

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

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Barbara Boswell, Interim Chief Executive Officer

# Item 6: Updated Financial Security Requirement

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- 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

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- 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

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- Background:
  - FSR can be satisfied in three ways:
    - Letter of credit.
    - Surety Bond
    - Cash deposited with 3<sup>rd</sup> 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

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

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Barbara Boswell, Interim Chief Executive Officer

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

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- 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

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- 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

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- 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

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

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Barbara Boswell, Interim Chief Executive Officer

# Item 8: CEA Credit Solution

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- Recommendation:
  - Authorize Interim CEO to negotiate terms for CEA Credit Solution

# Item 8: CEA Credit Solution

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## Background:

<b>February 20, 2020</b>	Considered RFP responses for Credit Solution and put selection on hold until June 2020
<b>June 18, 2020</b>	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.
<b>July 8, 2020</b>	City of Solana Beach City Council approved guaranty up to \$175,000
<b>July 14, 2020</b>	City of Carlsbad City Council directed staff to return with to City Council with potential loan to CEA in lieu of providing guaranty
<b>July 20, 2020</b>	City of Del Mar City Council approved guaranty up to \$75,000
<b>July 28, 2020</b>	City of Carlsbad City Council considered loan terms and conditions; did not approve making loan to CEA.
<b>August 20, 2020</b>	CEA Board approved executing promissory note with Calpine Energy Solutions for administrative costs through January 2021

# Item 8: CEA Credit Solution

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- Updated Funding Need:

Admin Costs Feb – June 2021	\$540,000
CAISO Deposit	500,000
Deposits	245,000
Energy Supply Costs	3,057,808
<b>TOTAL FUNDING NEED</b>	<b>\$4,342,808</b>

# Item 8: CEA Credit Solution

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- 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

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- 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

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