

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:

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

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	3,057,808
TOTAL FUNDING NEED	\$4,342,808

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
