Clean Energy Alliance
JOINT POWERS AUTHORITY

Regular Board Meeting
November 19, 2020, 2 p.m.
Hosted by the City of Solana Beach
Item 6: Authorize Execution of Escrow Agreement and Establishment of Secured Account to Satisfy Updated Financial Security Requirement

Barbara Boswell, Interim Chief Executive Officer
Item 6: Updated Financial Security Requirement

- **Recommendation**
  - Authorize Interim CEO to execute an escrow agreement with River City Bank and San Diego Gas & Electric and establishment of a new account with River City Bank in satisfaction of the new Financial Security Requirement, subject to General Counsel approval.
  - Appropriate $147,000 for the Financial Security Requirement, to be funded by an increase in the loan from Calpine Energy Solutions.
Item 6: Updated Financial Security Requirement

- **Background:**
  - CPUC issued Decision 18-05-022 which establishes financial security requirements for CCAs
    - Purpose to cover costs borne by IOU in the event of a mass involuntary return of CEA customers to the IOU.
    - Costs covered include procurement and administrative costs
  - Sets minimum FSR at $147,000 – to be recalculated every 6 months
  - CEA posted its initial CCA bond in March at $100,000
  - Will be returned once new amount has been satisfied
Item 6: Updated Financial Security Requirement

• Background:
  ◦ FSR can be satisfied in three ways:
    ◦ Letter of credit.
    ◦ Surety Bond
    ◦ Cash deposited with 3rd party secured by Escrow Agreement
  ◦ Staff working with SDG&E and River City Bank to develop Escrow Agreement
  ◦ CEA must file Advice Letter with CPUC showing evidence of satisfying requirement by December 8, 2020.
  ◦ Proposed to be funded by loan from Calpine
Item 6: Financial Security Requirement

Board Discussion
Item 7: Approve Increase in Promissory Note with Calpine Energy Solutions

Barbara Boswell, Interim Chief Executive Officer
Item 7: Approve Increase in Promissory Note with Calpine Energy Solutions

- Recommendation
  - Authorize increase in promissory note with Calpine Energy Solutions from $400,000 to $650,000 to provide funding for Financial Security Requirement and Resource Adequacy collateral Requirements.
Item 7: Approve Increase in Promissory Note with Calpine Energy Solutions

- **Background**
  - Agreement with Calpine Energy Solutions included loan up to $650,000 for start up costs
  - August 20, 2020 CEA Board authorized Promissory Note for $400,000 for admin costs through January 2021
  - Unforeseen costs have come up that result in recommendation to increase to $650,000
    - $147,000 Financial Security Requirement – must post prior to refund of $100,000 current held by CPUC
    - Cash Collateral Requirements for RA transactions
Item 7: Approve Increase in Promissory Note with Calpine Energy Solutions

- **Background**
  - Loan repayments to begin 3 months after serving customers
  - Repayment over 12 months
  - No recourse to Member Agencies
  - Interest rate of 1-month LIBOR + 2%
    - Currently 1-Month LIBOR is .13638
Item 7: Approve Increase in Promissory Note with Calpine Energy Solutions

Board Discussion
Item 8: Authorize Chief Executive Office to Negotiate Terms for CEA Credit Solution

Barbara Boswell, Interim Chief Executive Officer
Item 8: CEA Credit Solution

• Recommendation:
  ◦ Authorize Interim CEO to negotiate terms for CEA Credit Solution
Item 8: CEA Credit Solution

**Background:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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<tbody>
<tr>
<td>February 20, 2020</td>
<td>Considered RFP responses for Credit Solution and put selection on hold until June 2020</td>
</tr>
<tr>
<td>June 18, 2020</td>
<td>Considered Credit Solution offers from JP Morgan and River City Bank. Directed staff to reach out to Member Agencies regarding providing guaranty for River City Bank option for $2.5M of a total $4.0M credit solution.</td>
</tr>
<tr>
<td>July 8, 2020</td>
<td>City of Solana Beach City Council approved guaranty up to $175,000</td>
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<tr>
<td>July 14, 2020</td>
<td>City of Carlsbad City Council directed staff to return with to City Council with potential loan to CEA in lieu of providing guaranty</td>
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<tr>
<td>July 20, 2020</td>
<td>City of Del Mar City Council approved guaranty up to $75,000</td>
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<tr>
<td>July 28, 2020</td>
<td>City of Carlsbad City Council considered loan terms and conditions; did not approve making loan to CEA.</td>
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<tr>
<td>August 20, 2020</td>
<td>CEA Board approved executing promissory note with Calpine Energy Solutions for administrative costs through January 2021</td>
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Item 8: CEA Credit Solution

• Updated Funding Need:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Admin Costs Feb – June 2021</td>
<td>$540,000</td>
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<tr>
<td>CAISO Deposit</td>
<td>500,000</td>
</tr>
<tr>
<td>Deposits</td>
<td>245,000</td>
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<tr>
<td>Energy Supply Costs</td>
<td>3,057,808</td>
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<tr>
<td>TOTAL FUNDING NEED</td>
<td>$4,342,808</td>
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Item 8: CEA Credit Solution

- Updated Credit Terms:
  - JP Morgan
    - Increase term from 3 years to 5 years
    - Revised rate covenants to only those costs not covered by other sources
    - Open to discussions re: carve out for a rate subsidy program
  - River City Bank
    - Willing to consider no guaranty from Member Agencies
- Both options subject to credit approval
Item 8: CEA Credit Solution

• Recommend working with both financial institutions to initiate application process to determine best option
• Return with final option December 17, 2020
Item 8: CEA Credit Solution

Board Discussion