

Clean Energy Alliance
JOINT POWERS AUTHORITY

Regular Board Meeting
December 17, 2020, 2 p.m.
Hosted by the City of Carlsbad

Item 6: CEA Pro Forma Update

Barbara Boswell, Interim Chief Executive Officer
John Dalessi, Pacific Energy Advisors

Item 6: CEA Pro Forma Update

- Recommendation
 - Receive presentation on the updated CEA Pro Forma.

Item 6: CEA Pro Forma Update

- Background:
 - Financial Projection based on current market conditions for:
 - Forecasted Customer Energy Usage (Load)
 - Forward Energy Price Curve
 - SDG&E Projected Generation Rates
 - SDG&E Projected PCIA Rates
 - Reflects financial picture if CEA were to set rates and purchase energy based on today's market
 - Can, and will, change as market conditions change, and until CEA sets its rates and enters into energy contracts

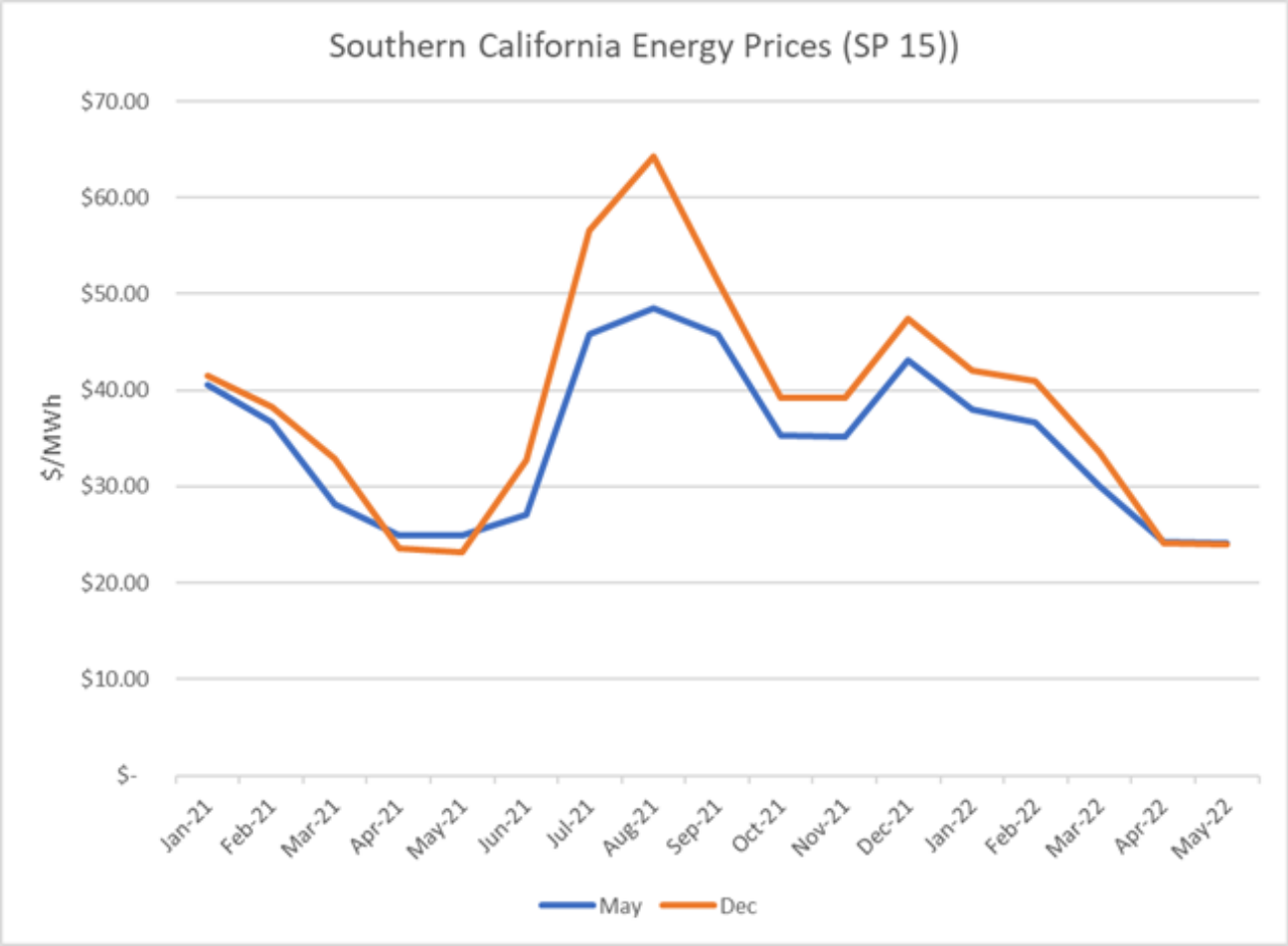
Item 6: CEA Pro Forma Update

- Changes since last presentation:
 - SDG&E Projected rates – ERRRA Rate Proceeding:
 - Concerns with Departing Load assumptions in rate setting
 - Artificially low rates
 - PCIA projected to increase to capped amount
 - Impacts CEA's ability to be cost competitive with SDG&E

Item 6: CEA Pro Forma Update

- Energy Forward Price Curve
 - Significant Increase in Forward Price Curve coming out of summer
 - 90% of CEA expenses are power supply related
 - Pro Forma based on procuring ALL of CEA's power supply needs at today's prices
 - CEA would ladder procures to mitigate impacts of price volatility
 - Pro Forma is a snapshot

Item 6: CEA Pro Forma Update



Item 6: CEA Pro Forma Update

- CEA Customer Usage (Load) Assumptions
 - Refined based on SDG&E data provided through phasing discussions
 - Excluded Poseidon Desalination Plant due to special billing arrangements with SDG&E
 - Pending on-going discussions for CEA service options

Item 6: CEA Pro Forma Update

- July 2020 Base Pro Forma Assumptions
 - 50% Renewable Energy Default increasing to 100% by 2035
 - Renewable Energy sourced from PCC1 and PCC2 at allowable levels
 - Contributing 5% to operating reserve to achieve 20% reserve by 2025
 - 90% participation rate
