a need to review the Implementation Schedule and consider adjustments

# Item 8: Clean Energy Alliance Implementation Phasing Update

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- Proposal:
  - May 2021
    - Roll out to majority of Carlsbad & Del Mar Customers
    - Transition Solana Energy Alliance Customers
  - June 2021
    - Enroll remaining customers identified to have “complex” billing arrangements
    - CEA and SDG&E continuing to review customer list and finalize the phase 2 customers.
    - Goal to enroll as few customers as possible in June 2021
  - Proposal is not a material impact to financial pro forma

# Item 8: Clean Energy Alliance Implementation Phasing Update Board Discussion

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