 - Cost parity with SDG&E (CEA rates set so customers pay same for generation as they would as SDG&E customer, taking into account SDG&E PCIA fees)

Annual DRAFT Pro Forma Projections for a Community Choice Aggregation Program - Parity; 50% Renewable Default to 100% Renewable by 2035
Clean Energy Alliance

Fiscal Year Ending:	2020	2021	2022	2023	2024	2025
I. Revenue	-	9,913,235	69,767,349	71,127,161	72,508,987	73,913,166
II. Operating Expenses						
Power Supply	-	8,988,017	60,976,876	59,978,716	61,512,028	62,261,087
Staff	50,000	120,000	600,000	618,000	636,540	655,636
Administrative Costs*	253,000	1,223,938	2,459,148	2,497,813	2,558,347	2,616,275
Subtotal Operating Expenses	303,000	10,331,956	64,036,023	63,094,529	64,706,915	65,532,998
Operating Margin	(303,000)	(418,721)	5,731,326	8,032,632	7,802,071	8,380,167
III. Financing						
Interest	-	123,333	146,250	116,038	69,822	22,280
Principal	-	450,000	500,000	1,287,015	1,332,791	1,380,194
Subtotal Financing	-	573,333	646,250	1,403,053	1,402,613	1,402,474
Operating Margin Less Financing	(303,000)	(992,054)	5,085,076	6,629,579	6,399,458	6,977,693
IV. Cash From Financing	450,000	4,500,000	-	-	-	-
V. Other Uses						
CPUC and CAISO Deposits	147,000	500,000	-	-	-	-
Collateral Deposits	0	2,500,000	-	-	-	-
Reserve Additions	-	495,662	3,488,367	3,556,358	3,625,449	3,695,658
Subtotal Other Uses	147,000	3,495,662	3,488,367	3,556,358	3,625,449	3,695,658
VI. Net Surplus/(Deficit)	-	12,284	1,596,708	3,073,221	2,774,009	3,282,035
VII. Cumulative Reserve	-	495,662	3,984,029	7,540,387	11,165,837	14,861,495
VIII. Cumulative Net Surplus	-	12,284	1,608,993	4,682,213	7,456,222	10,738,257
VI. Combined Cumulative Reserve & Cumulative Net Surplus	-	507,946	5,593,022	12,222,601	18,622,059	25,599,752

* Comprised of Technical and Legal Services, Customer Outreach and Communications, Utility Services Fees, Data Management Services, Uncollectibles

Item 6: CEA Pro Forma Update

- December 2020 Base Pro Forma Update
 - Using same based assumptions as July 2020
 - Updated Market Conditions
 - Overall cost parity with SDG&E for Generation costs

Annual Pro Forma Projections for a Community Choice Aggregation Program - Parity
Clean Energy Alliance
10-Dec-20

Fiscal Year Ending:	2020	2021	2022	2023	2024	2025
I. Revenue	-	4,714,374	38,398,225	39,056,596	39,730,718	40,538,324
Revenue - Voluntary 100% Green	-	-	-	-	-	-
Subtotal Revenue	-	4,714,374	38,398,225	39,056,596	39,730,718	40,538,324
II. Operating Expenses						
Power Supply	-	6,060,081	40,424,629	39,774,066	38,517,680	38,152,022
Staff	41,900	120,000	300,000	309,000	318,270	327,818
Administrative Costs	237,460	997,707	2,321,597	2,357,115	2,397,955	2,447,281
Subtotal Operating Expenses	279,360	7,177,788	43,046,227	42,440,181	41,233,905	40,927,122
Operating Margin	(279,360)	(2,463,414)	(4,648,002)	(3,383,585)	(1,503,188)	(388,797)
III. Financing						
Interest	-	81,594	168,787	133,327	96,515	58,298
Principal	-	650,000	926,553	961,902	1,532,400	1,036,697
Reserve Contribution	-	235,719	-	-	-	-
Subtotal Financing	-	967,312	1,095,340	1,095,229	1,628,914	1,094,995
Operating Margin Less Financing	(279,360)	(3,430,726)	(5,743,341)	(4,478,815)	(3,132,102)	(1,483,793)
IV. Cash From Financing	450,000	5,650,000	-	-	-	-
V. Other Uses						
CPUC and CAISO Deposits	147,000	500,000	-	-	-	-
Collateral		1,000,000	-	-	-	-
Subtotal Other Uses	147,000	1,500,000	-	-	-	-
VI. Net Surplus/(Deficit)	23,640	719,274	(5,743,341)	(4,478,815)	(3,132,102)	(1,483,793)
VII. Cumulative Reserve	-	235,719	235,719	235,719	235,719	235,719
VIII. Cumulative Net Surplus	23,640	719,274	(5,024,068)	(9,502,882)	(12,634,984)	(14,118,777)

- At cost parity -
 - Revenue not sufficient to cover energy costs, financing & operating reserves

Item 6: CEA Pro Forma Update

- December 2020 Base Pro Forma Update – Scenario 2
 - Using same based assumptions as July 2020
 - Updated Market Conditions
 - Setting CEA Generation rates to cover costs
 - CEA per KWh rate would be lower than SDG&E’s comparable rates
 - SDG&E PCIA fee drives overall generations costs higher as a CEA customer under current market conditions

Annual Pro Forma Projections for a Community Choice Aggregation Program - Premium

Clean Energy Alliance

10-Dec-20

Fiscal Year Ending:	2020	2021	2022	2023	2024	2025
I. Revenue	-	5,620,321	46,177,213	46,926,067	47,695,336	48,622,810
Revenue - Voluntary 100% Green	-	-	-	-	-	-
Subtotal Revenue	-	5,620,321	46,177,213	46,926,067	47,695,336	48,622,810
II. Operating Expenses						
Power Supply	-	6,060,081	40,424,629	39,774,066	38,517,680	38,152,022
Staff	41,900	120,000	300,000	309,000	318,270	327,818
Administrative Costs	237,460	997,707	2,321,597	2,357,115	2,397,955	2,447,281
Subtotal Operating Expenses	279,360	7,177,788	43,046,227	42,440,181	41,233,905	40,927,122
Operating Margin	(279,360)	(1,557,467)	3,130,987	4,485,886	6,461,431	7,695,689
III. Financing						
Interest	-	81,594	168,787	133,327	96,515	58,298
Principal	-	650,000	926,553	961,902	1,532,400	1,036,697
Reserve Contribution	-	281,016	2,035,647	2,346,303	2,384,767	2,431,141
Subtotal Financing	-	1,012,610	3,130,986	3,441,533	4,013,681	3,526,136
Operating Margin Less Financing	(279,360)	(2,570,076)	0	1,044,354	2,447,750	4,169,553
IV. Cash From Financing	450,000	5,650,000	-	-	-	-
V. Other Uses						
CPUC and CAISO Deposits	147,000	500,000	-	-	-	-
Collateral	-	1,000,000	-	-	-	-
Subtotal Other Uses	147,000	1,500,000	-	-	-	-
VI. Net Surplus/(Deficit)	23,640	1,579,924	0	1,044,354	2,447,750	4,169,553
VII. Cumulative Reserve	-	281,016	2,316,663	4,662,966	7,047,733	9,478,873
VIII. Cumulative Net Surplus	23,640	1,579,924	1,579,924	2,624,278	5,072,027	9,241,580

- Reflects higher customer opt out
 - 16% compared to base 10%
- Average residential customer bill 3.6%, or \$3.50 per month, higher than SDG&E bundled service
- CEA is NOT setting rates today
 - February 2021
- CEA is NOT procuring power today
 - Spring 2021
- SDG&E 2021 final rates not yet approved
 - Late December 2020
- Market conditions will continue to be monitored
 - Pro Forma update in February 2021 with rate setting

Item 6: CEA Pro Forma Update

Board Discussion

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

Barbara Boswell, Interim Chief Executive Officer

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

Recommendation

1) Approve energy product options to offer at launch, or other alternatives as determined by the Clean Energy Alliance Board:

- * 50% Renewable Energy Product – Minimum Default Energy Product
- * 100% Renewable Energy Product – Alternative Default Energy Product Option for Member Agencies; Voluntary Opt-Up Product for customers at a rate premium
- * Minimum State Renewable Portfolio Standards Product – Voluntary Opt-Down for Customers at a reduced rate

2) Approve Product Names, or other alternatives as determined by the CEA Board:

Green Impact – 50% Renewable Energy Product

Clean Impact – 100% Renewable Energy Product

Local Impact – Meets State Required Renewable Energy Standards (If Approved by

Board)

Personal Impact – Net Energy Metering Program

3) Approve CEA Terms and Conditions – General Service and Net Energy Metering

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Product Offerings
 - Section 6.5 of CEA JPA Agreement
 - Base Default product greater than or equal to 50% Renewable
 - Board will establish optional product offerings with higher renewable and/or GHG-free content
- Survey of CCAs throughout the state
 - 19 offer voluntary 100% renewable energy (opt-up product)
 - 2 offer voluntary 50% renewable energy (one is 100% carbon free)
 - No CCAs offer a 75% renewable energy in addition to 100% renewable

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- JPAs allow member agencies to select the based default or one of the voluntary opt-up products as default
 - Rates determined by product selected as default
 - Those with 100% as default also allow individual customers to opt down
 - CPA has a 36% renewable energy product as an opt down option
 - Provides option for those customers who have cost concerns

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Based on JPA Agreement & research recommend:
 - 50% renewable energy product as minimum default option
 - 100% renewable energy product
 - Voluntary opt-up for customers
 - Available for communities to select as default
 - Minimum State RPS (36% in 2021; 39% in 2022)
 - Voluntary opt-down for customers
 - Alternative for those customers with cost concerns
 - Alternative to opting out
- Rates for products will be set by Board in February 2021

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Product Names
 - Reflect CEA Identity and Brand
 - Best to avoid reference to renewable content (50 or 100)
 - CEA JPA and Board Adopted Policies reflect recurring theme
 - "Impact"
 - Local Economy, Environment, Greenhouse Gas Emissions

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Product Names
 - Green Impact – 50% Renewable Energy Product
 - Clean Impact – 100% Renewable Energy Product
 - Local Impact – Minimum RPS (if approved by Board as part of offerings)
 - Personal Impact – Net Energy Metering Program
 - Theme of Impact would be continued into future products & programs

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Program Terms & Conditions
 - Customer rights and responsibilities related to taking service from CEA
 - General Terms & Conditions based on best practices and rules that guide CCA operations
 - Provide information on: Billing, enrollment, discount programs (CARE/FERA/etc) Opting out and failure to pay

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Net Energy Metering (NEM) Terms & Conditions
 - Applicable to customers with self generation (solar)
 - Receive credit for system generation based on applicable rate
 - Receive charge for usage based on applicable rate
 - Credits offset charges each billing period
 - Excess credits will flow to next billing period for future offset
 - Excess charges will flow to customer bill
 - At end of 12-month period, kWh generated compared to kWh used – excess kWh will be eligible for Net Surplus Compensation (NSC)
 - NSC rate set by Board in February

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

- Net Energy Metering (NEM) Terms & Conditions
 - Applicable to customers with self generation (solar)
 - NSC payments in excess of \$100 will be paid by check
 - NSC payments less than \$100 credited to customer account
 - NEM accounts reset to zero at completion of true-up
 - Mirrors SDG&E NEM program

Item 7: CEA Terms & Conditions, Product Branding, Default Energy Options and Programs

Board Discussion

Item 8: Approve Credit Solution with JP Morgan for Start-up and Working Capital

Barbara Boswell, Interim Chief Executive Officer

Item 8: CEA Credit Solution

- Recommendation:
 - Authorize Interim CEO to execute all documents and take all necessary actions to secure CEA's financing with JP Morgan, subject to General Counsel approval, or other alternative as determined by CEA Board
 - \$5,000,000 for start-up and working capital costs;
 - \$5,000,000 (subject to credit approval and CEA Board Authorization) for liquidity via Standby Letters of Credit or cash postings for power contracts;
 - \$5,000,000 (subject to credit approval and CEA Board Authorization) available upon launch for additional working capital or liquidity support for power purchase agreements

Item 8: CEA Credit Solution

February 20, 2020	Considered RFP responses for Credit Solution and put selection on hold until June 2020
June 18, 2020	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.
July 8, 2020	City of Solana Beach City Council approved guaranty up to \$175,000
July 14, 2020	City of Carlsbad City Council directed staff to return with to City Council with potential loan to CEA in lieu of providing guaranty
July 20, 2020	City of Del Mar City Council approved guaranty up to \$75,000
July 28, 2020	City of Carlsbad City Council considered loan terms and conditions; did not approve making loan to CEA.
August 20, 2020	CEA Board approved executing promissory note with Calpine Energy Solutions for administrative costs through January 2021
November 19, 2020	CEA Board Authorized negotiation of CEA Credit Solution

Item 8: CEA Credit Solution

- Updated Funding Need:

Admin Costs Feb – June 2021	\$540,000
CAISO Deposit	500,000
Deposits	245,000
Energy Supply Costs	3,125,848
Working Capital	589,152
TOTAL FUNDING NEED	\$5,000,000

Item 8: CEA Credit Solution – River City Bank Option

River City Bank - \$4,000,000	
Credit Facility	Nonrevolving Line of Credit (NRLOC)/Revolving Line of Credit (RLOC)
Amount	\$2,500,000 NRLOC \$1,500,000 RLOC
Term	2 years with option to convert both NRLOC and RLOC to term loan for up to an additional 3 years for total 5-year term
Security	\$2.5M NRLOC secured by one of the following options: 1) Guarantee from one or all of the JPA Members or other creditworthy party 2) Cash Collateral for 100% of NRLOC loan amount 3) Combination of guarantees and cash collateral at levels acceptable to RCB
Interest Rate	NRLOC - One-month US Treasury Bill yield plus 2.5% subject to a 3.00% floor RLOC - One-month US Treasury Bill yield plus 3.0% subject to a 3.50% floor Term Loan – 3-Year US Treasury Note yield plus 3.00% subject to a 3.50% floor
Loan Fees	\$15,000

Item 8: CEA Credit Solution – River City Bank Option

- Pros –
 - RCB Experience working with CCAs & Understanding of Industry
 - Good Experience working with RCB on Banking Needs
 - Favorable Interest Rate
- Cons –
 - Credit Solution doesn't meet current need
 - Potential need for guarantee

Item 8: CEA Credit Solution – JP Morgan Option

JP Morgan - \$5,000,000 Start-Up & Working Capital	
Credit Facility	Revolving Line of Credit (RLOC)
Amount	\$5,000,000
Term	Up to 5 Years
Security	CEA only – Nonrecourse to the member agencies
Interest Rate	One-month or three-month LIBOR plus 3.45% (1-month LIBOR was .15388% last week)
Undrawn Fee	1.95% calculated on the undrawn portion of the \$5.0M RLOC
Loan Fees	\$50,000

Item 8: CEA Credit Solution – JP Morgan Option

- Pros –
 - Credit Facilities beyond Initial Need (future needs met)
 - Non-Recourse to Member Agencies
- Cons –
 - Covenants
 - Terms have been improved – rate covenant limited to costs not paid from other sources or contractual obligations
 - Slightly higher interest rate
 - Reflected in pro forma presented
- CEA has received full credit approval by JP Morgan to move forward

Item 8: CEA Credit Solution

Board Discussion
